



Annual report 2022

We are securities services

Key figures

		2022	2021
Operating business			
Member institutions	Number	1,106	1,162
Securities accounts	Number (millions)	5.5	5.5
Transactions	Number (millions)	52.3	51.5
Results			
Net fee and commission income	EUR (millions)	320.7	313.2
Administrative expense	EUR (millions)	262.4	251.9
Result from ordinary activities	EUR (millions)	1.9	57.3
Net income for the financial year	EUR (millions)	1.5	37.2
Total assets	EUR (millions)	815.0	772.3

Annual report 2022

Deutsche WertpapierService Bank AG

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Letter from the Board of Management



Left to right:

Markus Neukirch,
Member of the
Board

Dr Heiko Beck,
CEO

Martin Zoller,
Member of the
Board

Ladies and gentlemen,

52.3

**million transactions
were settled by
dwpbank in 2022.**

After two years dominated by the COVID-19 pandemic, 2022 was meant to be the year when things returned to normal. Those hopes were dashed as early as February, however, when Russia launched its full-scale invasion of Ukraine. The outbreak of war unnerved both the general public and the financial markets, with volatility on Germany's benchmark DAX index in early March reaching its highest level since the outbreak of the pandemic. The DAX subsequently lost ground, sliding to 12,700 points before dipping as low as 12,000 points at the beginning of October. It then staged a remarkable rally to chalk up its best ever start to a trading year in 2023.

The considerable uncertainty is palpable. Businesses and consumers alike face rising inflation, supply chains remain fragile, and business and society are constantly facing a

raft of new challenges arising at home and abroad, often with no let-up in between. Defence, fiscal stability, sustainability: the issues are many and are growing in complexity. For the development of the securities business, this environment is far from ideal. Nevertheless, we saw investments in securities continue to trend upwards in 2022, in particular where regular securities savings were concerned. This signals a shift in the investor mindset and culture.

At 52.3 million transactions settled for our client institutions last year, the figure had increased once again with roughly a million more orders processed than in the previous record year of 2021. Back in 2012 we had settled 19.4 million transactions, with growth standing at an impressive 170% in the intervening period. A striking feature is that the year the pandemic broke out in 2020 saw transactions skyrocket to roughly

45 million. Since then there has been no let-up, with volumes climbing even higher. And that despite the pandemic, the war and inflation. One reason for this is the greater use of online channels by investors across all of our client groups.

As the market leader for securities services with roughly 1,200 client institutions, dwpbank is a bellwether for the condition of the securities business in Germany. And the above figures show that securities remain in demand – not least savings plans, which now account for roughly a quarter of our transaction volume. These types of contracts tend not to be suspended or terminated even in more difficult economic times, as we can see in our portfolio data. The vast majority of the roughly 1.2 million contracts are on a steady trajectory. In 2022, we recorded net growth of 6% here. They are thus a source of income stability – for our client institutions as well as for us at dwpbank.

These figures made the past financial year one of the best in dwpbank's nearly 20-year history. However, a mistrade just before Christmas unfortunately upended this result. Without a doubt, this was a setback in our positive development. And an event that none of us on the Board of Management has ever experienced in this form, which we still need to fully process. And yet: not only did our net result for 2022 remain positive, our operating business remains unscathed and continues to function with stability. In terms of our "Securities savings" product family, the rising demand in the area of asset management and our progress in developing solutions in a growing market for digital assets, the future is promising – for the securities business in general as well as for dwpbank in particular.

We will continue along our path in 2023 undeterred. Thanks to our solid financial development over the past years, we have been and remain able to make targeted investments in technology and personnel: WP3 is the core securities settlement platform of the future, and individual services are already up and running. We also continue to make strides towards a culture of increased agility and cross-functional collaboration.

Digital and cultural transformation are two issues which have continued to grow in importance for dwpbank. Because of this, our management intends to focus more of its energies on them going forward: we are pleased to have brought a proven digital expert, Kristina Bouten, on board in early April 2022. She will lead dwpbank into the future as an experienced Chief Digital Officer and will have a hand in shaping vital areas of the Company.

As in the previous year, 2023 will be overshadowed by uncertainty and may hold further surprises in store for us – positive and negative alike. But no matter what happens: securities are here to stay as a sustainable form of savings and retirement planning. Policymakers have recognised this and are stepping up the investment of statutory pension contributions in equity funds – a move which we welcome wholeheartedly. Broad swathes of the population have recognised this and continue to invest in such assets in an atmosphere of real interest rates that remain deep in the red. Banks and savings banks have recognised this and continue to expand their product offerings. Be sure not to miss out on the chances the market offers. We will be here for you.

Since 2012, our volume of settled transactions has increased by

170%.

Yours,



Markus Neukirch



Dr Heiko Beck



Martin Zoller



Flexible solutions for the markets of tomorrow

1.17

million savings plans with funds, ETFs and equities were in place at year-end 2022.

We help our client institutions prepare for the securities business of the future – in regulatory matters, technology, and products and services that strike a chord with their investors. We are also honing our expertise and solutions for the growth markets of tomorrow, such as trading in crypto currencies.

Securities savings plans: the recipe for success in times of volatility

The financial markets had a turbulent year in 2022, but that did nothing to upset dwpbank's savings plan business, which continued on its growth trajectory: by the end of 2022, we were managing 1.17 million savings plans covering funds, ETFs and equities for our client institutions – up 6% on the figure for the previous year. At the same time, the number of savings plan transactions rose by around a quarter year on year to 12.8 million, meaning that roughly one in four transactions settled at dwpbank was executed in relation to a savings plan.



The success stories of 2022 reinforce the message: (savings) banks that expand their savings plan business can consolidate income from securities accounts and significantly reduce their dependence on capital market trends. For investors, savings plans provide an opportunity to build up wealth in the long term by regularly investing in attractive securities – even in a volatile market environment. Our client institutions can currently offer investors worldwide a broad selection of savings plans based on some 2,000 actively managed funds, 1,200 ETFs and 1,100 individual stocks.

Settlement discipline – passing on cash penalties smoothly

The main objective of the EU Central Securities Depositories Regulation (CSDR), which entered into force on 1 February 2022, is to increase the safety and efficiency of securities settlement. One requirement is that banks must execute transactions in a timely manner. Otherwise, the participant at fault has to pay a penalty to the injured party based on the equivalent value of the transaction for each day of delay.

dwpbank notified its clients of the new settlement discipline regime in good time, and the mechanism to pass on cash penalties went live as planned on 1 February 2022 following extensive testing and simulations. In addition, the Bank prepares daily reports on payments to its clients. The amounts per transaction usually extend into the hundreds of euros. From a regulatory perspective it is expected that only minor tweaks will be made to the penalty mechanism going forward, and as such dwpbank completed its internal settlement discipline project on schedule at the end of July.

Sparkasse Dortmund: flat-rate pricing model proves popular

dwpbank has been offering the flat-rate pricing model to its client institutions since 2021. The focus is on maximum flexibility and user-friendliness: institutions can custom configure their pricing models in the WPDirect user interface and assign them to individual customer securities accounts. The sales and marketing opportunities this offers in practice are demonstrated by Sparkasse Dortmund, which launched its Wohlfühl securities account – the centre-piece of a new securities account experience – in early 2022. A bespoke savings plan product was developed specifically for this securities account, with the desired investment amount allocated initially to fixed-income investments before gradually investing in securities. Almost half of investors immersing themselves in the new securities experience in the first months following its launch opted for a Wohlfühl securities account.

“The commission business is steadily gaining in significance. We asked ourselves how we could increase our appeal to securities investors. dwpbank’s flat-rate pricing model was exactly what we were looking for.”



Marina Dietz, Head of Wealth/Pension Product Management, Sparkasse Dortmund


Account holders have access to personal advice at any time and in principle without restriction. The flat-rate price was aimed at encouraging customers to make more frequent use of the advisory services, and at speeding up the reallocation of assets depending on the market situation. In return, banks like Sparkasse Dortmund can stabilise their income.

UmweltBank turns to us for securities services

A growing number of investors are seeking to ensure that their investments are not just profitable and secure, but also help combat climate change. One financial institution that identified this trend early on and made it part of its brand identity is UmweltBank, an ecologically-focused direct bank established in Nuremberg in 1997. Germany's self-styled "greenest bank" offers its customers sustainable investment products such as funds, fixed-income securities and profit participation rights. UmweltBank is now connected to our platform as a new client via DZ Bank. The operational phase of the migration project kicked off in Q4 2022, and the migration to dwpbank is slated for completion by October 2023.

UmweltBank has recently experienced dynamic growth, and currently employs 300 staff serving some 140,000 customers. It sees room for further growth primarily in the securities business, where it currently has 25,000 securities accounts with some EUR 700 million in assets under management.

By **10/2023**
the migration of UmweltBank
to dwpbank will be completed.



"We made an early start discussing UmweltBank's migration requirements with them – earlier than we normally would. That laid a solid foundation for getting the migration done on schedule."

Albrecht Reihlen, Head of Client Management

“We are pleased that DZ Bank has brought UmweltBank on board as a new client in the securities business to lock in the benefits of our securities services going forward.”

Dr Heiko Beck, CEO



apollo: “The Eagle has landed”

dwpbank launched its apollo programme on 1 January 2020. The goal: complete all of the action identified in the 2019 special IT audit. With the help of more than 350 of our staff and support from outside the Bank, we completed all of the work on time by 2022. The programme was brought to a successful conclusion thanks to cooperation between departments, divisions and central functions.

The apollo programme is over, but the mission continues. BaFin's Supervisory Requirements for IT in Financial Institutions (BAIT) released in 2021 must be fully complied with, as must the requirements of the EU's new Digital Operations Resilience Act (DORA). Security-related issues will thus continue to top the agenda in 2023.

apollo



“The challenges in cyber and information security are constantly growing. We have to respond appropriately throughout dwpbank as a whole.”

Martin Zoller, member of the Board of Management



MoveWP3 progresses to the next stage

Since 2019, MoveWP3 has bundled our efforts to develop the WP2 securities settlement platform into WP3, a more user-friendly platform featuring greater flexibility and speed. Selected clients had already been given advance notice of MoveWP3. We have now reached the next stage and have put all of the approximately 1,200 connected banks and savings banks in the picture. Markus Neukirch, member of the Board of Management for IT at dwpbank, kicked things off in a video message in April 2022.

Why this step? MoveWP3 had not previously affected day-to-day operations, and our client institutions had been unaware of the IT work. Since 2022, however, major changes have gradually been made to our IT architecture and the central functions in order and trade management. As such, since 2022, we have been more reliant on the cooperation of our clients.

Going forward, we will continue to give updates on project progress via various channels. The aim is to be transparent about what we are doing, and to familiarise our client institutions with the advantages of the new WP3 platform to optimally position them to compete in the securities market.

A prototype on the journey to market maturity

Investing funds from your bank account directly in digital currencies like Bitcoin is no longer a pipe dream. With its crypto pilot project in 2022, dwpbank developed a technical solution that will facilitate future trading in crypto assets and their safe-keeping. The goal: enable our client institutions to offer investments in digital assets – a market currently of interest to young people in particular.

Since October 2021, together with our partners, the project team has been working to develop a target model that is integrated in dwpbank's existing securities account, trading and custody infrastructure and leverages their strengths. This simplifies investor access and accessibility for our client institutions. Digital assets will be posted to a crypto account that is linked to the investor's current account.



“We want to have all of the new and important IT components integrated into WP3 by 2024 – a milestone in dwpbank's history. WP3 does not just lock in the stability and performance capabilities of our systems, we are also improving our services and thus the footing for the roughly 1,200 banks and savings banks in our network.”

Markus Neukirch,
member of the Board of Management



“We are developing a solution that will strike a chord with younger investors in particular.”

Raphael Bulut,
Head of Processes Custody and Cash Service

Where custody is concerned, we are partnering with Tangany, one of the few German firms to hold crypto custody authorisation from BaFin. Another BaFin-authorized partner, Tradias, is involved with order execution. MLP Banking AG was the first client to use the service as part of a pilot transaction, and intends to make it available to its customers and advisers in 2023.

“We are developing a solution that will strike a chord with younger investors in particular,” said Raphael Bulut, responsible for the prototype’s technical target concept. Currently, retail customers often have to turn to Neobroker and other service providers to purchase crypto assets because the established players are unable to offer them. “We want to change that, and we are observing not just a keen interest among our clients but also specific demand,” he added. In the foreseeable future, trading digital assets via a current account could become part and parcel of the services offered by a number of (savings) banks – the technical foundation had been laid and our new platform is suitable in principle for any form of digital investment product.

