Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

LUXEMBOURG

ANNUAL FINANCIAL STATEMENTS AND OPERATIONS REPORT - 2021

DZ PRIVATBANK Société Anonyme

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DZ PRIVATBANK

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LIST OF ABBREVIATIONS

Abbreviation	Designation
€STR	Euro short-term rate
AC	Amortised cost
AG	Public limited company
AI	Alternative investment funds
AIP	Annual improvement projects
and/or	and/or
ARR	Alternative reference rate
ASSEP	l'association d'épargne-pension
BMR-compliant	Compliant with the Benchmarks Regulation
bn	Billion
BVR	Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V.
CF	Cash flow
CRR	Capital Requirements Regulation
CSSF	Commission de Surveillance du Secteur Financier
CVA	Credit valuation adjustment
DACH	Germany, Austria and Switzerland
DIP	Debt issuance programme
DVA	Debt valuation adjustment
e.g.	For example
ECB	European Central Bank
ECL	Expected credit loss
ECP	Euro Commercial Paper
EONIA	Euro Overnight Index Average
et al.	among other things
etc.	et cetera
ETD	Exchange futures
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
EWB	Individual value adjustment
FGDL	Fonds de garantie des dépôts Luxembourg

FVO	Fair value option
FVTPL	Financial assets measured at fair value through profit or loss
G20	Group of the twenty most important industrialised and emerging countries
GAAP	Generally accepted accounting principles
GDP	Gross domestic product
HQLA	High-quality liquid assets
i.e.	that is
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	Interbank offered rates
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest risk in the banking book
ISDA	International Swaps and Derivatives Association
IT	Information technology
Kfz	Motor vehicle
LCR	Liquidity coverage ratio
LIBOR	London Interbank Offered Rate
LtECL	Lifetime expected credit loss
m	Million
MLÜ	Minimum liquidity surplus
NAG	De minimis limit
NFM Team	Emergency Management Team
NII	Net interest income
ORC	Operational Risk Centre
OTC	Over the counter
p.a.	per annum
RCL policy	Risk, capital and liquidity policy
RCL strategy	Risk, capital and liquidity strategy
RFR	Risk-free rates
S.A.	Société Anonyme
SEPCAV	La société d'épargne-pension à capital variable
SIIL	Système d'indemnisation des investisseurs, Luxembourg

sog.	So-called
SRB	Single Resolution Board
TEUR	Thousand euros
UN	United Nations
VaR	Value at risk
VRB	Cooperative banks [Volks- und Raiffeisenbanken]

REPORT OF THE SUPERVISORY BOARD

In 2021, the Supervisory Board, and Executive Committee appointed by it, advised and supervised the members of the Board of Management in accordance with legal requirements and the provisions of the Articles of Association. Decisions on the transactions presented for their approval were also made.

COOPERATION WITH BOARD OF MANAGEMENT

The Board of Management reported regularly, promptly and extensively in verbal and written form to the Supervisory Board regarding the performance of the Company and the DZ PRIVATBANK Group regarding day-to-day business. Furthermore, the Board of Management informed the Supervisory Board on a regular basis concerning the business policy including the strategic and organisational direction of DZ PRIVATBANK S.A. The commercial position of the Company, the corporate planning and strategy, as well as key financial data and risk management, were highlighted in the statements.

Three meetings of the Supervisory Board were held in the 2021 financial year. A major focus of the work of the Supervisory Board was to help the Bank to continue with its successful growth strategy in the business segments of Private Banking, Fund Services and Lending. Another focus was on the optimisation of service and product ranges, the further development of market standards and the continuous improvement of the competitive position.
In its December meeting, the Supervisory Board defined the business strategy for 2022, taking into account key sustainability aspects. At the same meeting, the risk, capital and liquidity strategy 2022 as well as the Bank's IT strategy were adopted.

The Supervisory Board acknowledged DZ PRIVATBANK's very good result in 2021 and in particular the significant increase in net commission income in the Fund Services and Private Banking business segments. The result and sales success of the business segments were all the more pleasing given the ongoing SARS-COV-2 pandemic. Internally, regarding the SARS-COV-2 pandemic, the protective measures initiated in 2020 continued to be implemented quickly, stringently and prudently by the Board of Management in close coordination with the Bank's emergency organisation to safeguard banking operations as well as the protection of employees. Key cornerstones included the early and free provision of FFP2 protective masks and their mandatory use for all employees as well as the free and mandatory introduction of in-house rapid antigen tests from May 2021. In addition, employees at the locations in Germany were also offered the possibility of company medical vaccinations in cooperation with DZ BANK AG in the middle of the year.

The pandemic-related changes in processes, both at the client interface and internally, were further optimised and accelerated. In the process, a variety of new innovative and digital forms of work were also tested and introduced. There was a gradual return of employees to the Bank in line with the decreasing case incidences over 2021.
Linked to this, external and internal events could also be changed from a digital-only to a hybrid mode.

This was in line with the needs and expectations of clients, employees and business partners, who viewed the long-missed face-to-face contact positively.

In the Private Banking business segment, it was possible to build on the comprehensive realignment of the last two years. The business volume increased by a remarkable EUR 3.1 billion to EUR 24.3 billion. In asset management alone, net inflows of more than EUR 1.8 billion were achieved in 2021 in cooperation with Volksbanken Raiffeisenbanken. This illustrates how successfully the VR-PrivateBanking and DZ-PrivateBanking sales channels are now being accepted by the cooperating Volksbanken Raiffeisenbanken. The sales successes are also reflected in the assets under management. These rose to more than EUR 23 billion, an increase of over EUR 3 billion compared to the previous year. The asset management ratio in the Bank increased from 61 percent in 2020 to 69 percent. Drivers included Swissness solutions and solutions with ESG integration. Market cultivation was innovatively supported by further tailored digital client contact options. In general, the focus of the digital future strategy in private banking is on the further expansion of online services and digital support in customer relationship management. In addition, the customisability of investment solutions in the form of private-label asset management was relaunched in VR-PrivateBanking and the first joint projects were successfully launched with selected Volksbanken Raiffeisenbanken. In DZ Private Banking, the introduction of improved conditions management and the professionalisation of the advisory product range in particular contributed to positive effects in sales performance.

In the Fund Services business segment, the custodian bank volume increased considerably from EUR 139.5 billion in the previous year to EUR 182 billion in the depositaries in Luxembourg, Zurich and Frankfurt. This meant a new record value was also achieved in this business segment. Despite the impact of the coronavirus crisis, large-volume fund projects were successfully implemented and last year's level was far exceeded. In total, more than 60 new fund projects were launched and migrated in 2021. Demand for alternative investment strategies remains particularly high among institutional investors. Against this backdrop, the Fund Services business segment achieved impressive successes in the acquisition and administration of alternative investment funds in 2021. Its many years of experience and expertise in the field of alternative investments came into its own. Overall, the programme with alternative asset classes performed significantly above the previous year (EUR 4.9 billion) at EUR 16.3 billion. The Fund Services business segment has therefore further strengthened and expanded its position as a transnational full-service provider.

In line with the strategic target and dynamic trend of previous years, the share of variable euro financing in the total lending volume of EUR 5.5 billion continued to increase in the Lending business segment. The declining CHF volume was offset by new business in EUR.

Under the name "VR Eigenheim&Flexibility", DZ PRIVATBANK has been offering a new unique solution for clients who have large parts of their assets tied up in real estate since this year. The cooperative banks can make these assets accessible again via "VR Eigenheim&Flexibilität" together with LuxCredit. And this can be done without the client having to give third parties a say and access to their real estate property. With the LuxCredit brokerage business, DZ PRIVATBANK has created a unique selling proposition for client and cooperative banks that offers high growth potential in the future, especially in the target group of "best agers".

Treasury/Brokerage, in cooperation with the Private Banking, Fund Services and Lending business segments, made its important contribution to the Bank's overall result. The result was driven by an increase in securities and foreign exchange transactions, which resulted from the strong increases in AuM in Private Banking and AuC in Fund Services. The positive developments in 2021 clearly show the advantage of the complementary services in the business segments of Private Banking, Fund Services and Lending as well as the unique combination of internationality with locations in Luxembourg, Germany and Switzerland and regionality with the local cooperative banks.

The Supervisory Board participated in internal qualification measures on the topics of "cryptoassets & blockchain" and "sustainability". In both training sessions, the focus was on a classification of the topics with regard to their implementation and value within DZ PRIVATBANK.

The Supervisory Board conducted the annual evaluation of the Board of Management and the Supervisory Board at the end of the first half of 2021. In doing so, it came to the conclusion that the structure, size, composition and performance of the Board of Management and the Supervisory Board as well as the knowledge, skills and experience of the individual members of the Board of Management and the Supervisory Board and of the Board of Management and the Supervisory Board as a whole meet the requirements. The Supervisory Board has determined both the suitability of the individual members of the Board of Management and Supervisory Board and the collective suitability of the Board of Management and Supervisory Board as a whole.

DRAWING UP OF THE ANNUAL FINANCIAL STATEMENTS

The Executive Committee and the Supervisory Board had detailed discussions on the annual financial statements and the operations report for the 2021 financial year. The audit report of the auditor PricewaterhouseCoopers, Société coopérative, Luxembourg was available. The auditor representative reported in detail to the Executive Committee on the results of the audit and were available to give additional explanations and opinions. The auditor issued an unqualified audit opinion. The Supervisory Board has confirmed the annual financial statements for the 2021 financial year prepared by the Board of Management. It is proposed to distribute a dividend to shareholders at the previous year’s level of EUR 0.50 per share.

CHANGES IN THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT

Mr Stefan Bielmeier joined the Board of Management of DZ PRIVATBANK S.A. as a new member with effect from 1 January 2021. The mandates of all ten members of the Supervisory Board ended at the end of the Annual General Meeting in 2021. While seven members were available for a further term of office, three members, Mr Karl-Heinz Dreher, Mr Andreas Hof and Dr Werner Leis, resigned due to their foreseeable retirement. Michael Huppert, Klaus Königs and Hans-Peter Lechner were newly appointed. The entire Supervisory Board would like to thank the departing members of the Supervisory Board for their many years of valuable support in the strategic development of the Bank and the employees of DZ PRIVATBANK S.A. for their successful work in 2021.

Luxembourg, 14 March 2022

DZ PRIVATBANK S.A.
Uwe Fröhlich
Chairman of the Supervisory Board

OPERATIONS REPORT

GENERAL PERFORMANCE

DZ PRIVATBANK S.A. is publishing its financial statements in accordance with International Financial Reporting Standards (IFRS).

Within the framework of the integrated business model, the earnings of DZ PRIVATBANK Group increased to EUR 41.5 million (2020: EUR 38.1 million) in the financial year with the integration of subsidiaries. After taxes, the earnings amount to EUR 32.1 million (2020: EUR 28.3 million). DZ PRIVATBANK S.A. reported earnings after tax of EUR 23.4 million for the 2021 financial year (2020: EUR 29.2 million)

The balance sheet total of DZ PRIVATBANK S.A. increased by EUR 3.9 billion to EUR 20.9 billion in the financial year.

ASSETS

The cash reserves, which consists of cash on hand and balances with central banks, increased by EUR 4.0 billion to EUR 10.0 billion.

Amounts due from banks totalled EUR 1.4 billion (2020: EUR 1.6 billion), with EUR 0.4 billion (2020: EUR 0.4 billion) originating from currency loans to cooperative banks.

Loans and advances to clients increased to EUR 5.9 billion (2020: EUR 5.7 billion).

EUR 5.4 billion (2020: EUR 5.2 billion) of these loans are to clients in Germany.

Financial assets decreased by six percent to EUR 3.2 billion (2020: EUR 3.4 billion).

LIABILITIES

Securitised liabilities increased by EUR 0.7 billion to EUR 4.9 billion (2020: EUR 4.2 billion). Liabilities to banks increased by EUR 0.2 billion to EUR 2.4 billion (2020: EUR 2.2 billion).

Liabilities to clients increased by EUR 3.0 billion to EUR 12.3 billion (2020: EUR 9.3 billion).

Together with securitised liabilities, these deposits represent approximately 82 percent (2020: approximately 79 percent) of the total refinancing funds.

The balance sheet equity of EUR 850 million (2020: EUR 835 million) increased by 2% compared to the previous year. The reasons for this increase are the addition to retained earnings in the amount of EUR 19.6 million and the EUR 5.8 million lower result for the financial year in 2021 of EUR 23.4 million (2020: EUR 29.2 million) with a reduction of EUR 1.2 million in the reserve from the result not affecting net income.

STATEMENT OF COMPREHENSIVE INCOME

Net interest income including income from affiliated companies decreased by EUR 10.0 million to EUR 68.0 million (2020: EUR 78.0 million). Income from the receipt of dividends from associated companies increased by nine percent from EUR 8.8 million to EUR 9.3 million.
In terms of net fee and commission income, the Bank recorded an increase of 9.9 percent to EUR 151.8 million (2020: EUR 138.2 million). This development is mainly due to increased income from the custodian bank function (EUR +11.8 million) and asset management (EUR +3.7 million). At the level of DZ PRIVATBANK Group, net fee and commission income rose by 13.0 percent from EUR 187.5 million to EUR 212.0 million, partly due to a significant increase in the result of DZ PRIVATBANK (Schweiz) AG.

Trade income rose by EUR 0.7 million to EUR 13.7 million (2020: EUR 13.0 million) as a result of a higher client-induced transaction volume. At the level of DZ PRIVATBANK Group, the increase amounted to EUR 3.7 million to EUR 20.9 million, which the strongly increased client-induced transaction volume of DZ PRIVATBANK (Schweiz) AG mainly contributed to.

General administrative expenses rose by 7.3 percent to EUR 204.5 million (2020: EUR 190.5 million) with personnel expenses increasing by 8.2 percent to EUR 126.5 million (2020: EUR 117.0 million) and other administrative expenses by 11.5 percent to EUR 61.3 million (2020: EUR 55.0 million). Depreciations of tangible fixed assets and intangible assets decreased by 10.0 percent to EUR 16.6 million (2020: EUR 18.5 million).

Within the framework of the integrated business model, the result of DZ PRIVATBANK Group increased to EUR 41.5 million (2020: EUR 38.1 million) in the financial year with the integration of subsidiaries. After tax, the earnings amount to EUR 32.1 million (2020: EUR 28.3 million).

Earnings before tax of DZ PRIVATBANK S.A. amount to EUR 26.6 million (2020: EUR 36.1 million). After taking into account effective taxes of EUR 2.8 million (2020: EUR 5.5 million) and deferred taxes of EUR 0.4 million (2020: EUR 1.5 million), DZ PRIVATBANK S.A. reported earnings after tax of EUR 23.4 million (2020: EUR 29.2 million).

The subsidiaries of DZ PRIVATBANK S.A. recorded significant increases in earnings in 2021: DZ PRIVATBANK (Schweiz) AG was able to achieve positive net earnings before tax of EUR 3.8 million in 2021 under IFRS for the first time since 2013 (2020: EUR -5.0 million). Earnings before tax of IPConcept (Luxembourg) S.A. increased to EUR 16.7 million (2020: EUR 12.2 million).

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

The Board of Management proposes to the ordinary general meeting that the annual financial statements be approved and that an unchanged dividend of EUR 0.5 per share (totalling EUR 11.4 million) be paid to shareholders from the annual profit.

EMPLOYEES

The Bank had 1,008 employees on the balance sheet date (2020: 931 employees). This figure corresponds to an FTE figure of 891 (2020: FTE figure of 861). The employees remain spread across the Bank's head office in Luxembourg and eight branches in Germany.

SUSTAINABILITY

Sustainability is part of DZ PRIVATBANK S.A.'s responsibility as a member of the Genossenschaftliche FinanzGruppe (Cooperative Financial Network) and an integral part of its mission statement. As part of the "Sustainability Market Initiative" initiated by the DZ BANK Group, DZ PRIVATBANK S.A. has been integrating sustainable aspects into its corporate activities since 2012. Since 2013, it has recognised the ten principles of the UN Global Compact.

DZ PRIVATBANK S.A. is included in the non-financial group reporting of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, and is therefore exempt from issuing its own non-financial statement. The non-financial group statement is part of DZ BANK's sustainability report and is available in German on the following website: www.dzbank.de/berichte

RISK MANAGEMENT SYSTEM

A key feature of DZ PRIVATBANK's bank management is the established, cross-location risk management system for quantifying and managing all risks, in particular market price, liquidity, counterparty default and operational risks, and for exploiting business opportunities. Risk management should be regarded in particular against the backdrop of overall operations, sophisticated products and multi-layered risk factors.

The methods and procedures used within the risk management system and the stages of the process for identifying, quantifying, analysing, controlling and monitoring risks are regularly updated and validated each year. The Bank has an integrated risk-monitoring and control system to accomplish these tasks. All risk limits and the Bank's risk-bearing capacity are reviewed daily and, if necessary, adjusted in accordance with the risk, capital and liquidity strategy adopted by the Supervisory Board and the implementation measures of the risk, capital and liquidity policy enacted by the Board of Management.

Functioning independently, the Risk Control Department continuously ensures that all the measured risks remain within the limits approved by the Supervisory Board. All forms of risk are monitored and aggregated daily throughout the entire Bank and at Group level. All relevant committees and departments are kept up to date regarding the Bank's risk situation.

In addition to the balance sheet assets and liabilities, the Bank also uses derivative financial instruments to control risk. These essentially comprise currency and interest futures transactions. All these instruments are taken into account in full when controlling and monitoring market price, counterparty default and liquidity risks.

Over the past year, the Bank complied, without exception, with the supervisory regulations relating to equity cover, liquidity and credit limits.

OUTLOOK

No events of particular significance occurred after the balance sheet date.

Overall, DZ PRIVATBANK is optimistic about the new financial year. The latest developments on the capital markets are burdened by the geopolitical situation and the Covid-19 pandemic. We expect the impact of the pandemic to gradually diminish in the new year, despite the ongoing burden of new mutations such as Omicron most recently.

Globally, we expect the positive economic developments to continue, albeit with reduced momentum compared to the previous year. Economic development should be supported by a reversal of the pandemic-related closure measures and the associated easing of tensions in global supply chains. With the return to normality, some industrial sectors are experiencing catch-up effects that are also boosting global economic growth. While we see growth in the US and Europe at roughly the same level, we expect a positive growth surprise in China.

The economic recovery has already led to a strong increase in inflation rates over the course of the past year. The increased demand was met with a limited supply. Assuming an improvement in supply chain issues despite virus variants, we expect supply constraints to ease. As a result, the temporary inflation components will gradually decrease in the course of the year. We do not expect inflation rates to return to pre-crisis levels, especially in the US, as more structural inflation components such as the US labour market manifest themselves.

The US Federal Reserve will tighten its monetary policy over the course of the year and, on the one hand, reduce the bond purchase programme and, on the other, raise its key interest rate in several steps. In Europe, there is a risk that the ECB will also come under pressure to act and respond to the increased inflation rates, even though it has so far emphasised that it sees the inflation as temporary.

PRIVATE BANKING

The very positive development in Private Banking – based on the successfully implemented realignment of the business segment – will continue with high momentum across all sales channels in 2022.

After the record year 2021 (net sales EUR 1.3 billion vs EUR 1.1 billion in 2020; AUM EUR 23.2 billion vs EUR 20 billion in 2020), the Volksbanken Raiffeisenbanken active in private banking sales are planning an additional increase in net sales of around 37 percent to more than EUR 2.0 billion in the 2022 financial year. The resulting net fees are non-grant commission income and therefore future-proof sources of fixed income for the partner banks of DZ PRIVATBANK. The focal points in market cultivation geared towards potential differ depending on the sales channel:

The main focus areas in VR Private Banking in 2022 will continue to be the distribution of SWISSNESS mandates as exclusive investment solutions with a unique selling proposition for the partner banks. In addition, the megatrend of sustainability (share of sustainably managed AUM already at > 15%) and the conventional AM solutions will be further supplemented by the success factor of emotionalisation through the introduction and expansion of digital private banking experiences. In addition, the focus is on the customisability of investment solutions for Volksbanken Raiffeisenbanken in the form of private-label asset management. The aim is to continue to expand the sales base at a high level, to serve specific client needs and thereby to achieve additional net inflows.

In DZ Private Banking, the package of measures successfully implemented in 2021 – in particular the introduction of improved conditions management, the professionalisation of the advisory product range and, among other things, the realignment of the Bavarian region – will lead to further very positive effects on the joint sales performance. Accordingly, in 2022, the sales focus will be on the target-oriented approach and acquisition of entrepreneurs and shareholders for the tailored range of solutions in private banking as well as the use of usufructuary deposits in the transfer of assets in the case of inheritance and bequest or to avoid negative interest rates.

In Wealth Management, which focuses on the individual servicing of high-net-worth clients with very different needs, a significant increase in net inflows is planned. In 2022, the optimisation measures that have already been successfully implemented in DZ Private Banking will also be implemented in Wealth Management in market cultivation with an impact on earnings. The starting point here is a very broad international range of services that has won awards in renowned specialist media and ranges from conventional asset management to asset structuring, financial and pension planning, generation management, corporate investments and foundation consulting.

FUND SERVICES

In 2021, DZ PRIVATBANK's Fund Services business segment was able to continue on the successful growth path of previous years. The strategic focus continues to be on expanding the strong market position with the companies of the Genossenschaftliche FinanzGruppe (Cooperative Financial Network) as well as with the client groups of institutional investors, independent asset managers and family offices. As a reliable partner offering a full range of fund services and specialist expertise that is recognised in the market, the depositary's assets in the amount of EUR 182.1 billion increased by 30.5 percent year-on-year in 2021 (2020: EUR 139.5 billion).
In addition, record net inflows of EUR 29.6 billion (2020: EUR 15.9 billion) were recorded.

This is exemplified by the close cooperation with Union Investment, the investment company of DZ BANK Group, for which the depositary function is performed in Luxembourg.

The outstanding market position in the business with third-party fund initiators is based on the impressive service portfolio that has been in place for years. DZ PRIVATBANK – together with its IPConcept subsidiaries in Luxembourg and Switzerland – plans to further expand its market leadership among independent asset managers in German-speaking countries. Market development together with DZ BANK as part of the "Fund & Investor Services" initiative was successfully established, and significant sales successes were achieved. DZ BANK and DZ PRIVATBANK will continue to expand their market presence under the joint umbrella brand FONDSHAFEN.

To ensure competitiveness and future viability, workflows, IT infrastructure and staff expertise are continuously being improved so that clients continue to benefit from high-quality, tailor-made service packages along the entire value chain of fund administration. The challenge remains to meet the different demands of fund initiators in order to secure significant added value and further growth for all clients. Demand for alternative investment strategies remains particularly high among institutional investors. Against this backdrop, the Fund Services business segment achieved impressive successes in the acquisition (30 new AI mandates to 78 AI mandates in 2021) and administration (2021: AI Fund EUR 16.3 billion, increase of more than 200%) of alternative investment funds in 2021. Its many years of experience and expertise in the field of alternative investments came into its own.

LENDING

The LuxCredit financing offers for private and corporate clients complement the product ranges of the cooperative banks. Together with DZ PRIVATBANK, the advantages and added value of LuxCredit are analysed for clients and the Bank itself. The topics of flexibility, terms and conditions, simplification of regulatory and lending processes and bank and earnings management are the advantages that come to the fore. These added values were analysed with the cooperative banks and substantiated in planning discussions for the year 2022. Corresponding measures were defined in the planning in order to continue to drive growth in a targeted and focused manner.

In 2021, two strategically particularly important topics for the future were initiated, which will also remain in focus for 2022 and further intensify the cooperation with the cooperative banks:

Under the name "VR Eigenheim&Flexibility", DZ PRIVATBANK has been offering a unique solution for clients in the prime of their lives who have their assets tied up in real estate. The cooperative banks can make these assets accessible again via "VR Eigenheim&Flexibilität" together with LuxCredit.
The implementation at many cooperative banks has already been completed or is in the final stretches. More are to follow. This unique selling proposition is rounded off by a comprehensive marketing package in addition to the implementation concept, training and sales support. DZ PRIVATBANK offers further support through self-directed B2C advertising campaigns and joint client events.

In the intermediary platform business, DZ PRIVATBANK will establish itself as a product provider for pre-financing and interim financing as well as variable building blocks with LuxCredit for 2022. With an as yet unique concept, new opportunities are opening up for cooperative banks that are already active in the platform business.

Despite the special circumstances in 2021, sales could be further expanded and processes further optimised. The transformation to digitalisation – also in banking support – was carried out with fantastic success and will continue to be firmly anchored in the future to round off the advisory services offered. With the expansion of the contact possibilities, the support of the banks could and will be further intensified in order to expand the diverse solution offers in the future.

ACKNOWLEDGMENTS

We would like to thank our employees for their great service and commitment, which significantly contributed to the company's success and to the achievement of our common goals in 2021. Our sincere thanks also go to the cooperative banks and to our private and institutional clients for their confidence in us.

