Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

LUXEMBOURG

ANNUAL FINANCIAL STATEMENTS AND OPERATIONS REPORT - 2020

DZ PRIVATBANK S.A.

DZ PRIVATBANK

CONTENTS

LIST OF ABBREVIATIONS

Abbreviation	Designation
€STR	Euro short-term rate
AC	Amortised cost
AG	Public limited company
ARR	Alternative reference rate
ASSEP	l'association d'épargne-pension
GDP	Gross domestic product
BMR-compliant	Compliant with the Benchmarks Regulation
BVR	German Volksbanken Raiffeisenbanken cooperative financial network e. V.
and/or	and/or
CF	Cash flow
CRR	Capital Requirements Regulation
CSSF	Commission de Surveillance du Secteur Financier
CVA	Credit valuation adjustment
DACH	Germany, Austria and Switzerland
i.e.	that is
DIP	Debt issuance programme
DVA	Debt valuation adjustment
ECL	Expected credit loss
ECP	Euro Commercial Paper
EONIA	Euro Overnight Index Average
etc.	et cetera
ETD	Exchange futures
EU	European Union
EUR	EUR
EURIBOR	Euro Interbank Offered Rate
EWB	Individual value adjustment
ECB	European Central Bank
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
HQLA	High-quality liquid assets
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
Mio.	Million
MLÜ	Minimum liquidity surplus
Mrd.	Billion
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
RFR	Risk-free rates
RCL policy	Risk, capital and liquidity policy
RCL strategy	Risk, capital and liquidity strategy
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
et al.	among other things

UN	United Nations
VaR	Value-at-Risk
VRB	Cooperative banks [Volks- und Raiffeisenbanken]
e.g.	For example

REPORT OF THE SUPERVISORY BOARD

In 2020, 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.

Four meetings of the Supervisory Board were held in the 2020 financial year. A major focus of the work of the Supervisory Board was to help the Bank to implement its growth strategy as a centre of expertise and provider of solutions to the cooperative banking group in private banking, fund services and lending. In its December meeting, the Supervisory Board defined the risk, capital and liquidity strategy for 2021 and updated the business strategy, in particular adding the topic of sustainability.

The Supervisory Board acknowledged the measures implemented by the Board of Management in close cooperation with the Bank's emergency organisation at an early stage and with high implementation speed in the context of the SARS-CoV-2 pandemic to ensure the Bank's operations and the protection of its employees. This included the distribution of the workforce across different workplaces, increased mobile working and the use of digital communication formats for personal exchanges with customers and business partners.

The smooth business operations along the entire value chain, even under huge stress, and the very pleasing sales successes in the business segments demonstrate the effectiveness of the measures as well as the Bank's performance, reliability and customer focus, even in times of crisis.

Following the successful realignment of the Private Banking business segment, the attractive growth opportunities in the German market for serving high net-worth private clients, entrepreneurs, foundations and semi-institutional clients were exploited very successfully in cooperation with the cooperative banks. Compared to the previous year (EUR 0.4 billion), the net sales volume increased to a new record of EUR 1.1 billion.

Assets under management reached the EUR 20 billion mark for the first time.
Substantial customer demand was evident in professional asset management (financial portfolio management). Swissness solutions and investment solutions, in particular, managed according to strict sustainability criteria recorded high growth rates. They enable clients to invest part of their assets in Europe, but outside the eurozone, or to take on social and environmental responsibility with their investment.

In the Fund Services business segment, the total volume of funds under management reached a new high of EUR 139 billion as a result of a significant number of new issues and record net inflows in the Luxembourg, Zurich and Frankfurt depositaries. The pleasing growth confirms the professional support of fund initiators as a cross-border full-service provider in the third-party fund business with fully comprehensive value chains for investment funds in liquid and alternative (illiquid) asset classes in the DACH region.

Treasury/Brokerage, in cooperation with the Private Banking, Fund Services and Credit business units, made a very important contribution to the Bank's overall result in a challenging market environment by exploiting market opportunities in liquidity management as well as a record result in brokerage due to high market volatility and a significant increase in transaction numbers.

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 billion continued to increase significantly in the Lending business segment. The positive development is based on intensive cooperation with the cooperative banks and high demand from private and SME borrowers for flexible credit products, particularly in real estate and project financing. In addition to the highly standardised LuxCredit brokerage business, the focus is on expanding the individual lending business with private banking and wealth management clients, for which DZ PRIVATBANK has specialist expertise.

DZ PRIVATBANK's complementary, high-quality national and international investment, fund and financing expertise as well as its regional presence in Germany will continue to form the basis for the Bank's successful development in the future and for closer cooperation with its cooperative partner banks.

The Supervisory Board participated in internal qualification measures on the topics of “international financial markets” and “fund services” along the current regulatory requirements and their implementation at DZ PRIVATBANK.

The Supervisory Board conducted the annual evaluation of the Board of Management and the Supervisory Board in the first half of 2020. 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 2020 financial year. The audit report of Ernst & Young S.A. was also 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 2020 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 0.5 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. There were no personnel changes on the Supervisory Board in the 2020 financial year.

The Supervisory Board expresses its thanks to the Board of Management and all the employees of DZ PRIVATBANK S.A. for their successful work in 2020.

Luxembourg, 12 March 2021

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

OPERATIONS REPORT

GENERAL PERFORMANCE

DZ PRIVATBANK S.A. is publishing its financial statements for the first time in accordance with International Financial Reporting Standards (IFRS). The information on the previous year's figures has also been determined in accordance with these rules and is therefore not comparable with the information provided in the 2019 Annual Report.
DZ PRIVATBANK S.A. reported earnings after tax of EUR 29.2 million for the 2020 financial year (2019: EUR 26.8 million).
Total assets decreased by EUR 1.8 billion to EUR 17.0 billion during the financial year.

ASSETS

The cash reserves, which consists of cash on hand and balances with central banks, decreased by EUR 1.9 billion to EUR 6.0 billion.
From loans and advances to banks of EUR 1.6 billion (2019: EUR 1.8 billion), EUR 0.4 billion (2019: EUR 0.5 billion) is attributable to currency loans to cooperative banks.
Loans and advances to clients increased to EUR 5.7 billion (2019: EUR 5.6 billion). EUR 5.2 billion (2019: EUR 5.0 billion) is attributable to loans to clients in Germany.
Financial assets increased by two percent to EUR 3.4 billion (2019: EUR 3.3 billion).

LIABILITIES

Securitised liabilities increased by EUR 0.2 billion to EUR 4.2 billion. Liabilities to banks decreased by EUR 0.2 billion to EUR 2.2 billion.
Liabilities to clients decreased by EUR 1.8 billion to EUR 9.3 billion. Together with securitised liabilities, these deposits represent about 79 percent of total refinancing funds.
The balance sheet equity of 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 16 million and the EUR 2.4 million higher result for the financial year in 2020 of EUR 29.2 million with a market-related reduction of EUR 4 million in the reserve from the result not affecting net income.

STATEMENT OF COMPREHENSIVE INCOME

Net interest income including income from affiliated companies increased by nine percent to EUR 78.0 million (2019: EUR 71.4 million). Income from the receipt of dividends from associated companies decreased by three percent from EUR 8.8 million to EUR 8.5 million.
In terms of net fee and commission income, the Bank recorded an increase of 7.6 percent to EUR 138.2 million (2019: EUR 128.4 million). This development is mainly attributable to increased income from customer order business in the securities and derivatives sector as well as increased income from asset management.

Trade income rose by EUR 5.5 million to EUR 13.0 million as a result of a higher customer-induced transaction volume.

General administrative expenses rose by 7.6 percent to EUR 190.5 million with personnel expenses increasing by 10.1 percent to EUR 117.0 million and other administrative expenses by 3.6 percent to EUR 55.0 million. Depreciations of tangible fixed assets and intangible assets increased by 4.1 percent to EUR 18.5 million. Earnings before tax amounts to EUR 36.1 million (2019: EUR 31.4 million). After taking into account effective taxes of EUR 5.5 million (2019: EUR 0.4 million) and deferred taxes of EUR 1.5 million (2019: EUR 4.2 million), DZ PRIVATBANK S.A. reported earnings after tax of EUR 29.2 million (2019: EUR 26.8 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 931 employees on the balance sheet date (2019: 921 employees). This figure corresponds to an FTE figure of 861 (2019: 850 FTE). The employees are spread across the Bank's head office in Luxembourg and eight branches with 10 locations 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 statement 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.berichte2020.dzbank.de

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.

DZ PRIVATBANK is generally optimistic about the new financial year, despite the continuing challenges posed by the SARS-CoV-2 pandemic. It is expected that the global economic environment will steadily brighten from spring 2021 onwards, given the progress in vaccine development and the ongoing approval processes. Supported by what continues to be a very expansive monetary and fiscal policy, both consumer and investment demand should recover on a broad front. Benefiting from a base effect due to the economic slump in the second quarter of 2020, global growth momentum should be above average. The pre-crisis economic level will not yet be fully reached.

The eurozone should benefit from the brightening of the global economic outlook. The impact of the SARS-CoV-2 pandemic is therefore expected to fade over the course of the first half of the year and GDP growth is expected to be above average. In Germany, significant improvements in foreign trade can be expected to lead to a noticeable acceleration in growth momentum. A strong increase in growth momentum can also be expected in the USA. Given the smaller GDP slump in 2020, the US recovery momentum will lag behind that of the eurozone.

The European Central Bank ECB will leave its key interest rates unchanged well beyond 2021. At the earliest, the monetary authorities could start to formulate an exit strategy towards the end of 2021.

A measured and very cautious approach is to be expected. All in all, the ECB is unlikely to end its extraordinarily expansionary monetary policy towards the end of 2021 either, as long as price pressures in the eurozone remain low.

PRIVATE BANKING

The realignment of Private Banking, which began in 2019 and was implemented in 2020, through the clear focusing, differentiation and orchestration of the service range for cooperative banks active in sales, has been very successful and will be consistently continued and dynamically expanded in market development in 2021.

In total, based on the planning discussions with the cooperative banks, the Private Banking business segment is planning record net inflows of around EUR 2 billion. This planning is based on the numerous optimisation measures that will continue to be implemented in 2020 and will have an impact on clients in 2021. This also results in a significantly increased projected volume for the Volksbanken Raiffeisenbanken in Private Banking for 2021, which is broken down in terms of potential as follows:

In VR Private Banking, the primary objective is to significantly expand client reach with asset management solutions and to intensify the already rapid growth (net inflows of funds of more than 200 percent compared to the previous year) and in doing so achieve further above-average net inflows of funds.

In DZ Private Banking, the main focus in 2021 will be on attracting (existing) clients with an entrepreneurial background (entrepreneurs / shareholders) to the cooperative private banking offering. Private wealth managers with many years of experience and extensive international private banking and capital market expertise will work with the Volksbanken Raiffeisenbanken to further develop this client group for specific target groups and based on potential, thereby achieving a sustained increase in net inflows of funds and market share.

In Wealth Management, which is characterised by international and highly differentiated, individual client needs, growth potential will be leveraged at all locations in Germany, Luxembourg and Switzerland. Significant further increases in net inflows of funds are also planned here.
The optimisation measures that have already been successfully implemented will mainly be supplemented by personnel transformation opportunities, a sustainable improvement in the organisational structure that will be implemented on 1 January 2021 and considerable investments in the digital evolution of customer services.

FUND SERVICES

In 2020, 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 increased by 16 percent year-on-year in 2020. 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 got off to an efficient, target group-focused and effective start and the first sales successes were achieved. DZ BANK and DZ PRIVATBANK will continue to expand their market presence under the joint umbrella brand DER 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 and administration of alternative investment funds in 2020. 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. This analysis process will be offered to interested Volksbanken Raiffeisenbanken in 2021 in order to identify potential and develop added value.

The entry into the platform business with Genopace and Baufinex has taken place. Following an analysis, DZ PRIVATBANK has decided to focus its offering more strongly on prefinancing and interim financing as part of construction financing, thus increasing its appeal. In addition to the numerous sales approaches and possible applications, the digital "LuxCredit INFORMATION DAYS – DIGITAL & LIVE FOR YOUR REGION2, starting in March 2021, will answer the question of how it is possible to ensure quality of life for the Best Ager 50 plus generation in generational consulting: "Carefree enjoyment" – involving the owner-occupied property, which is usually unencumbered. To this end, the partner banks will be offered a comprehensive range of sales support services in order to be able to successfully implement individual sales campaigns for Best Ager 50 plus in the regions.