“Block in the Park”: first Eintracht Frankfurt blockchain conference

Bundesliga side and 2021/22 Europa League champions Eintracht Frankfurt got wind of our crypto project. The football club is heavily involved in new technologies and had established EintrachtTech, a subsidiary for digitalisation operations. “As the Bundesliga club in Germany’s financial capital and given the digital focus of Eintracht-Tech, it is our mission to explore new growth and cutting-edge technologies,” said Timm Jäger, CEO of EintrachtTech.



On 29 September 2022, Eintracht held “Block in the Park”, its first conference focused on block chain technology, at its Deutsche Bank Park stadium. dwpbank also took part alongside market players such as PwC and Deutsche Bank, with Head of Custody and Cash Service Raik Hering talking about the future requirements for tokenisation facing Germany’s financial infrastructure.



A culture of unity

Everything we do is based on partnership and trust. This fuels motivation and commitment, and helps us make dwpbank successful in the long run. We make sure that the way we work enables us to attract and retain new talented employees without losing sight of our clients' needs.

“Nobody is a tougher critic than your own staff, and rightly so. This makes being named the ZEIT publishing group's Most Wanted Employer for 2022 all the more gratifying – especially coming in ahead of the other banks.”

Nina Grüneberg, Human Resources Management



Attractive work and training opportunities “Most Wanted Employer”

dwpbank is one of Germany's most popular employers when it comes to work and training opportunities. And the ZEIT publishing group agrees, having crowned us 2022's Most Wanted Employer. In Frankfurt, we even rank as the most popular employer among banks. More than a million companies were assessed, with 1,000 meeting the strict selection criteria. dwpbank found itself at the top of this group. What sets this award apart is that it is bestowed based on public feedback from employees and not by experts.

“Best Educator”

dwpbank has also earned accolades for its training programmes.

- In 2022, Handelsblatt ranked us among the “Best Educators”. In the category for companies with more than 1,000 employees, dwpbank was named Germany's best financial service providers in the top 10.
- We were named “Germany's Best Educator 2021” by Capital Magazine.
- Our trainee programme received the coveted “Trendence Award” for the third time in a row. Current and former trainees gave the programme an 88% overall rating, well above the average of 80%.
- Die Welt cited dwpbank's attractiveness as an employer and organiser of training programmes – placing us among Germany's best.

We want to remain attractive to the best young minds in the finance and IT industry. This is why we offer one-on-one mentorships and a range of formats for dialogue, as well as seminars and job shadowing opportunities.

2022 Summer meet-up

The Summer meet-up is one of the highlights of our traineeship programme. Every year, HR invites all of dwpbank's up-and-coming talents to Frankfurt to network and exchange notes. Attendees discovered the city and its stock exchange in the summer of 2022 in a relaxed atmosphere.



**CLICK TO THE
YOUTUBE VIDEO**



Humanitarian commitment

When we come to work, we don't leave our concern for humanity at the door. In 2022, employees of dwpbank donated and volunteered to good causes to help out people in need.

Aid for Ukraine

dwpbank donated EUR 100,000 to the relief aid coalition "Aktion Deutschland Hilft" to help people in Ukraine. Half of that amount was raised by dwpbank employees within a matter of weeks, and matched by the Bank. Olga Luk, an employee whose family has been directly affected by the war in Ukraine, reported on her colleagues' generous humanitarian commitment: "My colleagues have shown us their resolute support and organised relief supplies for other people seeking refuge. I am so very grateful."

The EUR 100,000 donation is intended to fund humanitarian transports, psychosocial support and family evacuations. Aktion Deutschland Hilft is a coalition of prominent German relief aid organisations.

100,000

euros was donated by dwpbank to the relief aid coalition "Aktion Deutschland Hilft" for emergency aid in Ukraine.



"People's lives and livelihoods are under threat in Ukraine. They need our help. I am so proud of our employees' dedication and generosity."

Dr Heiko Beck, CEO (on the right)



“This generous donation by dwpbank makes it possible to provide urgently needed assistance to men, women and children in Ukraine, as well as to those seeking refuge abroad. On behalf of everyone, thank you for this show of solidarity and compassion.”

Aron Schuster, Managing Director of ZWST,
on behalf of Aktion Deutschland Hilft

Winners donate EUR 1,000

dwpbank³ is the name of our interactive employee event for innovation and information – developed as a lively digital format for challenging times. The 2022 dwpbank³ Challenge was a treasure hunt that produced many correct entries and two lucky winners: Pascal Witthake donated his EUR 500 prize to Aktion Deutschland Hilft, a coalition of relief aid organisations. Marco Gerusel gave his EUR 500 prize to the Children and youth hospice Regenbogenland, which serves children, adolescents and young adults who have a limited life expectancy.

“dwpbank combines the best of two worlds: a no-nonsense bank and a modern, groundbreaking technology service provider. This approach shows that we aren't a conventional bank. And we want to reflect that in our employer branding visuals.”



Kathrin Esser, Human Resources Management

Unveiling of new employer brand

What is the best way to recruit talented people? In its search for compelling answers, dwpbank teamed up with an employer branding agency to develop an authentic, attractive employer brand. We held digital workshops focusing on what our employees especially like about working at dwpbank, why they might recommend us as an employer, and areas where we could do better. We also carried out a detailed strategic target group analysis.

A unique service needs a great team.

What we want to do is give prospective applicants authentic information about dwpbank as an employer, right off the bat. It goes without saying that our existing employees should also identify with the employer brand and embody it in their day-to-day work. The results of the branding workshop were distilled into the campaign “A unique service needs a great team”. On YouTube, LinkedIn and Twitter, we highlight colleagues who make our Company a little bit better every day. At dwpbank, we help them do this by offering further education, opportunities for mobile working and, of course, an attractive pay package.

Our website: a fresh new look and current topics

The old address www.dwpbank.de hasn't changed, but in 2022 we freshened up, modernised and updated the content and feel of our corporate website.

At its heart is the online magazine “Transaction Next”. Instead of only three print editions per year as previously, the magazine regularly features new content in the areas of technology, the markets and regulatory matters. While the articles are still written mainly for our clients, they appeal to any other interested readers, whether they be business partners or journalists.

Aside from this, our new website shows what makes us unique as an employer. Prospective new employees can check out what makes dwpbank special in the careers section. The goal: to get new candidates excited about us. That's what we want to achieve with our new employer branding campaign, which we present under "Aktuelles" – the web page highlighting current events as well as dwpbank's history.



"The website is an outstanding and attractive showcase for dwpbank. It highlights our expertise and our ambition as the market-leading securities service provider. I can't wait to read about the next topics that capture our imagination as well as that of our clients."

Martin Zoller, member of the Board of Management



“Meeting with people at the conference today in person was inestimably valuable – you don’t realise what you were missing until you get it back. I learned so much at the panel discussions. The main thing for us was to make this dialogue and exchange of ideas possible.”

Dr Heiko Beck, CEO

“Executive Summit”: a VIP event

After a long break due to the pandemic, it was high time to bring our clients and business partners together again on behalf of dwpbank. We therefore convened our “Executive Summit” at Frankfurt’s Westhafen Pier on 28 September 2022. The new event format is the follow-up to the Executives’ Conference, last held in summer 2018. The purpose of this premium event was to network with executive guests at a personal and professional level. We also opened up the format to selected business partners and banks we don’t yet count among our clients.

We packed multiple panel discussions on current topics in the world of finance and securities into a single day, kicked off by a get-together at the Frankfurt Stock Exchange on the evening before the event. Speakers included high-ranking players in the financial sector, such as Prof. Joachim Wuermeling, member of the Executive Board of Deutsche Bundesbank, and Doris Dietze, Head of the Digital finance, payment systems and cybersecurity Division at the German Federal Ministry of Finance.

VIP guests, a large turnout and lively debate made this first Executive Summit a complete success. We have published detailed follow-up reports at www.dwpbank.de.

Fit for 2024: Inaugurating a new working culture

The project Fit for 2024, guided by the "North Star" concept, is how we are reshaping our working environment, our understanding of leadership and the way we work together. Each leg of the project covers a period of four months, during which we set ourselves certain goals and implement appropriate measures. In the first leg, from January to April, we set our sights on three focal points:

- Shaping hybrid collaboration between the office and the home office – for instance, setting the ground rules for desk sharing
- Developing principles for potential-driven leadership
- Constructive feedback and interaction via "meet & learn" and "ask me anything" formats; exchange of views between employees and members of the Board of Management about a new Zoom channel

The second leg covered more in-depth work in the areas of potential-driven leadership, hybrid collaboration and shaping our working world. Together with the Düsseldorf team, we also discussed upcoming changes affecting them.

The timing of the project remains tight, but the goal is clear: working effectively – creating value for our clients, setting values for our employees, valuable for us all.





Financial Statement 2022

Deutsche WertpapierService Bank AG

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1 General information

1.1 Business model

The business model of Deutsche WertpapierService Bank AG (dwpbank) is based on the provision of securities services for banks with a focus on financial brokerage and on securities custody and management.

The focus of dwpbank's business model lies on supporting banks and savings banks by providing their private and institutional end clients with stable, secure and efficient securities services dwpbank delivers solutions along the entire securities service value chain. It offers a modular portfolio of services ranging from commission through securities settlement and safe custody down to back office functions.

By bundling large securities account, transaction and custody volumes, dwpbank realises a cost advantage through economies of scale and scope relating to products, services and expertise. Regulatory requirements affecting the securities business are implemented for all member banks centrally. dwpbank furthermore leverages its in-depth expertise in the securities business to set standards in the German market and implement these on its securities service platform.

1.2 Objectives and strategies

dwpbank's mission is to be its clients' first choice for securities services in Germany. To that end, dwpbank provides banks from all pillars of the German finance industry with a comprehensive portfolio of standardised products and services that it continuously refines to keep pace with client requirements and relevant market developments. These services focus on the retail and institutional business.

In 2020, dwpbank defined its strategic ambition over the period to 2024. This takes into account the still challenging market environment and enables dwpbank to prioritise its initiatives. The ambition sets out the implementation framework for the period through to the end of 2024.

dwpbank's strategic priorities are derived from its ambition 2024 and, in 2022, they formed part of the following three target dimensions in order to secure the future viability of dwpbank's business activities:

1. "Focus" (quality and future viability)

- Strengthening the operational processes to secure a high-quality, stable and robust operating model
- Refining the technological infrastructure as part of the MoveWP3 programme
- Expanding the employee and skills profile in the context of technological and demographic shifts, and driving forward structural change

2. "Improve" (efficiency for our clients)

- Continually refining processes and services, including by harnessing the potential of automation and digitalisation
- Systematically achieving further process efficiency gains, both internally and in partnership with our clients

3. "Grow" (further develop services for our clients)

- Unlocking growth potential in existing and new business by pursuing targeted development in the product portfolio
- Investing in innovation and fostering an environment of technological development, and establishing a new business field for crypto services

1.3 Equity investments

dwp Service GmbH (Halle (Saale))

dwpbank is the sole shareholder of dwp Service GmbH, which was formed in financial year 2017. dwp Service GmbH specialises in providing back office securities services for dwpbank's savings bank and bank clients. It performs its tasks on behalf of dwpbank.

A control and profit and loss transfer agreement has been entered into with dwp Service GmbH.

In 2022, dwpbank moved steadily forward with the process launched in the previous years to transfer (sub-) processes to dwp Service GmbH.

Its key figures were as follows as at the balance sheet date:

- **Number of employees:** 221 (previous year: 212)
- **Other operating income:** EUR 8,591 thousand (previous year: EUR 6,771 thousand)
- **Total assets:** EUR 1,065 thousand (previous year: EUR 1,099 thousand)

dwp Software Kft. (Budapest, Hungary)

dwpbank is the sole shareholder of dwp Software Kft., which was founded in 2001 and provides IT services in the banking sector. Under the terms of an agency agreement, this subsidiary performs IT consulting services, develops software solutions for dwpbank and third parties and supports selected applications and infrastructure components for dwpbank.