Luxembourg, 14 March 2022

The Board of Management

Peter Schirmbeck Chairman	Stefan Bielmeier	Ralf Bringmann	Dr Frank Müller

ANNUAL FINANCIAL STATEMENTS

The annex forms an integral part of the annual financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2021

Income statement (in TEUR)	**Annex**	**2021**	**2020**
Net interest income	27	**67,954**	**78,020**
Interest income	12	5,433	58,754
Interest income calculated using the effective interest method	12	-13,758	264
Interest income not calculated using the effective interest method	12	19,191	58,490
Interest expense	12	53,237	10,766
Dividends / current result	12	9,284	8,500
Net commission income	28	**151,790**	**138,158**
Commission income		273,998	223,658
Commission expenses		-122,208	-85,500
Trade income	29	13,747	13,049
Result from financial assets	30	0	0
Other valuation result from financial instruments	31	-2,735	-2,009
Result from derecognition of financial assets (AC only)	32	-238	-324
Risk provisions	33	111	-604
Administrative expenses	34	-204,510	-190,476
Other operating income	35	528	329
Earnings before tax		**26,647**	**36,143**
Taxes on earnings (HGB)	36	-3,279	-6,948
Result		**23,368**	**29,195**

Statement of Comprehensive Income (in TEUR)	**Annex**		**2021**	**2020**
Result			**23,368**	**29,195**
Components that cannot be reclassified into the income statement				
Gains and losses from changes in proprietary default risk of financial liabilities for which the fair value option was exercised	38	60	1,673	-5,385
Gains and losses from remeasurements of defined benefit plans	38	86	2,414	246
Taxes on earnings (HGB)	38		-1,050	1,320
Result not affecting net income			**3,037**	**-3,819**
Overall result			**26,405**	**25,377**

BALANCE SHEET AS AT 31 DECEMBER 2021

Assets (in TEUR)	**See Annex**			**31/12/2021**	**31/12/2020**
Cash reserves	13	39		9,962,738	5,953,457
Loans and advances to banks	14	40		1,382,290	1,618,887
Loans and advances to clients	14	41		5,939,759	5,724,510
Positive market values from hedging instruments	15	42		11,017	228
Trading assets	16	43		271,730	187,628
Financial assets	17	44		3,171,704	3,387,664
Tangible fixed assets and rights of use	18	45		49,318	52,388
Tangible fixed assets	18	45		*40,634*	*42,103*
Rights of use	18	45	83	*8,685*	*10,285*
Income tax claims	19	46		63,880	59,316
Other assets	20	47		63,916	63,289
Risk provisions	21	48	66	-1,205	-1,287
Transferable securities				*-348*	*-320*
Loans and advances to banks and clients				*-857*	*-967*
Total assets				**20,915,147**	**17,046,080**

Liabilities (in TEUR)	**See Annex**		**31/12/2021**	**31/12/2020**
Liabilities to banks	22	49	2,373,649	2,191,595
Liabilities to clients	22	50	12,295,529	9,323,691
Securitised liabilities	23	51	4,899,189	4,214,899
Negative market values from hedging instruments	15	52	47,336	106,529
Trading liabilities	16	53	259,790	209,373
Provisions	24	54	96,383	81,803
Income tax liabilities	19	46	49,279	43,454
Other liabilities	20	55	43,681	39,447
Equity		**56**	**850,312**	**835,289**
Subscribed capital			*116,555*	*116,555*
Capital reserve			*426,973*	*426,973*
Retained earnings			*287,811*	*268,204*
Reserve from the result not affecting net income			*-4,395*	*-5,638*
Profit for the year			*23,368*	*29,195*
Total liabilities			**20,915,147**	**17,046,080**

STATEMENT OF CHANGES IN EQUITY

Figures in TEUR	Annex	Subscribed capital	Capital reserve	Generated equity	Reserve from the result not affecting net income	**Equity**
Equity as at 1 January 2020	56	**116,555**	**426,973**	**279,404**	**-1,637**	**821,295**
Result				29,195		29,195
Result not affecting net income				183	-4,001	-3,819
Overall result				**29,378**	**-4,001**	**25,377**
Dividends paid				-11,382		-11,382
Equity as at 31 December 2020 / 1 January 2021		**116,555**	**426,973**	**297,400**	**-5,638**	**835,289**
Result				23,368		23,368
Result not affecting net income				1,794	1,243	3,037
Overall result				**25,162**	**1,243**	**26,405**
Dividends paid				-11,382		-11,382
Equity as at 31 December 2021	56	**116,555**	**426,973**	**311,179**	**-4,395**	**850,312**

The reserve from other comprehensive income exclusively contains changes in the value of financial liabilities designated as at fair value through profit or loss that are attributable to changes in the entity's own default risk.

CASH FLOW STATEMENT

Figures in TEUR	31/12/2021	31/12/2020
Result (statement of comprehensive income)	23,368	29,195
Depreciation and value adjustments	14,745	16,566
Impairment of financial instruments	-111	604
Non-cash changes in provisions	52,880	40,674
Non-cash changes in other operating income	-4,599	-2,936
Accrued interest / amortisation	-34	-149
IFRS 15 relevant commissions	-36,308	-27,377
Result from financial assets and liabilities assessed at fair value through profit or loss (mandatory + voluntary)	2,830	2,007
Trade income	9	3
Taxes	3,279	6,948
Net interest income	-67,954	-78,021
Balance of other adjustments	41,603	25,591
Subtotal	**29,708**	**13,105**

Cash changes in assets and liabilities

Trading assets and liabilities	-33,685	-68,532
Trading assets	-84,102	-94,181
Trading liabilities	50,417	25,649
Loans and advances to banks	247,980	150,628
Loans and advances to clients	-215,249	-155,015
Other assets from operating business activities	-5,808	764
Liabilities to banks	182,053	-171,016
Liabilities to clients	2,971,838	-1,825,553
Positive and negative market values from derivative hedging instruments	-69,982	8,841
Positive	-10,789	1,549
Negative	-59,194	7,293
Securitised liabilities incl. subordinated capital	684,290	151,164
Other liabilities from operating business activities incl. provisions	14,871	13,478
Interest received	116,647	146,580
Dividends received	9,284	8,500
Interest paid	-57,977	-77,059
Income tax payments	-7,400	-5,550
CASH FLOW from operating business activities	**3,866,570**	**-1,809,666**

Figures in TEUR	31/12/2021	31/12/2020
Payments for additions to financial assets	-692,649	-1,060,473
Proceeds from disposals of financial assets	860,487	962,212
Payments for additions to tangible fixed assets (excluding leases)	-3,590	-2,305
Proceeds from disposals of tangible fixed assets (excluding leases)		
Payments for additions to intangible assets	-4,505	-6,218
Proceeds from disposals of intangible assets		
CASH FLOW from investment activities	**159,743**	**-106,784**
Dividend payments	-11,382	-11,382
Repayment portion of lease liabilities	-5,650	-5,755
CASH FLOW from financing activities	**-17,033**	**-17,137**
Cash and cash equivalents as of 1 January	**5,953,457**	**7,887,044**
Cash flow from operating activities	**3,866,570**	**-1,809,666**
Cash flow from investment activities	**159,743**	**-106,784**
Cash flow from financing activities	**-17,033**	**-17,137**

The cash flow statement, prepared using the indirect method within the meaning of IAS 7.20, shows the changes in cash and cash equivalents in the reporting period. Cash and cash equivalents correspond to the cash reserves, which comprise the cash on hand and balances with central banks. The cash reserves do not contain any financial investments with remaining terms of more than 3 months at the time of acquisition. Changes in cash and cash equivalents are assigned to operating business, investment or financing activities.

Cash flow from operating business activities primarily relates to the Bank's revenue-generating activities or arises from other activities that are not investment or financing activities. Cash flow in connection with additions and disposals of non-current assets is assigned to investment activities. Cash flow from financing activities includes cash flow from transactions with equity providers and from other borrowings to finance business activities.

ANNEX

A. GENERAL INFORMATION

1. General information

DZ PRIVATBANK S.A. was incorporated as a Société Anonyme under Luxembourg law on 28 December 1977. The Company is established for an indefinite period. The registered office of DZ PRIVATBANK S.A. is at: 4, rue Thomas Edison, L-1445 Strassen in the Grand Duchy of Luxembourg.

In accordance with the Articles of Association, the object of the Company is to conduct banking and financial operations of all kinds, for its own account and that of third parties, in and outside the Grand Duchy of Luxembourg, and all activities directly or indirectly connected therewith. The Bank operated eight branches in Germany as at 31 December 2021. The branches are used to coordinate subsidiary cooperation with the cooperative banks in Germany.

91.8 percent (2020: 91.7 percent) of the capital of DZ PRIVATBANK S.A. is held by DZ BANK AG, Frankfurt am Main, as at 31 December 2021. 8.2 percent (2020: 8.3 percent) is held by 279 institutions (2020: 291 institutions) in the cooperative sector in Germany. The post-tax returns of the Bank measured against the balance sheet total amounted to 11 basis points during the 2021 financial year (2020: 17 basis points). The annual financial statements of DZ PRIVATBANK S.A. are included in the consolidated financial statements of DZ BANK AG. DZ BANK AG's consolidated financial statements are filed at the Commercial Register in Frankfurt am Main. In accordance with Article 80(1b) of the Law of 17 June 1992 with respect to annual financial statements and consolidated financial statements of banks operating under Luxembourg law, the Bank is exempt from the obligation to prepare consolidated financial statements and a Group operations report, as all minority shareholders have agreed to the exemption.

As the parent company, DZ PRIVATBANK S.A. has two subsidiaries (2020: two) in which it holds shares with 100 percent of the capital:

Figures in TEUR

Company	Registered office	Financial year	Participation in %	Book value (in TEUR)	Equity (in TEUR)	Last annual result (in TEUR)
DZ PRIVATBANK (Schweiz) AG	Zurich	2021	100%	156,700	179,252	21,679
IPConcept (Luxemburg) S.A.	Luxembourg	2021	100%	8,000	10,080	12,555

DZ PRIVATBANK S.A., Strassen, Luxembourg, with its head office in Luxembourg and its wholly owned subsidiaries DZ PRIVATBANK (Schweiz) AG and IPConcept (Luxemburg) S.A., is the cooperative centre of expertise for private banking for the Volksbanken and Raiffeisenbanken in Germany. The equity and net income figures shown in the table above are the unaudited figures for the 2021 financial year prepared in accordance with the corresponding national law.

DZ PRIVATBANK (Schweiz) AG in turn holds 100 percent of the shares in IPConcept (Schweiz) AG, which can be seen as a sister company of IPConcept (Luxembourg) S.A.

The current result from investments in subsidiaries is included in net interest income.

2. Information on the handling of SARS-COV-2

The two-tier emergency organisation successfully established at the beginning of the pandemic in 2020 was maintained in 2021. The activities of the emergency management team, which is chaired by a member of the Board of Management of DZ PRIVATBANK S.A. and includes a member of the General Management of DZ PRIVATBANK (Schweiz) AG, second-level managers and representatives of the Organisation, IT and Administration divisions, focused further on the ongoing monitoring of the pandemic in Germany, Luxembourg and Switzerland and on the protective measures necessary for business continuation. The emergency management team was supported by the extended emergency management group, which is made up of managers and employees from all business segments as well as representatives of the staff council. Until August 2021, the NFM team coordinated on a weekly basis and has met on a bi-weekly basis since September 2021, with the extended emergency management circle also meeting every two weeks. All decisions and the information on which they were based were continuously documented via special reporting. In total, more than 200 individual measures were initiated. Employees were informed about the relevant coronavirus protection measures at DZ PRIVATBANK via the intranet and as part of the digital or hybrid information events provided by the Board of Management, and all binding rules of conduct were summarised in a coronavirus manual available in digital form.

After the consistent measures from 2020, which were primarily aimed at maintaining business operations through extensive remote work and the establishment of alternative locations, the focus in 2021 was on the ongoing and risk-oriented management of operations and the health situation. With a view to fluctuating risk situations over time, selected behavioural guidelines in the coronavirus manual were linked to a traffic light logic, while others were retained as permanent guidelines.
One of the key cornerstones was the early and free provision of FFP2 protective masks and their mandatory use for all employees working at the Bank's locations. Equally decisive was the free and mandatory introduction of daily antigen self-tests from May 2021, which every employee must take before entering the bank. The investigation team has consistently continued its work in 2021 on contact tracing in cases of operational suspicion. Employees at the

locations in Germany were offered the possibility of company medical vaccinations in cooperation with DZ BANK AG in the middle of the year.
In the third quarter of 2021, the implemented measures for operational infection control opened up the scope to increase the in-person operation DZPB-wide to approx. 50 percent in the interim and in a controlled manner, with the aim of ramping up in-person work in all areas to the most efficient level for work organisation. In addition, future forms of work such as hybrid and alternating work were tested in this context. Due to extended local requirements in November 2021, the "Covid-Check" system and the 3G regulation for the company restaurant and larger company events were introduced at the Luxembourg location.

Surveys conducted as part of the digital or hybrid events regularly held by the Board of Management and with a high number of participants have shown that, despite the more difficult conditions in the wake of the SARS-COV-2 pandemic, nearly 90 percent of employees are satisfied to very satisfied with their jobs at DZ PRIVATBANK, almost all respondents rate the Bank's performance in 2021 as positive to excellent and nearly 90 percent of participants consider the Bank's actions during the coronavirus crisis to be appropriate.

The market segments developed very positively as a result of the continuous inclusion of digital sales strategies (remote sales) and the constant personal exchange with clients and business partners via modern communication formats (video, web conferences, webinars). Stable electronic trading also guaranteed the timely, fast and error-free processing of the large volume of securities, derivatives and foreign exchange transactions.

DZ PRIVATBANK continued to exercise prudence and caution in a volatile environment. In 2021, it controlled the protective measures in a risk-oriented manner and thus, in connection with the prudent and orderly behaviour of the employees, always guaranteed smooth banking operations/sales along the entire value chain, even under high loads, and achieved a high level of satisfaction among clients and business partners. In the third quarter of 2021, the measures implemented for operational infection control opened up the scope to increase the in-person operation – temporarily and in a controlled manner – to approx. 50 percent, which was reduced again to approx. 25 percent during the wave of heightened incidence in the winter.
In view of the current infection situation in Germany, Luxembourg and Switzerland, DZ PRIVATBANK will continue to carefully monitor the situation, act prudently and decide and implement measures appropriate to the situation at all times.

General remarks

In the context of the SARS-COV-2 pandemic, no other sources of estimation uncertainty arose when calculating the book values of assets and liabilities as well as income and expenses. The impact of the SARS-COV-2 pandemic affected the known assumptions and estimates used to determine the fair values of financial assets and trading liabilities and calculate risk provisions. The impact on the calculation of risk provisions and the assumptions and estimates used for this purpose, which are presented in section 48, were low.

Statements on risk provisions

The net release of risk provisions for loans and advances to banks and clients, financial investments and other lending business amounted to EUR +0.1 million in the reporting year (2020: EUR -0.6 million).

Detailed statements

DZ PRIVATBANK S.A. does not need to adjust any of the key forward-looking assumptions and key sources of estimation uncertainty due to the SARS-COV-2 pandemic in relation to the business model. No significant adjustments to the book values of assets and liabilities were or are necessary.

The effects of the SARS-COV-2 pandemic did not lead to any reclassifications of financial instruments. No changes or adjustments were made to the management of business models due to the impact of the pandemic.
DZ PRIVATBANK S.A. sold securities carried at cost in the first half of 2021 in response to, inter alia, the SARS-COV-2 pandemic-related market distortions. In the second half of the year, the focus of sales was primarily on strategic portfolio adjustments. In addition, there were adjustments of small positions throughout the year, which were due, among other things, to low allotment ratios in the context of primary market subscriptions. All sales were made within the specified de minimis limits or on the basis of spread-widening, acquisition-cost-neutral exceptions. The total effect of these sales was EUR -0.3 million (2020: EUR -0.5 million).

With regard to hedge accounting, there was no significant discernible impact due to the SARS-COV-2 pandemic. No hedging relationships were dissolved or redesignated as a result of the pandemic.

Within the gross book value, there are no significant quantitative effects recorded due to SARS-COV-2, i.e. relevant step transfers, effects of the adjusted estimation procedures, consideration of legal or other governmental measures compared to the previous reporting period. There are no significant changes in the quality of collateral or changes in collateral policy as a result of the SARS-COV-2 impact.

In addition, there were no material default risk exposures and no significant concentrations for each default risk rating class within a gross book value statement.

Due to the SARS-COV-2 pandemic, DZ PRIVATBANK S.A. has not had to change either the valuation techniques or the input parameters used to determine the fair values of financial instruments. The impact of the SARS-COV-2 pandemic has not led to any change in the fair value calculation. All relevant input factors were still available and the model assumptions made are still valid. There have been no reclassifications when calculating fair values in accordance with IFRS 13 between hierarchy levels 1 and 2 due to SARS-COV-2. Only the reserve parameters specified by DZ BANK – i.e. the bid and ask spreads – were adjusted to calculate the close-out reserve for securities and bonds issued. The effects were not significant either in the statement of comprehensive income or in the calculation of hidden charges and reserves.

There were no movements of fair values into or out of hierarchy level 3 during the reporting period due to SARS-COV-2. Changes did not need to be made to the valuation process of hierarchy level 3 for the recurring or non-recurring fair value measurements in Level 3 due to SARS-COV-2. These statements also apply to assets and liabilities that are not measured at fair value in the balance sheet, but whose fair values are disclosed.

The SARS-COV-2 pandemic had no impact on allocations to the provisions of DZ PRIVATBANK S.A. In the context of the SARS-COV-2 pandemic, there were neither rent concessions such as rent deferrals and/or waivers of rent payments granted by the Bank nor support payments from the government. There were no derecognitions of the lease liabilities affecting net income, nor were there any extraordinary write-downs of the rights of use due to the SARS-COV-2 pandemic. There were no support payments from the government for leases.

3. Principles for the preparation of the separate financial statements

The annual financial statements of DZ PRIVATBANK S.A. as of 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The annual financial statements as of 31 December 2021 have been prepared in accordance with Regulation (EC) No 1606/2002 (IAS Regulation) of the European Parliament and of the Council of 19 July 2002, the Law of 17 June 1992 on the annual financial statements and consolidated financial statements of banks under Luxembourg law and other regulations adopting certain international accounting standards on the basis of the International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC).

All standards and interpretations whose application is mandatory in the EU for the 2021 financial year have been taken into account.

Mandatory, new IFRS for the 2021 financial year, which have already been endorsed by the European Union, are as follows:

- the adoption of the IASB's pronouncement on the reform of reference rates phase 2, which affects IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16,
- rent concessions related to SARS-COV-2 (amendments to IFRS 16).

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to reference rate reform - Phase 2 follow from the 2019 amendments and take effect when as a result of the reform, a reporting entity replaces a reference rate with an alternative, near-risk-free rate. The amendments provide for practical relief for contract amendments or cash flow changes directly required by the IBOR reform and on an economically equivalent basis. Under these conditions, the change due to the IBOR reform is to be accounted for as a change in a variable interest rate in accordance with IFRS 9.B5.4.5 and not shown in the modification result. Instead, the application of IFRS 9.B5.4.5 allows a subsequent measurement based on the updated effective interest rate and thus a recognition of the effect from the economically equivalent adjustment over the remaining term. For all other changes that are made at the same time and are not directly caused by the IBOR reform, an analysis is required regarding the derecognition effect of the changes.

Furthermore, temporary relief is provided to enable the continuation of hedge accounting after the transition to the new reference interest rates if the changes result solely from the reform of the reference interest rate. Relief is also included for the case of separately identifiable risk components. The amendments do not provide any relief for ineffectiveness of hedge accounting relationships caused by the IBOR reform. According to IFRS 9, they are to be recognised in the statement of comprehensive income. Furthermore, the amendments include minor adjustments to IFRS 16 and IFRS 4 as well as additional disclosure requirements under IFRS 7.
The amendments must be applied retrospectively. A hedging relationship must be reinstated if it was discontinued solely as a result of changes required by the reform of the reference rates and would not have been discontinued if the phase 2 changes had been applied at that time. There has been no material impact on the financial statements as a result. Application date for the reform of the reference interest rates (IBOR) – phase 2 is 1 January 2021.
The Bank does not take advantage of any relief in connection with the IBOR reform.

IFRS 16 in relation to lease agreements involving rental concessions due to SARS-COV-2 is mandatory from 1 April 2021. Concessions on lease payments by the lessor in connection with SARS-COV-2 do not have to be accounted for as a modification under IFRS 16. Instead, negative variable lease payments may be recognised in profit or loss in accordance with IFRS 16.38 (b) or a (partial) derecognition of the lease liability in accordance with IFRS 9. This amendment to IFRS 16 has no impact on the annual financial statements of DZ PRIVATBANK S.A. in the 2021 financial year.
Voluntarily applicable IFRS for the 2021 financial year for which EU endorsement has already been given:

- IAS 37; Provisions – Impending losses from pending transactions; clarification on the definition of settlement costs for impending losses from pending transactions: These include costs that would not be incurred without the contract as well as other costs that are directly attributable to the contract.
- IAS 16; Property, plant and equipment – Revenue before intended use; serves to clarify: Items that are manufactured and sold during the preparation of the asset for its intended use (e.g. manufactured product samples during the testing phase) constitute inventories according to IAS 2, the sale of which results in revenue. Inclusion in the acquisition cost of the asset is not permitted.
- AIP 2018 – 2020; Annual improvement projects regarding IFRS 1, IFRS 9, IFRS 16 and IAS 41
  - IFRS 1: Determination of CTA for subsidiary as first-time adopter
  - IFRS 9: Definition of fees in 10% tests for assessing a disposal of liabilities
  - IFRS 16.IE5: Lease and rent concessions
  - IAS 41: Determination of fair value on an after-tax basis

The application date for these three circumstances is 1 January 2022; DZ PRIVATBANK S.A. does not apply them earlier. The impact of these measures is classified as very low for DZ PRIVATBANK S.A.

Voluntarily applicable IFRS for the 2021 financial year, but EU endorsement is still pending:

- IAS 12; Deferred tax relating to assets and liabilities arising from a single transaction.
- IAS 1; Presentation of financial statements – Guidance on the application of materiality judgements; Guidance on the application of materiality judgements in the disclosure of accounting policies.
- IAS 8; Accounting policies, Changes in accounting estimates and errors
- IAS 1; Presentation of financial statements – Presentation of liabilities as current or non-current.
- IFRS 17; Insurance contracts; New standard on insurance accounting replacing IFRS 4.

All voluntarily applicable IFRS for the 2021 financial year without a corresponding endorsement, the application date is from 1 January 2023. They were not applied in the current financial year.

The financial statements as at 31 December 2021 comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes ("Notes"). Segment reporting is explained in section 26.

Assets are generally measured at amortised cost unless IFRS standards require a different measurement. The latter relates to financial instruments measured at fair value in accordance with IFRS 9. Income and expenses are accrued pro rata temporis and recognised and reported in the period to which they are economically attributable. The main accounting and valuation methods are presented below.

The annual financial statements are prepared in euros, the functional currency of DZ PRIVATBANK S.A.
The financial year corresponds to the calendar year. For reasons of clarity, certain items have been combined in the statement of comprehensive income and the balance sheet and supplemented by additional disclosures in the notes. Unless otherwise indicated, all amounts are presented in thousands of euros (TEUR). The figures are rounded in accordance with standard commercial practice. This may result in minor discrepancies in the formation of totals and in the calculation of percentages.

Accounting and measurement were carried out on a going concern basis. DZ BANK AG has issued a comfort letter for DZ PRIVATBANK S.A. confirming that it can meet its contractual obligations, apart from political risks, within the scope of its investment quota.

The Bank is a member of the FGDL (Fonds de garantie des dépôts Luxembourg), the Luxembourg deposit guarantee fund and the SIIL (Système d'indemnisation des investisseurs Luxembourg), the Luxembourg investor compensation scheme, established by the Law of 18 December 2015 on the resolution of banks and their assets under custody.

The deposits are guaranteed up to an amount of TEUR 100 and assets under custody up to an amount of TEUR 20. However, the law stipulates that deposits which result from specific transactions or serve specific social or other purposes are covered for twelve months once over TEUR 100 is paid in.

In the year under review, the Bank paid an ex-ante contribution of EUR 0.4 million (2020: EUR 0.5 million) to the FDGL. In contrast to the FGDL, the SIIL works according to the ex-post procedure: a contribution, which is limited to five percent of capital resources, is only levied when a security event occurs. No provision was made by the Bank in relation to this.

The Luxembourg Resolution Fund (Fonds de résolution Luxembourg, FRL) was established under Article 105 of the aforementioned Law. DZ PRIVATBANK S.A. paid a national bank levy of EUR 13.1 million during the reporting year (2020: EUR 10.0 million). The Bank made use of the option of setting aside 15 percent of the bank levy as "irrevocable payment commitments (IPCs)" with EUR 2.0 million (2020: EUR 1.5 million).

DZ PRIVATBANK S. A. is also a member of the BVR protection scheme under the German Volksbanken Raiffeisenbanken cooperative financial network (BVR). The branches of DZ PRIVATBANK S.A. in Germany are legally dependent and are managed by DZ PRIVATBANK S.A. Member of the statutory deposit guarantee scheme in Luxembourg and the BVR protection scheme. In order to meet guarantee obligations that are accepted by BVR for the collective guarantee scheme, DZ PRIVATBANK S.A. has assumed a guarantee obligation of EUR 7.5 million (2020: EUR 6.8 million).

The release for publication of the annual financial statements of DZ PRIVATBANK S.A. was given by the Board of Management after approval of the annual financial statements by the Supervisory Board on 14 March 2022.

4. Accounting policies and estimates

IBOR transition

For the conversion of the LIBOR interest rates into the currencies CHF, GBP, JPY and USD, a project was set up in 2021, which coordinated, monitored and implemented the necessary steps in DZ PRIVATBANK S.A. and the subsidiaries during the year.

In derivative financial instruments, the LIBOR successor products based on risk-free rates were introduced in the currencies USD, CHF, GBP and JPY. The interest rate swaps with CHF-LIBOR were switched to the successor reference rate (SARON) in December 2021. The conversion to SARON involved 9 interest rate swaps with a nominal volume of CHF 161.4 million. In the lending business, suitable successors were established for variable-rate loans based on CHF-LIBOR and USD-LIBOR. The conversion of the CHF-LIBOR loans has been prepared and will take place with the maturity of the last LIBOR period in the 1st quarter of 2022. The prerequisites for the conversion of USD-LIBOR transactions (IRS and loans) in 2023 were created.