The digital events for financial consultants at the partner institutions were very well received in 2020, with a total of over 2,000 participants. The range of webinars for teaching the main sales and technical topics will therefore be continued and expanded in 2021.

THANKS

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 2020. Our sincere thanks also go to the cooperative banks and to our private and institutional clients for their confidence in us.

Luxembourg, 12 March 2021

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 2020

Income statement (in TEUR)	Annex	2020	2019
Net interest income	27	78,020	71,382
Interest income	12	58,754	129,724
Interest income calculated using the effective interest method	12	264	-14,052
Interest income not calculated using the effective interest method	12	58,490	143,776
Interest expense		10,766	-67,100
Dividends / current result	12	8,500	8,758
Net commission income	28	138,158	128,383
Commission income	12	223,658	208,175
Commission expenses		-85,500	-79,792
Trade income	29	13,049	7,510
Result from financial assets	30	0	0
Other valuation result from financial instruments	31	-2,009	2,409
Result from derecognition of financial assets (AC only)	32	-324	27
Risk provisions	33	-604	-47
Administrative expenses	34	-190,476	-177,082
Other operating income	35	329	-1,203
Earnings before tax		36,143	31,379
Income taxes	36	-6,948	-4,579
Result		29,195	26,800
Gains and losses from changes in proprietary default risk of financial liabilities for which the fair value option was exercised	60	-5,385	-3,032
Gains and losses from remeasurements of defined benefit plans	86	246	2,074
Income taxes		1,320	-102
Result not affecting net income		-3,819	-1,060
Overall result		25,377	25,740

BALANCE SHEET AS AT 31 DECEMBER 2020

Assets (in TEUR)		Annex		31 December 2020	31 December 2019	1 January 2019
Cash reserves	13	39		5,953,457	7,887,044	7,208,194
Loans and advances to banks	14	40		1,618,887	1,758,133	1,323,658
Loans and advances to clients	14	41		5,724,510	5,569,495	5,303,288
Positive market values from hedging instruments	15	42		228	1,776	2,429
Trading assets	16	43		187,628	93,447	95,924
Financial assets	17	44		3,387,664	3,336,943	3,589,715
Tangible fixed assets and rights of use	18	45		52,388	58,058	62,135
Tangible fixed assets	18	45		*42,103*	*44,922*	*46,356*
Rights of use	18	45	83	*10,285*	*13,136*	15,779
Income tax assets	19	46		59,316	59,101	51,014
Other assets	20	47		63,289	69,278	66,674
Risk provisions	21	48	66	-1,287	-696	-653
Transferable securities				*-320*	*-185*	*-183*
Loans and advances to banks and clients				*-967*	*-511*	*-470*
Total assets				17,046,080	18,832,579	17,702,377

Liabilities (in TEUR)		Annex	31 December 2020	31 December 2019	1 January 2019
Liabilities to banks	22	49	2,191,595	2,362,611	2,395,197
Liabilities to clients	22	50	9,323,691	11,149,243	9,418,604
Securitised liabilities	23	51	4,214,899	4,063,735	4,628,845
Negative market values from hedging instruments	15	52	106,529	99,236	99,586
Trading liabilities	16	53	209,373	183,724	177,168
Provisions	24	54	81,803	75,736	70,597
Income tax liabilities	19	46	43,454	39,971	44,874
Other liabilities	20	55	39,447	37,028	44,699
Equity		56	835,289	821,295	806,937
Subscribed capital			*116,555*	*116,555*	*116,555*
Capital reserve			*426,973*	*426,973*	*426,973*
Retained earnings			*268,204*	*252,603*	*262,801*
Reserve from the result not affecting net income			*-5,638*	*-1,637*	*608*
Profit for the year			*29,195*	*26,800*	*0*
Total liabilities			17,046,080	18,832,579	17,702,377

STATEMENT OF CHANGES IN EQUITY

	Annex	*Subscribed Capital*	*Capital reserve*	*Generated Equity*	*reserve from the result not affecting net income*	***Equity***
Equity as at 1 January 2019	56	116,555	426,973	262,801	608	806,937
Result				26,800		26,800
Result not affecting net income				1,185	-2,245	-1,060
Overall result				**27,985**	**-2,245**	**25,740**
Dividends paid				-11,382		-11,382
Equity as at 31 December 2019:		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	56	116,555	426,973	297,400	-5,638	835,289

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 December 2020	31 December 2019
Net income for the year	29,195	26,800
Depreciation and value adjustments	16,566	15,650
Impairment of financial instruments	604	47
Non-cash changes in provisions	40,674	34,214
Non-cash changes in other operating income	-2,936	-3,402
Accrued interest / amortisation	-149	8,289
IFRS 15 relevant commissions	-27,377	-22,823
Result from financial assets and liabilities assessed at fair value through profit or loss (mandatory + voluntary)	2,007	-2,460
Trade income	3	3
Taxes	6,948	4,579
Net interest income	-78,021	-71,382
Balance of other adjustments	25,591	-25,420
Subtotal	13,105	-35,905

Cash changes in assets and liabilities

Trading assets and liabilities	-68,532	9,033
Trading assets	-94,181	2,477
Trading liabilities	25,649	6,556
Loans and advances to banks	150,628	-423,093
Loans and advances to clients	-155,015	-266,207
Other assets from operating business activities	764	731
Liabilities to banks	-171,016	-32,586
Liabilities to clients	-1,825,553	1,730,640
Positive and negative market values from derivative hedging instruments	8,841	303
Positive	1,549	653
Negative	7,293	-350
Securitised liabilities incl. subordinated capital	151,164	-580,982
Other liabilities from operating business activities incl. provisions	13,478	20,834

Figures in TEUR	31 December 2020	31 December 2019
Interest received	146,580	241,823
Dividends received	8,500	8,758
Interest paid	-77,059	-179,199
Income tax payments	-5,550	-10,487
CASH FLOW from operating business activities	-1,809,666	483,664
Payments for additions to financial assets	-1,060,473	-425,431
Proceeds from disposals of financial assets	962,212	647,137
Payments for additions to tangible fixed assets (excluding leases)	-2,305	-3,535
Proceeds from disposals of tangible fixed assets (excluding leases)	0	64
Payments for additions to intangible assets	-6,218	-7,353
Proceeds from disposals of intangible assets	0	0
Repayment portion of lease liabilities	-5,755	-4,314
CASH FLOW from investment activities	-112,538	206,568
Dividend payments	-11,382	-11,382
CASH FLOW from financing activities	-11,382	-11,382
Cash and cash equivalents as of 01.01	7,887,044	7,208,194
Cash flow from operating activities	-1,809,666	483,664
Cash flow from investment activities	-112,538	206,568
Cash flow from financing activities	-11,382	-11,382
Cash and cash equivalents as of 31.12	5,953,457	7,887,044

The cash flow statement 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.

The share of payments from lessees used to repay liabilities under leases included in the cash flow from financing activities amounts to EUR 5.0 million.

ANNEX

A. GENERAL INFORMATION

1. General

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 located 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. As at 31 December 2020, the Bank had eight branches represented across ten sites in Germany. The branches are used to coordinate subsidiary cooperation with the cooperative banks in Germany.

As at 31 December 2020, 91.7% of DZ PRIVATBANK S.A.'s capital was held by DZ BANK AG, Frankfurt am Main. 8.3% is held by 291 cooperative banks in Germany. The post-tax returns of the Bank measured against the balance sheet total amounted to 17 basis points during the 2020 financial year (2019: 14 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 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 (previous year: two) in which it holds shares with at least 20 percent of the capital:

Company	Registered office	Financial year	Holding in percent	Book value (in TEUR)	Equity (in TEUR)	Last annual result (in TEUR)
DZ PRIVATBANK (Schweiz) AG	Zurich	2020	100%	156,700	177,966	692
IPConcept (Luxemburg) S.A.	Luxembourg	2020	100%	8,000	10,080	9,284

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 2020 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 IP Concept (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

When the first confirmed SARS-CoV-2 case in Germany became known at the end of January 2020, the crisis team of DZ PRIVATBANK was initially engaged at short notice. After assessing the situation, the activities were continued by employing a two-tier emergency organisation. 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 from the outset on the ongoing monitoring of the pandemic in Germany, Luxembourg and Switzerland and on the coordination of 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. At the beginning, the emergency management team was coordinated on an ad hoc basis, from March onwards on a daily basis, from mid-April three times a week and from mid-September once a week. All decisions and the information on which they were based were continuously documented in a status report. Employees were informed about the individual coronavirus protection measures at DZ PRIVATBANK via the intranet and as part of the digital information provided by the Board of Management, and all binding rules of conduct were summarised in a coronavirus manual available in digital form.

DZ PRIVATBANK's measures, which were implemented at an early stage and at high speed, focused on safeguarding banking operations and sales and on protecting employees and clients. In order to minimise the risk of being infected with the coronavirus in the bank, the workforce was divided into different workplaces. All employees whose activities could also be carried out remotely were equipped with the necessary technical equipment (issue of 850 mobile devices) in a very short time. The bandwidth capacity for the internet connection was increased tenfold. A share of 70 to 80 percent of the workforce has been working remotely since March. Groups particularly relevant to local business operations were divided into split teams and deployed at different locations. To this end, two alternative locations were set up in Luxembourg and, in the case of the Treasury/Brokerage business segment, additional trading rooms were set up at the company's headquarters in Strassen. In Zurich, the employees of DZ PRIVATBANK (Schweiz) AG were divided between two building units with separate entrances. The branches in Germany were only staffed with the minimum number of people. The more than 150 individual coronavirus measures in 2020 also included the basic provision of protective masks to all employees, the early procurement and implementation of rapid tests as required, the establishment of an investigation team to identify contact persons in the event of suspected cases, the dynamic adjustment of the canteen operations at the main site in Strassen to the coronavirus regulations in force and a virtual staff recruitment process through which eighty new employees joined the Bank in the period from April to December.

Surveys conducted as part of the digital employee events held regularly and with a high number of participants have shown that, despite the more difficult conditions in the wake of the SARS-CoV-2 pandemic, over 90 percent of employees are satisfied to very satisfied with their jobs at DZ PRIVATBANK, almost all respondents rate the Bank's performance in 2020 as positive to excellent and 91 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 rapid switch to 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 at peak times.

In summary, DZ PRIVATBANK implemented extensive, strict protective measures at all locations at an early stage of the SARS-CoV-2 pandemic and consistently adhered to these measures during the course of 2020. In conjunction with the level-headed and orderly conduct of the employees, smooth banking operations/sales were always ensured even under high traffic along the entire value chain and a high level of satisfaction was achieved among clients and business partners.
In view of the infection situation in Germany, Luxembourg and Switzerland at the beginning of 2021, there is currently no reason to relax the existing coronavirus protection measures at DZ PRIVATBANK.

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 was particularly sensitive to the known assumptions and estimates used to determine the fair values of financial assets and trading liabilities and calculate risk provisions. Similarly, SARS-CoV-2 has an impact on the calculation of risk provisions and the assumptions and estimates used for this purpose, which are presented in section 48.

Statements on risk provisions

Of the net allocation to risk provisions for loans and advances to banks and clients, financial assets and other lending business of EUR -0.6 million, around EUR -0.5 million relates to the effects of the SARS-CoV-2 pandemic. The need for additions due to the SARS-CoV-2 pandemic results from accounting for expected macroeconomic developments, in particular via an adjustment of the model-based default probability profiles (so-called "shift factors"), which are taken into account when calculating expected losses. Assuming an extreme weighting of 100 percent of the base scenario and risk scenario on which the calculation of risk provisions is based, the need for additions to risk provisions due to the SARS-CoV-2 pandemic would be reduced by approximately -12 percent and increased by approximately 46 percent.

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 SARS-CoV-2 pandemic does not have a material impact on calculating the value adjustment under IFRS 9 (in particular, there are uncertainties when taking macroeconomic factors into account) or calculating the fair value of financial instruments.

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. For this reason, there were no material amounts of earnings or inventory due to SARS-CoV-2 reclassifications.
DZ PRIVATBANK S.A. sold securities carried at cost in the first half of 2020 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 -0.5 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.
In the context of risk provisioning, the Bank determined a SARS-CoV-2-specific effect as of 31 December 2020 on the basis of PD shift factors specified by the DZ BANK Group and increased risk provisions by EUR 0.5 million. There were no effects caused by the credit rating.

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 tochange 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 3for 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 additions 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 also 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 2020 have been prepared for the first time 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 2020 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 2020 financial year have been taken into account.