Its key figures were as follows as at the balance sheet date (translated into EUR on the basis of the reference rate published by the ECB of EUR 1 = HUF 400.87 as at 30 December 2022):

- **Number of employees:** 58 (previous year: 50)
- **Sales:** HUF 2,260,656 thousand (EUR 5,639 thousand, previous year: HUF 1,919,984 thousand)
- **Total assets:** HUF 837,938 thousand (EUR 2,090 thousand, previous year: HUF 637,278 thousand)

Cintac A/S (Roskilde, Denmark)

dwpbank acquired a 26% stake in the Danish software company Cintac A/S (stock corporation incorporated under Danish law) in 2012. The company serves to strategically secure software expertise, which is used as the basis for two core products of the securities system family deployed at dwpbank. The investment secures the long-term licence to Dynamic AI, and the long-term cooperation with Cintac A/S will be continued.

Its key figures were as follows as at the balance sheet date (translated into EUR on the basis of the reference rate published by the ECB of EUR 1 = DKK 7.4365 as at 30 December 2022):

- **Number of employees:** 1 (previous year: 1)
- **Sales:** DKK 1,741 thousand (EUR 234 thousand, previous year: DKK 1,700 thousand)
- **Total assets:** DKK 1,714 thousand (EUR 230 thousand, previous year: DKK 1,749 thousand)

1.4 Offices

dwpbank offers its services from its headquarters in Frankfurt am Main as well as from its branch offices in Düsseldorf and Munich.

2 Economic report

2.1 Macroeconomic and sector environments

2.1.1 Development of client business and market environment

Despite the general economic and political developments and the market volatility, dwpbank recorded encouraging business development with its clients and their end customers. The number of transactions increased slightly, rising by roughly 1.6% year on year to approximately 52.3 million (previous year: approximately 51.1 million transactions). The persistently high level of transactions reflects a change in investment behaviour during the pandemic that had already been observed in the financial year ended. Interest in securities, which had already risen considerably in recent years, appeared to remain high in 2022, buoyed by factors including the high spread between inflation, which had risen considerably, and interest rates, which remained relatively low in relation thereto. This is also visible in the savings plan business, which is growing steadily. Here, dwpbank saw transaction numbers grow by 28% and the number of savings plans exceed 1.2 million in the year ended, despite the uncertain environment. The number of managed end-customer securities accounts remained stable at approximately 5.5 million in 2022. The average number of items per securities account rose again, increasing from approximately 4.7 in the previous year to 5.0.

dwpbank's positive overall performance stood in contrast to what was frequently referred to as a somewhat "weak" year on the stock markets in 2022, which was plagued by the war in Ukraine, supply chain issues, high inflation, a shift in the fiscal policy pursued by the central banks, and the energy price crisis. Fewer companies chose to go public, with the number of IPOs on European exchanges falling by 70% to 149 (previous year: 503) and issue volumes plummeting from USD 81 billion to USD 18 billion (-78%). Germany's benchmark DAX index kicked off the year at 16,020 points (XETRA closing rate) on 3 January 2022, just short of the high of 16,271 it quickly went on to hit on 5 January 2022. The DAX dropped below 12,000 points for the first time in September 2022 before bottoming out for the year at 11,975 points on 29 September 2022. It then rebounded in the fourth quarter. The DAX closed out 2022 with 13,923 points, just missing out on the closely-watched 14,000-point mark and having lost 12.3% in total over the year.

2.1.2 Growing regulatory and market-driven requirements

As in previous years, regulatory and market-driven requirements had an impact on dwpbank's business model. This affected dwpbank directly as a CRR credit institution and also in particular in its capacity as a service provider for the bundled implementation of requirements for its clients. In accordance with section 1 (3d) of the German Banking Act (Kreditwesengesetz, "KWG"), a CRR credit institution is a credit institution that also meets the narrower definition in accordance with Article 4(1) no. 1 of the EU Capital Requirements Regulation (CRR). In total, dwpbank invested some EUR 24.3 million in this area in 2022 – roughly 30% of its overall investments in projects.

Observance of market infrastructure requirements and the requirements of financial markets regulation

In line with the TARGET2/T2S Consolidation project pursued by the European Central Bank and participating national banks to refine the Eurosystem's market infrastructure, the necessary preparations and modifications were continued in 2022 under an in-house project to ensure timely implementation in dwpbank's systems.

Full application of the PRIIP Regulation for investment funds from 2023 onwards (expiry of the previous transitional provision) necessitated modifications to the processes, in particular for fund-linked savings plans, which were implemented in 2022. Action was also taken to implement the requirements stemming from the new version of BaFin's Supervisory Requirements for IT in Financial Institutions (BAIT) adopted in 2021.

Furthermore, modifications to dwpbank's systems were also made as part of two projects in 2022 on the back of changes to MiFID stemming firstly from the Capital Markets Recovery Package (referred to as the "MiFID Quick Fix") and secondly from sustainability regulation (expansion of the target market and corresponding reviews).

Changes in tax law

In financial year 2022, the Federal Ministry of Finance (BMF) published new application guidance on 19 May 2022 relating to definitive withholding tax. This resulted in comprehensive analysis and implementation work, in particular with regard to the restriction on offsetting losses in accordance with section 20 (6) sentences 5 and 6 of the German Income Tax Act (Einkommensteuergesetz, "EStG"). Among other things, implementation work was also carried out in dwpbank's systems based on the re-release of the BMF letter on the issuance of tax certificates dated 23

May 2022. Likewise in 2022, final application guidance was issued for further parts of the German Investment Tax Act (Investmentsteuergesetz, "InvStG"), which entailed analysis and modifications to dwpbank's systems.

Furthermore, the in-depth analysis on the effects of the German Act to Modernise Relief from Withholding Tax (Abzugsteuerentlastungsmodernisierungsgesetz, "AbzStEntModG") on dwpbank's systems gave rise to numerous technical and legal (application) queries in 2022, which were submitted to the BMF and the Federal Central Tax Office (Bundeszentralamt für Steuern) in coordination with the German Banking Industry Committee. The BMF and the Federal Central Tax Office sent multiple draft answers in response, the effects of which are again being analysed in detail.

In addition, the amendments to the 2020 Annual Tax Act triggered work to implement the complex reporting obligation for corrected tax certificates (section 45a (6) EStG). However, delays in the final interface on the part of the tax authorities and open implementation queries from the German Banking Industry Committee mean that it will probably not be possible for this to be finalized until 1 January 2024, in application of a non-objection rule (Nichtbeanstandungsregelung).

The amendments resulting from the 2022 Annual Tax Act passed in December have likewise been analysed and will be implemented in the near term, in particular with regard to increasing the standard deductions for savers.

The 2022 Annual Tax Act also amended section 4 of the German Tax Consultancy Act (Steuerberatungsgesetz, "StBerG"), under which it will be possible to expand the general withholding tax services with respect to obtaining the requisite tax residency certificates. The amendments to the German Act on the Exchange of Financial Account Information (Finanzkonten-Informationsaustauschgesetz, "FKAustG") necessitated a revision in 2022 of the corresponding FATCA/CRS BMF letter dated 1 February 2017, which in turn required analysis and coordination within the German Banking Industry Committee. Furthermore, the US Internal Revenue Service (IRS) published its draft of the anticipated new qualified intermediary (QI) agreement during the course of the year. The effects of the amendments, in particular due to the planned taxation of publicly traded partnerships and extension of the transition periods for section 871(m) IRC, necessitated considerable prior coordination work between dwpbank and the German Banking Industry Committee. The final version of the QI

agreement was published on 13 December 2022 and is effective as at 1 January 2023.

2.2 Course of the business

2.2.1 Further stable development in the client business

dwpbank's client business continued to perform very well in 2022. The stable client base lays the groundwork for this positive development, which was marked in particular by a further increase in the number of transactions to 52.3 million (+1.6%), once again the highest absolute figure in recent years. Assets under custody decreased to EUR 1.8 trillion due to the market developments, corresponding to a decline of 0.6% on the previous quarter and 16% year on year. The net cash inflow from our client institutions' standard client business amounted to approximately EUR 34 billion in 2022.

dwpbank's systems directly or indirectly provide securities services to a good two-thirds of the credit institutions based in Germany. Of that number, dwpbank had a total of 353 direct clients (previous year: 362) as at the 31 December 2022 reporting date. dwpbank services other credit institutions indirectly, in particular from the cooperative sector, for instance via our client DZ BANK AG.

The slight decline in contractual clients was due primarily to the ongoing trend towards consolidation in the German banking market (mergers) and targeted efforts by individual smaller banks to discontinue their own legal custody management and securities procurement activities.

dwpbank's client structure is as follows:

German Cooperative Financial Services Network (Genossenschaftliche FinanzGruppe)

The most significant client from the German Cooperative Financial Services Network is DZ BANK AG. A further total 757 (previous year: 800) local credit cooperatives and private banks in total are linked to dwpbank's securities system via DZ BANK AG. dwpbank also has a direct contractual relationship with Bank für Sozialwirtschaft AG.

German Savings Banks Financial Services Network (Sparkassen-Finanzgruppe)

By the end of the year, four (previous year: four) state banks (Bayerische Landesbank, Landesbank Hessen-Thüringen Girozentrale, Norddeutsche Landesbank - Girozentrale -, and SaarLB) and 322 (previous year: 331) savings banks from all German states were making use of

services offered by dwpbank in a direct contractual relationship. With one exception, the decrease in this figure is due to mergers between savings banks. Individual standard services were performed for Landesbank Baden-Württemberg in 2022. dwpbank also provides a variety of back-office services for DekaBank Deutsche Girozentrale.

Private/commercial banking

As at 31 December 2022, the number of client institutions in the private and commercial banking sector remained unchanged at 22 (previous year: 22). These included ODDO BHF Aktiengesellschaft, Postbank as a branch of Deutsche Bank AG, Santander Consumer Bank AG, Deutsche Kreditbank Aktiengesellschaft (DKB), Hamburg Commercial Bank AG and MLP Banking AG.

As at 1 January 2023, Deutsche Bank is bringing all of the systems, processes and products used at Postbank (which it manages as a branch) in line with their standard equivalents at Deutsche Bank and is transferring them from dwpbank's system environment to its own.

2.2.2 Stable business operations

dwpbank's long-established, stable IT infrastructure features efficient and effective processes to support its clients' securities services. On this basis, business operations were stable throughout the year with one isolated exception. In settling a corporate action at the end of December 2022, a mistrade arose in the context of a reverse split that dwpbank was obligated to execute. Attempts to have the trade cancelled were unsuccessful.

dwpbank was forced to absorb financial losses of roughly EUR 61.1 million. This reduced our net profit for the year, which nevertheless remained slightly positive. The incident has had no negative effects on dwpbank's operating business or on its client institutions. Nor does this constitute a serious incident within the context of an existing material outsourcing arrangement with dwpbank within the meaning of the Regulation Concerning Reports and the Submission of Documentation under the Banking Act (Anzeigenverordnung, "AnzV"). There is no material influence on dwpbank's business activities.

Immediately after the mistrade, dwpbank put in place arrangements to further increase settlement reliability in that part of the relevant process chain. For instance, dwpbank put in place additional verification routines in the order process for particularly large-volume orders in high-risk financial instruments. This affects a tiny number of all transactions processed each year.

2.2.3 Implementation, continuation and successful completion of key projects

Continuation of "dwpbank 2024" medium-term strategy programme

Since 2021, the "dwpbank 2024" programme has shaped dwpbank's strategic development in the period to 2024. In financial year 2022, key projects were implemented as planned in the target dimensions of Focus, Improve, and Grow, and others were launched.

Target dimension "Grow" – further develop services for our clients: Expanding the "securities savings" product family

dwpbank has bundled its client-related services for regular savings in securities investments in its securities savings product family. Investors in Germany are increasingly turning to securities savings as an investment opportunity. With this firmly in mind, the "Grow" target dimension of "dwpbank 2024" focuses on expanding the securities savings product family. An implementation project was launched to expand the service range to include capital-forming savings schemes, and product usage is slated for the end of 2023.

Another focus was to expand the securities account infrastructure for private banking and wealth management. For this purpose, the first product launches with pilot clients featuring automated distribution of inducements and the use of the new flat-rate pricing model were carried out in 2022.

Digital asset product range

Services relating to trading and safe custody of digital assets are being developed in line with the "Grow" strategic dimension of "dwpbank 2024". Expanding the service portfolio for digital assets in line with the market's growing maturity is of strategic importance to lock in dwpbank's future viability. The "MVP Crypto" project is aimed at giving our clients initial access to crypto assets and the related custody services. We settled a first pilot transaction together with our partners in December 2022. Also in December, we launched a project to apply for authorisation as a crypto custodian.