The changes in reference rates made have had little impact on the balance sheet. With reference to the amendments to IFRS 7 and IFRS 9 for the reform of reference rates published in September 2019, no hedge accounting relief has been taken up.

Estimates

Assumptions and estimates have been made in accordance with the relevant accounting standards in determining the book values of assets and liabilities and income and expenses recognised in the annual financial statements. These are based on historical experience, planning, expectations or forecasts of future events and are reviewed regularly.

If estimates of a larger scope are required, the valuation parameters and estimation factors are adequately presented and evaluated retrospectively based on actual events. The estimate is made in an appropriate and reasonable manner. Any changes in estimates are taken into account in the relevant period.

Assumptions and estimates are used primarily in determining the fair values of financial assets and financial liabilities and in calculating the impairment of financial assets. Assumptions and estimates also affect provisions for employee benefits, other provisions and the recognition and measurement of income tax assets and income tax liabilities.

Fair value of financial instruments

The determination of the fair values of financial assets and financial liabilities is associated with estimation uncertainties if no prices in active markets are available for the financial instruments concerned. Estimation uncertainties arise primarily when fair values are determined using valuation techniques that incorporate significant valuation parameters that cannot be observed on the market. This applies both to financial instruments measured at fair value and to financial instruments measured at amortised cost whose fair values are disclosed in the notes.
The assumptions on valuation parameters and valuation methods used to determine fair values are presented in the disclosures on financial instruments in sections 5 and 66.

Impairment of financial assets

When determining the need for a value adjustment of financial assets that are debt instruments, loan commitments and financial guarantees as described in section 5, the expected future cash flows from interest and principal payments and from the realisation of collateral are determined. Uncertainties arise from the estimates and assumptions required for this with regard to the amount and timing of future cash flows. Factors influencing the need for a value adjustment, which are determined by discretionary decisions, include, for example, economic conditions, the financial performance of the counterparty and the value of collateral held. Parameters determined with the aid of statistical models, such as the probability of default, are also included in the estimates and assumptions when determining the need for a value adjustment.

Intangible assets

Identifiable intangible assets acquired are recognised on the basis of their future economic benefits. This is assessed by management on the basis of reasonable and justified assumptions. Further information on intangible assets is provided in section 20.

Provisions

Estimation uncertainties in connection with provisions for employee benefits arise primarily from defined benefit pension obligations, the measurement of which is significantly influenced by actuarial assumptions. The actuarial assumptions include numerous long-term, future-oriented factors such as salary and pension trends or average future life expectancies.
Actual future cash outflows resulting from matters for which other provisions have been recognised may differ from the expected utilisation.
The valuation bases and the assumptions and estimates used to determine the provisions are presented in section 24.

Income tax assets and liabilities

The determination of deferred income tax assets and liabilities presented in section 36 is based on estimates of future taxable income of the taxable entities, which affect, in particular, the assessment of the recoverability of deferred income tax assets. Furthermore, the calculation of the actual income tax assets and liabilities at the time of preparation of the financial statements under commercial law requires estimates of income tax-relevant circumstances.

5. Financial instruments

Recognition and initial measurement

All financial instruments are generally measured at fair value on initial recognition. In the case of financial instruments carried at amortised cost, this regularly corresponds to the purchase price or the nominal amount.

Derivative financial instruments are initially recognised and derecognised on the trade date. Regular way purchases and sales of non-derivative financial assets are generally recognised on the settlement date. Changes in fair value between the trade date and the settlement date are recognised in accordance with the categorisation of the financial assets.

Financial assets

On initial recognition at DZ PRIVATBANK S.A., a financial asset is classified and measured either at amortised cost or at fair value through profit or loss.

Financial assets are not reclassified after initial recognition unless the Bank changes its business model for managing financial assets. DZ PRIVATBANK S.A. did not make any reclassifications in the 2021 and 2020 financial years.

Financial assets measured at amortised cost

A financial asset is classified in this category if it is held within the framework of a business model whose objective is to hold financial assets in order to collect the contractual cash flows (business model: "hold"). The contractual terms of the financial asset give rise to cash flows at specified dates that are solely principal and interest payments on the outstanding capital amount.

Financial assets in this category consist exclusively of debt instruments due to the cash flow condition. They are measured at amortised cost using the effective interest method. Interest income, value adjustments and effects from currency translation must be recognised in the statement of comprehensive income through profit or loss.

Financial assets measured at fair value through profit or loss

All financial assets that are not measured at amortised cost are measured at fair value with changes in value recognised in profit or loss. The category at fair value with changes in value in profit or loss is used by DZ PRIVATBANK S.A. for two reasons:

Financial assets that must be categorised as at fair value through profit or loss

The subcategory "financial assets that must be categorised as at fair value through profit or loss" comprises financial assets that do not meet the cash flow requirements of IFRS 9 or are acquired for the purpose of being sold in the short term.

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

The fair value option is used to eliminate or significantly reduce valuation incongruities resulting from the different measurement of non-derivative financial instruments and derivative financial instruments entered into to hedge them. Derivative financial instruments are measured at fair value through profit or loss, while non-derivative financial instruments are measured at amortised cost. If hedge accounting is not applied, this leads to valuation incongruities, which are significantly reduced by exercising the fair value option.
In connection with the avoidance of valuation incongruities, the fair value option is exercised for financial assets for loans and advances to banks and clients as well as financial investments.

Classification and subsequent measurement of financial liabilities

On initial recognition at DZ PRIVATBANK S.A., a financial liability is classified and measured either at amortised cost or at fair value through profit or loss.

Financial liabilities classified at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign currency translation differences are recognised in profit or loss. Gains or losses on derecognition are also recognised in profit or loss.

Financial liabilities that must be categorised as at fair value through profit or loss

The sub-category "financial liabilities designated as at fair value through profit or loss" comprises financial liabilities issued with the intention of short-term repayment. For this to be the case, these financial liabilities must be part of a portfolio of clearly identified financial instruments that are managed together and for which there was evidence of a recent actual pattern of short-term profit-taking.

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

The subcategory "financial liabilities designated as at fair value through profit or loss" may be assigned to financial liabilities by exercising the fair value option if this eliminates or significantly reduces recognition or measurement inconsistencies (valuation incongruities), if these are managed as a portfolio on a fair value basis or if they contain one or more embedded derivatives that must be separated. Financial liabilities for which the fair value option is exercised to eliminate or significantly reduce valuation incongruities are securitised liabilities.

For financial liabilities designated at fair value through profit or loss by exercising the FV option, the gain or loss resulting from the change in fair value attributable to changes in the entity's own default risk is recognised in the result not affecting net income or in the reserve from the result not affecting net income. The remaining portion of the change in the fair value of that liability shall be recognised in profit or loss.

The valuation of own issues is based on a funding curve in line with the market.

Derecognition of financial instruments

Financial assets

Financial assets are derecognised when the contractual rights to cash flows from the financial assets have expired or have been transferred to third parties and essentially all opportunities and risks have been transferred. If the derecognition criteria for financial assets are not met, the transfer to a third party is accounted for as a secured borrowing.

Financial liabilities

Financial liabilities are derecognised when the contractual obligations have been settled or cancelled or have expired.

6. Hedge accounting

Hedges against risks from financial instruments are undertaken as part of the risk management strategy.

To the extent that accounting mismatches between the hedged items and the hedging instruments used arise from the hedging of risks from financial instruments, hedging relationships are generally designated in order to eliminate or reduce them in accordance with the provisions of IFRS 9.

Fair value hedges

The fair values of a hedged item are offset by opposite changes in the fair values of the hedging instrument. For this purpose, the changes in the fair value of the hedged items attributable to the hedged risk and the changes in the fair value of the hedging instruments are recognised in the statement of comprehensive income. Hedging is carried out by designating individual hedging relationships.

Hedged items in the category "financial assets measured at amortised cost" are measured in accordance with the general measurement principles for these financial instruments and adjusted in each case for the change in fair value attributable to the hedged risk.

Interest income and interest expenses resulting from hedged items and hedging instruments are recognised in the net interest income.

In the case of fully effective hedging relationships, the changes in fair value attributable to the hedged risk that are recognised in the statement of comprehensive income in profit or loss offset each other in full during the term of the hedging relationships.

Ineffectiveness is recognised accordingly in profit or loss under "Other valuation result from financial instruments".

7. Currency conversions

All monetary assets and liabilities as well as unsettled spot transactions are converted into the functional currency (EUR) of DZ PRIVATBANK S.A. at the closing rate. Foreign notes and coins are valued at the buying rate on the balance sheet date. The conversion of non-monetary assets and liabilities is based on the valuation standards applied to them. Where non-monetary assets are measured at amortised cost, they are converted at the historical rate. Non-monetary assets measured at fair value are converted at the closing rate. Income and expenses are converted at the time they are recognised in profit or loss. Income and expenses are converted at the corresponding spot rate on the date of the transaction or, for convenience, at the average rate.

8. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported in the balance sheet as a net amount if DZ PRIVATBANK S.A. currently has a legal right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset in question and settle the associated liability simultaneously.

The legal right to offset must not depend on a future event and must be enforceable in the normal course of business, in the event of default, and in the event of insolvency of the Bank and all counterparties.

If offsetting financial assets and financial liabilities would impair the true and fair view, DZ PRIVATBANK S.A. voluntarily refrains from offsetting.

9. Securities repurchase agreements

Securities repurchase agreements are transactions in which the lender and the borrower agree to sell and subsequently repurchase securities at a specified price and time. The opportunities and risks of securities sold under repurchase agreements remain entirely with the lender, provided that the transactions are genuine repurchase agreements. Securities sold as part of repurchase agreements (repo transactions) remain on the balance sheet due to non-compliance with the derecognition criteria of IFRS 9. A corresponding liability to banks is recognised in the amount of the purchase price received. DZ PRIVATBANK S.A. only enters into genuine repurchase agreements as a lender.

10. Collateral

Assets provided as collateral in the form of cash collateral result in the recognition of receivables. Other assets pledged as collateral remain unchanged in the balance sheet.
Liabilities are recognised in the corresponding amount for cash collateral received. Other financial and non-financial assets received as collateral are not recognised in the balance sheet unless they are taken over in connection with the realisation of the collateral or in the context of bail-out acquisitions. For further statements on collateral, see sections 62 and 66.

11. Leases

At the inception of the contract, the Bank assesses whether a contract gives rise to a lease. This is the case when the contract conveys the right to control the use of an identified asset for a period of time in exchange for payment of a fee. To assess whether a contract conveys the right to control an identified asset, the Bank uses the definition of a lease under IFRS 16.

The Bank as lessee

The lessee recognises a right-of-use asset and a corresponding lease liability for all leases of the asset. The amount of the right of use generally corresponds to the amount of the lease liability at the time of addition and is reported under tangible fixed assets and rights of use. In subsequent periods, the right of use is measured at amortised cost. Scheduled amortisation is carried out on a straight-line basis over the entire term and is recognised in administrative expenses. The lease liability is measured as the present value of future lease payments and is reported under other liabilities. The leasing instalments are divided into an interest and a repayment portion. While the interest portion is recognised as interest expense on the basis of the internal interest rate or the marginal borrowing rate, the repayment portion reduces the liability. On the provision date or upon modification of a contract that includes a lease component, the Bank allocates the contractually agreed consideration on the basis of relative stand-alone selling prices. The Bank only makes use of the option not to separate the individual lease and non-lease components and to account for the contract as a whole as one lease if the separation of the non-lease components does not correlate positively to the gain in information.

The Bank as lessor

If the Bank acts as lessor, it classifies each lease as either a finance lease or an operating lease at the inception of the contract. To classify each lease, the Bank has made an overall assessment of whether the lease essentially transfers all the risks and opportunities incidental to ownership of the underlying asset. If so, the lease is classified as a finance lease; if not, it is an operating lease. As part of this assessment, the Bank takes into account certain indicators such as whether the lease covers the major part of the economic useful life of the asset.

The Bank accounts for the head lease and the sublease separately when it acts as an intermediate lessor. It classifies the sublease based on its right-of-use asset from the head lease rather than the underlying asset.
Lease payments from operating leases are collected by the Bank over the term of the lease and recognised in other operating income.

12. Income

Interest and dividends

Interest is accrued and recorded on an accrual basis. Where the effective interest method is used to calculate interest income, this is reported under interest income calculated using the effective interest method.

The cash flows used to calculate the effective interest rate take into account contractual agreements in connection with the corresponding financial assets and financial liabilities.

Premiums and discounts are calculated and amortised over the term of the financial instruments using the effective interest method. Additional directly attributable transaction costs incurred are included in the calculation of the effective interest rate if they are directly related to the acquisition or disposal of a financial asset or financial liability.

Dividends are recognised when the legal entitlement to payment arises.

Interest income from and interest expenses on derivative financial instruments entered into without intention to trade or to hedge financial instruments for which the fair value option has been exercised are reported in net interest income. In addition, the deferral effects from foreign exchange swaps used for the economic management of interest income are reported in net interest income in accordance with their economic allocation.

Revenue from contracts with clients

Revenue from contracts with clients is recognised when the underlying service has been provided, it is probable that the economic benefits will flow to the Bank and the revenue can be measured reliably.

At DZ PRIVATBANK S.A., revenue from contracts with clients is essentially fee and commission income. The main fee and commission income includes fee and commission income from asset management, custodian bank services, securities business, payment transactions and lending business.

Commissions earned over the period of service include certain fees for administration and custody in the context of asset management and securities business. In these cases, revenue is recognised when the contractually agreed performance criteria are met. In the case of commissions where the service is provided at a specific point in time, the revenue is collected after the service has been provided.

Fees and charges that are an integral part of the effective interest rate are excluded from the scope of IFRS 15 and are accounted for in accordance with IFRS 9 regardless of whether the financial assets are measured at fair value or valued at amortised cost.

The discretionary right under IFRS 15 to capitalise contract initiation costs is not applied.

13. Cash reserves

Cash on hand and balances with central banks are reported as cash reserves.
Cash on hand comprises cash reserves denominated in EUR and foreign currency, which are valued at nominal value or converted at the buying rate. Balances with central banks are assigned to the category "amortised cost". Interest income or interest expenses (negative interest) from financial assets in the cash reserves are recorded as interest income or interest expenses from lending and money market transactions.

14. Loans and advances to banks and clients

Loans and advances to banks and clients are generally measured at amortised cost using the effective interest method. In fair value hedge accounting, the book values of hedged receivables are adjusted for the change in fair value attributable to the hedged risk. The resulting book value adjustments are recognised as part of the other valuation result from financial instruments in the result from hedge accounting. Certain receivables are categorised "at fair value" only to eliminate or significantly reduce accounting mismatches.

Value adjustments of loans and advances to banks and clients are calculated in accordance with the provisions of IFRS 9 applicable to the category "amortised cost" and disclosed as a separate balance sheet item on the assets side of the balance sheet.

Interest income from loans and advances to banks and clients is recognised under interest income from lending and money market transactions. These also include the amortisation of book value adjustments in fair value hedge accounting. Realised gains and losses on receivables categorised at amortised cost are reported in "Result from derecognition of financial assets measured at cost". Results from the valuation of loan and advances for which the fair value option was exercised are recognised in the result of the same name as part of the other valuation result from financial instruments.

15. Positive and negative market values from hedging instruments

The book values of financial instruments designated as hedging instruments in effective and documented hedging relationships are reported as positive and negative market values from hedging instruments.

These financial instruments are measured at fair value. Changes in the fair value of hedging instruments in the category "Financial assets measured at fair value through profit or loss" for fair value hedges are recognised in profit or loss as part of the Other valuation result from financial instruments in the result from hedge accounting.

16. Trading assets and liabilities

Trading assets and liabilities solely comprise financial assets and financial liabilities held for trading.

Derivative financial instruments with positive fair values are assigned to trading assets if they were entered into with the intention of trading or do not meet the requirements for hedge accounting despite the intention to hedge.

At present, trading liabilities solely comprise derivative financial instruments. The assignment of derivative financial instruments with negative fair values to trading liabilities corresponds to the procedure for trading assets.

Financial instruments reported under trading assets and trading liabilities are always measured at fair value through profit or loss. Valuation results, interest income and expenses and dividends from trading assets and liabilities are recognised in trade income if there is an actual intention to trade the instruments concerned.

Valuation results from derivative financial instruments that are entered into for hedging purposes, but are not included in hedge accounting are recognised in Other valuation result from financial instruments as result from derivative financial instruments entered into without intention to trade. If, in order to avoid accounting mismatches, underlying transactions are assigned to the category "financial assets measured at fair value through profit or loss", the valuation results of the allocated derivatives are recognised in the result from financial instruments designated as at fair value through profit or loss. Interest income from and interest expenses on derivative financial instruments entered into without intention to trade or used to hedge financial instruments measured at fair value through profit or loss are reported in net interest income.

17. Financial assets

Financial assets include bearer bonds and other fixed-income securities as well as shares in subsidiaries, provided that these securities or company shares are not held for trading purposes.

Bonds and other fixed-interest securities

Financial assets are initially recognised at fair value. Financial assets are subsequently measured in accordance with the principles of the measurement category to which they are assigned. Value adjustments of financial assets are determined in accordance with the provisions of IFRS 9 applicable to the corresponding category of financial assets.

Interest and premiums and discounts on financial assets amortised over the term using the effective interest method are recognised in net interest income.

Realised gains and losses on financial assets categorised at amortised cost are reported in "Result from derecognition of financial assets measured at cost". Realised income on financial assets for which the fair value option has been exercised are recognised in the result of the same name as part of the other valuation result from financial instruments. Valuation results of financial assets to be measured at fair value through profit or loss are reported in Other valuation result from financial instruments.

Shares in subsidiaries

Subsidiaries are companies controlled by the Bank, for which it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power over the company.
Shares in subsidiaries are measured at acquisition cost including transaction costs in accordance with IAS 27.
The value of shares in subsidiaries is reviewed once a year as part of an internal company valuation.

Dividends from equity instruments are included in current income under net interest income.

18. Tangible fixed assets and rights of use

The balance sheet item "Tangible fixed assets and rights of use" includes land and buildings used by DZ PRIVATBANK S.A., office furniture and equipment with an expected useful life of more than one year and rights of use arising from leases. Minor value assets are posted directly as an expense in the year of acquisition.

Tangible assets are carried at cost, which is reduced by accumulated depreciation and accumulated value adjustments in subsequent financial years. Depreciation is mainly calculated on a straight-line basis over the useful life of the asset.

If facts or circumstances indicate that an asset may be impaired, the recoverable amount is determined.
An impairment loss is recognised if the recoverable amount is less than the book value at which the asset is recognised. The recoverable amount is the higher of fair value less sales costs and value in use.

The scheduled depreciation allowances are as follows:

	in %
Buildings	2
Installations	10
Furniture, fittings and equipment	25

Depreciations of tangible fixed assets are recognised as an administrative expense. Impairment losses and reversals of impairment losses are included in other operating income.

Rights of use from leases are generally amortised over the contractual useful life (see also section 83).

19. Income tax assets and liabilities

Deferred tax assets and liabilities are calculated as the difference between the book value of an asset or liability in the balance sheet and the corresponding tax base. The deferred tax assets and deferred tax liabilities due to temporary differences are expected to result in income tax charge or income tax relief effects in future periods. They were measured using the tax rates applicable for the period in which an asset is realised or a liability is settled.
The current income tax assets and liabilities and deferred tax assets and liabilities are offset if the conditions for such are met. No discounting is performing. Depending on the treatment of the underlying circumstances, the deferred tax assets or liabilities are either recognised in profit or loss or directly in equity.
The breakdown into current and deferred income tax assets and liabilities for the year under review is shown in section 46. The current and deferred income tax assets and liabilities are presented in the balance sheet.

20. Other assets and other liabilities

Other assets include intangible assets, other receivables and other assets. Intangible assets are carried at cost. Software, acquired client relationships and other intangible assets with definite useful lives are reduced by cumulative amortisation and cumulative value adjustments on subsequent measurement.

Software and licences are amortised on a straight-line basis over 4 years. Depreciation is recognised in administrative expenses affecting net income. Acquired client relationships are amortised on a straight-line basis over 10 years. Depreciation and amortisation are reported in other operating income.
The depreciation methods, useful lives and residual values are reviewed on each balance sheet date and adjusted if necessary.
In addition to miscellaneous other liabilities, Other liabilities largely comprise lease liabilities (see also section 55).

Other assets and Other liabilities include assets and liabilities that cannot be allocated to any of the other asset or liability items.

Borrowing costs on intangible assets are not capitalised.

21. Risk provisions

Risk provisions for cash reserves, loans and advances to banks and clients, financial investments and other assets, which are categorised at amortised cost, are openly deducted from assets as a separate balance sheet item. Additions to and reversals of risk provisions for these balance sheet items are recognised in the statement of comprehensive income as risk provisions.
Risk provisions also include changes in provisions for loan commitments, provisions for financial guarantees. Additions to and reversals of provisions for loan commitments and financial guarantees and other provisions in the lending business are also recognised through profit or loss under risk provisions.
In accordance with the IFRS 9 standard, the expected loss is generally determined at the level of the individual financial instrument (referred to as the accounting object). Risk provisions are calculated on the basis of the expected credit loss model as defined by IFRS 9, taking into account the probability of default, the loss given default and the expected amount of the loan at the time of default. DZ PRIVATBANK S.A. calculates its risk provisions largely in compliance with the requirements of the DZ BANK Group and, in particular, applies the centrally specified risk parameters. In principle, the risk provisions under IFRS 9 is determined in accordance with the general impairment model ("general approach"). The calculation of risk provisions under the general approach depends on the allocation of the corresponding financial instrument to one of the three possible levels. The level 1 and 2 risk provisions are formed for latent default risks and correspond to the amount of the credit loss expected over the remaining term, in the case of level 1 limited to the amount of the expected 12-month credit loss. Risk provisions for identifiable credit risks (impairments incurred) are determined in Level 3 and correspond to the amount of the credit loss expected over

the remaining term. The results in Level 3 are determined on the basis of individual expert estimates of recoverable cash flows and probability-weighted scenarios.
Due to the high level of collateralisation in the loan portfolio of DZ PRIVATBANK S.A., this usually results in provision values of zero (so-called "loan loss provisions") for loans guaranteed by associated banks or fully collateralised Lombard loans. At the time of addition, the transactions to be included in the risk provisions are assigned to Level 1. Assets are assigned to Level 2 on each balance sheet date if there has been a significant increase in the default risk since initial recognition but there is no objective evidence of impairment. Both quantitative and qualitative criteria are used to determine whether there is a significant increase in the default risk compared with the default risk at the time of addition in accordance with the internal technical concept "Risk provision determination for the implementation of IFRS 9". A special feature is securities that are subject to a low credit risk exemption in accordance with the requirements for DZ BANK Group. All financial assets with a rating in the investment grade range are therefore assigned to Level 1 on a flat-rate basis.
The risk parameters specified centrally by DZ BANK Group include, in particular, default probabilities that reflect macroeconomic expectations. The underlying economic data is collected by DZ BANK Group's economic round table and made available to the subsidiaries in the form of PD shift factors or adjusted PDs for mandatory use in the IFRS consolidated financial statements. For consistency reasons, DZ PRIVATBANK S.A. also applies this to its local financial statements. As of the balance sheet date, a combination of macroeconomic scenarios (baseline and risk scenarios) is used taking into account the SARS-COV-2 pandemic.
Weighted at 80 percent, the baseline scenario is consistent with the November 2021 economic round table projections, which correspond approximately to the December 2021 ECB scenarios. The scenario assumes an increasingly dynamic recovery (GDP growth in the EU of +3.5% compared to 2021). The recovery in consumption, investment and external trade continues to drive growth strongly in 2022 (EU GDP growth +5.0 percent YoY in 2021), after which economies return to their trend growth (2024: +1.25%). After an initial increase in unemployment in 2021 (EU unemployment rate: 8.5%), the labour market is expected to gradually recover by 2024 (7.25%).
The risk scenario weighted at 20 percent, on the other hand, is based on the assumption that serious problems occur with regard to the effectiveness and acceptance of the vaccines. This will significantly slow down the overall economic recovery. The forecast for real annual GDP growth in the EU in 2021 is therefore only 0.5%, rising gradually to 2.5% by 2024. Unemployment rates in the EU are expected to remain at a high level of 9.0% from 2021 to 2024. For DZ PRIVATBANK S.A., the resulting effects on risk provisions are of minor significance overall, as also outlined in section 2.

The key parameters and methods for calculating the expected credit loss (ECL) are agreed between DZ PRIVATBANK S.A. and the parent company. In particular, the modelling of DZ PRIVATBANK S.A.'s expectations regarding macroeconomic developments in the coming years ("forward-looking information") is closely coordinated with the Economic Round Table so that climate change is also appropriately reflected in the coordinated parameters. Counterparty-specific influences of climate change are also reflected in the rating grades.

The development of risk provisioning is inconspicuous overall in the reporting year 2021. Furthermore, there are no significant effects for DZ PRIVATBANK S.A. due to climate change.
Further information on risk provisions is presented in section 66.

22. Liabilities to banks and clients

All bearer liabilities are reported as liabilities to banks and clients. These mainly include liabilities due on demand and fixed-term liabilities from the deposit and money market business.

Liabilities to banks and clients are generally measured at amortised cost using the effective interest method. The fair value option and hedge accounting are not applied.

Interest expenses and interest income (negative interest) for liabilities to banks and clients are recorded separately in net interest income. Interest expenses also include results from the early redemption.

23. Securitised liabilities

Securitised liabilities include bonds and money market instruments for which transferable bearer certificates (e.g. euro commercial papers) have been issued.