The first-time publication of local separate financial statements in accordance with IFRS as of 31 December 2020 by DZ PRIVATBANK S.A. requires, in accordance with IFRS 1, the preparation of an opening balance sheet as of the transition date (1 January 2019), in addition to which IFRS must be applied for the first time. The opening balance sheet is the starting point for accounting with the accounting and valuation methods corresponding to the IFRS status on the reporting date of the first IFRS financial statements (31 December 2020). A detailed reconciliation from Luxembourg GAAP to IFRS is presented in section 92. In principle, IFRS 1 requires companies to apply all standards effective at the date of initial application as if it had always accounted for its financial statements in accordance with IFRS (retrospective application). However, IFRS 1 permits exceptions to this principle in certain areas, of which DZ PRIVATBANK S.A. has made use of those listed below.

In the context of the initial application, the Bank has made use of the provision of IFRS 1, according to which a subsidiary, if it applies IFRS for the first time after its parent company, may measure its assets and liabilities at the book values as they were recognised in the consolidated financial statements of the parent company. The recognition and measurement of financial assets and financial liabilities are presented in section 5.

The differences between the financial statements as of 31 December 2019 prepared for the last time in accordance with national law (Luxembourg GAAP) and the comparative balance sheet as of 31 December 2019 prepared in accordance with IFRS have been offset against retained earnings. The effects of the initial application on equity are shown in the reconciliation of equity under Luxembourg GAAP to equity under IFRS and the related explanations; equity as of 1 January 2019 and 31 December 2019 and net profit for the 2019 financial year have therefore been reconciled and explained. The reconciliation statement and its explanations are shown in section 92.

The following standards are relevant to these annual financial statements and have been applied for the first time:

Framework concept	
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statement
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting for Retirement Benefit Plans
IAS 27	Separate Financial Statements
IAS 32	Financial Instruments: Presentation
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Information
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

The following standards are not relevant for the financial statements of DZ PRIVATBANK S.A. and have no influence on the net assets, financial position and results of operations:

IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 28	Investments in Associates and Joint Ventures
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 33	Earnings per Share
IAS 40	Investment Property
IAS 41	Agriculture
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 10	Consolidated Financial Statements
IFRS 17	Insurance Contracts

The financial statements as at 31 December 2020 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. For reasons of better readability, gender-specific dual references are not used for people.

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 0.5 million (previous year: EUR 0.8 million) to the FGDL. 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 10.0 million during the reporting year (previous year: EUR 6.4 million). The Bank made use of the option of setting aside 15 percent of the bank levy as "irrevocable payment commitments (IPCs)" with EUR 1.5 million (previous year: EUR 1.0 million).

DZ PRIVATBANK S. A. is also a member of the BVR protection scheme under the German Volksbanken Raiffeisenbanken cooperative financial network (BVR). The German branches of DZ PRIVATBANK S.A. are legally dependent and, via DZ PRIVATBANK S.A., are a member of the legal deposit guarantee scheme in Luxembourg and the protection scheme of the BVR. 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 6.8 million (previous year: EUR 7.5 million) pursuant to the statute of the protection scheme.

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 12 March 2021.

4. Accounting policies and estimates

Changes in accounting policies

The 2020 annual financial statements will be prepared for the first time in accordance with the International Financial Reporting Standards (IFRS). The previous annual financial statements were prepared on the basis of statutory regulations in Luxembourg and, in particular, in accordance with the provisions of the Law of 17 June 1992 on annual financial statements and consolidated financial statements of banks operating under Luxembourg law. A detailed explanation of how the transition from the Luxembourg regulations to IFRS has affected the financial position, results of operations and cash flows is provided in the other disclosures (section 92).

IBOR transition

The IBOR transition at DZ PRIVATBANK S.A. is managed by the cross-division “IBOR analysis team”. EURIBOR was reformed in 2019 in accordance with the Benchmark Regulation and can still be used. The reference interest rate EONIA (interest on cash collateral in EUR) is in the process of being reconciled to the successor €STR (Euro Short Term Rate). In connection with collateral management, the conversion to €STR was started in the second half of the year.

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

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 only 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 assessing 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 must be 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 – e.g. in business combinations as defined in IFRS 3 – are recognised on the basis of their future economic benefits. This is assessed by management on the basis of reasonable and justified assumptions.

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 2020 and 2019 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. For this to be the case, these financial assets must be part of a portfolio of clearly identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

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 accounting mismatches 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 accounting mismatches, which are significantly reduced by exercising the fair value option. In connection with the avoidance of accounting mismatches, 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 (accounting mismatches), 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 accounting mismatches are securitised liabilities and trading 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.

Own issues are valued on the basis of valid uncovered treasury curves provided by DZ BANK groupwide.

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 no substantial opportunities and risks from the financial assets remain. 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 categories "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 and securities lending transactions

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 DZ PRIVATBANK S.A. 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, DZ PRIVATBANK S.A. 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, DZ PRIVATBANK S.A. 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.
However, for financial assets that affect creditworthiness after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer affects creditworthiness, the calculation of interest income reverts to the gross basis.

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 and trade 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. The Bank controls a company when it is exposed, or has rights, to variable returns from its investment in the company and has the ability to affect those returns through its power over the company.
Shares in subsidiaries are measured at amortised 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). Borrowing costs on inventories, real estate and the like are not capitalised.

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 and other provisions in the lending business. 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. Levels 1 and 2 are formed for inherent default risks and correspond to the expected 12-month credit loss for Level 1 and the amount of the expected credit loss over the remaining term for Level 2. 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., provision values of zero (so-called "loan loss provisions") usually result in practice 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. 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, the PBLU also applies this to its local financial statements. As of the balance sheet date, a combination of two macroeconomic scenarios (baseline and risk scenario) is used taking into account the SARS-CoV-2 pandemic.

The baseline scenario, weighted at 80 percent due to progress in vaccine development, is consistent with the November 2020 economic round table projections, which correspond approximately to the December 2020 ECB scenarios. The scenario assumes an increasingly dynamic recovery from 2021 onwards (GDP growth in the EU of +3.5% compared to 2020). The recovery in consumption, investment and external trade continues to drive growth strongly in 2022 (EU GDP growth +5.0% YoY in 2021), after which economies return to their trend growth (2024: +1.25%). After unemployment initially increased in 2021 (EU unemployment rate: 8.5%), the labour market is expected to recover gradually by 2024 (7.25%).

The risk scenario weighted at 20%, 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 9.00% from 2021 to 2024.

For the PBLU, the resulting effects on risk provisions are of minor significance overall (effect in 2020: EUR -0.5 million), as also explained in section 2.

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 average AA rating from Moody'sInvestors Service, New York, Standard & Poor's, New York, Fitch Ratings, New York/London, and 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, particularly in Private Banking. The structural adjustment is, inter alia, part of the ongoing "PRO - Private Banking +" programme. The company agreement regulates the material framework for the group of employees who will be affected by a termination for operational reasons at the Luxembourg location and at the branch in Germany.

Provisions for share-based payment transactions

DZ PRIVATBANK S.A. has concluded an agreement on variable remuneration with the members of the Board of Management. The amount and payment depend, among other things, on the development of the value of the company concerned. These agreements are classified as cash-settled, share-based payment transactions.

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 grant date and 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.

Other provisions in the lending business take existing uncertainties into account to the extent customary in the industry. The underlying assumptions and estimates are based on past experience as well as expectations and forecasts regarding future developments.

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 2020

Basis: IFRS in TEUR	Private Banking	Fund services	Lending	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
./. Cost allocation						-64,069
Profit contribution II						79,396
./. Structural costs						-43,253
Profit contribution III						36,143

Financial year 2019 Basis: IFRS in TEUR	Private Banking	Fund services	Lending	Treasury/Brokerage	Other	Total
Net interest income	6,000	24,174	11,453	30,286	-531	71,382
Net commission income	54,449	71,564	3,410	-838	-201	128,384
Trade income	1,212	6,130	1,082	-497	-416	7,511
Result from financial assets	0	0	0	0	0	0
Other valuation result from financial instruments	0	0	0	2,011	398	2,409
Result from the derecognition of AC-valued financial instruments	0	0	0	0	27	27
Risk provisions	0	0	0	0	-47	-47
Other operating income	889	-23	-26	11	-2,055	-1,204
Net income	62,550	101,845	15,919	30,973	-2,825	208,462
./. Direct costs of the profit centres	-46,313	-17,723	-7,785	-11,522	-1,072	-84,415
Net result from services	1,862	1,003	148	53	273	3,339
Profit contribution I	18,099	85,125	8,282	19,504	-3,624	127,386
./. Structural costs						-57,927
Profit contribution II						69,459
./. Structural costs						-38,080
Profit contribution III						31,379

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 under commercial law.

The main standards for assessing the success of the business segments are the pre-tax profit contribution for each business segment and the cost-income ratio for each business segment.

The cost-income ratio shows the relationship between administrative expenses and net income and reflects the economic efficiency of the business segments.

Net income includes net interest income and net commission income, trade income, income from financial investments, other valuation result from financial instruments, income from the derecognition of financial assets measured at amortised cost, risk provisions and other operating income.

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, private wealth management clients and semi-institutional clients 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 its core market of Germany through three distribution 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 and wealth management clients (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 semi-institutional 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, asset management controlling, 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 “Fondshafen” initiative is being implemented in cooperation with DZ BANK.

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. 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 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 DZ PRIVATBANK's lending business.

TREASURY/BROKERAGE

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

Fixed Income consists of 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.

OTHER

The category “Other” comprises those items that cannot be allocated to the four business segments described above.

Information on geographic markets

The breakdown of DZ PRIVATBANK S.A.'s income by geographical area is as follows:

	Luxembourg		Germany		Rest of Europe		Rest of the world	
Figures in TEUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Interest and similar income	60,393	127,773	-11,237	4,698	6,081	-6,365	3,518	3,619
Commission income	119,714	111,432	97,408	90,669	3,890	3,621	2,646	2,453
Other operating income	4,750	3,166	3,862	4,589	2,914	0	0	0
Total	184,857	242,370	90,033	99,955	12,885	-2,744	6,164	6,072

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	2020	2019
INTEREST INCOME AND CURRENT INCOME	**67,254**	**138,482**
Interest income from	**58,754**	**129,724**
Lending and money market transactions	102,887	197,817
Bonds and other fixed-interest securities	-1,311	738
Financial assets with negative interest rates	-42,822	-68,831
Current result from	**8,500**	**8,758**
Shares in subsidiaries	8,500	8,758
INTEREST EXPENSES FOR	**10,766**	**-67,100**
Liabilities to banks and clients	-21,660	-71,960
Securitised liabilities	-11,935	-37,901
Subordinated capital	0	175
Financial liabilities with positive interest rates	45,004	43,268
Interest expenses from leases	-643	-682
Total	78,021	71,382

The net interest income of DZ PRIVATBANK S.A. increased by EUR 6.6 million to EUR 78.0 million (previous year: EUR 71.4 million) despite the still low interest rate level. With an unchanged risk-conscious investment strategy, net interest income in the reporting period was positively influenced by the higher allowances for deposits with central banks (ECB and SNB) and the utilisation of the lower USD money market rates.

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

Figures in TEUR	2020	2019
Interest income according to IFRS 9 holding categories	**58,754**	**129,724**
FVTPL	87,045	176,082
FVO	2,200	3,453
AC	-30,490	-49,810
Interest expenses according to IFRS 9 holding categories	**10,766**	**-67,100**
FVO	-5,389	-5,198
AC	9,786	-70,074
FVTPL	7,012	8,854
Leases	-643	-682

28. Net commission income

Figures in TEUR	2020	2019
Commission income	**223,658**	**208,175**
Securities business	177,093	165,762
Asset management	43,434	39,402
Payment transactions including card business	1,150	1,377
Lending and trust business	167	129
Other	1,814	1,505
Commission expenses	**-85,500**	**-79,792**
Securities business	-70,558	-66,439
Asset management	-14,472	-12,854
Payment transactions including card business	-378	-369
Other	-92	-130
Total	138,158	**128,383**

In terms of net fee and commission income, the Bank recorded an increase of 7.6 percent to EUR 138 million (2019: EUR 128 million) despite the still low interest rate level. This development is mainly attributable to increased income from customer order business in the securities and derivatives sector.

Net fee and commission income in the financial year includes income from contracts with clients in accordance with IFRS 15 amounting to EUR 224 million (2019: EUR 208 million) (see section 84).

29. Trade income

Figures in TEUR	2020	2019
Result from non-derivative financial instruments	2,539	2,107
Result from derivative financial instruments	32	-386
Foreign exchange result	10,481	5,789
Interest and dividends	-3	0
Total	13,049	7,510

30. Result from financial assets

The result from financial assets was zero in the 2020 and 2019 financial years.