Target dimension "Improve" – efficiency for our clients: Process analysis under the "Process efficiency 2.0" project

The "Improve" target dimension of "dwpbank 2024" is aimed in particular at improving processes and achieving structural cost savings. The procedure to identify potential and optimisation measures was piloted as part

of a “process analysis pilot study”. On that basis, further operating units will be analysed as part of the “Process efficiency 2.0” project in the period until the third quarter of 2023. The measures identified will be implemented gradually, with completion slated for the end of 2025.

Target dimension “Focus” – quality and future viability: Further developing test management

The “TestFirst!” project was completed at the end of 2022. This involved determining and laying the foundations for dwpbank’s test strategy, and dwpbank’s test capability was enhanced significantly overall.

“MoveWP3” programme

dwpbank is pushing ahead with replacing its “WP2” IT platform, including optimising technical business processes, to guarantee a securities settlement platform that is fit for the future as part of the “MoveWP3” programme. The objective is to create an architecture that is scalable, high-performance, offers a secure production environment and that can respond more rapidly to client and regulatory requirements.

As planned in the feasibility analysis, the project to develop the new order and trade management system (OMS) was launched at the beginning of 2022. In implementing the project, dwpbank partnered with Accenture, which was responsible in particular for most of the development services. The development and the integration test for the deployment of the first order process (direct OTC trading) planned for 2023 are at an advanced stage. In order to model the high operational availability required for orders, the underlying cloud infrastructure must be further developed in parallel.

In securities account services, a full process was newly developed in “WP3” in the specialist area of AGMs. It was successfully deployed as planned at the end of 2022/ beginning of 2023. The associated WP2 application on the host side was deactivated in the first quarter of 2023. The support for AGMs, including ordering of admission tickets, marks the first time that the “digital workplace” has been deployed as a processing interface with clients.

The programme was successfully continued in 2022. Close support during implementation preparations and release deployment were achieved. In 2022, a dedicated workstream in the programme was also put in place for the client communication interfaces. The workstream provides active support for all client groups and the departments based on the development process in Move-WP3. For example, ahead of the go-live for the domestic

AGM process, dwpbank offered its first dedicated live webinars, which enjoyed high demand from clients.

The first order processes will be deployed in WP3 in 2023, and further processes in the securities account services environment will be prepared for production. The first sub-steps in implementing complex corporate actions were initiated.

Information security and supervisory requirements for IT, completion of “apollo”

The “apollo” programme to implement the actions resulting from the section 44 KWG audit in 2019 was fully completed on schedule in 2022, including proof of concept. The “iLuna” project was launched to continue bundling the requisite IT security measures under central governance in 2023. iLuna will address a diverse range of issues on a prioritised basis to ensure central management for the implementation of regulatory topics in the areas of IT security, outsourcing and user access management.

Other key projects and activities: Further development of the credit risk and liquidity processes

With the “Treasury/ILAAP” project launched on 1 August 2022, the Bank is pursuing a strict process and efficiency-based approach to refining its risk management in the areas of liquidity and the lending business. The focus is on centralising liquidity management, on the ILAAP processes as a whole, and on further developing the risk management and control processes. The planned measures are scheduled for implementation in financial year 2023.

Implementation of the German Act to Modernise Relief from Withholding Tax (AbzStEntModG)

In financial year 2022, dwpbank carried out analysis and implementation work on the AbzStEntModG. The target implementation involves considerable modifications to tax reporting and the provision of interfaces for the tax authorities. The implementation work commenced with the initial elements in financial year 2022 and is progressing according to plan based on a two-stage project approach. The stage 2 activities are scheduled for finalisation by 2024.

Helping to enhance market quality

The project to implement the requirements of the Central Securities Depositories Regulation (CSDR) primarily involved implementation activities and services to drive forward an improvement in settlement discipline. The developments relating to regulatory modifications of the requirements and time delays in their ultimate version

were completed in 2022. The observance of further developments concerning the deferred mandatory buy-in function will be continued outside the project organisation.

Safeguarding securities reporting

In financial year 2022, the work to transfer the reporting infrastructure under Article 26 MiFIR from Deutsche Börse AG (which is ceasing operations in that business area) to provider MarketAxess was completed, and production processing commenced on new structures. dwpbank is the reporting agent for internal transaction data and the client institutions' data.

2.2.4 Cooperation with our clients

dwpbank works in close cooperation with its clients. The overriding objective is for clients to achieve success in the securities business. For this purpose, dwpbank had established various client boards to ensure a regular dialogue.

The term of office of dwpbank's most important client board, the Advisory Board, ended on 30 June 2022, and a new board had to be appointed. This was completed on time as at 1 July 2022. The current board comprises a total of 23 client representatives from the German Savings Banks Financial Services Network, the German Cooperative Financial Services Network, the private banks and the state banks. There are also permanent guests, who are representatives of the Association of German Banks (Bundesverband deutscher Banken e.V.), the National Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V.), and the German Savings Bank Association (Deutscher Sparkassen- und Giroverband e.V.). The Advisory Board, which acts as the central point of contact for the Board of Management of dwpbank in all issues connected with the market, clients and products, met a total of two times in 2022. Among other things, the (product) ideas formulated by dwpbank and perceived trends were presented, and feedback was given. At the same time, the client representatives also made their ideas and wishes known.

The two Service Advisory Boards, Retail and Institutional, are subordinate to the Advisory Board. The way meetings are held was reorganised in 2022, and now the two boards come together in the first part to address overarching and general matters, after which the client representatives then discuss specific market issues. This is aimed at identifying the relevant trends and deriving dwpbank's product activities for the retail and institutional business from them. The Service Advisory Boards both provide support in expanding the value chain by reflecting on topics concerning the market, competition, trends and regulatory

developments, and facilitate a dialogue for discussing sales and marketing opportunities.

2.3 Position

2.3.1 Results of operations

Key non-financial factors influencing dwpbank's results of operations include in particular the volume of securities transactions settled and the securities accounts managed (Table on the top right).

The overall volume of securities transactions settled by dwpbank increased by 1.6% year on year to 52.3 million, and thus slightly short of projections.

The average number of managed securities accounts rose by 7.8% to 5.5 million. This was significantly above the prior-year level and thus in line with the planning.

Since 2018, dwpbank has published a separate annual "non-financial statement" for the preceding financial year in accordance with the German Act Implementing the CSR Directive (CSR-Richtlinie-Umsetzungsgesetz). This report presents further non-financial performance metrics. No connection between the non-financial performance metrics reported in the non-financial statement and the amounts published in this management report has been found to exist in the current year under review. The non-financial statement is published on dwpbank's website (<https://www.dwpbank.de/aktuell/publikationen/>) within the deadline stipulated by law.

The primary financial performance indicator at dwpbank is earnings before taxes, which are calculated using the key income and expense items. The corresponding management tools used by dwpbank are:

- the annual planning and budgeting process,
- the monthly balanced scorecard and associated report to management, and
- forecasts and quarterly reports (Table on the bottom right).

dwpbank's earnings before taxes were down by EUR 55.4 million to EUR 1.9 million (previous year: EUR 57.3 million). This unbudgeted decline was due primarily to the mistrade amounting to EUR 61.1 million presented in section 2.2.2. The earnings before taxes of EUR 45.2 million budgeted for 2022 were consequently not achieved.

Net interest income rose by EUR 0.8 million as against 2021 to EUR 0.0 million. This was due to the significant increase in interest rates in Europe and the United States to combat the steady rise in inflation in the financial year ended. For instance, interest could again be generated on credit balances at the Bundesbank and at depositories from the second half of 2022 onwards, and the effects of negative rates were mitigated.

Net fee and commission income amounted to EUR 320.7 million, a slight (EUR 7.5 million) increase on the previous year. The year-on-year increase in fee and commission income totalling EUR 4.8 million was due to the stable performance in core and add-on services in the securities business (portfolio commissions and BOSC services), and the full-year effects of migrating clients HASPA and S Broker in financial year 2021. At the same time, targeted

Non-financial indicators	2022	2021	Delta
Transactions (millions)	52.3	51.5	+0.8
Average number of securities accounts managed (millions)	5.5	5.1	+0.4
Average number of items per securities account	5.0	4.7	+0.3

Computational rounding differences may appear in the tables, so that the figures included therein may deviate from the precise figures.

Financial management indicators (EUR million)	2022	2021	Delta
Interest income	3.6	3.0	+0.6
Interest expense	-3.6	-3.8	+0.2
Net interest income	0.0	-0.8	+0.8
Fee and commission income	421.2	416.4	+4.8
Fee and commission expense	-100.5	-103.2	+2.7
Net fee and commission income	320.7	313.2	+7.5
Other income ¹	80.7	65.5	+14.8
Other operating expenses	-116.9	-53.6	-63.3
Net other operating income	-36.2	12.3	-48.5
Personnel expenses	-120.4	-111.0	-9.4
Other administrative expenses	-142.0	-140.9	-1.1
Total general and administrative expenses	-262.4	-251.9	-10.5
Depreciation, amortisation and write-downs	-20.1	-15.4	-4.7
Earnings before taxes	1.9	57.3	-55.4
Taxes on income	-0.5	-20.1	+19.6
Net income for the financial year	1.5	37.2	-35.7

Computational rounding differences may appear in the tables, so that the figures included therein may deviate from the precise figures.

1. Other income includes current income from securities and equity investments, income from profit pooling, profit and loss transfer or partial profit transfer agreements, and other operating income.

cost management enabled a EUR 2.7 million total reduction in fee and commission expenses to depositories.

The significant reduction in **net other operating income** resulted from the mistrade in the operational securities business presented in section 2.2.2, the impact of which amounted to EUR 61.1 million.

Nevertheless, the other income contained in this item increased by a disproportionate EUR 15.3 million year on year to EUR 80.7 million due to the steady increase in the US dollar exchange rate over the course of 2022. The increase thus resulted primarily from higher gains on currency translation (EUR +6.9 million) and exchange rate measurement (EUR +6.2 million). Furthermore, the other operating expenses rose by EUR 63.3 million to EUR 116.9 million. This increase was due mainly to the mistrade presented in section 2.2.2.

General and administrative expenses were up slightly year on year, due among other things to the continuing growth in the business. Personnel expenses rose by EUR 9.4 million year on year, due primarily to higher costs for old-age pensions and for wages and salaries. Inflation caused an increase in the measurement parameters used to recognise assumptions regarding future salary and pension trends, which influence the pension obligations. Furthermore, this year's collective wage agreements increased the expenses for occupational pensions. Other administrative expenses increased slightly, rising by EUR 1.1 million year on year. In addition to the increase in production-related administrative expenses (EUR +1.1 million) due to higher costs for procuring pricing and asset class data, there was also an increase in other administrative expenses (EUR +1.8 million). This was due to the year-on-year increase in expenses for staff training and further education, higher travel costs due to the successive easing of pandemic-related restrictions, and a rise in expenses for contributions, fees and audits (EUR +1.1 million). By contrast, the costs for purchased services and IT operations were reduced by EUR 2.0 million.

The increase in **depreciation, amortisation and write-downs** is due primarily to write-downs on equities and other non-fixed-income securities amounting to EUR 6.8 million, and the increased write-downs on bonds and other fixed-income securities amounting to EUR 1.1 million. By contrast, amortisation of intangible assets and depreciation of tangible fixed assets declined by EUR 3.7 million.

The EUR 19.6 million reduction in the **tax expense** as against 2021 was due to the lower earnings before taxes of EUR 1.9 million.

2.3.2 Net assets and financial position

As at 31 December 2022, dwpbank had total assets of EUR 815.0 million (previous year: EUR 772.3 million). Total assets consist of current receivables of EUR 327.3 million (previous year: EUR 276.0 million) from the settlement of payments in association with securities, which are offset by similar amounts of liabilities. The rise in total assets is mainly attributable to these items and an increase in the portfolio of direct investments in interest-bearing securities.

The Bank does not conduct any active lending business. Formal lending relationships result primarily from bank transactions pursuant to section 1 (1) sentence 2 no. 2 KWG in which instructions from the securities seller relating to the selling price are already permitted on the expected settlement date.

As at the balance sheet date, dwpbank's primary assets on the one hand included direct investments in interest-bearing securities (EUR 144.7 million; previous year: EUR 148.0 million), which serve as collateral for the settlement of the operating activities in the securities business. On the other hand, funds with a carrying amount of EUR 108.2 million (previous year: EUR 115.0 million) were invested in a German institutional fund (Spezialfonds).