Securitised liabilities are generally valued at amortised cost using the effective interest method. If the fair value option has been exercised, the valuation results are recognised in the result from non-derivative financial instruments within the other valuation result from financial instruments.

24. Provisions

Provisions for employee benefits

The company pension scheme agreed with the employees of DZ PRIVATBANK S.A. is based on various types of pension schemes, which include both defined contribution and defined benefit plans.

In the case of defined contribution plans, fixed contributions are paid to external pension providers. The amount of the contributions as well as the investment income generated from them determine the amount of the future pension benefits. The risks arising from the obligation to pay corresponding benefits in the future lie with the pension provider. No provisions are formed for these indirect pension commitments. The contributions made are recognised in administrative expenses as pension costs. For further details, see section 86.

The valuation of defined benefit obligations is based on the projected unit credit method. The valuation is based on various actuarial assumptions. In particular, assumptions are made about the long-term salary and pension trends as well as average life expectancy. The assumptions on salary and pension trends are based on developments observed in the past and take into account expectations on the future development of the labour market. The average life expectancy is estimated on the basis of recognised biometric calculation principles. The interest rate used to discount the future payment obligations is an adequate market interest rate for first-class, fixed-interest corporate bonds with a term corresponding to the defined benefit pension obligations. The interest rate is derived according to the commitment structure (duration) on the basis of a portfolio of high-quality corporate bonds that must meet defined quality characteristics and quantity criteria (outstanding nominal value). Quality criteria include, in particular, an AA rating from Moody's Investors Service, New York, Standard & Poor's, New York, Fitch Ratings, New York/London, and/or DBRS, Toronto.

Actuarial income and expenses resulting from experience adjustments and the effects of changes in actuarial assumptions of defined benefit obligations as well as income and expenses from the remeasurement of plan assets and reimbursement rights are recognised in retained earnings not affecting net income in the reporting period in which they occur.

In addition to provisions for defined benefit plans, provisions for employee benefits also include provisions for other long-term employee benefits, provisions for termination benefits and provisions for short-term employee benefits. Provisions for employee benefits are generally charged to administrative expenses and reversed to other operating income. Deviating from this, restructuring provisions are recognised in Other operating income.

Restructuring provisions

The Board of Management negotiated a company agreement with the staff representatives in 2014, which was extended to 30 June 2022 on 6 March 2020, to accompany the necessary structural adjustments at the Bank. This regulates the material framework for the group of employees affected by a dismissal for operational reasons.

Provisions for share-based payment transactions

DZ PRIVATBANK S.A. has concluded an agreement on variable remuneration with the relevant members of the Board of Management. The amount of the variable remuneration is based on a contractually defined reference bonus. Depending on target achievement, the variable remuneration can amount to between 0 and 150 percent of the reference bonus. To determine the bonus amount, quantitative and qualitative targets are derived from the corporate strategy in the form of Group, bank, departmental and individual targets. The targets have a 3-year assessment period based on the past. The reference bonus shall be determined by the Supervisory Board after adoption of the annual financial statements at the latest. The payment of the amount thus determined annually is spread over 6 years. The first payout amount of 20 percent of the reference bonus is paid out immediately after determination. A further 20 percent are subject to a lock-up period of one year. The remaining 60 percent will be spread over a period of 5 years. The retained bonus is divided into 5 equal parts for this purpose. All deferred payments are linked to the sustainable development of the company value of DZ PRIVATBANK S.A.. The company value is determined annually by means of an independent company valuation. A reduction of the company value results in , depending on the amount of the reduction, a lessening of the retained bonus shares. A disbursed bonus can be reclaimed up to 2 years after the end of the retention period if the Board of Management member was involved in conduct that resulted in significant losses or a significant regulatory sanction for the institution or was responsible for seriously violating relevant external or internal regulations regarding suitability and conduct. If, at the time of the determination of negative performance contributions for an assessment period, claims to the payment of retained bonus shares still exist, these claims may be extinguished.

Provisions for share-based payment transactions are recognised when it is sufficiently probable that the payment will be made in the future. The date of initial recognition is therefore earlier than the date of payment in subsequent years. This results in corresponding deviations from the granted, unpaid share-based payments disclosed in section 89 in their nominal amounts.

Other provisions

Provisions represent liabilities that are uncertain in terms of their amount or maturity. They are recognised for present obligations arising from past events to the extent that an outflow of resources embodying economic benefits is probable and the amount of the obligation can be reliably estimated.

Provisions are recognised and measured at the best estimate of the expected settlement amount. The risks and uncertainties associated with the relevant circumstances as well as future events are taken into account.

Provisions for irrevocable loan commitments and provisions for financial guarantees are recognised in the amount of the expected credit losses on the basis of the same model as for financial assets.

Provisions are made for risks arising from ongoing legal disputes to cover possible resulting losses. These provisions are formed if there are more reasons for DZ PRIVATBANK S.A. to be obliged to pay as a result of the legal dispute in question than against it. Any concentration risks due to the comparability of individual cases are taken into account. The amount of provisions recognised for risks arising from ongoing legal disputes is based in each case on the information available and is subject to scope for judgement and assumptions. These may be due, for example, to the fact that DZ PRIVATBANK S.A. does not yet have all the information it needs to make a final assessment of the legal risk, particularly at an early stage of the proceedings. Forecasts made by DZ PRIVATBANK S.A. regarding changes in the legal framework and changes in official interpretations as well as – in the context of legal proceedings – regarding orders or decisions of the courts or the expected procedural submissions of the opposing parties may also later prove to be inaccurate.

25. Contingent liabilities

Contingent liabilities are possible obligations that arise from past events not under the control of DZ PRIVATBANK S.A. and whose existence has yet to be confirmed by future events. In addition, present obligations that arise from past events but are not recognised as provisions because of the unlikelihood of an outflow of resources embodying economic benefits, or where the amount of the obligation cannot be estimated with sufficient reliability, are also contingent liabilities.

Contingent liabilities are measured at the best estimate of possible future utilisation.
Contingent liabilities for litigation risks are reported if there is no obligation, but the possibility exists that a payment obligation for DZ PRIVATBANK S.A. will result from the relevant legal dispute. Risks from legal disputes are measured according to their probability of occurrence. For more details on contingent liabilities, see section 81.

B. DISCLOSURES ON THE STATEMENT OF COMPREHENSIVE INCOME

26. Segment reporting

The members of the Board of Management of DZ PRIVATBANK S.A. assume the associated specialist management responsibility within the framework of the cross-location segment management of DZ PRIVATBANK S.A. in their function as segment managers. The Board of Management is informed on a monthly basis about the development of the individual business segments. On the basis of this reporting, the Board of Management assesses the development of the individual business segments.

Information on business segments

Financial year 2021

Basis: IFRS in TEUR	**Private banking**	**Fund services**	**Loans**	**Treasury/ Brokerage**	**Other**	**Total**
Net interest income	2,461	29,887	13,829	22,015	-237	67,954
Net commission income	63,805	86,295	2,730	-825	-214	151,790
Trade income	2,499	10,673	865	-100	-190	13,747
Result from financial assets	0	0	0	0	0	0
Other valuation result from financial instruments	0	12	1	12	-2,760	-2,735
Result from the derecognition of AC-valued financial instruments	0	0	0	-483	245	-238
Risk provisions	0	0	0	0	111	111
Other operating income	-2,028	706	-300	269	1,880	528
Net income	**66,736**	**127,574**	**17,125**	**20,888**	**-1,165**	**231,157**
./. Direct costs of the profit centres	-46,649	-28,639	-8,810	-12,138	-1,256	-97,492
Net result from services	2,012	2,111	203	89	483	4,897
Profit contribution I	**22,099**	**101,046**	**8,517**	**8,839**	**-1,938**	**138,562**
./. Cost allocation						-64,200
Profit contribution II						**74,363**
./. Structural costs						-47,716
Contribution to result III						**26,647**

Financial year 2020

Basis: IFRS in TEUR	Private banking	Fund services	Loans	Treasury/ Brokerage	Other	Total
Net interest income	4,437	26,234	12,468	38,740	-3,859	78,021
Net commission income	59,161	77,259	3,120	-937	-445	138,158
Trade income	1,897	10,401	849	-596	498	13,049
Result from financial assets	0	0	0	0	0	0
Other valuation result from financial instruments	0	0	0	1,857	-3,867	-2,009
Result from the derecognition of AC-valued financial instruments	0	0	0	0	-324	-324
Risk provisions	0	0	0	0	-604	-604
Other operating income	435	345	-6	0	-446	328
Net income	**65,930**	**114,240**	**16,431**	**39,064**	**-9,046**	**226,619**
./. Direct costs of the profit centres	-46,027	-19,583	-8,198	-11,754	-1,201	-86,762
Net result from services	2,014	1,102	161	67	264	3,608
Profit contribution I	**21,917**	**95,759**	**8,394**	**27,377**	**-9,983**	**143,465**
./. Structural costs						-64,069
Profit contribution II						**79,396**
./. Structural costs						-43,253
Contribution to result III						**36,143**

General information on business segments

The disclosures on business segments are prepared in accordance with IFRS 8 using the management approach based on the internal management reporting system.

Definition of the business segments

The business segments

- Private Banking,
- Fund Services,
- Credit and
- Treasury/Brokerage

are shown separately in reporting.

The interest and commission income generated by the business segments and the related interest and commission expenses are shown as net interest income and net commission income respectively in the disclosures on the business segments, as the management of the business segments is based on these net figures.

Valuation standards

The internal reporting of DZ PRIVATBANK S.A. is based on the accounting policies applicable based on the current IFRS accounting standards.

The main standard for assessing the success of the business segments is the profit contribution I for each business segment. The profit contribution I is made up of the income and expenses directly attributable to the business segments.

Presentation of business segments

PRIVATE BANKING

The Private Banking business segment is a key component of DZ PRIVATBANK's integrated business model. On the basis of a subsidiary sales and cooperation concept, DZ PRIVATBANK provides the private banking clients of the cooperative banks with a high-quality, international advisory and asset management service that is characterised in a special way by the cooperative values of trust, proximity and sustainability. DZ PRIVATBANK offers its services in the core market of Germany through three sales channels: to provide independent advice to their private banking clients (EUR 250,000 to 1 million in disposable assets), Volksbanken Raiffeisenbanken use the range of "VR-PrivateBanking" services and solutions, which is fully integrated into the cooperative banking process and geared towards professional asset management. In the case of more complex issues for high-end private banking (over EUR 1 million in disposable assets), the partner institutions have access to "DZ-PrivateBanking" and therefore to the national and international specialist expertise of DZ PRIVATBANK with booking offices in Germany, Luxembourg and Switzerland. In addition, international specialists from DZ PRIVATBANK provide support and service to high-net-worth private clients and investors, foundations, etc., in wealth management.

FUND SERVICES

The Fund Services business segment acts as a service provider for Union Investment in Luxembourg, DZ PRIVATBANK's in-house funds and for third-party fund initiators (institutional investors, asset managers, family offices). In terms of asset servicing, the Fund Services business segment is supported by the IPConcept units in Luxembourg and Switzerland, which are an integral part of the business model.

The range of services / asset servicing covers the entire value chain in the investment fund business for liquid and illiquid assets (alternative assets), starting with sales/business development, sales support/management, risk management, fund administration through to depositary functions.

The service provided by the Fund Services business segment follows a qualitative approach, which also applies to client selection and the implementation of individual fund projects. With its IPConcept units and depositary in Germany, DZ PRIVATBANK is the market leader for third-party fund business with independent asset managers in German-speaking countries. Target clients are mainly independent asset managers, family offices, third-party banks and institutional clients. Third-party fund clients are serviced and supported through all stages of business development from start-up to fully operational management company. The "Fund & Investors Services" initiative is being implemented in cooperation with DZ BANK AG under the "Fondshafen" brand.

LENDING

The Lending business segment provides the LuxCredit product as financing in EUR and common currencies under the guarantee of the cooperative banks to their private and corporate clients within the framework of a cooperation that has existed for decades in most cases. The Lending business segment, in its function as back office unit, is also responsible for all counterparty risks of DZ PRIVATBANK S.A. In this function, there is close integration and coordination with the Group management of DZ BANK AG.

The business segment is characterised by high process efficiency and a high degree of automation – especially in the presentation and processing of LuxCredit business. This is based on an online application route from the agree21 banking system to the DZ PRIVATBANK S.A. systems.

The focus of the Lending business segment is mainly on

- expanding its competitive position as the partner of choice for cooperative banks in variable-rate financing in EUR,
- meeting and maintaining the high quality and efficiency standards across all tasks as a back office unit in conjunction with the possibilities of further digitalisation,
- meeting and implementing regulatory requirements relating to the lending business of DZ PRIVATBANK S.A.

TREASURY/BROKERAGE

The core tasks of the Treasury/Brokerage business segment comprise the Fixed Income and Integrated Execution Services divisions.

Fixed income is broken down into asset and liability management and liquidity management. In Asset and Liability Management, the interest rate, market and currency risks of the proprietary books are managed within the defined risk limits. Taking into account liquidity requirements and regulatory framework conditions, the securities portfolio is optimised in terms of risk/return, fungibility and pensionability.- Liquidity management comprises the refinancing of bank assets including foreign currency assets. This includes ensuring ongoing solvency and maintaining the Bank's liquidity books. Short-term liquidity is raised via institutional clients primarily by means of the Euro Commercial Paper Programme (ECP), which taps additional investors via the International Dealer Group. The Bank's Debt Issuance Programme (DIP) is used to raise structural liquidity.

Integrated Execution Services (brokerage) is responsible for the execution of client orders in the asset classes equities, bonds, funds, precious metals, derivatives,exchange-traded derivatives (ETD), money market and foreign currencies. Through a global broker and liquidity provider network, clients have direct access to international foreign exchange and capital markets as well as to a variety of exchanges and alternative trading venues.

In addition to private and credit clients, the equity/derivatives, foreign currencies and bond/fund groups mainly serve institutional clients, especially investment companies. These include Union Investment and third-party fund clients with and without a depositary mandate at DZ PRIVATBANK S.A. as well as the house funds of the Private Banking business segment.

Information on geographic markets

The geographical breakdown of the income of DZ PRIVATBANK S.A. is as follows:

	Luxembourg		Germany		Rest of Europe		Rest of the world	
Figures in TEUR	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Interest and similar income	10,767	60,393	-13,088	-11,237	4,411	6,081	3,342	3,518
Commission income	136,224	119,714	125,664	97,408	7,956	3,890	4,155	2,646
Other operating income	6,330	4,750	3,982	3,862	0	2,914	0	0
Total	**153,321**	**184,857**	**116,558**	**90,033**	**12,367**	**12,885**	**7,497**	**6,164**

The presentation of information on geographical markets is based on the country of domicile of clients.
Certain non-current assets – mainly tangible assets – are not disclosed separately due to their minor importance for the business model of DZ PRIVATBANK S.A.

27. Net interest income

Figures in TEUR	2021	2020
INTEREST INCOME AND CURRENT INCOME	**14,717**	**67,254**
Interest income from	**5,433**	**58,754**
Lending and money market transactions	58,584	102,887
Bonds and other fixed-interest securities	-4,297	-1,311
Financial assets with negative interest rates	-48,854	-42,822
Current result from	**9,284**	**8,500**
Shares in subsidiaries	9,284	8,500
INTEREST EXPENSES FOR	**53,237**	**10,766**
Liabilities to banks and clients	-9,620	-21,660
Securitised liabilities	1,018	-11,935
Financial liabilities with positive interest rates	62,359	45,004
Interest expenses from leases	-520	-643
Total	**67,954**	**78,021**

The net interest income of DZ PRIVATBANK S.A. decreased by EUR 10.0 million to EUR 68.0 million (2020: EUR 78.0 million) due to the continued low interest rate level. In addition, the previous year's net interest income was positively influenced in particular by the lower USD money market interest rates.

Interest income and interest expenses are broken down by holding category in accordance with IFRS 9 as follows:

Figures in TEUR	2021	2020
Interest income according to IFRS 9 holding categories	**5,433**	**58,754**
FVTPL	45,678	87,045
FVO	1,084	2,200
AC	-41,329	-30,490
Interest expenses according to IFRS 9 holding categories	**53,237**	**10,766**
FVO	-6,066	-5,389
AC	50,977	9,786
FVTPL	8,845	7,012
Leases	-520	-643

28. Net commission income

Figures in TEUR	2021	2020
Commission income	**273,998**	**223,658**
Securities business	218,064	177,093
Asset management	53,055	43,434
Payment transactions including card business	1,301	1,150
Lending and trust business	162	167
Other	1,416	1,814
Commission expenses	**-122,208**	**-85,500**
Securities business	-101,348	-70,558
Asset management	-20,433	-14,472
Payment transactions including card business	-413	-378
Other	-14	-92
Total	**151,790**	**138,158**

In terms of net fee and commission income, the bank recorded an increase of 9.9 percent to EUR 151.8 million (2020: EUR 138.2 million). This development is mainly due to increased income from the custodian bank function (EUR +11.8 million) and asset management (EUR +3.7 million).

Net fee and commission income in the financial year includes income from contracts with clients in accordance with IFRS 15 amounting to EUR 274.0 million (2020: EUR 223.7 million) (see section 84).

29. Trade income

Figures in TEUR	2021	2020
Result from non-derivative financial instruments	1,920	2,539
Result from derivative financial instruments	-6	32
Foreign exchange result	11,841	10,481
Interest and dividends	-9	-3
Total	**13,747**	**13,049**

30. Result from financial assets

The result from financial investments includes results from the sale and disposal of securities and shares in companies included under the balance sheet item "Financial investments".
Proceeds from the sale of securities classified at amortised cost are reported under "Gains and losses from the derecognition of financial assets measured at amortised cost".
The result from financial assets was zero in the 2021 and 2020 financial years.

31. Other valuation result from financial assets

Figures in TEUR	2021	2020
Result from hedge accounting	**52**	**717**
Result from hedging transactions (FV hedge)	58,669	-12,602
Result from hedged underlying transactions (FV hedge)	-58,617	13,320
Result from derivative financial instruments entered into without the intention to trade	**3,095**	**-4,519**
Result from financial instruments designated as at fair value through profit or loss	**-5,881**	**1,793**
Result from non-derivative financial instruments	13,111	-1,174
Result from FVO loans and advances to banks and clients	1,308	2,423
Result from FVO financial assets	35	-745
Result from securitised FVO liabilities	-14,454	-2,852
Result from FVO subordinated capital	0	0
Result from derivative financial instruments	-18,992	2,967
Total	**-2,735**	**-2,009**

The result from derivative financial instruments entered into without the intention to trade results from the measurement and realisation of derivative financial instruments that are in economic hedging relationships, but are not included in hedge accounting or the corresponding underlying transactions do not meet the requirements of the fair value option.

32. Gains and losses from the derecognition of financial assets valued at amortised cost

Figures in TEUR	2021	2020
Gains from the derecognition of financial assets valued at amortised cost	**79**	**654**
Loans and advances to banks and clients	79	220
Financial assets	0	434
Losses from the derecognition of financial assets measured at amortised cost	**-318**	**-978**
Financial assets	-318	-978
Total	**-238**	**-324**

33. Risk provisions

Figures in TEUR	2021	2020
Risk provisions for cash reserves	**-3**	**-1**
Additions	-8	-3
Reversals	5	2
Risk provisions for loans and advances to banks	**135**	**-372**
Additions	-1,058	-1,087
Reversals	1,193	715
Risk provisions for loans and advances to clients	**8**	**-83**
Additions	-414	-504
Reversals	421	421
Risk provisions for financial assets	**-24**	**-135**
Additions	-110	-233
Reversals	87	98
Other risk provisions in the lending business	**-5**	**-12**
Additions to and reversals of provisions for loan commitments	-6	-12
Total	**111**	**-604**

In the previous year, the Bank's risk provisioning was burdened by a SARS-COV-2 specific effect of EUR -0.5 million.

34. Administrative expenses

Figures in TEUR	2021	2020
Personnel expenses	**-126,525**	**-116,976**
Wages and salaries	-103,154	-94,654
Social security contributions	-12,219	-11,555
Expenses for retirement benefits	-10,521	-10,334
Expenses for share-based payment transactions	-631	-434
Non-personnel expenses	**-61,341**	**-55,010**
Contributions and fees	-15,726	-12,618
of which: contributions to the resolution fund for CRR banks	-11,108	-8,171
Advice	-9,547	-7,586
Office operations	-4,264	-4,815
IT costs	-18,100	-16,955
Land and occupancy costs	-3,804	-3,394
Information procurement	-6,422	-6,372
Public relations and marketing	-3,240	-2,997
Management bodies	-238	-275
Depreciations	**-16,644**	**-18,489**
Tangible fixed assets	-5,059	-5,124
Rights of use	-5,047	-5,070
Other intangible assets	-6,538	-8,294
Total	**-204,510**	**-190,476**

General administrative expenses increased to EUR 204.5 million (2020: EUR 190.5 million). Personnel expenses rose by a total of EUR 9.5 million to EUR 126.5 million (2020: EUR 117.0 million), partly as a result of an index increase in Luxembourg and the inclusion of severance payments. The increase in operating expenses by EUR 6.3 million to EUR 61.3 million (2020: EUR 55.0 million) is due in particular to the further increase in contributions for the bank levy. Expenses for retirement benefits and for share-based payments are explained in sections 86 and 89.

35. Other operating income

Figures in TEUR	2021	2020
Income from the reversal of provisions and accrued liabilities	6,739	5,370
Expenses for restructuring	-1,363	-3,588
Result from reversals of impairment losses and value adjustments and disposals of acquired client relationships and other intangible assets	-3,148	-3,148
Result from reversals of impairment losses and value adjustments and disposals of other assets	2	116
Rental income from land and buildings	1,060	1,120
Expenses from additions to provisions for litigation risks	-1,480	0
Expenses for other taxes	-49	-82
Miscellaneous other operating income	-1,233	540
Total	**528**	**328**

36. Taxes on earnings (HGB)

Figures in TEUR	2021	2020
Expenses for current income taxes	-2,836	-5,491
Income from/expenses for deferred income taxes	-443	-1,457
Total	**-3,279**	**-6,948**

Deferred income taxes are calculated using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The tax rates used are those that are enacted or substantively enacted at the balance sheet date for this period.

The following reconciliation statement shows the relationship between the expected income taxes – based on the tax law applicable in Luxembourg – and the reported income taxes:

Figures in TEUR	2021	2020
Earnings before tax	26,647	36,143
Income tax rate	25.69%	25.69%
Expected income taxes	**-6,846**	**-9,285**
Income tax effects	**3,566**	**2,337**
Effects from tax-exempt income and non-deductible expenses	2,344	2,129
Other effects	1,222	208
Reported income taxes	**-3,279**	**-6,948**

37. Reclassification to the statement of comprehensive income

There were no reclassifications to the statement of comprehensive income in the 2021 and 2020 financial years.

38. Income taxes not affecting net income

The following income taxes are attributable to the result not affecting net income in the statement of comprehensive income:

	2021			2020		
Figures in TEUR	**Change before tax**	**Taxes on earnings (HGB)**	**Change after tax**	**Change before tax**	**Taxes on earnings (HGB)**	**Change after tax**
Gains and losses from changes in proprietary default risk of financial liabilities for which the fair value option was exercised	1,673	-430	1,243	-5,385	1,383	-4,001
Gains and losses from remeasurements of defined benefit plans	2,414	-620	1,794	246	-63	183
Total	**4,087**	**-1,050**	**3,037**	**-5,139**	**1,320**	**-3,819**

C. DISCLOSURES ON THE BALANCE SHEET

39. Cash reserves

Figures in TEUR	31/12/2021	31/12/2020
Cash on hand	14,953	14,563
Balances with central banks	9,947,784	5,938,894
Total	**9,962,738**	**5,953,457**

As at the balance sheet date, balances with central banks amounted to EUR 9,854 million (2020: EUR 1,200 million) at the Banque Centrale du Luxembourg, EUR 20 million (2020: EUR 4,738 million) at the Swiss National Bank and EUR 74 million (2020: EUR 1 million) at the Deutsche Bundesbank.

Deposits with central banks, which are counted as high-quality liquid assets (HQLA), are used to manage the regulatory liquidity ratio (LCR). For reasons of diversification, a portion of the central bank deposits is held at the Swiss central bank.

40. Loans and advances to banks

	Due on demand		**With an agreed maturity or notice period**		**Total**	
Figures in TEUR	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
German banks	**402,301**	**92,649**	**469,928**	**1,001,872**	**872,229**	**1,094,521**
Affiliated banks	20,252	30,884	367,834	353,876	388,086	384,760
Non-affiliated banks	382,049	61,765	102,094	647,996	484,143	709,761
Other banks	**363,352**	**335,955**	**146,709**	**188,411**	**510,061**	**524,366**
Total	**765,653**	**428,604**	**616,637**	**1,190,284**	**1,382,290**	**1,618,887**

Loans and advances to banks break down by transaction type as follows:

Figures in TEUR	31/12/2021	31/12/2020
Money market transactions	314,218	891,450
Current account receivables	745,401	397,720
Other loans and advances	322,670	329,718
Total	**1,382,290**	**1,618,887**

Please refer to section 48 for information on risk provisions.