31. Other valuation result from financial assets

Figures in TEUR	2020	2019
Result from hedge accounting	**717**	**-102**
Result from fair value hedges	**717**	**-102**
Result from hedging transactions (FV hedge)	-12,602	-6,318
Result from hedged underlying transactions (FV hedge)	13,320	6,215
Result from derivative financial instruments entered into without the intention to trade	**-4,519**	**1,998**
Result from financial instruments designated as at fair value through profit or loss	**1,793**	**513**
Result from non-derivative financial instruments	-1,174	-7,211
Result from FVO loans and advances to banks and clients	2,423	-3,206
Result from FVO financial assets	-745	-930
Result from securitised FVO liabilities	-2,852	-3,293
Result from FVO subordinated capital	0	219
Result from derivative financial instruments	2,967	7,724
Total	-2,009	2,409

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.

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

Figures in TEUR	2020	2019
Gains from the derecognition of financial assets valued at amortised cost	654	27
Loans and advances to banks and clients	220	14
Financial assets	434	13
Losses from the derecognition of financial assets measured at amortised cost	-978	0
Loans and advances to banks and clients	0	0
Financial assets	-978	0
Total	-324	27

33. Risk provisions

Figures in TEUR	2020	2019
Risk provisions for cash reserves	-1	0
Additions	-3	-1
Reversals	2	1
Risk provisions for loans and advances to banks	-372	-37
Additions	-1,087	-650
Reversals	715	613
Risk provisions for loans and advances to clients	-83	-3
Additions	-504	-426
Reversals	421	422
Risk provisions for financial assets	-135	-2
Additions	-233	-70
Reversals	98	68
Other risk provisions in the lending business	-12	-4
Additions to and reversals of provisions for loan commitments	-12	-4
Total	-604	-47

In the context of risk provisioning, the Bank determined a SARS-CoV-2-specific effect as of 31 December 2020 on the basis of PD shift factors specified by the DZ BANK Group and increased risk provisioning by EUR 0.5 million.

34. Administrative expenses

Figures in TEUR	2020	2019
Personnel expenses	**-116,976**	**-106,206**
Wages and salaries	-94,654	-86,445
Social security contributions	-11,555	-11,082
Expenses for retirement benefits	-10,334	-8,246
Expenses for share-based payment transactions	-434	-434
Non-personnel expenses	**-55,010**	**-53,111**
Contributions and fees	-12,618	-10,396
incl.: Contributions to the resolution fund for CRR credit institutions	-8,171	-5,429
Consulting	-7,586	-7,390
Office operations	-4,815	-5,839
IT costs	-16,955	-15,143
Land and occupancy costs	-3,394	-4,230
Information procurement	-6,372	-5,854
Public relations and marketing	-2,997	-3,995
Management bodies	-275	-264
Depreciations	**-18,489**	**-17,765**
Tangible fixed assets	-5,124	-4,963
Rights of use	-5,070	-5,263
Other intangible assets	-8,294	-7,539
Total	-190,476	-177,082

General administrative expenses increased to EUR 190 million (2019: EUR 177 million). Personnel expenses rose by a total of EUR 11 million to EUR 117 million, partly as a result of an index increase in Luxembourg and an additional payment for the company pension scheme. The increase in other administrative expenses by EUR 2 million to just under EUR 55 million is due in particular to the further rise in contributions for the bank levy.

Expenses for retirement benefits and expenses for share-based payments are explained in sections 86 and 89.

35. Other operating income

Figures in TEUR	2020	2019
Income from the reversal of provisions and accrued liabilities	5,370	3,449
Expenses for restructuring	-3,588	-3,205
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	116	62
Rental income from land and buildings	1,120	1,111
Expenses from additions to provisions for litigation risks	0	-644
Expenses for other taxes	-82	-7
Miscellaneous other operating income	540	1,179
Total	328	-1,203

Compared to the previous year, other operating income was positively influenced mainly by the higher reversal of provisions.

36. Income taxes

Figures in TEUR	2020	2019
Expenses for current income taxes	-5,491	-393
Income from/expenses for deferred income taxes	-1,457	-4,186
Total	-6,948	-4,579

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	2020	2019
Earnings before tax	36,143	31,379
Income tax rate	25.69%	25.69%
Expected income taxes	**-9,285**	**-8,061**
Income tax effects	**2,337**	**3,482**
Effects from tax-exempt income and non-deductible expenses	2,129	2,193
Current and deferred income taxes relating to prior years	0	165
Other effects	208	1,124
Reported income taxes	**-6,948**	**-4,579**

37. Reclassification to the statement of comprehensive income

There were no reclassifications to the statement of comprehensive income in the 2020 and 2019 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:

	2020			2019		
Figures in TEUR	Change before tax	Income taxes	Change after tax	Change before tax	Income taxes	Change after tax
Gains and losses from changes in proprietary default risk of financial liabilities for which the fair value option was exercised	-5,385	1,383	-4,001	-3,032	788	-2,245
Gains and losses from remeasurements of defined benefit plans	246	-63	183	2,074	-890	1,185
Total	-5,139	1,320	-3,819	-958	-102	-1,060

C. DISCLOSURES ON THE BALANCE SHEET

39. Cash reserves

Figures in TEUR	31 December 2020	31 December 2019
Cash on hand	14,563	15,037
Balances with central banks	5,938,894	7,872,007
Total	5,953,457	7,887,044

Balances with central banks amount to EUR 1,200 million at Banque Centrale du Luxembourg (previous year: EUR 303 million) and at the Swiss National Bank EUR 4,738 million (previous year: EUR 7,569 million). 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 and CHF lending volumes, 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 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
German banks	**92,649**	**202,236**	**1,001,872**	**1,018,814**	**1,094,521**	**1,221,049**
Affiliated banks	30,884	35,354	353,876	443,864	384,760	479,218
Non-affiliated banks	61,765	166,882	647,996	574,950	709,761	741,832
Other banks	**335,955**	**278,165**	**188,411**	**258,918**	**524,366**	**537,083**
Total	428,604	480,401	1,190,284	1,277,732	1,618,887	1,758,133

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

Figures in TEUR	31 December 2020	31 December 2019
Money market transactions	891,450	1,165,142
Current account receivables	397,720	445,048
Other loans and advances	329,718	147,943
Total	1,618,887	1,758,133

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 December 2020	31 December 2019
Loans and advances to German clients	5,192,123	5,020,220
Loans and advances to other clients	532,388	549,275
Total	5,724,510	5,569,495

Figures in TEUR	31 December 2020	31 December 2019
Money market transactions	134,822	103,994
Current account receivables	271,836	332,298
Other loans and advances	5,317,852	5,133,203
Total	5,724,510	5,569,495

Loans and advances to clients in the amount of EUR 5.7 billion (previous year: EUR 5.6 billion) and EUR 5.2 billion of these loans and advances (previous year: EUR 5.0 billion) are to clients in Germany.
Other loans and advances to clients increased to EUR 5.3 billion (2019: EUR 5.1 billion). EUR 4.9 billion (2019: EUR 4.8 billion) originated from client loans guaranteed by local cooperative banks (LuxCredit financing).
Loans and advances to clients include loans and advances due to IFRS 15 (Revenue from Contracts with Customers) in the amount of EUR 27.3 million (2019: EUR 22.8 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 228 (previous year: TEUR 1,776) and solely result from derivative hedging instruments for fair value hedges.

43. Trading assets

Figures in TEUR	31 December 2020	31 December 2019
Positive market values from derivative financial instruments	**187,628**	**93,447**
Interest-based transactions	20,883	19,220
Currency transactions	166,745	74,227
Total	187,628	93,447

44. Financial assets

Figures in TEUR	31 December 2020	31 December 2019
Bonds and other fixed-interest securities	**3,222,964**	**3,172,242**
Money market papers	0	0
Bonds and debentures	3,222,964	3,172,242
Shares in subsidiaries	164,700	164,700
Total	3,387,664	3,336,942

45. Tangible fixed assets and rights of use

Figures in TEUR	31 December 2020	31 December 2019
Tangible fixed assets	**42,103**	**44,922**
Land and buildings	34,732	36,109
Furniture, fittings and equipment	7,371	8,813
Rights of use	**10,285**	**13,136**
Rights of use for land and buildings	8,480	11,580
Rights of use for furniture, fittings and equipment	1,805	1,557
Total	52,388	58,058

The development of tangible fixed assets is as follows:

	Land and buildings		Furniture, fittings and equipment		Total tangible fixed assets	
Figures in TEUR	2020	2019	2020	2019	2020	2019
Gross value as at 1 January	84,201	84,173	41,018	37,518	125,220	121,691
Additions	250	29	2,055	3,535	2,305	3,564
Disposals	0	0	0	-35	0	-35
Gross value as at 31 December	84,451	84,201	43,073	41,018	127,525	125,220
Cumulative value adjustments	-49,720	-48,092	-35,702	-32,206	-85,422	-80,298
incl.: Value adjustments in the period	-1,628	-1,607	-3,496	-3,356	-5,124	-4,963
Net value as at 31 December	34,732	36,109	7,371	8,813	42,103	44,922

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 December 2020	31 December 2019
Income tax assets	**59,316**	**59,101**
Current income tax assets	59,316	59,101
Net deferred income tax assets	0	0
Income tax liabilities	**-43,454**	**-39,971**
Actual income tax liabilities	-20,179	-16,832
Net deferred income tax liabilities	-23,276	-23,139
Total	15,861	19,130

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

	31 December 2020		31 December 2019	
Figures in TEUR	Deferred income tax assets	Deferred income tax liabilities	Deferred income tax assets	Deferred income tax liabilities
Loans and advances to banks and clients	0	-10,390	0	-8163
Trading assets/liabilities as well as positive and negative market values from hedging instruments	26,714	-10,591	41,574	-27,735
Financial assets	0	-21,463	0	-19,898
Risk provisions	337	0	178	0
Securitised liabilities	7,362	0	4,921	0
Provisions for employee benefits and for share-based payment transactions	7,970	-1,236	8,033	-2,452
Other provisions	514	-17,294	514	-14,203
Other balance sheet items	0	-5,257	157	-6,066
Total (gross value)	42,954	-66,230	55,378	-78,517
Netting of deferred income tax assets and liabilities	-42,954	42,954	-55,378	55,378
Total (net value)	0	-23,276	0	-23,139

In total, there is a deferred tax liability of EUR 23 million (previous year: deferred tax liability of EUR 23 million). Deferred income tax assets amounting to EUR 16 million (previous year: EUR 14 million) and deferred income tax liabilities of EUR 56 million (prior year: EUR 51 million) are generally not realised until 12 months have elapsed.

47. Other assets

Figures in TEUR	31 December 2020	31 December 2019
Goodwill	**0**	**0**
Intangible assets (excluding rights of use)	**30,192**	**35,417**
Software	5,204	6,981
Acquired client relationships	20,463	23,611
Other intangible assets	4,526	4,826
Other loan and advances (AC)	**4,446**	**2,944**
Miscellaneous other assets	**28,651**	**30,917**
Inventories	2,216	2,038
Deferred income and advance payments	2,568	2,903
Receivables from fiscal unities	14,462	11,270
Loans and advances to tax offices from other taxes	720	2,226
Reimbursement rights for defined benefit plans recognised as assets	192	188
Other assets	8,493	12,292
Total	**63,289**	**69,278**

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:

	Acquired client relationships		Software		Other intangible assets		Total intangible assets	
Figures in TEUR	2020	2019	2020	2019	2020	2019	2020	2019
Gross value as at 1 January	195,732	195,732	39,694	35,726	37,611	34,227	273,038	265,685
Additions	0	0	2,858	3,968	3,360	3,385	6,218	7,353
Disposals	0	0	0	0	0	0	0	0
Gross value as at 31 December	195,732	195,732	42,553	39,694	40,971	37,611	279,256	273,038
Cumulative value adjustments	-175,270	-172,122	-37,348	-32,714	-36,445	-32,786	-249,064	-237,621
incl.: Value adjustments in the period	-3,148	-3,148	-4,635	-4,193	-3,660	-3,346	-11,442	-10,687
Net value as at 31 December	20,463	23,611	5,204	6,981	4,526	4,826	30,192	35,417

The gross value of intangible assets acquired for consideration, including client bases, as of 1 January 2019 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 2020 from the acquisitions amounts to EUR 20.5 million, and the remaining amortisation period is 6 years.