The capitalisation of internally generated software resulted in intangible fixed assets of EUR 51.2 million (previous year: EUR 33.5 million), reflecting the creation of additional functionalities within the securities system. Investments amounting to EUR 26.1 million were made in financial year 2022. Other assets consist primarily of tangible fixed assets (operating and office equipment), software and licences, and receivables from services billed to clients.

As at 31 December 2022, dwpbank had a surplus of deferred tax assets amounting to EUR 30.8 million (previous year: EUR 30.4 million). This surplus resulted from temporary differences in the measurement of balance sheet items in the tax accounts versus the financial accounts.

As at the date of adoption of the 2022 annual financial statements, dwpbank's equity amounted to EUR 284.9 million, including net retained profits (previous year: EUR 296.0 million). The Bank's liable capital in the amount of EUR 220.6 million (previous year: EUR 194.4 million) continues to consist solely of core (common equity tier 1)

capital. As at 31 December 2022, the tier 1 capital ratio amounted to 24.5%, well in excess of the minimum capital requirements for dwpbank prescribed by the regulatory authorities. These amounted to 19.6% (previous year: 20.6%). In calculating own funds, intangible assets are recognised as deductions in accordance with the exemption under CRR II.

As at the balance sheet date, the Bank reported pension obligations totalling EUR 108.4 million (previous year: EUR 118.8 million). The reduction in the pension provisions was due in particular to outsourcing a portion of the pension obligations to a pension fund. There were also current liabilities and other provisions amounting to EUR 405.4 million (previous year: EUR 346.1 million).

Despite the extraordinary financial burden triggered by a loss event, dwpbank was able to meet its financial commitments at all times in financial year 2022. The loss event was fully covered by existing liquidity, and there was no liquidity shortfall. Through its clearing service providers, dwpbank has ample opportunity to refinance peak volumes of securities-related payment transactions. Credit lines totalling EUR 650 million are available for this purpose, which have been provided by various banks. The committed credit lines were routinely drawn down over the course of financial year 2022. None of the committed credit lines were drawn down as at 31 December 2022. The structure and maturity of cash and cash equivalents and payment obligations are monitored on a daily basis and managed using corresponding planning tools.

2.3.3 Summary of dwpbank's position in the 2022 financial year

As in the previous years, the primary factors shaping dwpbank's financial result in financial year 2022 were market developments and client activities. Things got off to a good start in 2022, and as the year progressed it was marked by high volatility in the context of the ongoing global COVID-19 pandemic and rising uncertainty concerning inflation and interest rates, the war in Ukraine and disruptions to supply chains. The recovery in the securities business observed in recent years continued, even if growth in savings plans was lower in the second half of 2022. Of note on the cost side was the persistently high demand for investments in the areas of innovation, regulatory requirements and change, digitalisation initiatives and the "dwpbank 2024" strategy programme, while expenses in IT operations remained stable.

Project activities continued to concentrate on modernising the IT platform (MoveWP3 programme), implementing client requirements, investing in process and system optimisation (focus on stability, quality and efficiency) and implementing statutory and regulatory requirements.

dwpbank's net assets and financial position were stable and balanced at all times. Business development at dwpbank nevertheless remained positive against the backdrop of the developments described above, aside from the mistrade that occurred in the financial year (see section 2.2.2).

3 Staff and welfare, risk report and report on expected developments

3.1 Staff and welfare

3.1.1 Number of employees and staff structure

dwpbank employed 1,253¹ staff at the end of 2022 (previous year: 1,209).

In December, 607 staff members worked in Frankfurt (previous year: 584), 476 in Düsseldorf (previous year: 455) and 170 in Munich (previous year: 170), of which 37 were trainees (previous year: 40).

The Bank employs 537 women (43%) and 716 men (57%). The share of part-time employees was lower than in the previous year at 27.4% or 343 people (previous year: 28.1%). The average age of employees was 48.1 (previous year: 48.0).

3.1.2 Human resources development

In 2022, human resources development focused on cultivating technical and leadership expertise, and on furthering new talent. The effects of the COVID-19 pandemic hardly limited the Bank's human resource development work at all this year. As such, all activities took place as planned – either virtually or face to face.

The substantive focus in 2022 was on further developing leadership skills, soft skills and methodological competency, in particular by means of coaching. In addition, in the context of developing their understanding of leadership into leadership based on potential, managers took part in "leadership sprints" in which they could get to grips with the refined leadership understanding and leadership principles in various formats such as virtual "classrooms". The sprints took place in parallel to the Bank-wide "Fit for 2024" project. As well as training, further opportunities for internal dialogue and networking were organised and offered to those participating in the Q³ development programme (see section 3.1.3).

The self-learning was further consolidated by means of the online "LinkedIn Learning" tool, and the number of users rose year on year.

Furthermore, a number of Bank-wide virtual BarCamps took place for all employees at various points throughout the year, offering varied content developed by both internal and external consultants.

3.1.3 Q³ – Qualification, Quality and Quantity

The Q³ – Qualification, Quality and Quantity tool was implemented for the fifth time at dwpbank in 2022. Since its launch in financial year 2018, this structured process to analyse actual and target situations in the organisational units in order to identify concentrations of expertise and high-potential individuals, and to determine action to reduce mission-critical positions for the purposes of focused succession planning has thus become an established feature. The high-potential individuals identified in 2020 completed the three-year development programme at the end of 2022.

3.1.4 Trainee-Programm

In December 2022, dwpbank was certified for a fifth time as a "Fair trainee programme" by Absolventa GmbH in cooperation with trendence Institut GmbH for its trainee programme established in 2010, which has now had ten trainee cohorts. Since its introduction, the 18-month training programme has been implemented in many of dwpbank's organisational units. Alongside the practical twin-track study programme and chamber of commerce and industry (IHK) training, it represents a key building block for tackling the shortage of specialists and managers, addressing demographic change, supporting skill restructuring, and ensuring target-oriented specialist training geared to the Bank's strategic orientation and the requirements of the market.

Five trainees started the programme in 2022, and three former trainees from the 2020 intake transitioned to employment.

3.1.5 Twin-track course of study

Since 2014, dwpbank has cooperated with FOM Hochschule für Oekonomie & Management to offer twin-track Bachelor's courses in Banking and Finance, Business Administration, Business Informatics and Digitalisation Management. In August 2022, four students of Business Informatics, Banking & Finance and Business Administration started the seven-semester twin-track course of study. Eight students who had started in the 2018 winter semester successfully graduated with Bachelor's degrees from FOM in 2022. Five of the graduates transitioned to permanent employment at the Bank.

¹ Excluding members of the Board of Management and employees on leave such as those on maternity or paternity leave or on leave of absence.

3.1.6 CIC training

In October 2022 dwpbank was named "Best Trainer in Germany 2022" by the business magazine Capital (Issue 11/2022) for its twin-track study course and IHK training courses. Handelsblatt also included dwpbank once more in its ranking of "Best Educators 2022". dwpbank's training activities in 2022 also received an award from the Chamber of Commerce and Industry (IHK) in Düsseldorf for exceptional work in vocational education.

Three trainees each from the Munich and Düsseldorf offices signed up for the "Office management assistant" training course in 2022.

3.1.7 High employee satisfaction

General satisfaction with dwpbank as an employer rose again to 91%, and employees' identification with dwpbank was at 82%. Asked for the first time whether they would recommend dwpbank as an attractive employer, 82% of respondents confirmed that they would. The employee survey is conducted every two years, and the June 2022 survey featured the highest ever participation rate, at 85%.

It again focused on the following topics: "Healthy and safe working conditions", "Personal development and team needs", "Strategy and cultural change" and "Corporate management (Board of Management and divisional heads)". There were also two free text fields that could be completed: one on the conditions for hybrid working, the other on employer branding. These two questions received more than 900 comprehensive and differentiated comments, an increase in the use of this feature. The results for the Bank as a whole were made available in September 2022. Overall, they showed a continuation in the upward trend and the "Organisational readiness for change" index stabilising at a high level.

The high employee satisfaction was also demonstrated in the score achieved on employer ranking platform kununu (4.0 from a maximum of 5.0), and also led to dwpbank being named Most Wanted Employer by the ZEIT publishing group.

3.2 Corporate governance declaration

In accordance with the Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst), dwpbank has undertaken to achieve a target of women holding 25% of divisional head positions and 30% of departmental head positions by the established reporting date of 30 June 2022. These targets also apply as at the 30 June 2025 reporting date. In 2018, the Supervisory Board resolved a target of 0% for the Board of Management and a target of 10% for the Supervisory Board, in each case as at the 30 June 2022 reporting date. In June 2022, it decided to retain these targets for the 30 June 2025 reporting date. The target for the Board of Management was set against the background of its current composition and small size, and the lack of opportunity to influence turnover and applicant profiles in the event of an actual change in membership.

As at 30 June 2022, 15.8% of divisional head positions and 29% of departmental head positions were held by women. The percentage of women serving on the Supervisory Board remained the same year on year at 6.7%. The failure to meet the targets for women holding divisional and departmental head positions was due to a lack of applications from women or because incompatible profiles meant that the small number of applications received from female candidates could not be considered in the recruitment process.

All internal and external job adverts for departmental head positions are aimed at women, men and non-binary candidates in equal measure. Our talent development programme prepares and develops men and women to take on leadership responsibility. This programme also has a module to focus on strengths and develop talent that has been specially designed for women. With a wide range of benefits to help achieve an optimal work-life balance, dwpbank offers suitable conditions for all employees, irrespective of their gender. However, these excellent conditions have also proven unable to boost the number of applications from female candidates.

In 2022, the Board of Management and Supervisory Board adopted diversity goals and a policy to ensure non-discrimination and equal opportunities for employees of different genders.

dwpbank has no influence over the election of Supervisory Board members or the shareholder proposals for Supervisory Board composition. The Supervisory Board approved the shareholder proposals in order to ensure that persons with the requisite knowledge, skills and experience to hold office could be appointed in good time to fill positions that had been vacated. As previously, no women serve on the Board of Management.

3.3 Risk report

dwpbank has initiated the measures set out in section 25a (1) of the German Banking Act (Kreditwesengesetz, "KWG") and section 91 (2) of the German Stock Corporation Act (Aktengesetz, "AktG") requiring it to establish a risk early warning system. Overall, dwpbank has systems in place to identify, assess, manage, monitor and communicate risks and possesses appropriate means to determine the Bank's financial position at any time with sufficient accuracy. The existing risk management tools and risk-bearing capacity analysis methods were further refined during the year under review.

3.3.1 Risk strategy: the foundation for the risk management system

The risk strategy constitutes the framework for the organisation of risk management and risk reporting. It categorises and describes risks and determines the risk appetite. It also defines the risk management and controlling processes, risk-bearing capacity and incentive systems.

The content of the risk strategy was reviewed, restructured and updated in 2022 in line with the corporate strategy. In particular, insights from the risk inventory for financial and other risks, the explanations on risk-bearing capacity under the economic and normative perspectives, and the handling of emerging risks were integrated in the existing processes. In addition, the influence of environmental, social and governance (ESG) factors on the existing risks types was determined and defined. The tolerances were adjusted as part of the annual review of the process to determine risk tolerances.

Responsibility for risk management lies with the Board of Management, which established the centralised and independent risk management organisational unit as a function within the second line of defence. In addition, clear roles and responsibilities have been defined for operative risk management (first line of defence). The Risk Management department sets the general conditions for a

Bank-wide risk management system and develops methods and processes for measuring and controlling risks. The information security, emergency management and central outsourcing management functions are bundled in the "Information and Communications Technologies – (ICT) Risk and Outsourcing" department.

The risk management system is adjusted on an ongoing basis in line with changing legal and regulatory requirements. In 2021, the new role concepts were implemented, the risk inventory process was reworked, an "emerging risk" process was developed and the risk strategy was newly structured and expanded – among other things as part of the "Risk21" project. These development efforts were continued in 2022, in particular with the launch of a model risk framework to identify and assess weaknesses in risk models. If the appropriateness of a risk model is no longer fully guaranteed, add-ons for risk potential are charged.

3.3.2 Risk management: consistent responsibility

All executives at dwpbank are responsible for identifying, reporting, controlling and managing the risks which arise in their respective area of responsibility. Local risk managers are also appointed in each of the Bank's units (first line of defence). Role owners were given capacities commensurate to their duties and have completed a comprehensive training programme that will be continued on a regular basis. They act as multipliers and their knowledge and experience make them a key element of operative risk management (including serving as a first port of call for central risk management, offering support and assistance in quantifying identified risks). This also includes centralised monthly reporting on indicators that is included in the Bank-wide risk report.