41. Loans and advances to clients

Loans and advances to clients break down as follows:

Figures in TEUR	31/12/2021	31/12/2020
Loans and advances to German clients	5,419,240	5,192,123
Loans and advances to other clients	520,519	532,388
Total	**5,939,759**	**5,724,510**

Figures in TEUR	31/12/2021	31/12/2020
Money market transactions	26,561	134,822
Current account receivables	378,009	271,836
Other loans and advances	5,535,189	5,317,852
Total	**5,939,759**	**5,724,510**

EUR 5.4 billion (2020: EUR 5.2 billion) of the loans and advances to clients amounting to EUR 5.9 billion (2020: EUR 5.7 billion) are due from clients in Germany.
Other loans and advances to clients increased to EUR 5.5 billion (2020: EUR 5.3 billion). EUR 5.1 billion (2020: EUR 4.9 billion) originated from client loans guaranteed by cooperative banks (LuxCredit financing).
Loans and advances to clients include loans and advances due to IFRS 15 (Revenue from Contracts with Clients) in the amount of EUR 36.3 million (2020: EUR 27.3 million).

Please refer to section 48 for information on risk provisions.

42. Positive market values from hedging instruments

The positive market values from hedging instruments amount to TEUR 11,017 (2020: TEUR 228) and solely result from derivative hedging instruments for fair value hedges.

43. Trading assets

Figures in TEUR	31/12/2021	31/12/2020
Positive market values from derivative financial instruments	**271,730**	**187,628**
Interest-based transactions	9,784	20,883
Currency transactions	261,946	166,745
Total	**271,730**	**187,628**

44. Financial assets

Figures in TEUR	31/12/2021	31/12/2020
Bonds and other fixed-interest securities	**3,007,004**	**3,222,964**
Bonds and debentures	3,007,004	3,222,964
Shares in subsidiaries	**164,700**	**164,700**
Total	**3,171,704**	**3,387,664**

45. Tangible fixed assets and rights of use

Figures in TEUR	31/12/2021	31/12/2020
Tangible fixed assets	**40,634**	**42,103**
Land and buildings	33,122	34,732
Furniture, fittings and equipment	7,512	7,371
Rights of use	**8,685**	**10,285**
Rights of use for land and buildings	7,316	8,480
Rights of use for furniture, fittings and equipment	1,369	1,805
Total	**49,318**	**52,388**

The development of tangible fixed assets is as follows:

	Land and buildings		**Furniture, fittings and equipment**		**Total tangible fixed assets**	
Figures in TEUR	2021	2020	2021	2020	2021	2020
Gross value as at 1 January	**84,451**	**84,201**	**43,073**	**41,018**	**127,525**	**125,220**
Additions	31	250	3,559	2,055	3,590	2,305
Disposals	0	0	0	0	0	0
Gross value as at 31 December	**84,482**	**84,451**	**46,632**	**43,073**	**131,114**	**127,525**
Value adjustment in the current year	-1,640	-1,607	-3,419	-3,496	-5,059	-5,124
Value adjustments in previous years	-49,720	-48,113	-35,702	-32,206	-85,422	-80,298
Net value as at 31 December	**33,122**	**34,732**	**7,512**	**7,371**	**40,634**	**42,103**

Prepayments made are assigned to the relevant tangible fixed assets. Low-value assets are recognised directly as an expense under administrative expenses in the year of acquisition.

The depreciation methods for tangible fixed assets and intangible assets are presented in section 18.

The development of the rights of use is shown in section 83.

46. Income tax assets and liabilities

Figures in TEUR	31/12/2021	31/12/2020
Income tax claims	**63,880**	**59,316**
Current income tax assets	63,880	59,316
Deferred income tax assets	0	0
Income tax liabilities	**-49,279**	**-43,454**
Current income tax liabilities	-24,510	-20,179
Deferred income tax liabilities	-24,769	-23,276
Total	**14,601**	**15,861**

Deferred income tax assets and liabilities are recognised for temporary differences arising from the following items:

	31/12/2021		31/12/2020	
Figures in TEUR	**Deferred income tax assets**	**Deferred income tax liabilities**	**Deferred income tax assets**	**Deferred income tax liabilities**
Tax loss carryforwards	0	0	0	0
Loans and advances to banks and clients	0	-12,271	0	-10,390
Trading assets/liabilities as well as positive and negative market values from hedging instruments	5,129	0	26,714	-10,591
Financial assets	0	-4,482	0	-21,463
Risk provisions	317	0	337	0
Tangible fixed assets	90	0	58	0
Liabilities to banks and clients	0	0	0	0
Securitised liabilities	3,636	0	7,362	0
Provisions for employee benefits and for share-based payment transactions	7,350	-413	7,970	-1,236
Other provisions	460	-20,136	514	-17,294
Other balance sheet items	0	-4,448	0	-5,257
Total (gross value)	**16,982**	**-41,751**	**42,954**	**-66,230**
Netting of deferred income tax assets and liabilities	-16,982	16,982	-42,954	42,954
Total (net value)	**0**	**-24,769**	**0**	**-23,276**

In total, there is a deferred tax liability of EUR 25 million (2020: deferred tax liability of EUR 23 million). Deferred income tax assets of EUR 12 million (2020: EUR 16 million) and deferred income tax liabilities of EUR 42 million (2020: EUR 56 million) are generally not realised until after 12 months.

47. Other assets

Figures in TEUR	31/12/2021	31/12/2020
Goodwill	**0**	**0**
Intangible assets (excluding rights of use)	**25,011**	**30,192**
Software and licences	4,244	5,204
Acquired client relationships	17,315	20,463
Other intangible assets	3,453	4,526
Other loan and advances (AC)	**6,407**	**4,446**
Miscellaneous other assets	**32,498**	**28,651**
Inventories	2,140	2,216
Deferred income and advance payments	3,685	2,568
Receivables from fiscal unities	18,793	14,462
Loans and advances to tax offices from other taxes	3	720
Reimbursement rights for defined benefit plans recognised as assets	197	192
Other assets	7,680	8,493
Total	**63,916**	**63,289**

The item "other assets" mainly includes receivables from the pension fund as well as receivables from the private client and custodian banking business.

The development of intangible assets over the course of the year can be shown as follows:

Figures in TEUR	Acquired client relationships 2021	Acquired client relationships 2020	Software 2021	Software 2020	Other intangible assets 2021	Other intangible assets 2020	Total intangible assets 2021	Total intangible assets 2020
Gross value as at 1 January	**195,732**	**195,732**	**42,553**	**39,694**	**40,971**	**37,611**	**279,256**	**273,038**
Additions	0	0	3,351	2,858	1,154	3,360	4,505	6,218
Disposals	0	0	0	0	0	0	0	0
Gross value as at 31 December	**195,732**	**195,732**	**45,903**	**42,553**	**42,125**	**40,971**	**283,761**	**279,256**
Value adjustment in the current year	-3,148	-1,574	-4,311	-4,635	-2,227	-3,660	-9,686	-11,442
Value adjustments in previous years	-175,270	-173,696	-37,348	-32,713	-36,445	-32,785	-249,064	-237,622
Net value as at 31 December	**17,315**	**20,463**	**4,244**	**5,204**	**3,453**	**4,526**	**25,011**	**30,192**

The gross value of intangible assets acquired for consideration, including client bases, as of 1 January 2021 relates to private client portfolios acquired from various banks in 2011, 2012, 2013 and 2017. All acquired client bases are tested annually for impairment. Client bases are amortised over 10 years. The net value as of 31 December 2021 from the acquisitions amounts to EUR 17.3 million (2020: EUR 20.5 million), and the remaining amortisation period is 5 years.

The "Other intangible assets" are mainly licences.

48. Risk provisions

The risk provisions reported on the assets side of the balance sheet developed as follows:

	Risk provisions for cash reserves	Risk provisions for loans and advances to banks		Risk provisions for loans and advances to clients		Risk provisions for financial assets	
Figures in TEUR	Level 1	Level 1	Level 2	Level 1	Level 2	Level 1	Total
As at: 1 January 2020	**-1**	**-224**	**0**	**-215**	**-70**	**-185**	**-696**
Additions	-3	-1,087	0	-493	-11	-233	-1,827
Currency translation differences	0	0	0	0	0	0	0
Dissolution	2	715	0	342	79	98	1,236
Step transfer	0	0	0	0	0	0	0
As at: 31 December 2020	**-2**	**-597**	**0**	**-367**	**-2**	**-320**	**-1,287**
As at: 1 January 2021	**-2**	**-597**	**0**	**-367**	**-2**	**-320**	**-1,287**
Additions	-8	-1,034	-24	-401	-12	-110	-1,589
Currency translation differences	0	-27	0	-4	1	-4	-34
Dissolution	5	1,191	1	414	7	87	1,706
Step transfer	0	9	-9	1	-1	0	0
As at: 31 December 2021	**-4**	**-457**	**-32**	**-357**	**-7**	**-348**	**-1,205**

49. Liabilities to banks

	Due on demand		With an agreed maturity or notice period		Total	
Figures in TEUR	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
German banks	**418,741**	**373,048**	**288,710**	**688,440**	**707,451**	**1,061,487**
Affiliated banks	390,861	372,558	193,763	152,156	584,625	524,714
Non-affiliated banks	27,879	490	94,947	536,283	122,826	536,774
Other banks	**601,340**	**232,168**	**1,064,858**	**897,940**	**1,666,198**	**1,130,108**
Total	**1,020,081**	**605,216**	**1,353,568**	**1,586,379**	**2,373,649**	**2,191,595**

As at the balance sheet date, liabilities to banks increased by EUR 182 million to EUR 2,374 billion (2020: EUR 2.192 billion). Nearly 89 percent (2020: 97 percent) of liabilities to banks have a remaining term of up to three months. Of the liabilities to banks, 25 percent (2020: 24 percent) are attributable to cooperative banks.

50. Liabilities to clients

	Due on demand		With an agreed maturity or notice period		Total	
Figures in TEUR	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
German clients	1,625,675	1,513,895	259,663	367,849	1,885,338	1,881,744
Other clients	10,399,238	7,378,433	10,953	63,514	10,410,191	7,441,947
Total	**12,024,913**	**8,892,328**	**270,615**	**431,363**	**12,295,529**	**9,323,691**

Client deposits increased by EUR 3.0 billion to EUR 12.3 billion (2020: EUR 9.3 billion). They consist of deposits from legal entities under private law in the amount of EUR 10.9 billion (2020: EUR 8.0 billion) and deposits from natural persons in the amount of EUR 1.4 billion (2020: EUR 1.4 billion).
Together with securitised liabilities, these deposits represent 82 percent (2020: 79 percent) of the total refinancing funds.

51. Securitised liabilities

Figures in TEUR	31/12/2021	31/12/2020
Issued bonds	1,813,209	1,839,004
Other securitised liabilities	3,085,980	2,375,894
Total	**4,899,189**	**4,214,899**

The bonds issued relate in full to issues under the Debt Issuance Programme. The other securitised liabilities solely relate to European Commercial Papers.

52. Negative market values from hedging instruments

The negative market values from hedging instruments amount to EUR 47 million (2020: EUR 107 million) and solely result from derivative hedging instruments for fair value hedges.

53. Trading liabilities

Figures in TEUR	31/12/2021	31/12/2020
Negative market values from derivative financial instruments	**259,790**	**209,373**
of which interest-based transactions	9,663	3,268
of which currency-related transactions	250,127	206,105
Total	**259,790**	**209,373**

54. Provisions

Figures in TEUR	31/12/2021	31/12/2020
Provisions for employee benefits	**58,404**	**56,116**
Provisions for benefit plans	34,679	32,429
Provisions for termination benefits (restructuring)	5,480	9,595
Provisions for short-term employee benefits	18,245	14,091
Provisions for share-based payment transactions	**1,864**	**1,612**
Other provisions	**36,115**	**24,076**
Provisions for loan commitments	28	22
Provisions for financial guarantees	0	1
Provisions for management bonuses/bonuses to third parties	20,908	11,940
Provisions for litigation risks	1,872	635
Other provisions	13,307	11,478
Total	**96,383**	**81,803**

With regard to the provisions for defined benefit plans, reference is made to section 86.

Other provisions developed as follows in the year under review:

Figures in TEUR	**As at: 1 January 2021**	Consumption	Reversals	Addition	**As at: 31 December 2021**
Provisions for loan commitments	**22**	0	-27	32	**28**
Provisions for financial guarantees	**1**	0	-3	2	**0**
Provisions for management bonuses/bonuses to third parties	**11,940**	-10,881	-1,059	20,908	**20,908**
Provisions for litigation risks	**635**	-173	-69	1,480	**1,872**
Other provisions	**11,478**	-8,538	-768	11,135	**13,307**
Total	**24,076**	**-19,593**	**-1,926**	**33,557**	**36,115**

Figures in TEUR	**As at: 1 January 2020**	Consumption	Reversals	Addition	**As at: 31 December 2020**
Provisions for loan commitments	**11**	0	-18	30	**22**
Provisions for financial guarantees	**0**	0	-2	2	**1**
Provisions for management bonuses/bonuses to third parties	**12,669**	-11,766	-903	11,940	**11,940**
Provisions for litigation risks	**644**	-9	0	0	**635**
Other provisions	**12,484**	-10,112	-972	10,078	**11,478**
Total	**25,808**	**-21,312**	**-1,895**	**21,475**	**24,076**

Other provisions include, inter alia, provisions for administrative expenses of EUR 4.1 million (2020: EUR 3.4 million), provisions for operational risks of EUR 1.8 million (2020: EUR 2.0 million), provisions for commissions in the fund services business and private banking of EUR 2.6 million (2020: EUR 1.5 million) and provisions for obligations to service precious metal certificates vis-à-vis clients of EUR 1.9 million (2020 EUR 1.8 million). Due to quarterly reporting, expenditures in the statement may be higher than the opening balance.

The following table shows the estimated maturities of the provisions:

31 December 2021 Figures in TEUR	Up to 3 months	Over 3 months up to 5 years	Indefinite period
Provisions for loan commitments	0	28	0
Provisions for financial guarantees	0	0	0
Provisions for management bonuses/bonuses to third parties	20,908	0	0
Provisions for litigation risks	0	0	1,872
Other provisions	9,117	0	4,190
Total	**30,025**	**28**	**6,062**

31 December 2020 Figures in TEUR	Up to 3 months	Over 3 months up to 5 years	Indefinite period
Provisions for loan commitments	22	0	0
Provisions for financial guarantees	1	0	0
Provisions for agent commissions	11,940	0	0
Provisions for litigation risks	0	0	635
Other provisions	7,078	0	4,400
Total	**19,041**	**0**	**5,035**

55. Other liabilities

Figures in TEUR	31/12/2021	31/12/2020
Accrued liabilities	2,574	2,068
Lease liabilities	9,036	10,502
Liabilities to tax authorities from other taxes	9,674	11,457
Miscellaneous other liabilities	22,397	15,420
Total	**43,681**	**39,447**

The item miscellaneous other liabilities mainly includes liabilities to the pension fund and preferential liabilities.

56. Equity

Subscribed capital

The subscribed capital (share capital) of DZ PRIVATBANK S.A. continues to consist of 22,764,613 no-par value registered shares and amounts to EUR 116 million. It is entirely subscribed capital.

A dividend of EUR 0.50 per share was distributed in the 2020 financial year. A dividend of EUR 0.50 per share will be proposed to the Annual General Meeting for 2021.

The remaining profit of TEUR 11,985 (2020: TEUR 17,813) is to be allocated to retained earnings.

Capital reserve

The capital reserve remains unchanged at EUR 427 million.

The capital reserve includes the amounts by which the notional value of the shares of DZ PRIVATBANK S.A. was exceeded when they were issued.

Retained earnings

Retained earnings amount to EUR 288 million (2020: EUR 268 million).

Retained earnings include the generated undistributed capital of DZ PRIVATBANK S.A. as well as gains and losses from remeasurements of defined benefit plans after taking deferred taxes into account (see section 38).

The cumulative gains and losses from remeasurements of defined benefit plans after deferred taxes amount to EUR -21.3 million (2020: EUR -23.0 million.).

All Luxembourg resident corporations are subject to wealth tax. The tax base for the wealth tax rate is the assessed value, which is essentially the capital at current value. The wealth tax rate is tiered: 0.5% on a tax base up to EUR 500 million and 0.05% on the part in excess, with no upper limit. The wealth tax can be credited if there is a sufficient amount of corporate income tax for the previous year and if free reserves within the meaning of Art. 8a of the Wealth Tax Act are tied up in the amount of five times the wealth tax liability – i.e. they are not used for purposes other than increasing capital for a period of 5 years. The capital commitment taking into account the tax group with IPConcept (Luxemburg) S.A. as of 31 December 2021 amounted to EUR 65.6 million (2020: EUR 65.1 million).

Reserve from the result not affecting net income

The reserve from the result not affecting net income solely contains changes in the value of financial liabilities in the fair value option that are attributable to the Group's own default risk. The disclosure is made after deferred taxes (see section 38).

D. DISCLOSURES ON FINANCIAL INSTRUMENTS

57. Classes, categories and fair values of financial instruments

The net book values and fair values of financial assets and financial liabilities are distributed among the categories of financial instruments in accordance with IFRS 9 shown in the following tables:

	Assets and liabilities measured at fair value in the balance sheet	Assets and liabilities not measured at fair value in the balance sheet		Hidden reserves / charges
	Fair value / book value	Fair value	Book value	
Figures in TEUR	31/12/2021	31/12/2021	31/12/2021	31/12/2021
Cash reserves[1)2)]	0	9,947,780	9,947,780	0
Loans and advances to banks[2)]	8,970	1,375,559	1,372,831	2,728
Loans and advances to clients[2)]	140,676	5,805,706	5,798,718	6,988
Positive market values from hedging instruments	11,017	0	0	0
Trading assets	271,730	0	0	0
Financial assets[1)2)]	0	3,312,708	3,171,356	141,352
Other assets[1)2)]	0	6,407	6,407	0
Hidden reserves / charges on assets				**151,068**
Liabilities to banks	0	2,373,479	2,373,649	169
Liabilities to clients	0	12,295,407	12,295,529	121
Securitised liabilities	1,767,480	3,131,550	3,131,709	158
Negative market values from hedging instruments	47,336	0	0	0
Trading liabilities	259,790	0	0	0
Other liabilities[1)]	0	9,036	9,036	0
Hidden reserves / charges on liabilities				**449**
Total hidden reserves / charges				**151,517**

1) Fair value and book value only include financial instruments within the scope of IFRS 7

2) Book values less risk provisions

	Assets and liabilities measured at fair value in the balance sheet	Assets and liabilities not measured at fair value in the balance sheet		Hidden reserves / charges
	Fair value / book value	Fair value	Book value	
Figures in TEUR	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Cash reserves[1)2)]	0	5,938,892	5,938,892	0
Loans and advances to banks[2)]	514,198	1,106,447	1,104,093	2,354
Loans and advances to clients[2)]	165,749	5,561,230	5,558,392	2,838
Positive market values from hedging instruments	228	0	0	0
Trading assets	187,628	0	0	0
Financial assets[1)2)]	12,990	3,479,615	3,374,354	105,261
Other assets[1)2)]	0	4,446	4,446	0
Hidden reserves / charges on assets				**110,453**
Liabilities to banks	0	2,192,067	2,191,595	-472
Liabilities to clients	0	9,323,904	9,323,691	-213
Securitised liabilities	1,813,922	2,401,061	2,400,976	-85
Negative market values from hedging instruments	106,529	0	0	0
Trading liabilities	209,373	0	0	0
Other liabilities[1)]	0	10,502	10,502	0
Hidden reserves / charges on liabilities				-770
Total hidden reserves / charges				**109,682**

[1)] Fair value and book value only include financial instruments within the scope of IFRS 7

[2)] Book values less risk provisions

The following table shows the assets and liabilities broken down by holding categories without taking risk provisions into account:

Assets (in TEUR)	31/12/2021	31/12/2020
Loans and advances to banks	**1,382,290**	**1,618,887**
FVO	8,970	514,198
AC	1,365,836	1,063,730
AC FV-hedged	7,484	40,960
Loans and advances to clients	**5,939,759**	**5,724,510**
FVO	140,676	165,749
AC	5,709,180	5,464,535
AC FV-hedged	89,902	94,226
Financial assets	**3,171,704**	**3,387,664**
FVO	0	12,990
AC	486,452	825,687
AC FV-hedged	2,520,552	2,384,287
Shares in subsidiaries (AC)	164,700	164,700
Other financial receivables (AC)	**6,407**	**4,446**
Other assets	**10,414,987**	**6,310,572**
Total assets	**20,915,147**	**17,046,080**

Liabilities (in TEUR)	31/12/2021	31/12/2020
Liabilities to banks	**2,373,649**	**2,191,595**
AC	2,373,649	2,191,595
Liabilities to clients	**12,295,529**	**9,323,691**
AC	12,295,529	9,323,691
Securitised liabilities	**4,899,189**	**4,214,899**
FVO	1,767,480	1,813,922
AC	3,131,709	2,400,976
Other liabilities	**1,346,781**	**1,315,896**
Total liabilities	**20,915,147**	**17,046,080**

58. Assets and liabilities measured at fair value in the balance sheet

Fair values are assigned to the following three hierarchy levels in accordance with IFRS 13 depending on the type of input factors used to determine them:

» Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities.

» Level 2: Valuation via input factors that can be monitored directly or indirectly for the assets and liabilities, but that are not quoted prices included for Level 1. Quoted prices in active markets for similar assets and liabilities or significant input factors to a valuation model based on observable market data meet the definition of Level 2.

» Level 3: Application of a valuation model using valuation parameters that are not based on observable market data.

The assignment to a level must be made according to the input factor at the lowest level that is significant for determining the fair value. If a fair value measurement uses observable input factors that require significant adjustment based on unobservable input factors, it is a Level 3 measurement.

Fair value measurements in Level 2 of the fair value hierarchy are made using either quoted prices or prices of active markets for comparable but not identical financial instruments, or determined on the basis of valuation techniques (discounted cash flow method), which are based predominantly on observable market data. These are mainly interest rates, currency rates, bond spreads and interest rate volatilities, which are provided centrally by DZ BANK AG on a daily basis.

DZ PRIVATBANK S.A. classifies its financial instruments in Level 2, if it cannot be guaranteed that they will have very good market liquidity at all times.

If the valuation of the individual instruments deviates from prices observable on the market (e.g. for a valuation at mid-rates), bid-ask adjustments (referred to as "close-out reserves") are determined on a net basis using the option pursuant to IFRS 13.48. A valuation is carried out in accordance with DZ BANK AG's uniform Group rules.

There were no regroupings between Levels 1 to 3 in the 2021 financial year.

The fair value of derivative OTC financial instruments is measured using the option in IFRS 13.48, which permits a measurement of the net total amount. For specific counterparty default risks arising from derivative financial instruments, credit valuation adjustments (CVA) are recognised to take account of the default risk of the counterparties and debt valuation adjustments (DVA) are recognised to take account of the Bank's own default risk.

59. Assets and liabilities not measured at fair value in the balance sheet

The fair value of assets and liabilities is measured using the same methodology throughout irrespective of their recognition in the balance sheet.

60. For the measurement through profit or loss of financial assets and financial liabilities designated at fair value through profit or loss

Financial assets must be recognised at fair value if they do not meet the cash flow criterion under IFRS 9 or were acquired with the intention to sell.

The fair value option can be exercised voluntarily for financial assets and liabilities in order to eliminate or at least significantly reduce recognition or measurement mismatches (accounting mismatches). Accounting mismatches arise from the different measurement of non-derivative financial instruments and derivative financial instruments entered into to hedge them.

As part of the voluntary exercise of the fair value option for financial liabilities, DZ PRIVATBANK S.A. uses a residual value method to determine the changes in fair value attributable to changes in its own default risk. In this context, the Bank's own creditworthiness-induced valuation effect is derived from the total change in fair value less the valuation effect due to changes of other factors. The cumulative change in fair value after deferred taxes resulting from the Group's own default risk amounted to EUR -4.4 million in the financial year (2020: EUR -5.6 million) and is recognised in equity without affecting profit.

For the financial liabilities in the fair value option, the following overview compares the fair values with the amounts contractually payable to the creditors at maturity:

	Fair value		**Repayment amount**	
Figures in TEUR	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Securitised liabilities	1,767,480	1,813,922	1,754,733	1,785,108
Total	**1,767,480**	**1,813,922**	**1,754,733**	**1,785,108**

61. Offsetting of financial assets and financial liabilities

The OTC derivatives included in financial assets and financial liabilities generally reference standard master agreements (such as ISDA master agreements and the German Master Agreement for Financial Futures), although these standard master agreements generally do not meet the offsetting criteria of IAS 32.42 because the legal right to offset under these agreements is dependent on the occurrence of a future event.

If offsetting financial assets and financial liabilities impairs the true and fair view, DZ PRIVATBANK S.A. would refrain from voluntary offsetting.

If they had been offset, the disclosure would have been as follows:

Disclosures on offsetting financial assets

Figures in TEUR

31/12/2021	Gross amount of financial assets before offsetting	Net amount of financial assets (balance sheet value)	Related amounts not offset in the balance sheet		Net amount
			Financial instruments	Cash collateral received	
Derivative financial instruments	**282,747**	**282,747**	**29,010**	**116,391**	**137,347**
31/12/2020					
Derivative financial instruments	**187,856**	**187,856**	**10,918**	**88,608**	**88,331**

Disclosures on offsetting financial liabilities

Figures in TEUR

31/12/2021	Gross amount of financial liabilities before offsetting	Net amount of financial liabilities (balance sheet value)	Related amounts not offset in the balance sheet		Net amount
			Financial instruments	Cash collateral provided	
Derivative financial instruments	**307,126**	**307,126**	**29,010**	**169,259**	**108,858**
31/12/2020					
Derivative financial instruments	**315,902**	**315,902**	**10,918**	**230,915**	**74,069**

62. Collateral and repurchase agreements

Collateral

The financial assets pledged as collateral for liabilities relate exclusively to cash collateral within the scope of collateral management. These are concluded in standard market collateral agreements.