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 1	Level 2	Level 1	Total
As of 1 January 2019	-1	-187	-256	-27	-183	-653
Additions	-1	-650	-331	-95	-70	-1,146
Utilisation	0	0	0	0	0	0
Dissolution	1	613	405	17	68	1,103
Step transfer	0	0	-34	34	0	0
As of 31 December 2019	-1	-224	-215	-70	-185	-696
As of 1 January 2020	-1	-224	-215	-70	-185	-696
Additions	-3	-1,087	-493	-11	-233	-1,827
Utilisation	0	0	0	0	0	0
Dissolution	2	715	342	79	98	1,236
Step transfer	0	0	0	0	0	0
As of 31 December 2020	-2	-597	-367	-2	-320	-1,287

49. Liabilities to banks

	Due on demand		With an agreed maturity or notice period		Total	
Figures in TEUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
German banks	**373,048**	**380,285**	**688,440**	**430,271**	**1,061,487**	**810,556**
Affiliated banks	372,558	359,125	152,156	217,277	524,714	576,402
Non-affiliated banks	490	21,160	536,283	212,994	536,774	234,153
Other banks	**232,168**	**726,881**	**897,940**	**825,174**	**1,130,108**	**1,552,055**
Total	605,216	1,107,166	1,586,379	1,255,445	2,191,595	2,362,611

Liabilities to banks fell by EUR 171 million to EUR 2,192 million as of the balance sheet date. Approximately 97 percent (previous year: 95 percent) of liabilities to banks have a remaining term of up to three months. 24 percent (previous year: 24 percent) of liabilities to banks are attributable to cooperative banks.

50. Liabilities to clients

Figures in TEUR	Due on demand		With an agreed maturity or notice period		Total	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
German clients	1,513,895	1,387,705	367,849	394,357	1,881,744	1,782,062
Other clients	7,378,433	9,296,639	63,514	70,542	7,441,947	9,367,181
Total	8,892,328	10,684,344	431,363	464,899	9,323,691	11,149,243

Client deposits decreased by EUR 1.8 billion to EUR 9.3 billion. They consist of deposits from legal entities under private law in the amount of EUR 8.0 billion and deposits from natural persons in the amount of EUR 1.4 billion. Together with securitised liabilities, these deposits account for 73 percent (previous year: 79 percent) of total refinancing funds.

51. Securitised liabilities

Figures in TEUR	31 December 2020	31 December 2019
Issued bonds	1,839,004	1,510,672
Other securitised liabilities	2,375,894	2,553,063
Total	4,214,899	4,063,735

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 107 million (previous year: EUR 99 million) and result exclusively from derivative hedging instruments used to hedge the fair value.

53. Trading liabilities

Figures in TEUR	31 December 2020	31 December 2019
Negative market values from derivative financial instruments	209,373	183,724
of which interest-based transactions	3,268	4,661
of which currency-related transactions	206,105	179,063
Total	209,373	183,724

54. Provisions

Figures in TEUR	31 December 2020	31 December 2019
Provisions for employee benefits	**56,116**	**48,144**
Provisions for benefit plans	32,429	27,392
Provisions for termination benefits (restructuring)	9,595	11,053
Provisions for short-term employee benefits	14,091	9,699
Provisions for share-based payment transactions	**1,612**	**1,784**
Other provisions	**24,076**	**25,808**
Provisions for loan commitments	22	11
Provisions for financial guarantees	1	0
Provisions for agent commissions	11,940	12,669
Provisions for litigation risks	635	644
Other provisions	11,478	12,484
Total	81,803	75,736

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	Status as of 1 January 2020	Consumption	Reversals	Addition	Status as of 31 December 2020
Provisions for loan commitments	11	0	-18	30	22
Provisions for financial guarantees	0	0	-2	2	1
Provisions for agent commissions	12,669	-11,766	-903	11,940	11,940
Provisions for contributions to the resolution fund	344	-8,515	-344	8,515	0
Provisions for litigation risks	644	-9	0	0	635
Other provisions	12,140	-1,022	-628	988	11,478
Total	**25,808**	**-21,312**	**-1,895**	**21,475**	**24,076**

Figures in TEUR	Status as of 1 January 2019	Consumption	Reversals	Addition	Status as of 31 December 2019
Provisions for loan commitments	7	0	-9	13	11
Provisions for financial guarantees	1	0	-2	2	0
Provisions for agent commissions	9,085	-8,791	-293	12,669	12,669
Provisions for contributions to the resolution fund	344	-5,429	0	5,429	344
Provisions for litigation risks	185	-185	0	644	644
Other provisions	12,648	-7,127	-437	7,056	12,140
Total	**22,270**	**-21,533**	**-741**	**25,812**	**25,808**

Other provisions include, among other things, provisions for material expenses amounting to EUR 3.4 million (previous year: EUR 2.5 million), provisions for operational risks amounting to EUR 2.0 million (previous year: EUR 2.0 million), provisions for commissions in the fund services business and private banking amounting to EUR 1.5 million (previous year: EUR 3.5 million) and provisions for obligations to service precious metal certificates to clients of EUR 1.8 million (previous year: EUR 1.7 million). Due to quarterly reporting, reversals in the statement may be higher than the opening balance.

The following table shows the estimated maturities of the provisions:

Status as of 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 contributions to the resolution fund	0	0	0
Provisions for litigation risks		0	635
Other provisions	7,078	0	4,400
Total	19,041	0	5,035

Status as of 31 December 2019 Figures in TEUR	Up to 3 months	Over 3 months up to 5 years	Indefinite period
Provisions for loan commitments	0	11	0
Provisions for financial guarantees	0	0	0
Provisions for agent commissions	12,669	0	0
Provisions for contributions to the resolution fund	0	0	344
Provisions for litigation risks	0	0	644
Other provisions	7,740	0	4,400
Total	20,409	11	5,388

55. Other liabilities

Figures in TEUR	31 December 2020	31 December 2019
Accrued liabilities	2,068	1,843
Lease liabilities	10,502	13,403
Liabilities to tax authorities from other taxes	11,457	8,390
Miscellaneous other liabilities	15,420	13,392
Total	**39,447**	**37,028**

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 2019 financial year. A dividend of EUR 0.50 per share will be proposed to the Annual General Meeting for 2020.

The remaining profit of 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 268 million (previous year: EUR 253 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 -23.0 million (previous year: EUR - 23.2 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 graduated: 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 2020 amounted to EUR 65.1 million (2019: EUR 82.0 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 December 2020	31 December 2020	31 December 2020	31 December 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

Figures in TEUR	Assets and liabilities measured at fair value in the balance sheet Fair value / book value 31 December 2019	Assets and liabilities not measured at fair value in the balance sheet Fair value 31 December 2019	 Book value 31 December 2019	Hidden reserves / charges 31 December 2019
Cash reserves[1)2)]	0	7,872,006	7,872,006	0
Loans and advances to banks[2)]	524,365	1,235,024	1,233,544	1,480
Loans and advances to clients[2)]	388,167	5,183,115	5,181,043	2,072
Positive market values from hedging instruments	1,776	0	0	0
Trading assets	93,447	0	0	0
Financial assets[1)2)]	28,822	3,410,560	3,307,936	102,625
Other assets[1)2)]	0	2,944	2,944	0
Hidden reserves / charges on assets				106,177
Liabilities to banks	0	2,362,814	2,362,611	-204
Liabilities to clients	0	11,149,614	11,149,243	-371
Securitised liabilities	1,510,672	2,553,411	2,553,063	-349
Negative market values from hedging instruments	99,236	0	0	0
Trading liabilities	183,724	0	0	0
Other liabilities[1)]	0	13,403	13,403	0
Hidden reserves / charges on liabilities				-923
Total hidden reserves / charges				105,254

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

[2)] Book values less risk provisions

Financial assets not carried at fair value include subsidiaries with a book value of EUR 164.7 million (2019: EUR 164.7 million) and an enterprise value of EUR 249.3 million (2019: EUR 249.9 million), which are measured according to Level 3.

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

Assets (in TEUR)	31 December 2020	31 December 2019
Loans and advances to banks	**1,618,887**	**1,758,133**
FVO	514,198	524,365
AC	1,063,730	1,178,328
AC FV-hedged	40,960	55,440
Loans and advances to clients	**5,724,510**	**5,569,495**
FVO	165,749	388,167
AC	5,464,535	5,080,039
AC FV-hedged	94,226	101,289
Financial assets	**3,387,664**	**3,336,943**
FVO	12,990	28,822
AC	825,687	360,572
AC FV-hedged	2,384,287	2,782,849
Shares in subsidiaries (AC)	164,700	164,700
Other financial receivables (AC)	**4,446**	**2,944**
Other assets	**6,310,572**	**8,165,065**
Total assets	17,046,080	18,832,579

Liabilities (in TEUR)	31 December 2020	31 December 2019
Liabilities to banks	**2,191,595**	**2,362,611**
AC	2,191,595	2,362,611
Liabilities to clients	**9,323,691**	**11,149,243**
AC	9,323,691	11,149,243
Securitised liabilities	**4,214,899**	**4,063,735**
FVO	1,813,922	1,510,672
AC	2,400,976	2,553,063
Other liabilities	**1,315,896**	**1,256,990**
Total liabilities	17,046,080	18,832,579

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: 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 determined either by reference to quoted prices in active markets for similar, but not identical, financial instruments or by using measurement techniques that are based primarily on observable market data.

DZ PRIVATBANK S.A. generally classifies its financial instruments in Level 2, as it cannot be guaranteed that all financial instruments 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 2020 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 liabilities designated at fair value through profit or loss

A residual value method is used to determine changes in fair value attributable to changes in the Bank's 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 factors other than changes in the Bank's own default risk. The cumulative change in fair value after deferred taxes resulting from the Group's own default risk amounted to EUR -5.6 million in the financial year (previous year: EUR -1.6 million). The chosen approach ensures that the changes in fair value attributable to changes in the Bank's own default risk are not distorted by other market price risk-induced effects.

For liabilities designated at fair value through profit or loss, where changes in fair value attributable to the Bank's own default risk are recognised as not affecting net income, the following overview compares the fair values with the amounts contractually payable to creditors at maturity:

	Fair value		Repayment amount	
Figures in TEUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Securitised liabilities	1,813,922	1,510,672	1,785,108	1,490,449
Total	1,813,922	1,510,672	1,785,108	1,490,449

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	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	
31 December 2020					
Derivative financial instruments	187,856	187,856	10,918	88,608	88,331
31 December 2019					
Derivative financial instruments	95,223	95,223	75,699	16,810	2,715

Disclosures on offsetting financial liabilities

Figures in TEUR	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	
31 December 2020					
Derivative financial instruments	315,902	315,902	10,918	230,915	74,069
31 December 2019					
Derivative financial instruments	282,960	282,960	75,699	202,267	4,994

62. Collateral and repurchase agreements

The financial assets pledged as collateral for liabilities have the following book values:

Figures in TEUR	31 December 2020	31 December 2019
Loans and advances to banks	119,978	135,844
Loans and advances to clients	110,937	66,423
Total	230,915	202,267

Securities repurchase agreements

DZ PRIVATBANK S.A. concludes securities repurchase agreements on the basis of framework agreements customary in the industry. 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 366.8 million (previous year: EUR 380.1 million).
The book values of the liabilities associated with securities sold under repurchase agreements amount to EUR 367.5 million (previous year: EUR 379.7 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.
  - Portfolio-based de minimis limit: 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 3.2 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 December 2020	31 December 2019
Interest-based transactions	**1,239,514**	**3,071,216**	**939,810**	**5,250,540**	**5,015,933**
OTC products	1,239,514	3,071,216	939,810	5,250,540	5,015,933
Interest rate swaps	1,239,514	3,071,216	939,810	5,250,540	5,015,933
Currency transactions	**18,863,416**	**12,451**	**0**	**18,875,867**	**19,064,667**
OTC products	18,863,416	12,451	0	18,875,867	19,064,667
Cross currency swaps (other than portfolio hedges)	97,943	0	0	97,943	197,943
Forward exchange transactions	18,765,473	12,451	0	18,777,924	18,866,723
Total	20,102,930	3,083,667	939,810	24,126,407	24,080,600

Figures in TEUR	Market value			
	Positive		Negative	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Interest-based transactions	**21,111**	**20,996**	**109,797**	**103,898**
OTC products	21,111	20,996	109,797	103,898
Interest rate swaps	21,111	20,996	109,797	103,898
Currency transactions	**166,745**	**74,227**	**206,105**	**179,063**
OTC products	166,745	74,227	206,105	179,063
Cross currency swaps (other than portfolio hedges)	1,754	2,025	5,449	20,653
Forward exchange transactions	164,991	72,202	200,655	158,410
Total	187,856	95,223	315,902	282,960

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 be effective, i.e. that changes in the fair values of the hedged items and the hedging instruments almost offset each other. DZ PRIVATBANK S.A. ensures this by matching the main features of the underlying transactions and hedging instruments that affect value. The effectiveness of the hedging relationships is reviewed on a monthly basis. If a hedging relationship no longer meets the effectiveness criterion (e.g. due to partial sales), an adjustment is made to the hedge ratio or the hedging relationship is dedesignated. The corresponding effects are recognised in profit or loss under other valuation result.