In addition to ad-hoc risk reports and IT disruption reports, the monthly risk report regularly covers analyses from the loss database and risk indicators. In it, critical matters from the month under review are presented and causes, effects and measures are explained. Moreover, a comprehensive quarterly report on the findings of the analysis of risk-bearing capacity is also prepared. All information on aggregate risk cover and elements sensitive to interest rates is also updated on a monthly basis. In addition, the annual risk report also covers risk developments and measures implemented in the past year.

The annual and quarterly reports are discussed by the full Board of Management on a quarterly basis. An operating risk committee meets in months when the risk report is not discussed at a meeting of the Board of

Management, and this is also attended by the members of the Board of Management. Furthermore, a monthly report is prepared on the outcome of internal capital adequacy analysis, risk and recovery indicators, IT failures, security incidents and losses.

The Supervisory Board receives reports on the risk situation of dwpbank on a quarterly or ad-hoc basis, as necessary. This is preceded in each case by a detailed discussion in the Risk and Audit Committee of the Supervisory Board.

3.3.3 Application of the AMA to quantify operational risks

dwpbank applies an approved Advanced Measurement Approach (AMA) to quantify operational risks for the analysis of risk-bearing capacity and calculate the relevant own funds requirement. At the end of 2022, Risk Management identified a weakness in the AMA model for operational risk, for which an add-on of EUR 11.7 million was charged under both the normative and economic perspectives. The Bank will further substantiate the assumptions for the add-on in financial year 2023. The key elements of the AMA model at dwpbank consist of an internal loss database, external risk data, risk assessments, scenario analyses and business environment and internal control factors. The internal loss database is used to capture and compile losses and has been implemented since 1 January 2004. The data is used to determine historical loss distributions. The evaluations performed using the database enable the systematic analysis of events, losses and causes and a description of the Bank's risk situation in addition to creating a record of risk management measures.

Data on actual and expected losses from the occurrence of events are supplemented by the findings of an annual risk assessment. After the risk assessment, a scenario analysis is carried out to more closely analyse serious risk scenarios and scenarios of particular Bank-wide relevance and to achieve the best possible assessment of the risk profile. The two instruments together enable evidence-based risk analysis and action to prioritise measures.

dwpbank performs special assessments during the year if it has launched new products or entered new business areas. Near-miss losses or the implementation of risk-reducing measures can also trigger a review of prior assessments.

As a component of the risk management early warning system, risk indicators guarantee early risk identification thanks to the definition of objective limits. If an indicator is seen to be developing critically, monitoring is promptly increased and risk management measures are triggered. The regular monitoring of the specified indicators and risk scores enables the early identification of indications of pending risks. Risk indicator reporting is a dynamic process. Key indicator limits were updated in 2022 with the aim of increasing risk sensitivity, and existing indicators were reviewed and adjusted. In addition to risk indicators, dwpbank uses other ratios as part of its risk management system. These are business environment and internal control factors that are relevant to dwpbank's risk profile. They form a key basis of measurement for the purpose of risk assessment and scenario analysis. In addition the system of indicators includes recovery-related indicators.

The risk management framework has been published throughout the Bank in a risk management manual that is binding for all employees. The provisions set out in the manual are taken into account in the department-specific process documentation and work instructions.

The Risk Management department initiates measures aimed at promoting a healthy risk culture. These include Bank-wide risk management events, the appointment of risk officers in the organisational units at divisional level, loss database training and internal publications. Furthermore, a code of conduct is in place to raise employee awareness of the need for risk-compliant behaviour.

The annual audit of dwpbank's risk management system forms part of Internal Audit's audit plan.

3.3.4 Ongoing management of risk-bearing capacity

dwpbank's risk-bearing capacity (internal capital adequacy) is calculated in accordance with the requirements of the "Guidelines on the supervisory assessment of banks' internal capital adequacy concepts and their integration into processes of integrated performance and risk management (ICAAP)" issued by BaFin and Deutsche Bundesbank on 24 May 2018. This takes into account ensuring capital adequacy from both a normative and an economic perspective.

The approach to internal capital adequacy in the normative perspective is based on a multi-year assessment of dwpbank's ability to meet all quantitative regulatory and supervisory capital requirements. The requirements are met if the regulatory own funds recommendation – for

example of 19.6% in the year under review (minimum capital adequacy ratio of 8% + SREP add-on of 5.7% + target equity ratio of 5.9%) – is maintained. The total capital ratio is calculated by comparing total own funds – which at dwpbank comprise solely common equity tier one capital (CET 1) – with the own funds requirements for counterparty credit, market and operational risks in accordance with the supervisory reporting form. The total capital ratio (TCR) amounted to 24.53% as at the end of 2022. The increase in the ratio can be explained by the rise in revenue reserves due to the retention of earnings in the first quarter of 2022; however, it was reduced by the increase in operational risk resulting from the mistrade (see section 2.2.2). For the capital planning period to 2026, it is envisaged that own funds will be further significantly strengthened by retention actions, with the own funds recommendation met at all times in the forecasts for development under the normative perspective. (Table below)

The normative perspective furthermore comprises an adverse scenario to be designed by dwpbank itself that is considered to be a negative deviation from the base scenario. As a result, a more noticeable impact on own funds and the risks in adverse capital planning become apparent on occurrence of the adverse scenarios. Under the adverse scenarios, the total SREP capital requirement plus capital buffer (overall capital requirements – OCR) of 16.2% can be met at all times.

The economic perspective investigates whether the internal capital is adequate to cover all of the key economic risks to which dwpbank is exposed (as determined using the Bank's internal methods). As part of the risk-bearing capacity (internal capital adequacy) analysis, dwpbank initially determines its risk cover assets using adjusted accounting figures and compares these to the calculated

sum of risks. The analysis of risk-bearing capacity is supplemented regularly by comparing expected losses with existing provisions and loss budgets and by stress tests.

The recognition of own funds and hidden reserves as risk coverage potential in the analysis of risk-bearing capacity is adjusted for intangible assets and tax effects when leveraging hidden reserves and for deferred tax assets in accordance with HGB accounting regulations. This reduces the overall risk cover assets recognised separately from liable capital. In addition, the difference between the carrying amount and the economic value of dwpbank's pension obligations – representing a hidden liability – is deducted. While planned or expected profits are not recognised as risk coverage potential, profits already received are recognised.

3.3.5 Risk categories and their significance to risk-bearing capacity

Operational risks

dwpbank classifies process, employee, technology and external risks under operational risk, with explicit reference to legal risk. Operational risk relating to project work is referred to as project risk. At dwpbank, projects are a central component for implementing corporate strategy and business decisions. In addition, potential risks from projects are identified and assessed as part of an established project management process. Losses incurred are entered in the internal loss database.

The scenario analysis has a significant influence on the quantitative amount recognised for operational risk. As at 31 December 2022, this tool had been used to assess a total of 23 scenarios plus one special scenario that resulted in the mistrade (see section 2.2.2). It revealed that

	2022	2021
Operational risks	EUR 785.9 million	EUR 679.1 million
Counterparty risks	EUR 113.3 million	EUR 129.8 million
Market risks	EUR 0.0 million	EUR 0.0 million
Total risks	EUR 899.2 million	EUR 808.9 million
CET 1	EUR 220.6 million	EUR 194.4 million
TCR	24.53%	24.03%

(as at 31 December 2022)

the possibility of erroneous corporate actions and a loss of information (data) integrity in the context of information security represent the highest risk amount.

Operational risks are quantified at dwpbank as part of the advanced measurement approach (AMA) and incorporated into the risk-bearing capacity analysis at their annual value-at-risk (VaR) in the 99.9% quantile, plus the add-on (see section 3.3.3).

Counterparty risks

dwpbank understands counterparty risk as the risk of partial or complete default on a deliverable contractually pledged by a business partner or (in the case of equity investments) expected performance, in each case with adverse earnings effects for the counterparty. dwpbank does not conduct any active lending business. It maintains client relationships with banks. Given this, the counterparty risk does not usually relate to the risk of loan losses. From the perspective of dwpbank, counterparty risk involves the following risk sub-types: the risk posed by exposure to counterparties (proprietary securities portfolio and securities funds, clients, invoices as well as custodians, depositories, cash clearing agents, clearing accounts at other financial institutions), country risk, counterparty default risk (CCP and OTC counterparty) and settlement and delivery risk.

In particular, the receivables categories in the ledger (invoices, time and sight deposits, bonds and fund units) are examined to quantify the risk amount for counterparty risk. Positions from the settlement of payments in association with securities for dwpbank clients (operating business) have a comparatively small share in the risk amount. They are only relevant in certain case configurations in which dwpbank acts as a commission agent.

The starting point for calculating the risk amount for counterparty risks is the receivables holdings and exposures of the counterparties concerned. Probabilities of default are derived from the available rating information. Starting from the 99.9% probability level of the risk-bearing capacity analysis, the counterparties are included in the calculation of the risk amount whose rating induces a probability of default p.a. greater than or equal to 0.1%. The necessary backing by risk cover assets which is expressed by the risk amount is essentially oriented towards the amount of potential defaults by the three counterparties with the highest default or risk amounts in the stated probability interval. Insolvency recovery rates that reduce the extent of a default are taken into account. dwpbank may use the risk amount

and, if necessary, the supporting analyses as impetus for risk controlling measures.

Overall, the risk amount for counterparty risks reflects the possibility of counterparty defaults within dwpbank's overall receivables portfolio. The counterparties within the receivables portfolio feature a high rating, which is due in particular to the restrictions on investment strategy.

Market risks

As dwpbank does not conduct proprietary securities trading and its business model is not geared to taking market risks (dwpbank does not have a trading book), market risks only arise as interest rate and credit spread risks. Other market risks are currently excluded given the strategy pursued to invest cash funds (direct investments and the investments by the special fund are made exclusively in fixed-income securities with very good credit ratings). The jointly measured interest rate risk arising from dwpbank's asset portfolio on the one hand and the pension obligations on the other is calculated based on the difference between the present values of the asset portfolio and pension obligations, respectively.

Credit spread risk results from fluctuations in bond prices in the proprietary and fund portfolio caused by (i) a change in issuer credit quality, (ii) variations in market participants' estimates of an appropriate credit risk premium, and (iii) a change in the liquidity premium. In accordance with dwpbank's strategy for investing liquid funds and the investment rules of the special fund, investments may only be made in the bonds of issuers with high credit ratings. In line with the other models, credit spread risk and interest rate risk are calculated using a stochastic VaR model at the 99.9% quantile over a one-year time horizon.

A model change to calculate the risk amount for interest rate and credit spread risk caused a slight change in the risk assessment in 2022.

Pension risks

With respect to pension obligations, within dwpbank's risk management system a distinction is made between the hidden liability from pension obligations, interest rate risks stemming from pension obligations and pension risks from direct and indirect pension obligations. The hidden liability from pension obligations results from the difference between the carrying amount of dwpbank's pension obligations and their economic value, which reduces dwpbank's risk coverage potential in the context of the risk-bearing capacity calculation (see section 3.3.4). The interest rate risk from pension obligations takes into account the interest rate risk of the pension

obligations resulting from the change in the discount rate. It is factored into the risk category of market risk as part of the joint measurement of interest rate risks from the asset portfolio and pension obligations (see market risk). Changes in the factors pension trend, salary trend and mortality are used to determine direct pension risks, as these have a significant influence on the amount of the obligation in the future. Potential fluctuations in these influencing factors and the resulting changes in the economic value of the obligation are included in the analysis of risk-bearing capacity as a pension risk. On the one hand, indirect pension risk captures the risk that dwpbank would hold subsidiary liability in the event of the pension fund going bankrupt (this risk is currently assessed as zero). On the other hand, it includes the potential obligation arising from the opportunity-based outsourcing of pension obligations to BVV Pensionsfonds AG as at 1 December 2022 to provide additional cover in the event of a defined shortfall in the existing plan assets as against the required plan assets in the pension fund within a defined period of time and with a defined probability of occurrence (one year at 99.9%) taking into account the trigger level derived from supervisory law or specific to the plan assets.

Business risks

dwpbank includes strategic and economic risks in business risks on the basis of a single year. Business risks manifest in net income and their effect describes the risk that actual results deviate from planned results. At the end of each quarter, the potential deviation from projected net income is calculated to the 99.9% quantile p.a. based on empirical observations of deviations between projected and realised figures for net income for the year and the current business plan. This factors in developments for dwpbank that are both unfavourable (lower income and higher costs) and favourable (higher income and lower costs). If this potential plan deviation would lead to a negative result for the year for dwpbank, the amount of the possible loss represents risk cover consumption in the risk-bearing capacity analysis.