The financial assets have the following book values:

Figures in TEUR	31/12/2021	31/12/2020
Loans and advances to banks	120,273	119,978
Loans and advances to clients	48,985	110,937
Total	**169,259**	**230,915**

Securities repurchase agreements

DZ PRIVATBANK S.A. concludes securities repurchase agreements on the basis of framework agreements customary in the industry. This is done within the framework of standard market collateral agreements.
If the fair value of the securities received or transferred under the repurchase agreements increases or decreases, the company concerned may be required to provide further collateral or may request the provision of further collateral. The transactions in the portfolio on the balance sheet date are solely genuine securities repurchase agreements. Bonds and other fixed-income securities belonging to the class of financial assets measured at fair value and financial assets measured at amortised cost are transferred. As of the balance sheet date, the book values of the securities sold under repurchase agreements amounted to EUR 472.0 million (2020: EUR 366.8 million). The book values of the liabilities associated with securities sold under repurchase agreements amount to EUR 491.4 million (2020: EUR 367.5 million).

63. Gains and losses on derecognition of assets measured at amortised cost

All sales were made within the de minimis limits set by DZ PRIVATBANK S.A. and were aimed at strategic portfolio and risk optimisation.
The harmless sales transactions including defined thresholds in the "hold" business model are therefore as follows:

» Sale due to increase in credit risk: Falling below internal rating threshold 2b on the VR rating scale (S&P A-) or rating deterioration by 3 notches on the VR rating scale since addition;
» Sale due to widening of the spread level: Credit spread widening of more than 20 basis points within 12 months;
» Sale near final maturity: As a test criterion, the remaining term to maturity is set in relation to the total term to maturity (i.e. remaining term to maturity at the time of acquisition), whereby the remaining term to maturity at the time of sale may be less than 10% of the total term to maturity, but no more than 3 months;
» Sales within the de minimis limit: Sales are also acceptable if they are either not significant in value or are rare. In this context, both an "portfolio-based de minimis limit" and a "result-based de minimis limit" were introduced in connection with the significance assessment with both criteria having to be met simultaneously.

- De minimis limit in terms of the portfolio: in order to assess the significance of sales in terms of the portfolio, the nominal values of the sold positions are to be set in relation to the nominal values of all financial instruments existing at the beginning of the financial year. The level of the thresholds for determining the portfolio-based de minimis limit was set taking into account the average duration of the portfolio:
  - Duration up to 1 year max. balance sheet effect p.a. at 8%
  - Duration between 2-5 years max. balance sheet effect p.a. at 7%
  - Duration between up to 5-7 years max. balance sheet effect p.a. at 6%
  - Duration over 7 years max. balance sheet effect p.a. at 4%

» With a current average duration of the portfolio of 3.1 years (2020: 3.2 years), the threshold value is 7%.

- Result-based de minimis limit: compliance with the result-based de minimis limit is checked as is customary in the market by means of the quotient between the realised results of a financial year and the gross interest income of the corresponding portfolio (extrapolated to a year during the year). The threshold value for the result-based de minimis limit is recorded at 8% p.a.
- Frequency: sales are rare if they do not exceed 15 classes of securities p.a. and no more than 5% of the classes of securities in the portfolio.

The de minimis limits were complied with in the previous financial year.

64. Derivative financial instruments

Derivative financial instruments are used to hedge market price risks. On the balance sheet date, the portfolio of derivative financial instruments was composed as follows:

	Nominal amount				
	Remaining term			Total amount	
Figures in TEUR	1 year and less	1 year to 5 years	Over 5 years	31/12/2021	31/12/2020
Interest-based transactions	**1,197,240**	**2,530,457**	**1,066,243**	**4,793,939**	**5,250,540**
OTC products	1,197,240	2,530,457	1,066,243	4,793,939	5,250,540
Interest rate swaps	1,197,240	2,530,457	1,066,243	4,793,939	5,250,540
Currency transactions	**31,506,133**	**701,522**	**0**	**32,207,655**	**18,875,867**
OTC products	31,506,133	701,522	0	32,207,655	18,875,867
Cross currency swaps (other than portfolio hedges)	0	0	0	0	97,943
Currency futures transactions	31,506,133	701,522	0	32,207,655	18,777,924
Total	**32,703,372**	**3,231,978**	**1,066,243**	**37,001,594**	**24,126,407**

	Market value			
	Positive		Negative	
Figures in TEUR	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Interest-based transactions	**20,800**	**21,111**	**56,998**	**109,797**
OTC products	20,800	21,111	56,998	109,797
Interest rate swaps	20,800	21,111	56,998	109,797
Currency transactions	**261,946**	**166,745**	**250,127**	**206,105**
OTC products	261,946	166,745	250,127	206,105
Cross currency swaps (other than portfolio hedges)	0	1,754	0	5,449
Currency futures transactions	261,946	164,991	250,127	200,655
Total	**282,747**	**187,856**	**307,125**	**315,902**

65. Hedge accounting

As part of its risk management strategy, DZ PRIVATBANK S.A. uses interest rate swaps to hedge against interest rate risks from financial instruments and designates hedging relationships between the swaps and the hedged items in order to avoid accounting mismatches. These are loans and advances to banks and clients as well as financial assets, which are measured at amortised cost.

The changes in the fair value of the hedged items attributable to the interest rate risk and the changes in the fair value of the hedging instruments are recognised in the statement of comprehensive income under other valuation result, interest income and interest expenses under net interest income.

Effectiveness test

Hedge accounting requires that the hedging relationship is highly effective both prospectively and retrospectively. For this, the changes in the fair values or the expected cash flows of the hedged items and the hedging instruments must almost balance each other out. For the individual hedging relationships concluded at DZ PRIVATBANK S.A., this is ensured by matching the significant value-affecting features of the underlying transactions and hedging instruments as well as a hedging ratio of 100 percent (1:1 hedging).

The approximate balancing of the respective changes in fair values is ensured by determining an individual hedge ratio based on the sensitivities of the underlying transaction and hedging instruments. The effectiveness of the hedging relationships must be reviewed and demonstrated at least on each reporting date.

For individual hedging relationships accounted for under the rules of IFRS 9, ineffectiveness is quantified retrospectively and recognised in the income statement. IFRS 9 does not define a mandatory effectiveness range. If a hedging relationship no longer meets the effectiveness criterion with regard to the hedge ratio, an adjustment of the hedge ratio is required (recalibration). If an adjustment of the hedge ratio is no longer possible or the risk management objective with regard to the hedging relationship has changed, the hedging relationship must be dedesignated.

Scope of risks managed through hedging relationships

The following table shows information on the volume of hedged items and hedging instruments designated as hedges of interest rate risks:

31/12/2021 Figures in TEUR	Book value	Nominal value of hedging instruments	Hedge adjustment of the underlying transactions (included in the book value)	Value changes for measuring ineffectiveness
Loans and advances to banks	7,484	0	-11	-229
Loans and advances to clients	89,902	0	2,031	-2,120
Financial assets	2,520,552	0	12,365	-56,267
Positive market values from hedging instruments	11,017	762,231	0	17,845
Negative market values from hedging instruments	47,336	1,823,409	0	40,824

31/12/2020 Figures in TEUR	Book value	Nominal value of hedging instruments	Hedge adjustment of the underlying transactions (included in the book value)	Value changes for measuring ineffectiveness
Loans and advances to banks	40,960	0	329	-844
Loans and advances to clients	94,226	0	4,233	1,058
Financial assets	2,384,287	0	71,184	13,106
Positive market values from hedging instruments	228	60,388	0	4,528
Negative market values from hedging instruments	106,529	2,788,431	0	-17,130

The following tables show the remaining terms of the hedging instruments concluded for each risk type (excluding interest rate risk):

As at: 31 December 2021	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Nominal amount in TEUR	42,500	68,000	193,568	1,492,211	789,361
Average hedged interest rate in %	0.07650	0.83270	1.32090	0.85620	0.50180

As at: 31 December 2020	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Nominal amount in TEUR	39,000	137,178	240,597	1,631,729	800,315
Average hedged interest rate in %	1.33970	1.86050	1.60840	0.86560	0.54280

As of the balance sheet date, there were no hedging relationships in connection with currency risks.

66. Nature and extent of risks arising from financial instruments

Default risk management practices

In accordance with IFRS 9, a value adjustment model based on expected losses is applied. The impairment rules are designed in the form of a stage model, which reflects the development of credit quality over the entire term of an asset and the associated economic losses in the balance sheet.
DZ PRIVATBANK S.A. assumes that the debtor is in default if the debtor is more than 90 consecutive calendar days overdue with a substantial part of its total obligation under the loan or if the institution is of the opinion that it is unlikely that the debtor will fully meet its payment obligations under the loan without recourse by the institution to measures such as the realisation of collateral, if any.

The rules for the recognition of value adjustments are based on the calculation of expected losses on cash reserves, loans and advances to banks and loans and advances to clients and financial investments.

In accordance with IFRS 9, the generally applicable three-step approach described in section 21 is used to determine expected losses.

For the assessment of the transfer criterion, DZ PRIVATBANK S.A. uses all plausible and verifiable information relevant for the analysis of changes in the default risk over the entire remaining term of the specific financial instrument, provided that this information is available without unreasonable effort and expense, and also includes forward-looking information.
The following tables provide information on the risk provision on assets carried at amortised cost.

31/12/2021	Level 1		Level 2		Level 3	
Figures in TEUR	**Risk provisions**	**Gross book value**	**Risk provisions**	**Gross book value**	**Risk provisions**	**Gross book value**
As at: 1 January 2021	**1,285**	**15,760,972**	**2**	**54,251**	**0**	**1,543**
Addition / increase in credit utilisation	646	589,945,613	3	278,856	0	8,962
Change in financial assets due to step transfer	-9	33,307	9	-33,521	0	214
Transfer from Level 1	-10	-4,530	10	4,307	0	223
Transfer from Level 2	1	37,766	-1	-37,828	0	62
Transfer from Level 3	0	71	0	0	0	-71
Disposals and repayments	-629	-585,598,944	-7	-271,596	0	-9,181
Additions	907	0	34	0	0	0
Reversals	-1,068	0	-2	0	0	0
Amortisation, changes in market value and other valuation changes	0	-36,877	0	-1	0	0
Currency translation differences and other changes	35	0	-1	0	0	0
As at: 31 December 2021	**1,166**	**20,104,070**	**38**	**27,989**	**0**	**1,538**

31/12/2020	Level 1		Level 2		Level 3	
Figures in TEUR	**Risk provisions**	**Gross book value**	**Risk provisions**	**Gross book value**	**Risk provisions**	**Gross book value**
As at: 1 January 2020	**625**	**17,375,800**	**70**	**55,360**	**0**	**2,307**
Addition / increase in credit utilisation	653	14,010,142	5	48,154	0	3,098
Change in financial assets due to step transfer	0	-245	0	-299	0	544
Transfer from Level 1	0	-1,463	0	919	0	544
Transfer from Level 2	0	1,218	0	-1,218	0	0
Transfer from Level 3	0	0	0	0	0	0
Disposals and repayments	-318	-15,578,858	-7	-48,964	0	-4,406
Changes to models / risk parameters						
Additions	1,164	0	6	0	0	0
Reversals	-839	0	-73	0	0	0
Amortisation, changes in market value and other valuation changes	0	3,164	0	0	0	0
Currency translation differences and other changes	0	-49,031	0	0	0	0
As at: 31 December 2020	**1,285**	**15,760,972**	**2**	**54,251**	**0**	**1,543**

Financial guarantees and loan commitments are exclusively included in Level 1 with a book value of EUR 369.9 million (2020: EUR 237.8 million) and with a risk provision of TEUR 29 (2020: TEUR 23).

Maximum default risk

DZ PRIVATBANK S.A. is exposed to default risk on financial instruments. The maximum default risk is represented by the fair values, amortised costs or nominal amounts of financial instruments. In order to hedge the maximum default risk, the following collateral is held:

31/12/2021 Figures in TEUR	Maximum credit risk	thereof collateralised with Sureties, guarantees, risk sub-participation	Mortgages	Financial collateral	Other collateral
Financial assets measured at fair value	**431,610**	**139,072**	**708**	**116,391**	**388**
Assets measured at fair value through profit or loss	431,610	139,072	708	116,391	388
Financial assets that must be categorised as at fair value through profit or loss	281,963	0	0	116,391	0
Financial assets designated as at fair value through profit or loss	149,647	139,072	708	0	388
Financial assets measured at amortised cost	**20,132,392**	**4,946,652**	**29,746**	**0**	**597,682**
of which: with impaired credit rating	1,538	1,538	0	0	0
Financial guarantees and loan commitments	**885,216**	0	0	0	0
of which: with impaired credit rating	0	0	0	0	0
Total	**21,449,218**	**5,085,724**	**30,454**	**116,391**	**598,070**

31/12/2020 Figures in TEUR	Maximum credit risk	thereof collateralised with Sureties, guarantees, risk sub-participation	Mortgages	Financial collateral	Other collateral
Financial assets measured at fair value	**880,793**	**162,704**	**1,218**	**88,608**	**407**
Assets measured at fair value through profit or loss	880,793	162,704	1,218	88,608	407
Financial assets that must be categorised as at fair value through profit or loss	187,856	0	0	88,608	0
Financial assets designated as at fair value through profit or loss	692,937	162,704	1,218	0	407
Financial assets measured at amortised cost	**15,815,478**	**4,774,125**	**31,767**	**6,936**	**321,599**
of which: with impaired credit rating	1,543	1,531	0	0	0
Financial guarantees and loan commitments	**711,374**	0	0	0	0
of which: with impaired credit rating	0	0	0	0	0
Total	**17,407,645**	**4,936,829**	**32,985**	**95,544**	**322,006**

There was no effect on the loan portfolio in the fair value option, which contains only loans guaranteed by Volks- und Raiffeisenbanken or assigned directly to Volks- und Raiffeisenbanken, due to the unchanged rating (VR rating 1c).
The collateral received by the Bank has been duly provided and is legally enforceable.
On the basis of the value reductions applied in the collateral valuation, the Bank considers the underlying collateral values to be recoverable.

Default risk concentrations

DZ PRIVATBANK S.A.'s default risk arising from financial instruments measured at amortised cost and financial guarantees and loan commitments is broken down according to the sectors of the Deutsche Bundesbank's industry codes and geographically using the International Monetary Fund's country group classification in accordance with the credit risk report. The volume, measured by the gross book values of financial assets or the nominal amounts of financial guarantees and loan commitments, is broken down based on the following rating classes:

» Investment grade: corresponds to internal rating classes 1A-3A

» Non-investment grade: corresponds to internal rating classes 3B-4E

» Not classified: no rating necessary or not classified

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Figures in TEUR	Financial sector	Public sector (administration/state)	Corporates	Retail	Industry conglomerates
Investment grade	**13,539,558**	**1,016,836**	**2,793,550**	**2,498,306**	**596,070**
Gross book value	13,510,434	1,016,836	2,793,422	2,497,842	255,922
Level 1	13,505,246	1,016,836	2,782,132	2,496,446	255,922
Level 2	5,188	0	11,290	1,396	0
Nominal amount	29,124	0	128	464	340,147
Level 1	29,124	0	128	464	340,147
Level 2	0	0	0	0	0
Non-investment grade	**7,720**	**0**	**3,168**	**3,119**	**883**
Gross book value	7,720	0	3,168	3,119	883
Level 1	7,720	0	458	2,119	883
Level 2	0	0	2,710	999	0
Not classified	**6,407**	**0**	**9,955**	**27,891**	**0**
Gross book value	6,407	0	9,955	27,891	0
Level 1	0	0	8,444	27,864	0
Level 2	6,407	0	0	0	0
Level 3	0	0	1,511	27	0

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Figures in TEUR	Financial sector	Public sector (administration/state)	Corporates	Retail	Industry conglomerates
Investment grade	**9,277,983**	**1,112,920**	**2,551,465**	**2,477,327**	**67,896**
Gross book value	9,304,936	1,112,920	2,551,517	2,478,518	277,485
Level 1	9,304,936	1,109,337	2,549,629	2,478,503	277,485
Level 2	0	3,583	1,887	16	1
Nominal amount	26,953	0	52	1,191	209,590
Level 1	26,953	0	52	1,191	209,590
Level 2	0	0	0	0	0
Non-investment grade	**30,882**	**0**	**5,880**	**4,218**	**14**
Gross book value	30,882	0	5,880	4,218	14
Level 1	30,882	0	5,607	4,218	14
Level 2	0	0	273	0	0
Not classified	**13,086**	**0**	**8,970**	**24,838**	**3,501**
Gross book value	13,086	0	8,970	24,838	3,501
Level 1	360	0	0	0	1
Level 2	12,725	0	7,642	24,624	3,500
Level 3	2	0	1,327	214	0

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Figures in TEUR	Germany	Other industrialised countries	Advanced economies	Emerging markets	Supranational institutions
Investment grade	**7,427,861**	**11,882,127**	**87,637**	**22,976**	**283,991**
Gross book value	7,429,251	12,250,600	87,637	22,976	283,991
Level 1	7,420,202	12,246,047	87,637	18,704	283,991
Level 2	9,049	4,553	0	4,272	0
Nominal amount	-1,390	-368,473	0	0	0
Level 1	-1,390	-368,473	0	0	0
Level 2	0	0	0	0	0
Non-investment grade	**3,653**	**3,594**	**216**	**7,642**	**0**
Gross book value	3,653	3,594	216	7,642	0
Level 1	2,478	1,060	0	7,642	0
Level 2	1,176	2,534	216	0	0
Not classified	**26,218**	**18,034**	**0**	**0**	**0**
Gross book value	26,218	18,034	0	0	0
Level 1	24,680	11,628	0	0	0
Level 2	0	6,407	0	0	0
Level 3	1,538	0	0	0	0

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Figures in TEUR	Germany	Other industrialised countries	Advanced economies	Emerging markets	Supranational institutions
Investment grade	**7,043,056**	**7,987,729**	**81,667**	**60,668**	**314,470**
Gross book value	7,044,280	8,224,292	81,667	60,668	314,470
Level 1	7,040,466	8,222,619	81,667	60,668	314,470
Level 2	3,813	1,672	1	0	0
Nominal amount	1,223	236,563	0	0	0
Level 1	1,223	236,563	0	0	0
Level 2	0	0	0	0	0
Non-investment grade	**6,530**	**3,800**	**216**	**30,447**	**0**
Gross book value	6,530	3,800	216	30,447	0
Level 1	6,473	3,800	0	30,447	0
Level 2	57	0	216	0	0
Not classified	**28,619**	**21,776**	**0**	**0**	**0**
Gross book value	28,619	21,776	0	0	0
Level 1	360	1	0	0	0
Level 2	26,718	21,773	0	0	0
Level 3	1,541	2	0	0	0

67. Maturity analysis

In the maturity analysis, contractually agreed cash inflows are shown with a positive sign, while contractually agreed cash outflows are shown with a negative sign. The potential cash outflow is disclosed for financial guarantees and loan commitments.

The contractually agreed maturities – especially in the case of financial guarantees and loan commitments – do not correspond to the actual expected cash flows. The maturity analysis of lease liabilities in accordance with IFRS 16.58 is presented in section 83. In connection with the description and monitoring of the liquidity risk, reference is made to section 78.

31/12/2021 Figures in TEUR	Up to one month	One month to 3 months	3 months to 1 year	One year to 5 years	Over 5 years	Indefinite period
financial assets	**17,063,109**	**890,053**	**808,614**	**2,233,347**	**923,230**	**6,407**
Balances with central banks	9,947,784	0	0	0	0	0
Loans and advances to banks	2,143,667	246,648	184,395	125,563	40,786	0
Loans and advances to clients	4,797,551	512,711	296,478	222,062	110,955	0
Positive market values from derivative hedging instruments	0	0	0	4,420	6,597	0
Trading assets	131,565	51,896	70,355	17,626	288	0
Positive market values from derivative financial instruments	131,565	51,896	70,355	17,626	288	0
Financial assets	42,542	78,797	257,386	1,863,675	764,604	0
Other assets	0	0	0	0	0	6,407
Financial liabilities	**17,089,290**	**1,215,631**	**1,483,214**	**1,185,157**	**270,006**	**0**
Liabilities to banks	2,950,842	377,320	312,946	84,834	6,475	0
Liabilities to clients	12,090,912	134,019	61,503	9,095	0	0
Securitised liabilities	1,949,440	662,616	1,002,969	1,037,098	247,066	0
Negative market values from derivative hedging instruments	78	635	2,845	30,747	13,030	0
Trading liabilities	98,017	41,041	100,398	16,900	3,434	0
Negative market values from derivative financial instruments	98,017	41,041	100,398	16,900	3,434	0
Other liabilities	0	0	2,552	6,484	0	0
Financial guarantees and loan commitments	**0**	**26,776**	**340,147**	**941**	**1,999**	**0**
Financial guarantees	0	26,495	0	941	1,999	0
Loan commitments	0	281	340,147	0	0	0

31/12/2020 Figures in TEUR	Up to one month	One month to 3 months	3 months to 1 year	One year to 5 years	Over 5 years	Indefinite period
financial assets	**11,437,844**	**835,708**	**1,478,932**	**1,990,120**	**950,507**	**4,446**
Balances with central banks	5,938,894	0	0	0	0	0
Loans and advances to banks	700,814	174,790	680,674	39,492	23,116	0
Loans and advances to clients	4,657,393	440,244	328,493	179,449	118,932	0
Positive market values from derivative hedging instruments	0	0	0	127	101	0
Trading assets	66,021	47,549	53,593	16,938	3,526	0
Positive market values from derivative financial instruments	66,021	47,549	53,593	16,938	3,526	0
Financial assets	74,721	173,125	416,172	1,754,114	804,831	0
Other assets	0	0	0	0	0	4,446
Financial liabilities	**10,491,297**	**1,063,179**	**2,076,369**	**2,251,049**	**164,192**	**0**
Liabilities to banks	1,401,583	735,006	45,524	9,481	0	0
Liabilities to clients	9,015,414	87,335	207,415	13,526	0	0
Securitised liabilities	0	169,943	1,753,374	2,166,994	124,588	0
Negative market values from derivative hedging instruments	548	2,494	4,993	59,536	38,959	0
Trading liabilities	73,752	68,401	65,063	1,512	645	0
Negative market values from derivative financial instruments	73,752	68,401	65,063	1,512	645	0
Financial guarantees and loan commitments	**0**	**24,436**	**212,188**	**1,155**	**7**	**0**
Financial guarantees	0	24,436	2,598	887	7	0
Loan commitments	0	0	209,590	269	0	0

Shares in subsidiaries amounting to EUR 164.7 million (2020: EUR 164.7 million) are not included under financial assets.

E. QUANTITATIVE AND QUALITATIVE ANALYSIS OF THE VARIOUS BANKING RISKS

68. Risk monitoring

Effective risk management is essential for long-term development and as a strategic safeguard of the success of DZ PRIVATBANK S.A. To direct and monitor the risks arising from banking business, the bank uses monitoring systems that are constantly upgraded.

The Bank's risk management covers all actions taken by the divisions responsible for implementing a chosen risk strategy. Such actions mainly comprise conscious decisions to take on or limit risk. The Risk Controlling sub-segment is responsible, in particular, for ensuring that risks undertaken are transparent in all risk categories. This entails making a daily risk report to members of the Board of Management and various departments, focusing on the following points:

- Market price risk on a value-at-risk basis (VaR) (group level and various sub-portfolios)
- Credit VaR (Group level and various sub-portfolios),
- daily portfolio performance calculation,
- operating risk and business risk as well as an
- overview of the liquidity situation (economic and regulatory).

In addition, various risk reports are submitted to the Supervisory Board, the Board of Management and relevant decision-makers monthly or quarterly. These include stress test presentations, sensitivity matrices and the risk control function's report to the Supervisory Board. In addition, the annual ICAAP/ILAAP report provides detailed information on the risk situation.

The risk-bearing capacity is considered from an economic and normative perspective within the framework of the ICAAP and ILAAP. In line with the risk, capital and liquidity strategy defined by the Supervisory Board, the risk-bearing capacity describes the ability to bear all risks inherent in the business activity, should they materialise.

In the context of the economic perspective of the ICAAP, the risk-bearing capacity generally exists when sufficient capital is available to cover the measured risk (risk capital requirement) without having to call on outside capital providers. To cover risks, there is aggregate risk capital in the form of equity and equity-related components. The risk-bearing capacity from an economic perspective is given if the aggregate risk capital exceeds all quantified present value risks of loss. The normative ICAAP is based on a forward-looking view of relevant regulatory ratios over a multi-year period. DZ PRIVATBANK's risk appetite statement specifies threshold values for each of these ratios. In this context, the requirement to meet the relevant regulatory ratios is higher than the requirement of the supervisory authority and is therefore carried out taking into account an internally defined management buffer.

Adequate liquidity from an economic perspective of the ILAAP is ensured by making sure that risks and expected outflows are adequately covered by available internal liquidity. For this purpose, no negative value may be shown for the "Minimum liquidity surplus" internal risk indicator in any of the scenarios considered. The ILAAP of the normative view ensures that all liquidity-related legal and supervisory requirements continue to be met. DZ PRIVATBANK's risk appetite statement sets thresholds for this purpose that take into account a management buffer above the regulatory minimum requirement. According to the calculation regulations of the European CRR/CRD IV solvency guidelines, the Bank had access to equity totalling EUR 790.1 million (2020: EUR 766.2 million). The equity-to-capital ratio DZ PRIVATBANK S.A. as at the balance sheet date was significantly higher at 18.9% (2020: 20.5%) than the statutory prescribed minimum standard of 10.7138% (including capital conservation buffer) in relation to the risks assumed.

69. Basic principles of risk, capital and liquidity management

The risk, capital and liquidity strategy (RCL strategy) defined by the Supervisory Board forms the basis for risk, capital and liquidity management. This strategy is implemented in the risk, capital and liquidity policy (RCL policy) approved by the Supervisory Board.