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:

Status as of 31 December 2020	Book value	Nominal value of hedging instruments	Adjustments from fair value hedges included in the book value of the hedged items		Changes in value as a basis for measuring ineffectiveness for the period
			Existing hedging relationships	Dissolved hedging relationships	
Figures in TEUR					
Loans and advances to banks	40,960	0	329	0	-844
Loans and advances to clients	94,226	0	4,233	0	1,058
Financial assets	2,384,287	0	71,184	0	13,106
Positive market values from hedging instruments	228	60,388	0	0	4,528
Negative market values from hedging instruments	106,529	2,788,431	0	0	-17,130

Status as of 31 December 2019	Book value	Nominal value of hedging instruments	Adjustments from fair value hedges included in the book value of the hedged items		Changes in value as a basis for measuring ineffectiveness for the period
			Existing hedging relationships	Dissolved hedging relationships	
Figures in TEUR					
Loans and advances to banks	55,440	0	1,091	0	-1,144
Loans and advances to clients	101,289	0	3,277	0	2,033
Financial assets	2,772,849	0	60,292	0	5,327
Positive market values from hedging instruments	1,776	150,571	0	0	1,177
Negative market values from hedging instruments	99,236	2,680,793	0	0	-7,494

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

Status as of 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

Status as of 31 December 2019	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	55,000	126,450	1,705,344	335,370	609,200
Average hedged interest rate in %	1.97730	2.05340	1.99930	1.14430	0.57180

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, financial investments and other receivables in accordance with IFRS 15.

In accordance with IFRS 9, the generally applicable three-step approach described in the section on risk provisions 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 December 2020 Figures in TEUR	Level 1		Level 2		Level 3	
	Risk provisions	Gross book value	Risk provisions	Gross book value	Risk provisions	Gross book value
Status as of 1 January 2020	**625**	**17,375,800**	**70**	**55,360**		**2,307**
Addition / increase in credit utilisation	653	14,010,142	5	48,154		3,098
Change in financial assets due to step transfer	0	-245	0	-299	0	544
Transfer from Level 1		-1,463		919		544
Transfer from Level 2		1,218		-1,218		
Transfer from Level 3						
Disposals and repayments	-318	-15,578,858	-7	-48,964		-4,406
Additions	1,164		6			
Reversals	-839		-73			
Amortisation, changes in market value and other valuation changes		3,164		0		
Currency translation differences and other changes		-49,031		0		
Status as of 31 December 2020	**1,285**	**15,760,972**	**2**	**54,251**	**0**	**1,543**

31 December 2019 Figures in TEUR	Level 1		Level 2		Level 3	
	Risk provisions	Gross book value	Risk provisions	Gross book value	Risk provisions	Gross book value
Status as of 1 January 2019	**626**	**16,575,805**	**27**	**35,098**		
Addition / increase in credit utilisation	731	13,630,492	8	63,305		2,148
Change in financial assets due to step transfer	34	-846	-34	687	0	159
Transfer from Level 1		-1,666	-34	1,506		159
Transfer from Level 2	34	819		-819		
Transfer from Level 3						
Disposals and repayments	-501	-12,829,089	-4	-43,730		0
Changes to models / risk parameters						
Additions	320		87			
Reversals	-585		-13			
Amortisation, changes in market value and other valuation changes		1,930				
Currency translation differences and other changes		-2,492		0		
Status as of 31 December 2019	**625**	**17,375,800**	**70**	**55,360**	**0**	**2,307**

Financial guarantees and loan commitments are included exclusively in Level 1 with a book value of TEUR 237,786 (2019: TEUR 169,744) and with a risk provision of TEUR 23 (2019: TEUR 11).

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 December 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			88,608	
Financial assets designated as at fair value through profit or loss	692,937	162,704	1,218		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			
Financial guarantees and loan commitments	711,374				
of which: with impaired credit rating					
Status as of 31 December 2020	17,407,645	4,936,829	32,985	95,544	322,006

31 December 2019 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	**1,036,577**	**369,161**	**475**	**30,527**	**8,528**
Assets measured at fair value through profit or loss	1,036,577	369,161	475	30,527	8,528
Financial assets that must be categorised as at fair value through profit or loss	95,223			30,468	
Financial assets designated as at fair value through profit or loss	941,354	369,161	475	59	8,528
Financial assets measured at amortised cost	**17,432,772**	**4,398,638**	**28,283**	**7,892**	**307,036**
of which: with impaired credit rating	2,307	2,300			
Financial guarantees and loan commitments	**597,767**				
of which: with impaired credit rating					
Status as of 31 December 2019	**19,067,115**	**4,767,799**		**38,419**	**315,564**

The fair value of financial assets designated as at fair value through profit or loss decreased by TEUR 28 due to changes in the default risk in the financial year (previous year: increase of TEUR 97). The cumulative amount by which the fair value changed due to changes in the default risk was TEUR -99 as of the balance sheet date (previous year: TEUR -71). There was no effect on the loan portfolio in the fair value option, which contains only loans guaranteed by VRB or assigned directly to VRB, 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

31 December 2020

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

31 December 2019

Figures in TEUR	Financial sector	Public sector (administration/ state)	Corporates	Retail	Industry conglomerates
Investment grade	**11,472,761**	**1,020,893**	**2,338,295**	**2,335,508**	**30,312**
Gross book value	11,504,856	1,020,893	2,339,372	2,340,281	162,112
Level 1	11,504,855	1,017,310	2,331,041	2,339,553	161,517
Level 2	1	3,583	8,331	728	594
Nominal amount	32,094	0	1,077	4,772	131,800
Level 1	32,094	0	1,077	4,772	131,800
Level 2	0	0	0	0	0
Non-investment grade	**18,773**	**0**	**2,474**	**1,474**	**5**
Gross book value	18,773	0	2,474	1,474	5
Level 1	18,773	0	1,103	1,349	5
Level 2	0	0	1,370	126	0
Not classified	**8,352**	**0**	**10,842**	**24,028**	**5**
Gross book value	8,352	0	10,842	24,028	5
Level 1	0	0	0	289	5
Level 2	8,352	0	10,255	22,020	0
Level 3	0	0	588	1,719	0

31 December 2020

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

31 December 2019

Figures in TEUR	Germany	Other industrialised countries	Advanced economies	Emerging markets	Supranational institutions
Investment grade	**6,867,289**	**10,115,498**	**62,033**	**24,233**	**128,717**
Gross book value	6,874,017	10,278,514	62,033	24,233	128,717
Level 1	6,868,901	10,270,393	62,033	24,233	128,717
Level 2	5,117	8,121	0	0	0
Nominal amount	6,728	163,016	0	0	0
Level 1	6,728	163,016	0	0	0
Level 2	0	0	0	0	0
Non-investment grade	**3,856**	**97**	**0**	**18,773**	**0**
Gross book value	3,856	97	0	18,773	0
Level 1	2,361	97	0	18,773	0
Level 2	1,496	0	0	0	0
Not classified	**31,992**	**11,235**	**0**	**0**	**0**
Gross book value	31,992	11,235	0	0	0
Level 1	293	0	0	0	0
Level 2	29,546	11,081	0	0	0
Level 3	2,153	154	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 management of liquidity risk, which is based on expected and unexpected cash flows, is presented in the opportunity and risk report in the operations report. The maturity analysis of lease liabilities in accordance with IFRS 16.58 is presented in section 83.

31 December 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

31 December 2019

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	13,183,237	728,523	1,259,838	2,541,320	754,183	2,944
Balances with central banks	7,872,007	0	0	0	0	0
Loans and advances to banks	745,674	75,192	347,251	580,937	9,079	0
Loans and advances to clients	4,432,727	444,137	330,210	171,970	190,451	0
Positive market values from derivative hedging instruments	0	0	95	0	1,681	0
Trading assets	31,017	23,482	32,326	4,940	1,682	0
Positive market values from derivative financial instruments	31,017	23,482	32,326	4,940	1,682	0
Financial assets	101,812	185,712	549,955	1,783,473	551,291	0
Other assets	0	0	0	0	0	2,944
Financial liabilities	13,340,620	1,451,036	1,661,599	1,254,354	150,941	0
Liabilities to banks	1,817,089	420,927	109,953	14,642	0	0
Liabilities to clients	10,850,515	171,074	83,497	43,157	1,000	0
Securitised liabilities	562,599	827,084	1,369,796	1,181,058	123,198	0
Negative market values from derivative hedging instruments	1,114	2,689	54,444	15,389	25,600	0
Trading liabilities	109,303	29,261	43,909	109	1,143	0
Negative market values from derivative financial instruments	109,303	29,261	43,909	109	1,143	0
Financial guarantees and loan commitments	2,681	26,719	136,521	268	3,555	0
Financial guarantees	0	26,719	4,561	0	3,555	0
Loan commitments	2,681	0	131,960	268	0	0

The shares in subsidiaries amounting to EUR 164.7 million (2019: EUR 164.7 million) are not included in the item financial assets.

E. QUANTITATIVE AND QUALITATIVE ANALYSIS OF THE VARIOUS BANKING RISKS

68. Risk monitoring

Effective risk management is a prerequisite for the long-term development and the strategic safeguarding of the success of DZ PRIVATBANK S.A. To control and monitor the risks arising from banking business, the Bank has set up 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 (VaR) basis (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 held equity totalling EUR 766.2 million (2019: EUR 750.0 million). In relation to the risks assumed, this results in a solvency coefficient for DZ PRIVATBANK S.A. as of the balance sheet date of 20.5 percent (2019: 21.4 percent), which is well above the statutory minimum standard of 10.5 percent (including capital conservation buffer).

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:

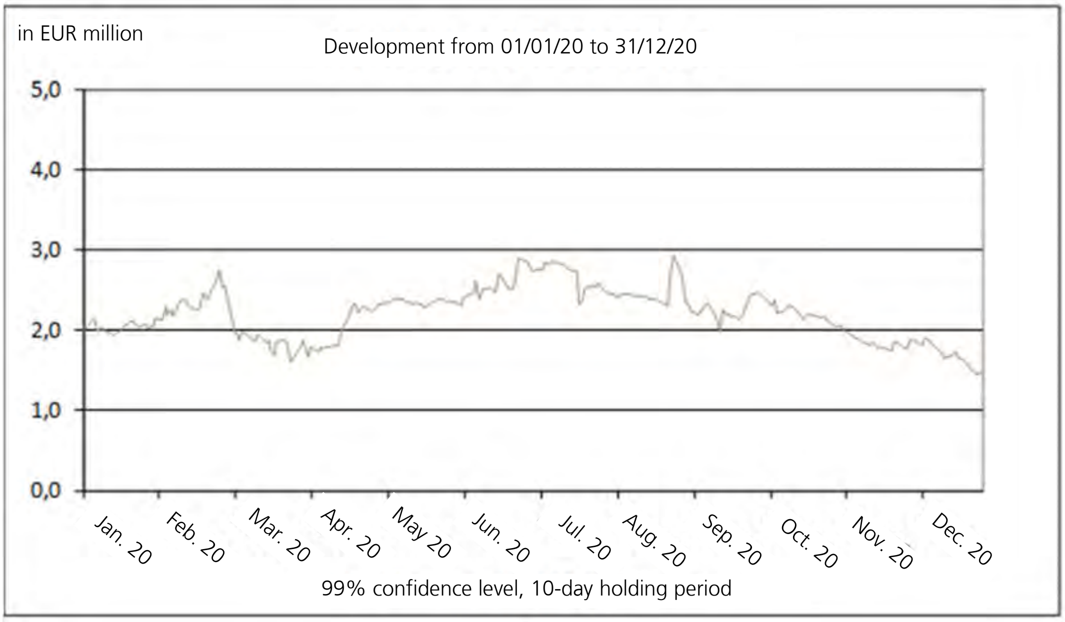
- market price risk (including IRRBB risk),
- credit risk,
- operational risk,
- reputational risk,
- business risk,
- investment risk and
- liquidity risk.