Liquidity risks

In accordance with AT 4.1(4) MaRisk, liquidity and insolvency risks are not included in the risk-bearing capacity analysis at dwpbank as they cannot generally be reasonably limited or covered by risk coverage potential such as capital. dwpbank defines liquidity risks as the risk of negative deviations between actual and expected cash receipts and payments. dwpbank's liquidity risk results primarily from its current business operations in

securities settlement, and in particular from dwpbank's function as liquidity provider. Consequently, the material liquidity risks for dwpbank are funding risk, timing risk (exclusively intraday and overnight) and call risk (including pre-funding risk).

Funding risk is the risk that no stable sources of funding are available intraday and in the medium and long term, which harbours the risk that the Bank will be unable to meet its financial obligations falling due on an intraday basis or in the medium to long term, such as making payments and furnishing the requisite collateral, either at all or only by increasing its funding costs. Timing risk occurs in intraday trading when contractual payment obligations are pre-funded in euros and there is a delay in receiving the cash inflows. The risk of increased cash flows is referred to as call risk or pre-funding risk. This occurs in the case of an absolute increase in cash flows or if committed credit lines are insufficient to ensure pre-financing for transactions.

Liquidity planning instruments with different time-frames ensure that dwpbank is able to meet its payment obligations at all times, excluding its function as liquidity provider. To ensure that intraday payment obligations in the context of the Bank's function as a liquidity provider can also be met at all times, intraday risk indicators and stress tests were put in place in 2022 and included in the reporting for the first time as at 31 December 2022. Further liquidity management and liquidity risk topics will be developed in financial year 2023, such as a full ILAAP concept and further stress tests.

The above-mentioned risks to which dwpbank is exposed, with the exception of liquidity risks, are compared against the risk cover assets. Risk amounts are added up using a conservative approach.

As at the end of the fourth quarter of 2022, the profit received (earnings before tax) amounted to EUR 1.9 million. Together with adjusted own funds, and after deducting the hidden liabilities relating to securities amounting to EUR 39.9 million (previous year: EUR 6.8 million in hidden reserves), the risk cover assets amounted to EUR 145.3 million as at 31 December 2022 (previous year: EUR 241.6 million). Consequently, as presented in the table below, 80.2% of risk cover assets were utilised (previous year: 38.4%), and the risk buffer amounted to EUR 28.8 million (previous year: EUR 148.7 million). Based on the Bank's risk-bearing capacity analysis dated 31 December 2022, its risk-bearing capacity is therefore guaranteed.

	2022	2021
Operational risks	EUR 64.2 million	EUR 55.6 million
Counterparty risks	EUR 8.7 million	EUR 10.7 million
Market risks	EUR 29.4 million	EUR 21.5 million
Pension risks	EUR 14.2 million	EUR 5.0 million
Business risks	EUR 0.0 million	EUR 0.0 million
Total risks	EUR 116.5 million	EUR 92.9 million
Risk cover assets	EUR 145.3 million	EUR 241.6 million
Risk cover asset utilisation	80.2%	38.4%

(as at 31 December 2022)

Computational rounding differences may appear in the tables, so that the figures included therein may deviate from the precise figures.

Individual and aggregate tolerances had been exceeded as at 31 December 2022. The main reason for exceeding the tolerances was the reduction in risk cover assets due to the low earnings before taxes for 2022 and the increase in hidden liabilities relating to securities.

Given the foreseeable temporary violation of the tolerance and the "Risk cover asset utilisation" recovery indicator, a decision was made at the meeting of the Board of Management on 24 January 2023 to continue closely monitoring the indicator, but to refrain from taking additional action provided for in the recovery plan. The Bank is confident that over time (optimistic expectation of profit) it will gradually move back into compliance with the tolerance over the course of the year. The issue will be revisited and a decision on action envisaged in the recovery plan will be made in mid-2023. (Table above)

The reportable liquidity coverage ratio (LCR) at dwpbank is both a recovery and a risk indicator, and is integrated into dwpbank's monthly risk reporting. The ratio amounted to 709.3% as at 31 December 2022 (previous year: 901.9%) and consequently (as throughout the whole of 2022) was significantly above the supervisory requirement of 100% and the internal early warning threshold.

In addition, dwpbank uses other recovery and risk indicators to monitor developments in the liquidity reserves and liquidity requirements to ensure the early identification of liquidity shortages.

3.3.6 Outsourcing and risk communication

Outsourcing relationships exist between clients and dwpbank as well as between dwpbank and its service providers.

In addition to competitive, cost and quality benefits, outsourcing also results in a transfer the risk outsourced. While a bank itself was exposed to the operational risks of settlement before outsourcing, it outsources these risks to the insourcer. A new factor is the risk emerging from the outsourcing relationship, referred to as the outsourcing risk. In accordance with MaRisk, the outsourcing institution must ensure that this outsourcing risk is managed, monitored and controlled. The risk management and risk controlling processes must guarantee that the material risks – including those of outsourced activities and processes – are detected early on, tracked in full and can be appropriately presented. The role of the insourcer is to manage, monitor and control its own risk.

For all outsourcing activities, the service and quality standards agreed with the client for the outsourced processes and activities must be observed in accordance with the respective service level agreements.

dwpbank has adopted an internal policy on outsourcing dwpbank services within the meaning of section 25b KWG. It provides regulations for specific activities and duties with regard to outsourcing relationships and measures for uniform service provider management.

In line with the requirements of MaRisk (GS 9(2)), dwpbank has established a uniform risk analysis for determining the materiality of outsourcing. The relevant organisational units are included in the preparation of this risk analysis, as is Internal Audit within the scope of its responsibility.

All of dwpbank's outsourcing relationships and material sub-outsourcing arrangements are recorded in the register of outsourced activities and processes. This register is published for clients quarterly and on an ad hoc basis.

The management, monitoring and controlling of the contractual performance and reporting is ensured operationally by local outsourcing managers. They report annually on compliance with the requirements set forth under section 25b KWG and AT 9 MaRisk by way of an updated risk analysis. Based on these updates, Central Outsourcing Management prepares a summary report for the Board of Management on dwpbank's material outsourcing arrangements. The objective of this report is to provide an overview of relevant information about the insourcer against the backdrop of applicable legal requirements so as to assess the quality of the relationship and the outsourcing risk to which dwpbank is exposed. Outsourcing relationships are taken into account in the risk management system of dwpbank, particularly when quantifying operational risks using the AMA.

dwpbank provides its clients with extensive outsourcing and risk information during the year. dwpbank bundles this information in an annual outsourcing and risk report, which is also made available to clients. The outsourcing and risk report is complemented in electronic form by quarterly information on the risk map, which presents the results of the risk assessments and the scenario analyses.

3.3.7 Continuous action management

Action management primarily represents the risk control and monitoring functions based on the identification, evaluation and communication of risks within the risk management cycle. Action management consists of a number of risk management instruments and reports. Risk mitigation and risk transfer are the main options for controlling risks. Risk reduction activities were also implemented in 2022.

In dwpbank's risk management system, operational risks are systematically measured in order to ensure that they can be objectively compared and controlled, particularly on the basis of value-at-risk (VaR).

Significant risk is generally countered through avoidance or measures to mitigate or transfer risks. Business aspects, such as the cost of risk mitigation or transfer and the earnings contributions of the divisions affected, are taken into account.

Stimuli for risk controlling activities are also derived from the comparison of risk amounts and the risk cover assets.

Based on the results of risk analyses, the available options for risk avoidance, mitigation, transfer and acceptance are discussed at the meetings of the operating Risk Committee and at the meetings of the Board of Management.

Changes in the risk situation are monitored within the risk management system. Follow-up processes have been established for critical changes in the risk and recovery indicators, risk events involving significant losses and ad hoc risk reports.

dwpbank has also taken out insurance for operational risks as an instrument for risk mitigation and transfer in addition to establishing business continuity planning that allows an appropriate response to disruptions in business processes at all times.

3.3.8 Trend development and forecast

The number of risk events reported in 2022 was at a low level similar to that seen in previous years, despite the further increase in transaction volumes. Generally, in previous years there had routinely been a highly positive correlation between the number of settlements and transactions and the number of risk events reported in a year. However, this trend has no longer been evident in the period after 2020 given that transactions increased while the number of risk events remained roughly level year on year.

There is no statistical correlation between the number of events reported annually and the annual loss total. As is typical for operational risks, annual loss totals are characterised not by the frequency of losses but rather by unsystematic occurrences of large losses. The total of realised losses in 2022 was dominated by the expense incurred as a result of the mistrade (see section 2.2.2).

Indicators for Production revealed a positive overall situation in 2022. An analysis of the amber and red indicators does not indicate any systemic weaknesses. For the most part, these are dealt with as soon as possible by taking action.

In the autumn and winter months, the number of sick days taken was higher; the number was at a somewhat higher level than in the previous year.

Legal proceedings are pending in connection with dwpbank's business activities; dwpbank assumes that the claims asserted can more likely than not be defended.

In addition to the minimum capital requirements, BaFin has set a minimum requirement for own funds and eligible liabilities (MREL) for dwpbank, which the Bank has to hold as a loss and recapitalisation buffer for a potential resolution based on the current version of Directive 2014/59/EU in conjunction with section 49 (1) of the German Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz, "SAG") establishing a uniform procedure for the resolution of credit institutions and investment firms.

Based on the current MREL notification dated 24 May 2022, dwpbank must comply with a minimum MREL amounting to 20.49% of the total risk amount plus the combined buffer requirement (CBR) (currently 2.50%), i.e., a total of 22.99%, by 1 January 2022. As at 1 January 2024, the requirement will amount to 24.32% (target MREL) plus the combined buffer requirement valid at that date. dwpbank temporarily fell below the combined buffer requirement on individual working days in the first quarter of 2022. The MREL + CBR has been complied with at all times since recognition of the retention of earnings at the end of the first quarter of 2022.

At the Client Support Centre, availability exceeded the prior-year level with a lower volume of calls. The number of open external tickets was higher than in the previous year, but their level remained uncritical.

WP2 system availability remained at the prior-year level and was very high overall; the risk indicator "online availability of WP2" averaged 99.86% (previous year: 99.91%). The availability indicators for WPDirect and WPIO averaged 99.82% and 99.88%, respectively, and thus likewise remained level with the prior-year figures of 99.72% and 99.90%.

The very high levels of the system availability indicators in 2022 is also reflected in IT disruptions: there were none with very high criticality and just one with high criticality. The highly critical disruption consisted of delayed order processing; however, it did not give rise to any losses. In 2022, the software quality of the securities system family was improved year on year with respect to impact of dis-

ruptions on clients. This development is primarily attributable to the technical improvements in the client access interface introduced in recent years.

Process stability is measured using the indicators "operational stability" (comprising individual indicators from securities settlement) and "IT stability" (availability indicators and disruptions). "Operational stability" amounted to 99.92% for 2022. In relation to "IT stability", availability amounted to 99.85% with one highly critical disruption. The indicators improved slightly as against the previous year, and thus remain at a good qualitative level.

Over the course of the year, the provider management indicators were at a very good level.

Two security incidents were reported for 2022. One security incident resulted in disruptions to the operation of Internet services for the Finanz Informatik Technologie Service (FI-TS), which were caused by a distributed denial-of-service (DDoS) attack. dwpbank's services were not the direct target of the attack. Since dwpbank uses a shared Internet gateway with other FI-TS clients, however, this can result in restrictions on availability at clients not directly affected by the attack. FI-TS successfully mitigated the attack. The second security incident occurred as a result of maintenance work on the "TopE-ase" application. Flawed permissions structures in the application's risk catalogue caused all dwpbank employees, including external staff, to have read access to all information security risks in the Bank's risk inventory. The incident was analysed, documented and ultimately rectified by means of a change on 30 September 2022.

The contingency management risk indicators increased slightly year on year, but remained at a non-critical level.

Expectations-based simulations of risk-bearing capacity for each of the four quarters of 2023 revealed a total annual average risk amount of EUR 117.6 million across all observed risk categories and an expected average risk cover assets of EUR 171.9 million.

The Bank-wide risk management system will continue to be further developed in 2023 to take account of market trends resulting from market participants' intensified trading activities, regulatory requirements, new technologies, and the increasing significance of IT solutions in the banking sector. One focus will be on identifying the influence of ESG factors on existing risk types and taking them into consideration in the risk management processes.