The RCL strategy in conjunction with the RCL policy contains as essential elements the guidelines regarding

- the risk assessment,
- risk appetite and the relevant limits,
- the definition of the risk-bearing capacity and risk management,
- sub-strategies of major risk types,
- capital adequacy from an economic and normative perspective
- and liquidity adequacy from an economic and normative perspective.

It also contains the summary of key guiding principles within the framework of the risk, capital and liquidity strategy (risk policy guidelines) as well as the statements on non-financial risks.

The RCL strategy is applied in practice through continuous involvement in the strategic and operational planning processes, standardised monitoring for KPIs and a regular reporting process with clear responsibilities and escalation levels.

The risk-bearing capacity, which must be continuously ensured in accordance with the RCL strategy, focuses on the appropriateness of the ratio of identified risk and available funds (capital) to cover unexpected losses.

Capital planning distinguishes between the normative perspective, which is based on regulatory requirements – such as solvency and leverage ratio – and the economic perspective, which is based on internal models. An essential component in both cases is the available equity.

The Bank's risk-bearing capacity and adequate liquidity were ensured throughout the financial year.

Risk measurement

Value-at-Risk (VaR) and performance changes included in stress tests are used for measuring financial risk. The VaR indicates the loss which will not be exceeded within a predefined period according to a defined probability (confidence level). Stress tests indicate the analysis of performance changes under suitably defined crisis scenarios. The result of the VaR measurement and suitable stress tests is known as the risk capital requirement. The risk measurement for all risk types is carried out both at company level and at Group level.
Liquidity risk is measured using the minimum liquidity surplus internal risk indicator. Transparency regarding the expected and unexpected liquidity flows and the liquidity reserves that can be used to compensate for liquidity gaps is ensured on a daily basis. The model includes a risk scenario and several stress scenarios. For this purpose, no negative value may be shown for the "Minimum liquidity surplus" internal risk indicator in any of the scenarios considered.

70. Definition of risk types

In the RCL strategy, risks are recorded in the following risk types:

- market price risk (including IRRBB risk),
- credit risk,
- Operational risk
- reputational risk,
- business risk,
- investment risk and
- liquidity risk.

Sustainability risks are subsumed under the listed risk types at DZ PRIVATBANK S.A. and implicitly capitalised therein.

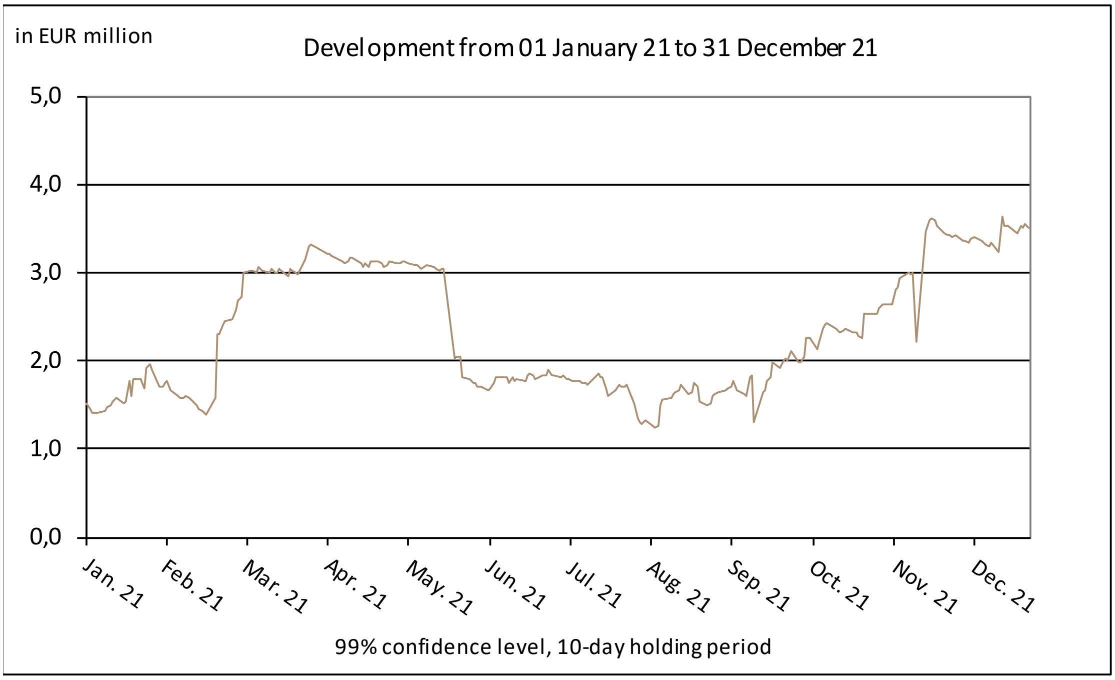
71. Market price risk

The Bank incurs market price risks in order to take advantage of business opportunities. Market price risk is the risk of loss arising from changes in interest rates, spreads, ratings (migration risk), foreign exchange rates, equity/fund/commodity prices and volatilities/correlations. The market price risks, which are composed of the general market price risks as well as the spread and migration risks, are restricted by a local limit, which is agreed with DZ BANK AG and is consistent with the group limit, and are also monitored within DZ PRIVATBANK S.A.
Spread and migration risks are measured centrally by DZ Bank AG both for the Group and the individual management units. The method for determining the general market price risks on the basis of a historical simulation is based on a confidence level of 99 percent with an assumed holding period of one trading day over an observation period of 300 days. The limit was applied on the basis of a confidence level of 99.9% and a holding period of one year.

Back testing is carried out daily in order to check the reliability of the VaR approach. This involves comparing the daily profits and losses with the VaR figures calculated on the basis of risk modelling. Basis point value procedures and stress test procedures, in which various market movements are simulated, supplement market price risk monitoring.

MARKET PRICE RISK DEVELOPMENT DZ PRIVATBANK S.A.

99 percent confidence level, 10-day holding period.



72. Credit risk

Credit risk indicates the risk of unexpected losses caused by counterparty insolvency. The risk capital requirement for the credit risk is quantified by means of a portfolio model (Creditmetrics).
This procedure determines the loss distribution on the basis of simulation calculations which can then be used to estimate the unexpected loss and thus the risk capital requirement.

73. Operational risk

According to the banking supervision definition, the Bank defines operational risk as the risk of losses arising from human actions, process or project management weaknesses, technical failure or through external influences. Among other things, legal and IT risk are included in the definition; strategic and reputational risks are not included. Operational risks involve their own form of risk and correspondingly require extensive management, controlling and monitoring. The goal is to identify, limit and avoid such risks.

Early warning system / Risk indicators

Early warning systems are employed for the systematic detection and recognition of as many of the risks as possible involved in banking. Risk indicators, measured using fixed thresholds, are warning signals that indicate possible operational risks. They can therefore serve the Bank as an early warning system to indicate unwelcome trends or developments in banking operations.

Loss database

Data on losses is especially useful for identifying operational risks. The systematic collating and analysis of such data enables weak points to be identified so that measures can be undertaken for their improvement. In order to ensure that the requirements for completeness, quality and auditability are met, the Bank uses a database for collecting data on loss that contains data since 2003.

Self-assessment

The self-assessment of DZ PRIVATBANK S.A. serves as a risk potential assessment. It is carried out as part of the DZ BANK Group risk self-assessment. The basic scenarios are determined centrally by DZ BANK AG. The specific scenario descriptions and characteristics are based on this (estimation of amount and frequency of losses).

To counter possible risks in staffing, the Bank sets great store by selecting, training, deploying, encouraging and developing its employees. The Bank's operational and organisational structure takes into account a strict separation of functions, adherence to the dual control principle, strict access controls and rules on authority and representation. All corporate handbooks and work instructions are continually updated.

A standardised procedure ensures that operational and all other risks are adequately checked when new products or product variants are introduced. The identification and processing of legal risks are the task of the Legal/Money Laundering segment. This segment also handles the monitoring duties resulting from legal compliance requirements. The Business Recovery Centre and the Disaster Recovery Centre will enable the Bank to continue its business operations elsewhere in Luxembourg.

The risk capital requirement for the operational risk is determined every quarter at a central level by DZ BANK AG. The historical data on losses and the risk potential estimates from the risk self-assessment is entered into the economic model.

74. Reputational risk

Reputational risk is the risk of losses arising from events that could damage confidence in DZ PRIVATBANK or in the products and services offered, in particular with respect to clients (this also includes the cooperative banks), shareholders, employees, the labour market, the public sphere and at the level of the supervisory authorities. Reputational risks can occur as an independent risk ("primary reputational risk") or arise as a direct or indirect consequence of other types of risk ("secondary reputational risk").
Appropriate measures are to be taken to avoid losses from reputational events as a matter of principle and to reduce them when they occur as well as to raise awareness of potential reputational risks. Reputational risk is taken into account in the risk strategy by, inter alia, defining fair dealing with all business partners and employees as well as excluding businesses with dubious addresses. As a result, the sustainability concepts pursued at DZ PRIVATBANK is taken into account.

75. Concentration of credit risks

The Lending department of DZ PRIVATBANK S.A. is responsible throughout the group for the cooperative banks' lending business in foreign currencies. It covers the direct refinancing of cooperative banks and the guaranteed lending business of their clients. Other business activities include collateralised loans, money market operations and securities transactions.

Further explanations are given in section 66.

76. Business risk

Business risk is the risk of loss from fluctuations in earnings resulting from a given business strategy and not covered by other types of risk. In particular, this includes the risk that due to significant changes in conditions (e.g. economic and product environment, client behaviour, competitive situation), losses cannot be covered on a purely operational basis.
In accordance with the risk management and controlling concepts of other risks, the Bank measures its business risk as VaR based on a variance/co-variance approach. The capital required to secure business risks is determined by the volatility of both of these risk drivers (income and costs) and their correlation.

77. Investment risk

Investment risks are calculated for investments that are not directly included in the risk management strategy of DZ PRIVATBANK S.A. The real estate risk allocated to investment risk for the purpose of consistency with the requirements of DZ BANK Group is immaterial, as the actual value of the owner-occupied building is significantly higher than the book value. Since all units of DZ PRIVATBANK S.A. are involved in risk management, this approach to the reporting date is irrelevant.

78. Liquidity risk

DZ PRIVATBANK S.A. interprets liquidity risk as the risk of there being insufficient funds available to meet payment obligations. Liquidity risk is thus considered as insolvency risk. Refinancing risk is the risk of loss that may arise for DZ PRIVATBANK S.A. as a result of a deterioration in the liquidity spread (as part of the spreads on own issues). With rising liquidity spreads, future liquidity requirements can only be met subject to additional costs.

The main sources of liquidity risks are identified on the basis of the Bank’s business strategy and business activities.

The Bank uses an internal liquidity risk model for measuring and controlling liquidity risks. This ensures transparency for expected and unexpected liquidity flows (forward cash exposure) and for the liquidity reserves used to offset liquidity shortages (counterbalancing capacity) on a daily basis. Both a normal scenario and several stress scenarios are considered. The objective is a positive cash surplus in all relevant scenarios in the corresponding prognosis period.
A liquidity contingency plan is in place to allow the bank to respond to a crisis situation quickly and in a coordinated manner.

The central control parameter for DZ PRIVATBANK S.A. is the minimum liquidity surplus across the maturity bands and scenarios considered. The liquidity surplus is calculated for each maturity band as the balance between the expected liquidity position and the refinancing capacity and is calculated for each day of the following 250 business days.

79. Currency risks

The summarised quantitative information on the currency risk of DZ PRIVATBANK S.A. reported to the management of DZ PRIVATBANK S.A. is as follows:

31/12/2021 Figures in TEUR	EUR	CHF	USD	GBP	Other
financial assets	**16,419,402**	**2,738,255**	**1,365,774**	**68,904**	**322,814**
Cash reserves	9,942,532	19,941	264	0	0
Loans and advances to banks	549,892	347,267	305,824	4,403	174,904
Loans and advances to clients	3,360,177	2,331,671	124,810	20,703	102,397
Positive market values from derivative hedging instruments	6,291	11	4,715	0	0
Trading assets	20,614	39,470	148,489	43,801	19,357
Financial assets	2,363,524	0	781,782	0	26,398
Other assets	177,018	0	94	0	1
Risk provisions	-648	-106	-204	-3	-244
Financial liabilities	**13,198,061**	**450,785**	**3,296,806**	**2,183,875**	**935,308**
Liabilities to banks	935,359	12,903	1,205,333	33,300	186,754
Liabilities to clients	9,656,988	300,280	1,493,491	110,632	734,137
Securitised liabilities	2,146,455	136,301	578,179	2,038,254	0
Negative market values from derivative hedging instruments	39,819	905	6,612	0	0
Trading liabilities	230,157	393	13,150	1,672	14,417
Other liabilities	189,282	4	41	16	0

31/12/2020 Figures in TEUR	EUR	CHF	USD	GBP	Other
financial assets	**8,038,071**	**7,618,157**	**993,011**	**29,523**	**367,319**
Cash reserves	1,215,456	4,737,789	212	0	0
Loans and advances to banks	796,052	322,544	285,924	10,420	203,948
Loans and advances to clients	2,921,361	2,521,476	133,339	18,823	129,511
Positive market values from derivative hedging instruments	6	0	222	0	0
Trading assets	44,683	36,465	101,363	282	4,836
Financial assets	2,886,071	0	472,116	0	29,476
Other assets	174,993	0	0	0	0
Risk provisions	-552	-117	-165	-2	-452
Financial liabilities	**10,553,486**	**421,225**	**2,825,307**	**1,658,508**	**752,264**
Liabilities to banks	724,265	20,814	1,251,429	26,412	168,675
Liabilities to clients	7,579,401	127,154	966,231	83,560	567,344
Securitised liabilities	1,866,880	206,090	594,470	1,547,459	0
Negative market values from derivative hedging instruments	90,992	2,641	12,896	0	0
Trading liabilities	127,245	64,526	280	1,077	16,244
Other liabilities	164,705	0	0	0	0

The Bank manages and limits the foreign exchange risk as part of the market price risk within the framework of the VaR procedure. In this respect, currency risk is not managed separately.

80. Interest rate risk

As part of its interest rate strategy, the Bank pursues both a periodic management strategy and a management strategy based on the present value. The main objectives here are to stabilise income and to increase the present value.
The periodic income risk (NII risk) represents the risk of changes in income and expenses resulting from interest payments on financial instruments. The difference between interest income and interest expense is referred to as net interest income (NII).

The NII risk corresponds to the future simulated NII under different interest rate scenarios. For this purpose, various stress interest rate scenarios are considered in addition to a base rate scenario. The NII under the base rate scenario corresponds to the NII when the current yield curve is extrapolated. The stress interest rate scenarios consider changes to the base interest rate scenario (including parallel shifts, rotations of the yield curve and the consideration of interest rate floors). The difference between the NII of a base rate scenario and a stress interest rate scenario describes the NII risk (under that scenario).
Interest rate risks are managed on the basis of the VaR model for market price risks (present value view). A sensitivity matrix is also prepared to manage and measure interest rate risk. This is done using the basis point value method. The basis point value or sensitivity of a transaction or portfolio is the change in present value that would occur in the event of an interest rate increase of one basis point.

Significance of interest rate risk

The interest rate profile of the interest-bearing financial instruments of DZ PRIVATBANK S.A. is as follows: sensitivity analysis

Figures in TEUR

Maturity band	2021	2020
1M	-15	-12
2M	-2	8
3M	-1	-8
6M	5	22
9M	3	0
1Y	-25	-6
2Y	-29	-14
3Y	-64	-16
4Y	-11	-22
5Y	-9	-10
6Y	-4	-8
7Y	-2	-4
8Y	-7	-4
9Y	-5	-5
10Y	-3	-1
30Y	0	0
Total	**-169**	**-79**

by currency	2021	2020
EUR	-122	-65
CHF	37	37
JPY	2	2
USD	-36	-36
GBP	-1	-1
Other	-16	-16

Stress test 2% Parallel shift

Figures in TEUR	2021	2020
200 bp. Increase	-32,495	-14,849
200 bp. Reduction	35,193	17,198

F. OTHER DISCLOSURES

81. Contingent liabilities

Figures in TEUR	31/12/2021	31/12/2020
Contingent liabilities from contributions to the resolution fund for CRR banks	6,407	4,446
Contingent liabilities for litigation risks	4,200	4,200
Total	**10,606**	**8,646**

Contingent liabilities from contributions to the resolution fund for CRR banks include irrevocable payment obligations granted by the Single Resolution Board (SRB) following the approval of applications for the provision of collateral to partially settle the contribution of the European bank levy for the contribution years 2017 to 2021.

The contingent liabilities for litigation risks consist of the assumption of a litigation risk by a subsidiary of DZ PRIVATBANK S.A. to an institutional client, the probability of occurrence of which is considered by the Bank to be very low.

82. Financial guarantees and loan commitments

Figures in TEUR	31/12/2021	31/12/2020
Financial guarantees	**29,435**	**27,928**
Loan guarantees and sureties	29,435	27,928
Loan commitments	**340,428**	**209,858**
Loans to clients	340,147	209,590
Guarantee facilities	281	269
Total	**369,863**	**237,786**

The disclosures on financial guarantees and loan commitments are made in the amount of the nominal values of the irrevocable commitments entered into in each case.

83. Leases

The object classes of the lessee relationships are divided as follows into land and buildings as well as future, fittings and equipment.

	2021		2020	
Figures in TEUR	Land and buildings	Furniture, fittings and equipment	Land and buildings	Furniture, fittings and equipment
Book value as of 1 January	**8,480**	**1,805**	**11,580**	**1,557**
Additions	3,055	676	711	1,508
Disposals	-184	-99	0	0
Depreciations	-4,220	-828	-4,192	-879
Revaluation	0	0	0	0
Repostings	186	-186	381	-381
Book value as of 31 December	**7,316**	**1,369**	**8,480**	**1,805**

There are no sale and leaseback transactions or expenses for short-term leases accounted for in accordance with IFRS 16.6.

The branches of DZ PRIVATBANK S.A. are leased in premises of DZ BANK AG and other affiliated companies of the DZ BANK Group with a right of use in the amount of EUR 2.8 million (2020: EUR 1.6 million).

DZ PRIVATBANK S.A. received rental payments of EUR 1.1 million in the 2021 financial year (2020: EUR 1.1 million). These arise from the tenancy agreements with R+V Lebensversicherung AG, Luxembourg branch, and a subtenancy agreement with an affiliated company (IPConcept Luxemburg S.A.) for the use of office space. The total of future minimum payments expected to be received as a result of non-cancellable subleases on the balance sheet date amounts to EUR 0.3 million (2020: EUR 0.7 million).
The contractual maturities of the lease liabilities break down as follows:

Figures in TEUR	2021	2020
- up to 1 year	2,552	74
- longer than 1 year and up to 3 years	1,780	6,606
- longer than 3 years and up to 5 years	4,704	2,191
- longer than 5 years	0	1,631
Total	**9,036**	**10,502**

The tenancy agreements contain renewal and termination options, which are used by DZ PRIVATBANK S.A. if required. The following expenses and income are recognised in the statement of comprehensive income for rights of use from leased assets:

Figures in TEUR	31/12/2021	31/12/2020
Interest expense	-520	-643
Amortisation of rights of use	-5,047	-5,070
Income from letting	1,060	1,120
of which: from subleases of rights of use	444	346

In total, there were payments for leases (interest and repayment portions) of EUR 5.7 million in 2021 (2020: EUR 6.4 million).

84. Information on revenue from contracts with clients

Effects in the statement of comprehensive income broken down by revenue type, geographical market and type of revenue received:

Figures in TEUR	2021	2020
Revenue types		
Commission income from securities transactions	218,064	177,093
Commission income from asset management	53,055	43,434
Commission income from payment transactions including card business	1,301	1,150
Commission income from lending and trust activities	162	167
Commission income from financial guarantees and loan commitments	0	0
Commission income from foreign business	0	0
Other commission income	1,416	1,814
Other operating income	0	0
Total	**273,998**	**223,658**
Main geographical markets		
Luxembourg	136,224	119,714
Germany	125,664	97,408
Rest of Europe	7,956	3,890
Rest of the world	4,155	2,646
Total	**273,998**	**223,658**
Type of revenue received		
Related to a specific date	157,063	180,224
Period-related	116,935	43,434
Total	**273,998**	**223,658**

Loans and advances and contract assets and liabilities

In 2021 and 2020, there were no loans and advances from contracts with clients for which the income received is not subject to effective interest and which are accounted for using the rules of IFRS 15. In addition, there were no contract assets and liabilities for circumstances in which the fulfilment of the consideration is still dependent on a condition other than maturity.
Period-related performance obligations are invoiced within a year, predominantly on a half-yearly basis. Time-related performance obligations are met when the service is provided. The remuneration is structured in such a way that DZ PRIVATBANK S.A. does not normally recognise performance obligations as liabilities.

Please refer to section 26 for the breakdown of commissions by business segment.

85. Employees

The following table shows the average number of employees during the financial year:

	2021	2020
Female employees	**383**	**376**
Full-time employees	190	179
Part-time employees	193	197
Employees	**627**	**609**
Full-time employees	573	546
Part-time employees	54	63
Total	**1,010**	**985**

In addition, an average of 19 (2020: 18) employees were in training in 2021. Part-time employees are included in these figures on a pro rata basis according to the hours worked.
The total includes all active and inactive employees, adjusted for early retirees, junior staff and the Board of Management. The junior staff includes all trainees, students completing a dual course of study at DZ PRIVATBANK S.A. and trainees.

86. Company pension scheme

The Bank has agreed three different types of pension commitments with its employees:

» Defined contribution plans

» Defined benefit plans in accordance with BV 93 (funded by provisions)

» Defined benefit plans (GENO pension fund)

The defined contribution plans relate exclusively to employees in the German branches. Fixed contributions are paid to external pension providers (R+V Versicherung AG and BVV Versicherungsverein des Bankgewerbes a. G.). A total of TEUR 406 (2020: TEUR 343) was paid to the pension providers in the financial year.

The defined benefit pension commitments financed by provisions relate exclusively to employees at the Düsseldorf branch. These are former employees of WGZ BANK AG who transferred to DZ PRIVATBANK S.A. as part of the transfer of operations on 1 January 2012 and who had already acquired entitlements by that date. This is a defined benefit commitment based on fixed age-dependent conversion factors. (Fictitious) accounts are maintained for employees and payment is made by default in instalments and, with the Bank's consent, also as a lump sum or as an annuity. The measurement of the provision is based on an actuarial report in accordance with IAS 19 and is carried out by the actuary WillisTowersWatson.

The actuarial valuation assumptions are as follows:

	31/12/2021	31/12/2020
Exchange rate	0.75%	0.75%
Dynamics of the chargeable remuneration	1.80%	1.80%
Dynamics of adjustment of current pensions	1.60%	1.60%
Contribution assessment ceiling in the statutory pension insurance	EUR 85,200	EUR 85,200
Trend of the contribution assessment ceiling in the statutory pension insurance	1.80%	1.80%

Further actuarial assumptions are drawn from the Heubeck 2018 G mortality tables.
The pension provision pursuant to BV 93 amounts to EUR 4.1 million as of 31 December 2021 (2020: EUR 4.2 million).
The service cost amounts to TEUR 121 (2020: TEUR 107) and the interest cost amounts to TEUR 31 (2020: TEUR 29).
In the financial year, TEUR 27 was paid out to employees. The actuarial gains and losses amount to TEUR 210 in the 2021 financial year (2020: TEUR -1,134), of which TEUR +209 are change-related due to the adjustment of the interest rate hypotheses. The cumulative figure is TEUR -1,686 (2020: TEUR -1,896).
For reasons of materiality, a sensitivity analysis is not presented.
In addition, there is an employee-financed pension plan for these employees with a provision of TEUR 197 (2020: TEUR 192) and a reimbursement claim recognised as an asset based on a reinsurance policy with R+V Versicherung AG in the same amount.

The defined benefit commitments (GENO pension fund) relate exclusively to those employees of DZ PRIVATBANK S.A. who are employed at the head office in Luxembourg. These commitments are employer-financed defined contribution plans (modular plans) financed through a pension fund. The legal basis for the existing pension obligations are the pension regulations of the GENO pension fund, ASSEP as amended on 7 February 2019.

The benefits borne by the pension fund include the payment of

- old-age pension and early retirement pension (both generally as a principal amount),
- survivor benefits in the event of the death of an active member as a principal payment and
- disability pension in the event of a disability of an active member as a principal payment.

Occupational pension schemes in Luxembourg are governed by the Occupational Pensions Act of 8 June 1999 as amended on 1 January 2019. The provisions of the pension fund must at least correspond to the present value of the acquired entitlements on the basis of the provisions of the Occupational Pensions Act. This corresponds to the present value of the pension capital achieved, as defined in the relevant pension plan.

The pension fund is subject to the Law of 13 July 2005 on pension funds in the form of an ASSEP or a SEPCAV as amended. This law transposes the EU Directive 2341/2016. PECOMA Actuarial and Risk S.A. has been appointed as administrator of the commitments. Accounting is carried out by Union Financial Service S.A. under a separate service provider agreement. The asset management of the GENO-pension fund has been the responsibility of the Board of Directors of the GENO-pension fund since 1 January 2019. The control of the investment restrictions is ensured by IPConcept (Luxemburg) S.A. The plan assets are a legally independent pension fund under Luxembourg law. The fund assets of EUR 97.3 million (2020: EUR 95.4 million) consist of investment fund units (intra-group securities funds without market price quotations in an active market) of EUR 95.3 million and other assets of EUR 2.0 million.