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. Spread and migration risks are measured and limited centrally by DZ Bank AG both for the Group and the individual management units. All other market price risks are restricted by a local limit, which is agreed with DZ BANK AG and consistent with the Group limit, and measured and monitored within DZ PRIVATBANK S.A. on the basis of a VaR approach.
The historical simulation approach is based on a confidence level of 99% and 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.

DZ PRIVATBANK S.A. MARKET PRICE RISK DEVELOPMENT:
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 as an early warning system for the Bank, 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 December 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

31 December 2019 Figures in TEUR	EUR	CHF	USD	GBP	Other
financial assets	6,968,138	10,915,793	588,795	32,589	327,263
Cash reserves	317,457	7,569,342	245	0	0
Loans and advances to banks	856,854	480,991	248,270	11,836	160,181
Loans and advances to clients	2,410,186	2,849,734	142,763	20,735	146,076
Positive market values from derivative hedging instruments	1,681	0	95	0	0
Trading assets	58,625	15,814	16,572	20	2,416
Financial assets	3,137,431	0	180,779	0	18,733
Other assets	186,298	0	139	0	0
Risk provisions	-395	-88	-68	-2	-144
Financial liabilities	11,175,064	647,740	3,811,238	1,631,923	745,318
Liabilities to banks	438,859	9,607	1,652,872	48,917	212,356
Liabilities to clients	9,122,579	142,324	1,241,500	116,160	526,680
Securitised liabilities	1,343,273	340,542	914,073	1,465,847	0
Negative market values from derivative hedging instruments	95,398	3,647	191	0	0
Trading liabilities	22,219	151,619	2,602	1,000	6,283
Other liabilities	152,735	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	2020	2019
1M	-12	-13
2M	8	-2
3M	-8	4
6M	22	13
9M	0	-5
1Y	-6	-7
2Y	-14	-11
3Y	-16	-8
4Y	-22	-16
5Y	-10	-19
6Y	-8	-9
7Y	-4	-12
8Y	-4	-3
9Y	-5	-2
10Y	-1	-6
30Y	0	0
Total	-79	-96

by currency	2020	2021
EUR	-65	-59
CHF	37	24
JPY	2	0
USD	-36	-46
GBP	-1	0
Other	-16	-15

Stress test 2% Parallel shift

Figures in TEUR	2020	2019
200 bp. Increase	-14,849	-18,102
200 bp. Reduction	17,198	20,908

F. OTHER DISCLOSURES

81. Contingent liabilities

Figures in TEUR	31 December 2020	31 December 2019
Contingent liabilities from contributions to the resolution fund for CRR banks	4,446	2,599
Contingent liabilities for litigation risks	4,200	4,200
Total	8,646	6,799

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 2020.

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 December 2020	31 December 2019
Financial guarantees	**27,928**	**34,835**
Loan guarantees and sureties	27,928	34,835
Loan commitments	**209,858**	**134,909**
Loans to banks	0	2,681
Loans to clients	209,590	131,960
Guarantee facilities	269	268
Total	237,786	169,744

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. Revocable loan commitments amount to EUR 446 million (2019: EUR 393 million).

83. Leases

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

	2020		2019	
Figures in TEUR	Land and buildings	Furniture, fittings and equipment	Land and buildings	Furniture, fittings and equipment
Book value as of 01/01	11,580	1,557	16,247	1,919
Additions	711	1,508	1,569	675
Disposals	0	0	0	0
Depreciations	-4,192	-879	-4,159	-1,104
Revaluation	0	0	-2,078	66
Repostings	381	-381	0	0
Book value as of 31/12	8,480	1,805	11,580	1,557

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

The branch offices of DZ PRIVATBANK S.A. are subject to a right of use in the amount of EUR 1.6 million (previous year: EUR 1.7 million) in premises rented by DZ BANK AG and other affiliated companies of DZ BANK Group.

DZ PRIVATBANK S.A. received rental payments of EUR 1.1 million in the 2020 financial year (2019: EUR 1.1 million). These arise from the tenancy agreements with R+V Lebensversicherung S.A. in Luxembourg, the branch of Bausparkasse Schwäbisch Hall AG in Luxembourg 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 0.7 million (previous year: EUR 1.0 million).

The contractual maturities of the lease liabilities break down as follows:

Figures in TEUR	2020	2019
- up to 1 year	74	501
- longer than 1 year and up to 3 years	6,606	9,562
- longer than 3 years and up to 5 years	2,191	1,481
- longer than 5 years	1,631	1,859
Total	10,502	13,403

The tenancy agreements contain renewal and termination options, which are used by DZ PRIVATBANK S.A. if required. The vehicle leasing agreements do not contain any renewal or termination options.

The following expenses and income are recognised in the statement of comprehensive income for rights of use from leased assets:

Figures in TEUR	31 December 2020	31 December 2019
Interest expense	-643	-682
Amortisation of rights of use	-5,070	-5,263
Income from letting	1,120	1,111
of which from subleases of rights of use	444	346

In total, there were payments for leases (interest and repayment portions) of EUR 6.4 million in 2020 (2019: EUR 5.0 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	2020	2019
Revenue types		
Commission income from securities transactions	177,093	165,762
Commission income from asset management	43,434	39,402
Commission income from payment transactions including card business	1,150	1,377
Commission income from lending and trust activities	167	129
Other commission income	1,814	1,505
Total	**223,658**	**208,175**
Main geographical markets		
Luxembourg	119,714	111,432
Germany	97,408	90,669
Rest of Europe	3,890	3,621
Rest of the world	2,646	2,453
Total	**223,658**	**208,175**
Type of revenue received		
Related to a specific date	180,224	172,285
Period-related	43,434	35,890
Total	**223,658**	**208,175**

Loans and advances and contract assets and liabilities

In 2020 and 2019, 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:

Employees	2020	2019
Female	**376**	**381**
Full-time employees	179	180
Part-time employees	197	201
Male	**609**	**602**
Full-time employees	546	548
Part-time employees	63	54
Total	985	983

An average of 18 (2019: 18) employees were also in training in 2020. 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. Pension funds

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). A total of TEUR 343 was paid to R+V Versicherung AG 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 December 2020	31 December 2019
Exchange rate	0.75%	1.00%
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 82,800
Dynamics 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 4.2 million as of 31 December 2020 (previous year: EUR 2.9 million). The service cost amounts to TEUR 107 (previous year: TEUR 109) and interest expenses to TEUR 29 (previous year: TEUR 44). The change in actuarial gains and losses amounted to TEUR -1,134 in the 2020 financial year (previous year: TEUR -214). The cumulative figure is TEUR -1,896 (previous year: TEUR -762).
For reasons of materiality, a sensitivity analysis is not presented.
There is also an employee-financed pension plan for these employees with a provision of TEUR 192 (previous year: TEUR 188) and a reimbursement right recognised as an asset on the basis of a reinsurance policy with R+V Versicherung AG of 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 consist exclusively of investment fund units (securities funds without market price quotations in an active market) and amount to EUR 95.4 million as of 31 December 2020.

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 December 2020	31 December 2019
Active members	869	853
Former employees with vested benefits	64	66
Pensioners	0	0
Total	933	919
Average future years of service of active members (years)	20.85	21.91
Duration of the DBO	9.25	9.51

The bases of accounting are as follows:

	31 December 2020	31 December 2019
Exchange rate	0.75%	1.00%
Expected return on plan assets	0.75%	1.00%
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 December 2020	31 December 2019
Pension obligation	118,039	113,001
Pension obligation without lump-sum tax	114,124	109,382
Pension obligation for lump-sum tax	3,915	3,619
Plan assets	95,393	92,064

Figures in TEUR	For the year 2021	For the year 2020	For the year 2019
Service cost	7,596	7,460	7,050
Service cost excluding lump-sum tax (incl. interest)	6,283	6,170	5,831
Service cost for lump-sum tax (incl. interest)	1,313	1,290	1,219
Interest expense	876	1,084	1,710
Interest expense on pension obligations excluding lump-sum tax	847	1,048	1,645
Interest expense on pension obligations for lump-sum tax	29	36	65
Expected return on plan assets	706	874	1,334

The cash flow is set out as follows:

Figures in TEUR	2020	2019	2021 expected
Payments from plan assets	4,729	2,754	2,500
Repayments to employers from plan assets	0	0	0
Transfers to/from plan assets	42	-191	0
Premium/addition to plan assets	3,889	4,596	4,396
Payments from pension obligations	4,729	2,754	2,500
Transfers to pension obligations	42	-191	0
Taxes	**819**	**1,024**	**914**
Lump-sum tax of 20%	778	919	879
IGSS fee of 0.9%	41	105	35

The sensitivity of the main hypotheses is as follows:

Figures in TEUR	31 December 2020	31 December 2019
Decrease in pension obligations due to increase in actuarial interest rate by 100 basis points	-10,100	-13,250
Increase in pension obligations due to reduction in actuarial interest rate by 100 basis points	11,614	7,609
Increase in pension obligations due to increase in funding age (retirement age assumed for valuation): + 1 year	4,722	4,520
Decrease in pension obligations due to decrease in funding age (retirement age assumed for valuation): - 1 year	-8,263	-7,910

The actuarial gain for the 2020 financial year amounted to EUR 1.3 million (previous year: EUR 2.4 million) and is composed as follows:

» Defined benefit obligation of EUR -2.0 million, of which EUR +1.1 million is based on experience and EUR -3.1 million is due to changes in interest rate assumptions
» Plan assets with EUR +3.3 million

The cumulative value of actuarial gains and losses as of 31 December 2020 is EUR -29.1 million (previous year: EUR -30.4 million).

In addition to the pension commitments already explained above, there are additional individual commitments for senior employees of DZ PRIVATBANK S.A. amounting to EUR 2.5 million (previous year: TEUR 393) with an actuarial result of TEUR 129 (previous year: TEUR -85) and an addition of EUR 2.2 million recognised in profit or loss (previous year: TEUR 308). The cumulative value of actuarial gains and losses as of 31 December 2020 is TEUR 44 (previous year: TEUR -85).

87. Auditor's fee

The total fee calculated by the auditors Ernst & Young S.A., Luxembourg, for the financial year, broken down by type of service, is as follows:

Figures in TEUR	2020	2019
Audit services	525	525
Other services	151	88
Total	**676**	**613**

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 2020. No other audit or tax advisory services were incurred in the year under review or the previous year.

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	**2020**	**2019**
Remuneration of the Board of Management	**1,667**	**1,862**
Fixed benefits	1,428	1,543
Variable benefits	239	319
Severance payments	0	1,249
Total remuneration of former members of the Board of Management	**209**	**102**
of which variable benefits	207	102
Remuneration of the Supervisory Board (short-term benefits)	**142**	**143**

The transfer to the GENO pension fund as part of the company pension plan amounts to TEUR 130.0 for the Board of Management (previous year: TEUR 124.2).

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 at DZ PRIVATBANK:

Figures in TEUR	Board of Management
Share-based payment not paid out as of 1 January 2019	**2,705**
Remuneration granted	434
Payment of remuneration granted in the 2018 financial year	-59
Payment of remuneration granted in previous years	-363
Reduction in share-based payment	-933
Share-based payment not paid out as of 31 December 2019	**1,784**
Remuneration granted	434
Payment of remuneration granted in the 2019 financial year	-78
Payment of remuneration granted in previous years	-367
Reduction in share-based payment	-160
Share-based payment not paid out as of 31 December 2020	**1,612**

90. Relationships with related companies and persons

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

DZ PRIVATBANK S.A.'s responsibilities within DZ BANK Group are determined in accordance with the Group's business strategy. 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 December 2020	31 December 2019
Assets	**595,402**	**718,535**
Receivables from banks	550,720	642,439
incl. DZ BANK AG	549,254	642,430
incl.: subsidiaries	1,466	9
Transferable securities	44,682	76,096
Liabilities	**2,242,097**	**1,424,935**
Liabilities to banks	363,817	3,227
of which to DZ BANK AG	339,112	13
of which to subsidiaries of DZ PRIVATBANK S.A.	24,705	3,214
Liabilities to clients	170,290	63,619
of which to subsidiaries of DZ PRIVATBANK S.A.	33,683	29,367
Securitised liabilities	**1,707,990**	**1,358,089**
of which to DZ BANK AG	1,682,908	1,358,089
of which to subsidiaries of DZ PRIVATBANK S.A.	25,082	0
Off-balance sheet transactions	**0**	**0**
Total	2,837,499	2,143,469

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

Figures in TEUR	**31 December 2020**	**31 December 2019**
Income	**52,931**	**50,041**
Interest income	5,275	4,838
of which to DZ BANK AG	4,890	4,551
of which to subsidiaries of DZ PRIVATBANK S.A.	23	142
Commission income	47,656	45,203
of which to DZ BANK AG	0	0
of which to subsidiaries of DZ PRIVATBANK S.A.	12,538	11,584
Income from Group services	3,629	3,339
of which to DZ BANK AG	390	353
of which to subsidiaries of DZ PRIVATBANK S.A.	3,239	2,986
Expenses	**14,936**	**16,676**
Interest expense	3,641	5,117
of which to DZ BANK AG	3,052	4,779
of which to subsidiaries of DZ PRIVATBANK S.A.	94	0
Commission expenses	11,295	11,559
of which to DZ BANK AG	0	3
of which to subsidiaries of DZ PRIVATBANK S.A.	0	0
Expenses from Group services	21	0

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 EUR 0.5 million (previous year: 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.

92. Reconciliation from Lux GAAP to IFRS

The reconciliation of equity as of 1 January 2019 is as follows:

(in TEUR)	1 January 2019 Lux GAAP	Transition	1 January 2019 IFRS
Equity	**640,651**	**166,286**	**806,937**
Subscribed capital	116,555	0	116,555
Capital reserve	426,973	0	426,973
Reserves	97,123	165,678	262,801
Reserve from the result not affecting net income	0	608	608

The reconciliation effects mainly comprise the following items:

- The fund for general banking risks (Art. 63) as well as the collective value adjustment were released against retained earnings in the course of the transition to IFRS without affecting net income (TEUR 132,216).
- In contrast to Lux GAAP, IFRS requires derivative instruments to be carried at fair value. The valuation difference amounted to TEUR -58,279 as of 1 January 2019.
- Due to the application of hedge accounting and the use of the fair value option, there was a valuation difference of TEUR 75,452 for financial assets and receivables.
- The valuation differences in provisions (including pension provisions) amounted to TEUR 20,498.
- The different amortisation periods between Lux GAAP and IFRS resulted in a difference of TEUR 26,759 for the client bases.
- The application of the fair value option to the bonds issued resulted in an equity effect of TEUR 830 (TEUR 608 after deferred taxes) due to the change in their own credit rating and an effect of TEUR -13,557 attributable to other valuation changes in the transition from Lux GAAP to IFRS.
- The deferred taxes taken into account due to the valuation differences amounted to TEUR -18,851.

The reconciliation of equity as of 31 December 2019 is as follows:

(in TEUR)	31 December 2019 Lux GAAP	Transition	31 December 2019 IFRS
Equity	**640,651**	**180,644**	**821,295**
Subscribed capital	116,555	0	116,555
Capital reserve	426,973	0	426,973
Reserves	85,741	166,863	252,603
Reserve from the result not affecting net income	0	-1,637	-1,637
Profit for the year	11,382	15,418	26,800

The reconciliation effects mainly comprise the following items:

» The fund for general banking risks (Art. 63) as well as the collective value adjustment were released against retained earnings in the course of the transition to IFRS without affecting net income (TEUR 146,098).

» In contrast to Lux GAAP, IFRS requires derivative instruments to be carried at fair value. The valuation difference amounted to TEUR -53,871 as of 31 December 2019.

» Due to the application of hedge accounting and the use of the fair value option, there was a valuation difference of TEUR 73,945 in receivables and financial assets.

» The valuation differences in provisions (including pension provisions) amounted to TEUR 31,277.

» The different amortisation periods between Lux GAAP and IFRS resulted in a difference of TEUR 23,611 for the client bases.

» The application of the fair value option to the debt securities issued resulted in an equity effect of TEUR -2,203 (TEUR -1,637 after deferred taxes) due to the change in their own credit rating and an effect of TEUR -16,188 attributable to other valuation changes in the transition from Lux GAAP to IFRS.

» The deferred taxes taken into account due to the valuation differences amounted to TEUR -23,462.

The reconciliation of the statement of comprehensive income for the 2019 financial year is as follows:

(in TEUR)	31 December 2019 Lux GAAP	Transition	31 December 2019 IFRS
Net interest income	71,703	-321	71,382
Net commission income	128,235	148	128,383
Trade income	10,133	-2,623	7,510
Result from financial assets	50	-50	0
Other valuation result from financial instruments	0	2,409	2,409
Result from the derecognition of financial assets (AC only)	0	27	27
Risk provisions	0	-47	-47
Administrative expenses	-180,413	3,331	-177,082
Other operating income	-3,797	2,594	-1,203
Allocation to collective value adjustment	-13,882	13,882	0
Other taxes	-82	82	0
Earnings before tax	11,947	19,432	31,379
Income taxes	-564	-4,015	-4,579
Result	11,383	15,418	26,800

The differences in the income statement mainly result from the following circumstances:

- In contrast to IFRS, the trade income according to Lux GAAP takes into account the reversal of value adjustments of bullet bonds of the liquidity reserve in the amount of approximately EUR 2.1 million.
- The other valuation result from financial instruments includes the valuation results of derivative financial instruments not taken into account under Lux GAAP as well as the corresponding results of the associated underlying transactions in hedge accounting or in the fair value option
- The reconciliation effects in administrative expenses are mainly due to the different reporting of service charges (EUR 3.3 million). Under Lux GAAP, this income was reported in other operating income. The different recognition of the pension commitment (EUR -2.1 million) and the different reporting of the continued payment of wages (EUR 1.5 million), which is shown under Lux GAAP in other operating income, largely compensate each other.
- The reconciliation effects in other operating income mainly relate to the reporting of continued payment of wages (EUR -1.5 million), the addition to the provision for depositary risks not taken into account under IFRS (EUR 9.3 million) and the contribution payments to the “Système d'indemnisation des investisseurs Luxembourg” (SIIL) in the amount of EUR 1.5 million as well as the reporting difference in connection with the service charges in the amount of EUR -3.3 million. In addition, scheduled amortisation of acquired customer relationships had a negative impact on the IFRS result, as these were already fully amortised in 2018 under LuxGaap due to deviating useful lives (EUR -3.2 million).
- The difference in income taxes is due to the recognition of deferred taxes on the aforementioned valuation differences.

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
Chairman of the Board of Management
Volksbank Breisgau Nord eG,
Emmendingen

ANDREAS HOF
Chairman of the Board of Management
VR Bank Main-Kinzig-Büdingen eG,
Linsengericht

DR WERNER LEIS
Member of the Board of Management
TEBA Kreditbank GmbH & Co. KG,
Landau

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

(since 1 January 2021)

RALF BRINGMANN

DR FRANK MÜLLER

ADVISORY BOARD

As at: 31 December 2020

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 ARENDT
Member of the Board of Management
Bank 1 Saar eG,
Saarbrücken

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

HERRMANN BACKHAUS
Chairman of the Board of Management
Märkische Bank eG,
Hagen

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,
Uplengen-Remels

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 Erlangen-Höchstadt-
Herzogenaurach eG,
Erlangen

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

GEORG KIBELE
Member of the Board of Management
Volksbank Allgäu-Oberschwaben eG,
Leutkirch in Allgäu

KLAUS KÖNIGS
Chairman of the Board of Management
VR Bank Lahn-Dill eG,
Dillenburg

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

WOLFGANG MAUCH
Chairman of the Board of Management
Volksbank Heilbronn,
Heilbronn

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 eG,
Sulingen

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

STEFANIE SALATA
Member of the Board of Management
Volksbank Lüneburger Heide eG,
Winsen

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/DATA PROTECTION/INFORMATION SECURITY & RISK
Christian Brüne

FUND SERVICES BUSINESS DEVELOPMENT/CLIENTS
Julien Zimmer

FUND SERVICES FUND ADMINISTRATION/PRODUCTS
Ulrich Juchem

FUND SERVICES DEPOSITARY
Christiane Pott-Liebeskind

COMMITTEES/SUBSIDIARIES
Petra Gören

INNOVATION & DIGITALISATION/CDO
Dr Martin Evers

LENDING
Alexander Steinmetz

MARKETING/COMMUNICATION AND CSR
Corinna Frank

OPERATIONS/SERVICES
Andreas Lechtenberg

ORGANISATION/IT/ADMINISTRATION
Hermann Wetzel

HUMAN RESOURCES
Oliver Büdel

PORTFOLIO MANAGEMENT
Prof. Dr. Albrecht Michler

PRIVATE BANKING BUSINESS SEGMENT DEVELOPMENT
Alexander Stoll

PRIVATE WEALTH MANAGEMENT
Arash Charifi

PROJECT PORTFOLIO MANAGEMENT
Hauke Meintz

LAW/MONEY LAUNDERING
Dr Fabian Hannich

INTERNAL AUDIT
Axel Rau

TREASURY/BROKERAGE
Thomas Gehlen

CORPORATE MANAGEMENT
Dr Christian Elbert

MANDATES OF THE BOARD OF MANAGEMENT

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

Dr Frank Müller	Mandate	Company
Member of the Board of Management DZ PRIVATBANK S.A.	Deputy Chairman of the Board of Directors	GENO pension fund (assep)
	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

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

AUDITOR'S REPORT

Audit opinion

We have audited the annual financial statements of DZ PRIVATBANK S.A. (the "Bank"), which comprise the balance sheet as of 31 December 2020, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the financial year ending on this date as well as notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company of the Bank as of 31 December 2020 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.

Basis of the audit opinion

We performed our audit in accordance with the EU Regulation No. 537/2014, the Audit Law ("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 pursuant to the EU Regulation No. 537/2014, the Law of 23 July 2016 and the ISAs accepted for Luxembourg by the CSSF is described in more detail in the section "Responsibilty of the auditor for the audit". We are also independent of the Company 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) which is accepted by the CSSF for Luxembourg, and in accordance with the professional rules of conduct which we have to adhere to in relation to the annual audit, and we have fulfilled all other professional duties in accordance with these rules of conduct. We believe that the audit evidence which we have obtained is sufficient and is appropriate to provide a basis for our audit opinion.

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. In the following, we present the audit matter that we consider to be of particular importance:

Description of the facts

The Company holds financial assets with a book value of EUR 3,388 million, 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 (two securities with a book value of EUR 13 million are currently in the fair value option). This category represents approximately 20% of the Company's total assets. Information provided by the Bank on the recognition and measurement of these financial assets is included in the notes to the 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. In this context, the Company 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 Company 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 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 this year's 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.

Our audit approach

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 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 Company and examined its compliance with the requirements of IFRS 9. We have assessed the appropriateness of the input parameters used in the valuation model on the basis of both data available within the Company and data available externally.
We also inspected the individual ratings of the financial assets used by the Company within the framework of the “low-credit-risk” exemption and compared them to external ratings on a sample basis. 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.

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 operations report, but does not include the annual financial statements or our auditor's report on those 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 in relation to the preparation and presentation of the annual financial statements 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 as a whole are free of significant intentional or unintentional misrepresentations, and to issue an auditor's report in this regard containing 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 it is viewed as material if it can reasonably be assumed that it could, either individually or overall, influence any economic decisions made by relevant parties 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, falsifications, intentionally incomplete information, misleading information, and/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 in 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 make reference within the audit report to the relevant details that are contained in the notes to the annual financial statements, 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 report. 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 in relation to such matters as the planned scope of the audit and the period covered by it, as well as any material audit conclusions, including significant weaknesses of the internal control system that we identify 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 obligations

We were appointed as approved statutory auditors by the Board of Management on 24 August 2020 and the continuous term of office, including previous extensions and reappointments, is ten years. The operations report is consistent with the annual financial statements and meets the applicable legal requirements.

We confirm that we have not provided any prohibited non-audit services to statutory auditors in accordance with EU Regulation No. 537/2014 and that we have remained independent of DZ PRIVATBANK S.A. in conducting our audit.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Wolfgang Ernst

DZ PRIVATBANK S.A.

Business address:

4, rue Thomas Edison

L-1445 Strassen, Luxembourg

Postal address:

BP 661

L-2016 Luxembourg

Tel.: +352 44903-1

Fax: +352 44903-2001

www.dz-privatbank.com

E-mail: info@dz-privatbank.com

Legal form: Société Anonyme

DZ PRIVATBANK is the cooperative private bank of Volksbanken Raiffeisenbanken and specialises in the business segments of Private Banking, Fund Services and Loans in all standard currencies. We combine efficiency and cooperative values such as partnership, stability and security for our clients

Countable things are not the only things that count.

BERLIN
DUSSELDORF
FRANKFURT
HAMBURG
HANOVER
LEIPZIG
MUNICH
NUREMBERG
OLDENBURG
STUTTGART

LUXEMBOURG
ZURICH