Within the framework of the financing plan, the participating companies make contributions from their employees and, if necessary, offset actuarial gains and losses and shortfalls from investment income. Contributions are allocated to contributors in accordance with the specific regulations. The investment income of the sub-fund is distributed among the contributors on the basis of the proportionate share of net assets at the beginning of the year. Each contributor shall be responsible for the obligations determined in this way.

The pension fund entitlements are as follows:

	31/12/2021	31/12/2020
Active members	878	869
Former employees with vested benefits	112	64
Pensioners	0	0
Total	**990**	**933**
Average future years of service of active members (years)	20.09	20.85
Duration of the DBO	8.53	9.25

The bases of accounting are as follows:

Calculation bases	31/12/2021	31/12/2020
Exchange rate	1.10%	0.75%
Expected return on plan assets	1.10%	0.75%
Salary development	3.50%	3.50%
Index development	n/a	n/a
Pension development	n/a	n/a
Fluctuation (until vested benefits are received)	6.00%	6.00%
Mortality tables	n/a	n/a

The actuarial valuation is derived from this as follows:

Figures in TEUR	31/12/2021	31/12/2020
Pension obligation	120,486	118,039
Pension obligation without lump-sum tax	116,457	114,124
Pension obligation for lump-sum tax	4,012	3,915
Plan assets	97,280	95,393

Figures in TEUR	For the year 2022, anticipated	For the year 2021	For the year 2020
Service cost	7,424	7,596	7,460
Service cost excluding lump-sum tax (incl. interest)	6,141	6,283	6,170
Service cost for lump-sum tax (incl. interest)	1,283	1,313	1,290
Interest expense	1,303	876	1,084
Interest expense on pension obligations excluding lump-sum tax	1,259	847	1,048
Interest expense on pension obligations for lump-sum tax	44	29	36
Expected return on plan assets	1,048	706	874

The cash flow is set out as follows:

Figures in TEUR	For the year 2022, anticipated		For the year 2020
Payments from plan assets	4,100	2,182	4,729
Repayments to employers from plan assets	0	0	0
Transfers to/from plan assets	0	252	42
Premium/addition to plan assets	4,606	4,489	3,889
Payments from pension obligations	4,100	2,182	4,729
Transfers to pension obligations	0	252	42
Taxes	**962**	**933**	**819**
Lump-sum tax of 20%	921	898	778
IGSS fee of 0.9%	41	35	41

The sensitivity of the main hypotheses is as follows:

Figures in TEUR	31/12/2021	31/12/2020
Decrease in pension obligations due to increase in actuarial interest rate by 50 basis points (2020: 100 BP)	-5,696	-10,100
Increase in pension obligations due to reduction in actuarial interest rate by 50 basis points (2020: 100 BP)	6,138	11,614
Increase in pension obligations due to increase in funding age (retirement age assumed for valuation): +1 year	4,819	4,722
Decrease in pension obligations due to decrease in funding age (retirement age assumed for valuation): -1 year	-8,434	-8,263

The actuarial gain for the 2021 financial year amounted to EUR 1.8 million (2020: EUR 1.3 million) and is comprised of the following:

- » Defined benefit obligation of EUR 3.2 million (2020: EUR -2.0 million), of which EUR -1.5 million (2020: EUR 1.1 million) is based on experience and EUR 4.7 million (2020: EUR -3.1 million) is due to changes in interest rate assumptions
- » Plan assets with EUR -1.4 million (2020: EUR 3.3 million)

The cumulative value of actuarial gains and losses as of 31 December 2021 is EUR -27.3 million (2020: EUR -29.1 million).

In addition to the pension commitments explained above, there are additional individual commitments for senior employees of DZ PRIVATBANK S.A. in the amount of EUR 2.9 million (2020: EUR 2.5 million) with an actuarial gain of TEUR 420 (2020: TEUR 129) and an addition of TEUR 834 (2020: EUR 2.2 million) recognised in profit or loss. The cumulative value of actuarial gains and losses as of 31 December 2021 is TEUR 464 (2020: TEUR 44).

87. Auditor's fee

In 2021, a legally required change of auditor from EY Luxembourg to PricewaterhouseCooper, Société coopérative, Luxembourg took place.
The total fee calculated by the relevant auditors, for the financial year, broken down by type of service, is as follows:

Figures in TEUR	2021	2020
Audit services	458	525
Other confirmation services	48	0
Tax consultancy services	0	0
Other services	55	151
Total	**561**	**676**

The fees for audit services include the expenses for the audit of the local annual financial statements in Luxembourg as well as the audit of the Group reporting package to DZ BANK AG as of 31 December 2021.

88. Remuneration of the Board of Management and the Supervisory Board

The remuneration of the Board of Management of DZ PRIVATBANK S.A. and the Supervisory Board is summarised in the following table:

Figures in TEUR	2021	2020
Remuneration of the Board of Management	**2,557**	**1,667**
Fixed benefits	1,975	1,428
Variable benefits	263	239
Severance payments	319	0
Total remuneration of former members of the Board of Management	**116**	**209**
of which variable benefits	116	207
Remuneration of the Supervisory Board (short-term benefits)	**155**	**142**

The transfer to the GENO pension fund as part of the company pension plan amounts to TEUR 238 for the Board of Management (2020: TEUR 130).

89. Share-based payment

The share-based payment is explained in section 24.

The following overview shows the development of share-based remuneration components not paid out to the Board of Management at DZ PRIVATBANK S.A.:

Figures in TEUR	2021	2020
Share-based payment not paid out as of 1 January	**1,612**	**1,784**
Remuneration granted	631	434
Payment of remuneration granted in the 2020 financial year	-89	-78
Payment of remuneration granted in previous years	-290	-367
Reduction in share-based payment	0	-160
Share-based payment not paid out as of 31 December	**1,864**	**1,612**

90. Relationships with related companies and persons

The Bank considers related companies to be all group companies of DZ PRIVATBANK_S.A. and DZ BANK Group.

Transactions with Group companies mainly consist of holding securities in safekeeping, money market and foreign exchange trading and the purchase and sale of derivative instruments. Compliance with the arm's-length principle is mandatory.

Relationships with related companies were as follows as of the balance sheet date:

Figures in TEUR	31/12/2021	31/12/2020
Assets	**252,081**	**595,402**
Receivables from banks	207,375	550,720
incl. DZ BANK AG	205,834	549,254
of which: subsidiaries	1,541	1,466
Transferable securities	44,706	44,682
Liabilities	**2,204,647**	**2,242,097**
Liabilities to banks	68,449	363,817
of which to DZ BANK AG	60,498	339,112
of which to subsidiaries of DZ PRIVATBANK S.A.	7,951	24,705
Liabilities to clients	417,550	170,290
of which to subsidiaries of DZ PRIVATBANK S.A.	39,376	33,683
Securitised liabilities	1,718,648	1,707,990
of which to DZ BANK AG	1,647,827	1,682,908
of which to subsidiaries of DZ PRIVATBANK S.A.	70,821	25,082
Off-balance sheet transactions	**0**	**0**
Total	**2,456,728**	**2,837,499**

The following expenses and income were incurred in connection with transactions with related companies:

Figures in TEUR	31/12/2021	31/12/2020
Income	**69,614**	**52,931**
Interest income	6,383	5,275
of which to DZ BANK AG	5,448	4,890
of which to subsidiaries of DZ PRIVATBANK S.A.	0	23
Commission income	58,262	47,656
of which to DZ BANK AG	0	0
of which to subsidiaries of DZ PRIVATBANK S.A.	16,778	12,538
Income from Group services	4,969	3,629
of which to DZ BANK AG		390
of which to subsidiaries of DZ PRIVATBANK S.A.	4,514	3,239
Expenses	**14,211**	**14,936**
Interest expense	1,640	3,641
of which to DZ BANK AG	1,632	3,052
of which to subsidiaries of DZ PRIVATBANK S.A.	8	94
Commission expenses	12,570	11,295
of which to DZ BANK AG	0	0
of which to subsidiaries of DZ PRIVATBANK S.A.	0	0
Expenses from Group services	99	21

Related parties are persons in key positions who are directly or indirectly responsible for planning, managing and monitoring the activities of DZ PRIVATBANK S.A. and their close family members. At DZ PRIVATBANK S.A., the members of the Board of Management and the Supervisory Board are counted as key management personnel for the purposes of IAS 24. At the end of the financial year, there were credits, loan and loan commitments of TEUR 33 (2020: EUR 0.5 million) to related parties.

In addition, persons in key positions and their close family members as well as non-related persons have the opportunity to make use of further financial services of DZ PRIVATBANK S.A. Where use was made of this option, transactions were concluded at market conditions.

91. Events after the reporting period

No events of particular significance occurred after the balance sheet date.

COMMITTEES

SUPERVISORY BOARD

UWE FRÖHLICH
CHAIRMAN
Co-Chairman
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main

DR CHRISTIAN BRAUCKMANN
VICE-CHAIRMAN
Member of the Board of Management
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main

RALF BAUMBUSCH
Member of the Board of Management
VR-Bank Ostalb eG,
Aalen

DR PETER BOTTERMANN
Chairman of the Board of Management
Volksbank Ruhr-Mitte eG,
Gelsenkirchen

KARL-HEINZ DREHER
(until 1 April 2021)

ANDREAS HOF
(until 1 April 2021)

MICHAEL HUPPERT
Member of the Board of Management
Volksbank Stuttgart eG,
Stuttgart
(since 23 April 2021)

KLAUS KÖNIGS
Chairman of the Board of Management
VR Bank Lahn-Dill eG,
Dillenburg
(since 7 May 2021)

HANS-PETER LECHNER
Member of the Board of Management
VR Bank Metropolregion Nürnberg eG,
Neustadt an der Aisch
(since 26 May 2021)

DR WERNER LEIS
(until 1 April 2021)

DR ANDREAS MARTIN
Member of the Board of Management
Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e.V. (BVR),
Berlin

JÜRGEN PÜTZ
Chairman of the Board of Management
Volksbank Köln Bonn eG,
Bonn

JÜRGEN WACHE
Chairman of the Board of Management
Hannoversche Volksbank eG,
Hanover

BOARD OF MANAGEMENT

PETER SCHIRMBECK
CHAIRMAN

STEFAN BIELMEIER

RALF BRINGMANN

DR FRANK MÜLLER

ADVISORY BOARD

As at: 31 December 2021

DR MARKUS SCHAPPERT
CHAIRMAN
Member of the Board of Management
VR Bank Bayreuth-Hof eG,
Bayreuth

DR MICHAEL DÜPMANN
VICE-CHAIRMAN
Member of the Board of Management
VR Bank Rhein-Neckar eG,
Mannheim

UWE AUGUSTIN
Member of the Board of Management
VR Bank in Holstein eG,
Pinneberg

UWE BARTH
Chairman of the Board of Management
Volksbank Freiburg eG,
Freiburg

MATTHIAS BATTEFELD
Member of the Board of Management
Hannoversche Volksbank eG,
Hanover

MARIO BAUMERT
Member of the Board of Management
Raiffeisen-Volksbank eG,
Aurich

ANGELIKA BELLETTI
Member of the Board of Management
VR-Bank Mittelsachsen eG,
Freiberg

MICHAEL ENGELBRECHT
Chairman of the Board of Management
Volksbank Jever eG,
Jever

GÜNTHER HECK
Chairman of the Board of Management
Volksbank Dreiländereck eG,
Lörrach

JÜRGEN HELD
Chairman of the Board of Management
Volksbank Leonberg-Strohgäu eG,
Leonberg

PETER HERBST
Member of the Board of Management
Nordthüringer Volksbank eG,
Nordhausen

STEFAN HOFFMANN
Chairman of the Board of Management
Volksbank Beckum-Lippstadt eG,
Lippstadt

JOHANNES HOFMANN
Chairman of the Board of Management
VR Bank Metropolregion Nürnberg eG,
Neustadt an der Aisch

MICHAEL JOOP
Chairman of the Board of Management
Volksbank Hameln-Stadthagen eG,
Stadthagen

JÖRG LINDEMANN
Member of the Board of Management
Volksbank Darmstadt-Südhessen eG,
Darmstadt

JÖRG MOLTRECHT
Member of the Board of Management
Bank für Kirche und Diakonie eG - KD Bank,
Dortmund

WALTER MÜLLER
Member of the Board of Management
Volksbank RheinAhrEifel eG,
Koblenz

JÖRN G. NORDENHOLZ
Chairman of the Board of Management
Volksbank Niedersachsen-Mitte eG,
Hoya

MICHAEL OBERMAYER
Member of the Board of Management
Hausbank München eG
Bank für Haus- und Grundbesitz,
Munich

CHRISTOPH OCHS
Chairman of the Board of Management
VR Bank Südpfalz eG,
Landau

ANDREAS OTTO
Chairman of the Board of Management
Volksbank im Bergischen Land eG
Remscheid

HUBERT OVERESCH
Member of the Board of Management
Volksbank Münsterland Nord eG,
Münster

CLAUS REDER
Member of the Board of Management
VR-Bank Würzburg eG,
Würzburg

ROLAND SCHÄFER
Chairman of the Board of Management
Volksbank Bruchsal-Bretten eG,
Bretten

BERND SCHMIDT
Member of the Board of Management
Kieler Volksbank eG,
Kiel

DR KLAUS SCHRAUDNER
Chairman of the Board of Management
Pax-Bank eG,
Cologne

STEFAN SENDLINGER
Member of the Board of Management
VR-Bank Rottal-Inn eG,
Eggenfelden

DIVISIONS OF DZ PRIVATBANK

COMPLIANCE/MONEY LAUNDERING/DATA PROTECTION/INFORMATION SECURITY & RISK
Christian Brüne

FUND SERVICES BUSINESS DEVELOPMENT/CLIENTS
Julien Zimmer

FUND SERVICES FUND ADMINISTRATION/DEPOSITARY
Ulrich Juchem

COMMITTEES/SUBSIDIARIES
Petra Gören

GROUP STRATEGY/MARKETING & DIGITAL TRANSFORMATION
Dr Dominique Lammer

LENDING
Alexander Steinmetz

SUSTAINABILITY (CSR)
Corinna Frank

OPERATIONS/SERVICES
Andreas Lechtenberg

ORGANISATION/IT/ADMINISTRATION
Alexander Neumann

HUMAN RESOURCES
Oliver Büdel

PORTFOLIO MANAGEMENT
Prof. Dr. Albrecht Michler

PRIVATE BANKING BUSINESS SECTOR DEVELOPMENT AND SUPPORT
Alexander Stoll

PRIVATE WEALTH MANAGEMENT
Arash Kharifi

PROJECT PORTFOLIO MANAGEMENT
Hauke Meintz

LAW/CLIENT TAXES
Stefan Gruner

INTERNAL AUDIT
Axel Rau

TREASURY/BROKERAGE
Thomas Gehlen

CORPORATE PLANNING
Dr Christian Elbert

MANDATES OF THE BOARD OF MANAGEMENT

Peter Schirmbeck	**Mandate**	**Company**
Chairman of the Board of Management DZ PRIVATBANK S.A.	Chairman of the Board of Directors	DZ PRIVATBANK (Schweiz) AG
	Member of the Board of Directors	GENO pension fund (assep)

Stefan Bielmeier	**Mandate**	**Company**
Member of the Board of Management DZ PRIVATBANK S.A.	Deputy Chairman of the Board of Directors	GENO pension fund (assep)
	CEO	DVFA e.V.

Ralf Bringmann	**Mandate**	**Company**
Member of the Board of Management DZ PRIVATBANK S.A.	Chairman of the Board of Directors	GENO pension fund (assep)

Dr Frank Müller	**Mandate**	**Company**
Member of the Board of Management DZ PRIVATBANK S.A.	Member of the Board of Directors	DZ PRIVATBANK (Schweiz) AG
	Chairman of the Supervisory Board	IPConcept (Luxemburg) S.A.
	Chairman of the Board of Directors	IPConcept (Schweiz) AG

AUDIT CERTIFICATE

To the Board of Directors of the
DZ PRIVATBANK S.A.

Report on the audit of the annual financial statements

Our audit opinion

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of DZ PRIVATBANK S.A. (the "Bank") as of 31 December 2021 and of its financial performance and its cash flows for the financial year ending on this date in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

What has been audited

The annual financial statements of the Bank comprise the following:

- the balance sheet as at 31 December 2021;
- the statement of comprehensive income for the financial year ending on that date;
- the statement of changes in equity for the financial year ending on that date;
- the cash flow statement for the financial year ending on that date;
- the notes, including a summary of significant accounting policies.

Basis of the audit opinion

We performed our audit in accordance with the EU Regulation No. 537/2014, the Audit Law of 23 July 2016 ("Law of 23 July 2016") and the International Standards on Auditing ("ISA") which are accepted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibility under EU Regulation No. 537/2014, the Law of 23 July 2016 and the ISAs adopted for Luxembourg by the CSSF are further described in the section "Responsibility of the auditor for the audit of the annual financial statements".

In our opinion, adequate and appropriate evidence has been provided to arrive at an auditor's opinion.

We are independent of the Bank as required for conformity with the "International Code of Ethics for Professional Accountants, including International Independence Standards" issued by the "International Ethics Standards Board for Accountants" (the IESBA Code), and accepted by the CSSF for Luxembourg, and in accordance with the professional rules of conduct which we must adhere to in relation to the annual audit, and we have fulfilled all other professional duties in accordance with these rules of conduct.

We declare, to the best of our knowledge and belief, that we have not provided any non-audit services prohibited under Article 5(1) of EU Regulation No 537/2014.

The non-audit services provided by us to the bank and subsidiary (if applicable), for the year ended on that date, are set out in note 87 to the financial statements.

Particularly important audit matters

Particularly important audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual financial statements for the current reporting period. These matters were considered in the context of the audit of the annual financial statements as a whole and in forming our opinion about them, and we do not express a separate opinion on these matters.

Particularly important audit matters	How we have addressed key audit matters in our audit
Recognition and measurement of financial assets	
The Bank holds financial assets with a book value of EUR 3.2 billion, which, with the exception of the investment book value of EUR 164.7 million measured at amortised cost, are generally allocated to the "measured at amortised cost" category due to their exclusive allocation to the "hold" business model (ten securities with a book value of EUR 2 million are currently in the fair value option). The financial assets correspond to approx. 15 percent of the Bank's balance sheet total. Information provided by the Bank on the recognition and measurement of these financial assets is included in the notes to the individual financial statements in the individual explanatory notes under chapter 5 "Financial instruments", chapter 17 "Financial assets", chapter 21 "Risk provisions", chapter 48 "Risk provisions" and chapter 57 "Classes, categories and fair values of financial instruments". In this year's annual financial statements, these financial assets are recognised and measured for the first time in accordance with the provisions of IFRS 9. The Bank has decided to acquire all financial instruments with the aim of collecting the cash flows they contain, so that only the "hold" business model is envisaged. The further classification of a financial instrument in the category "measured at amortised cost" first requires compliance with defined criteria (SPPI condition), which the Bank must review on a transaction-by-transaction basis upon addition of the corresponding financial instrument. The measurement of financial assets measured at amortised cost depends primarily on the derivation of amortised cost, the existence of a hedging relationship and the amount of the provision for credit risks. The amortised cost of these financial assets is determined using the effective interest method and the parameters	Based on our risk assessment and evaluation of the risks of error, we have based our opinion on both control-based and expressive audit procedures. We have therefore performed the following audit procedures: We included the procedures and processes used in the acquisition of the financial assets, the assessment of the SPPI condition and the designation of hedging relationships and assessed the controls in place for adequacy and effectiveness. We have also performed on a random sampling basis expressive substantive audit procedures on all financial assets within the "measured at amortised cost" category to assess the SPPI requirement. With regard to the correct designation of hedging relationships, we have traced the allocation to the corresponding hedging instrument for all financial assets concerned. We performed a revaluation on a sample basis for the underlying and hedging transactions on the balance sheet date and assessed the appropriateness of the Bank's valuations on this basis. With regard to the correct measurement of the provision for credit risks and credit losses, we have methodically traced the valuation model applied by the Bank and examined its compliance with the requirements of IFRS 9. We have assessed the appropriateness of the input parameters used in the valuation on the basis of both data available within the Company and data available externally. In this context, we also assessed the impact of the coronavirus pandemic on the valuation models applied, particularly with regard to the appropriateness of future macroeconomic factors.

required for this including cash flows for individual transactions. If a hedging relationship exists, its permissibility must be reviewed by assessing hedge effectiveness at the time of designation and monitored on a regular basis. The book values of hedged financial assets are adjusted for the change in fair value attributable to the hedged risk using appropriate methods.

The measurement of the provision for credit risks and credit losses on these assets is based on three main input factors.

The probability of default (PD) is determined using internally and externally available ratings and taking into account macroeconomic expectations of DZ BANK Group.

The loss given default (LGD) is determined internally within the Group for the various economic sectors of issuers and types of securities.

The exposure at default (EAD) corresponds to the amortised cost of the relevant financial asset.

The level transfer within the impairment model used is based on the "low-credit-risk" exemption, which allows financial assets to be kept in Level 1 as long as their rating is in the investment grade range.

We consider the recognition and measurement of this significant balance sheet item "financial assets" to be a particularly important audit matter, as both the recognition and measurement are highly dependent on the proper classification within the category "at amortised cost" and the application of appropriate internal procedures and parameters to determine the hedge adjustment and credit risk provisions.

Other information

The Board of Management is responsible for the other information. Other information includes information which can be found in the annual report, including the management report, but does not include the annual financial statements and our auditor’s report for these annual financial statements.

Our audit opinion in relation to the annual financial statements does not cover other information and we offer no guarantee for this information.

Our responsibility in relation to the audit of the annual financial statements is to read the other information and to assess whether there is a major inconsistency between this and the annual financial statements or the findings obtained from the audit or the other information appears to be otherwise presented in a fundamentally incorrect manner.

If we come to the conclusion based on the scope of our work that other information includes fundamentally incorrect statements, we are obligated to report this fact. We have nothing to report regarding this.

Responsibility of the Board of Management for the annual financial statements

The Board of Management is responsible for the drafting and correct overall presentation of the annual financial statements in accordance with the IFRS as they are applicable in the European Union and for any internal checks which it deems necessary in order to enable the annual financial statements to be drawn up in such a way that they are free from significant intentional or unintentional misrepresentations.

In preparing the annual financial statements, the Board of Management is responsible for assessing the ability of the Bank to continue to operate and, where relevant, to provide information on matters relating to the continuation of operations, and to use the assumption of going concern as the basis for the accounting, unless the Board of Management intends to liquidate the Bank, cease operations or has no other realistic alternative than to do so.

Responsibility of the auditor for the audit of the annual financial statements

The aim of our audit is to obtain reasonable assurance as to whether the annual financial statements are on the whole free from significant inaccuracies, whether due to fraud or error, and to award an audit certificate representing our audit opinion. Reasonable assurance equates to a high level of certainty, but it does not represent a guarantee that an audit conducted in accordance with EU Regulation No. 537/2014, the Law of 23 July 2016 and the ISAs that have been accepted for Luxembourg by the CSSF will always reveal any material misrepresentation. Incorrect information may result from errors or violations and is viewed as material if it can reasonably be assumed that it could influence, either individually or overall, any economic decisions made on the basis of these annual financial statements.

In accordance with EU Regulation No. 537/2014, the Law of 23 July 2016 and the ISAs accepted for Luxembourg by the CSSF, we apply due discretion and maintain a critical attitude during the performance of any audit. In addition:

- we identify and assess the risk of material inaccuracies in the annual financial statements resulting from errors or violations, we plan and execute audit operations in response to these risks, and we obtain audit evidence which is adequate and appropriate to serve as the basis for the audit assessment. The risk that material misinformation is not disclosed is greater in the case of violations than inaccuracies, since violations may involve fraudulent collaboration, falsification, intentional discrepancies, misleading information or the disabling of internal controls;

- we gain an understanding of the internal control system that is relevant to the audit in order to plan audit operations which are appropriate under the given circumstances, but not with the aim of delivering an audit opinion regarding the efficacy of the Bank's internal control system;

- we assess the appropriateness of the accounting policies applied by the Board of Management, of the accounting estimates made, and of the corresponding information that is provided in the notes to the accounts;

- we draw conclusions on the appropriateness of the application of going-concern accounting policy by the Board of Management and, on the basis of the audit evidence obtained, whether there is material uncertainty in connection with events or situations which could reveal serious doubts in the ability of the Bank to continue in operation. Should we conclude that there is any material uncertainty, we are obliged to point out the relevant details from the notes to the annual financial statements on our audit certificate or, if the information is inappropriate, to modify the audit opinion. These conclusions are set out on the basis of the audit evidence obtained up to the date of the audit certificate. Future events or circumstances may, however, mean that the Bank can no longer continue in business activities.

- We assess the overall presentation, the structure and content of the annual financial statements, including the notes to the accounts, and we assess whether this accurately describes the underlying business operations and events.

We communicate with those responsible for supervision concerning such matters as the planned scope of the audit and the period covered as well as any material audit conclusions including significant weaknesses of the internal control system identified by us during the audit.

Of the matters discussed with those responsible for monitoring, we determine those matters that were of most significance in the audit of the annual financial statements of the current reporting period to be key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure of the matter.

Report on other legal and regulatory requirements

The operations report is consistent with the annual financial statements and meets the applicable legal requirements.

We were appointed as approved statutory auditors by the Supervisory Board on 24 March 2021 and the continuous term of office, including previous extensions and reappointments, is one year.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 28 February 2022

Björn Ebert

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DZ PRIVATBANK is the cooperative private bank of the Volksbanken Raiffeisenbanken and specialises in private banking, fund services and loans in all common currencies.
We offer our customers service-driven and cooperative values such as partnership, stability and security.

Countable things are not the only things that count.