3.4 Outlook and report on opportunities

3.4.1 Outlook for the economy and financial markets

The past year was largely shaped by multiple crises, such as the war in Ukraine, high inflation and skyrocketing energy prices. Despite what are likely to be better-than-expected economic figures for 2022, in particular due to a surprisingly positive first half of the year, the expectations for 2023 are of lower growth and persistently high inflation. For 2022, the European Commission anticipates total real GDP growth of 3.3%, 0.6 percentage points higher than its summer forecast. For Germany, the expectation remains of 1.6% growth. Prices rises in the past year were far greater than previously forecast (as recently as summer 2022). The inflation rate in the eurozone was 8.5% (rising to 8.8% in Germany), which far exceeded the level assumed at the beginning of 2022 and was well beyond the target of 2% set by the European Central Bank (ECB). The particular influencing factors were the massive price rises, including for commodities and energy.

According to forecasts from the European Commission, these trends will likely persist in 2023. The economy in Europe is expected to slowly regain momentum in 2023, with inflation gradually being brought until control. Demand is nevertheless expected to remain subdued. Experts anticipate a further rise in consumer prices due to permanently high prices elsewhere, particularly in the energy sector. It is furthermore expected that the economic situation will also depend on how events unfold in Ukraine. For 2023, the European Commission continues to expect only slight GDP growth of 0.3% in the EU and the eurozone, and anticipates that GDP in Germany will contract slightly by -0.3%.

As before, the high inflation combined with low interest rates will cause negative interest rates in real terms. The difference has actually widened further in the current environment. This has caused low-income households and investors with somewhat restricted scope for wealth creation to cut down on how much they save and even stop saving altogether. We expect the impact on asset portfolios and savers with greater financial leeway to be lower. Since this customer group makes up a considerable share of our client business, we expect fewer negative changes impacting developments in transactions and savings plans.

The majority of macroeconomic growth forecasts by leading economic research institutions and public bodies point towards a slight decline of between -0.5% (Hamburg Institute of International Economics and the Bundesbank) and -0.2% (German Council of Economic Experts). It is also anticipated that the German economy will stage a gradual recovery from the second half of 2023 onwards.

The European Central Bank (ECB) had previously assumed that inflation in the eurozone would decline significantly in 2023, however the factors driving prices have now caused a correction of more than two percentage points to roughly 8.5% for the year as a whole. This is reflected in the significant increase in wholesale gas and electricity prices, which consequently impact almost all goods and services in the eurozone. Even after interest rate hikes in 2022, the ECB has signalled that these have to increase significantly at a constant pace to achieve a return to the inflation target of 2% in the near future. Furthermore, the ECB announced in December that it would be reducing its Asset Purchase Programme (APP) from March 2023. The decline is set to average EUR 15 billion per month until the end of the second quarter of 2023. The rate of reduction will be monitored on an ongoing basis with respect to short-term effects on the European markets. The ECB will announce and publish the detailed parameters for the programme at its meeting in February.

For the stock exchanges, it is difficult to make predictions for 2023 under these political conditions. German and foreign banks are forecasting that Germany's benchmark DAX index will amount to between 14,000 and 16,000 points at the end of 2023, with one exception (forecast of 11,500 points). The average of these forecasts is roughly 15,000 points.

A lively and volatile year is expected in the securities business in 2023, particularly in light of the continuing crises from 2022.

3.4.2 Regulatory and market requirements affecting dwpbank's business model

Regulatory and market-driven requirements will also impact dwpbank's business activities in 2023. Added to this are specific requirements for the core business area of securities services; these are already discernible from today's perspective and will need to be implemented in the coming years.

The EU strategy for retail investors is expected to be published in the first half of 2023, closely followed by a proposal to overhaul MiFID. Current assessments show that these regulatory initiatives will be of key significance for dwpbank and its clients. They will involve considerable analysis and implementation requirements in 2023 and subsequent years, with preliminary studies and/or implementation work beginning as early as 2023 given the expected scope. Furthermore, process adjustments are conceivable as a result of the amendment to MiFID and MiFIR in relation to capital market transparency.

In the key area of sustainability, dwpbank will take further action in 2023 to implement the requirements for sustainability reporting, which are required on the one hand as part of the EU Taxonomy Regulation and on the other under the Corporate Sustainability Reporting Directive (CSRD) from the 2024 reporting period. Action will also be taken to comply with the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, "LkSG").

An increased workload is expected in 2023 in connection with efforts to implement the German Act to Modernise Relief from Withholding Tax (Abzugsteuerentlastungsmodernisierungsgesetz, "AbzStEntModG"), for which the Federal Ministry of Finance and the Federal Central Tax Office (Bundeszentralamt für Steuern) have announced additional technical and legal requirements, including with respect to planned interfaces with the Federal Central Tax Office. With regard to definitive withholding tax, additions to the Federal Ministry of Finance application guidance have also been announced. Their publication in 2023 is likewise expected to require further modification of dwpbank's systems. Furthermore, in 2023 the Federal Ministry of Finance announced the German Financing for the Future Act (Zukunftsfinanzierungsgesetz), which among other things will introduce changes to tax loss offset accounts that will lead to implementation work in dwpbank's systems.

In US withholding tax services, subsequent adjustments due to the new QI agreement in force as of 1 January 2023 will give rise to analysis and implementation work. It is also expected that process modifications will be required due to the amendments made in the 2022 Annual Tax Act to section 4 of the German Tax Consultancy Act (Steuerberatungsgesetz, "StBerG") and the resulting opportunity to expand general withholding tax services.

With regard to using blockchain as an innovative application option and base technology in the securities business, the EU Markets in Crypto Assets (MiCA) Regulation is expected to be finalised in 2023. dwpbank is including blockchain developments as part of its current roadmap.

Another update to MaRisk is expected in 2023, and the EU regulation on the operational stability of digital systems in the financial sector was announced at the beginning of 2023, which will entail extensive harmonisation of the information and communication systems within financial entities. Both will need implementing in dwpbank's processes and systems.

Compliance with regulatory requirements will continue to represent a not inconsiderable burden on the overall banking sector and dwpbank. By bundling implementation of regulatory and market requirements, going forward dwpbank intends to continue easing the burden on its clients arising from their own implementation efforts and the resulting risks, and deliver value added in securities service. This opens up opportunities for dwpbank to work more closely with its existing client base and to gain new clients, including by expanding the product and service portfolio.

3.4.3 Opportunities for dwpbank's long-term economic development

As in previous years, developments on the securities market are a key factor shaping dwpbank's financial results.

Adjusted for the demigration of Postbank, dwpbank expects that transaction numbers will remain stable in 2023 (+1.1 million; +3%) and anticipates growth in the number of securities account items (+2.2 million securities account items; +8%), with the corresponding effects on earnings. Furthermore, it is expected that the savings plan business (likewise adjusted for the demigration of Postbank) will experience strong transaction growth of +2.6 million transactions (+24%). Clients' increasing use of online channels is a key long-term driver behind this development.

Expanding the portfolio business should lock in and tap new income potential for dwpbank. This is also a key prerequisite for generating further cost synergies. The goal is to further solidify the Bank's role as the leading securities services provider in the financial services networks and to achieve growth in the use of dwpbank's services. Value-added products such as BOSK services, the securities savings product family and add-on products for regulatory

services will be systematically expanded. dwpbank also aims to broaden its support for asset management. An opportunistic approach will continue being taken to the new client business going forward.

The established cost and process management efforts will remain a top priority in 2023 due to the continuing need for investments relating to regulatory matters and infrastructure development to bolster technical and operational resilience. Cost reductions continue to be expected from continually developing, optimising and – where it makes sense – digitalising processes, both internally, on a cross-divisional basis and in cooperation with clients. Another key focus that will remain on the agenda in 2023 is to generate additional cost effects by continuing to outsource and bundle (sub-)processes screened for this purpose to dwp Service GmbH and dwp Software Kft. At the same time, we are working on the capability for dwp Service GmbH and dwp Software Kft. to assume process and technical responsibility for further growth.

As before, the regulatory developments in Germany and at the EU level in respect of financial services based on DLT and blockchain are noticeably hastening the pace of development in digital assets (e.g., crypto-currencies and crypto-securities). Against this background, the intention is to further broaden and supplement the established infrastructure to expand dwpbank's range of products and services. The first step was the work in 2022 to develop a minimum viable product (MVP) for crypto currencies, which will gradually be expanded into a complete product solution for digital assets, including safe custody and settlement capabilities. The MVP Crypto project achieved its project goals with a successful pilot trade in December 2022. The plan for 2023 is to continue the blockchain/DLT activities already ongoing under the MVP Crypto project and its expansion stages.

dwpbank is pushing ahead with modernising its IT platform to enhance stability and lock in future viability as part of the "MoveWP3" programme. The continued technical development of the settlement systems will be driven forward in several stages. The architecture selected allows various technologies to be combined effectively, so that new technologies such as data intelligence can be integrated to leverage benefits for dwpbank and its clients. Work commenced on further expansion stages in financial year 2023, in particular the first steps for the new order and trade management system.

Efforts will continue in 2023 on systematically implementing the measures bundled in the "dwpbank 2024" strategy programme to achieve strategic goals in the three action areas of "Focus", "Improve" and "Grow". Bundling these and ensuring overall management made it possible to pursue the strategic objectives and safeguard the long-term success of dwpbank's platform. We will continue with our implementation journey.

Based on the activities outlined and the respective planning, dwpbank expects earnings before taxes in the mid-seven digit range for 2023, significantly exceeding the figure for the financial year ended that was dominated by a one-off incident.

Assets

from 31. Dezember 2022

Assets	EUR	31/12/22 EUR	31/12/21 EUR thousand
1. Cash			
a) Central bank balances of which: eligible at Deutsche Bundesbank EUR 85,569.91 (previous year: EUR 77,835 thousand)	85,569.91		77,835
		85,569.91	
2. Loans and advances to other banks			
a) Payable on demand	416,938,766.92		317,979
		416,938,766.92	
3. Loans and advances to clients		3,089,180.94	1,898
4. Bonds and other fixed-income securities			
a) Bonds and notes			
aa) Of public-sector issuers of which: eligible at Deutsche Bundesbank EUR 121,276,797.63 (previous year: EUR 124,098 thousand)	121,276,797.63		124,098
ab) Of other issuers of which: eligible at Deutsche Bundesbank EUR 23,415,899.72 (previous year: EUR 23,928 thousand)	23,415,899.72		23,928
		144,692,697.35	
5. Equities and other non-fixed-income securities		108,163,914.91	115,000
6. Equity investments		320,000.00	320
7. Shares in affiliated companies		651,697.32	652
8. Trust assets of which: fiduciary loans EUR 0.00 (previous year: EUR 0 thousand)		1,851,308.02	8,527
9. Intangible fixed assets			
a) Internally generated industrial and similar rights and assets	51,150,350.43		33,535
b) Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	1,742,322.00		3,012
		52,892,672.43	
10. Tangible fixed assets		5,670,063.93	5,762
11. Other assets		30,135,351.67	16,073
12. Prepaid expenses		3,515,319.52	2,636
13. Deferred tax assets		47,021,777.00	41,077
Total assets		815,028,319.92	772,332

Equity and liabilities	EUR	31/12/22 EUR	31/12/21 EUR thousand
1. Liabilities to other banks			
a) Payable on demand	322,058,451.19		261,332
		322,058,451.19	
2. Liabilities to clients			
a) Other			
aa) Payable on demand	174,267.51		195
		174,267.51	
3. Trust liabilities			
of which: fiduciary loans EUR 0.00 (previous year: EUR 0 thousand)		1,851,308.02	8,527
4. Other liabilities		13,992,416.40	15,114
5. Deferred income		90,910.56	234
5a. Deferred tax liabilities		16,260,185.00	10,666
6. Provisions			
a) Provisions for pensions and similar obligations	108,400,379.12		118,760
b) Provisions for taxes	0.00		551
c) Other provisions	67,314,097.22		60,945
		175,714,476.34	
7. Equity			
a) Subscribed capital	20,000,000.00		20,000
b) Capital reserves	108,416,625.67		108,417
c) Revenue reserves			
ca) Legal reserves	2,000,000.00		2,000
cb) Other revenue reserves	152,991,212.51		112,591
d) Net retained profits	1,478,466.72		53,000
		284,886,304.90	
Total equity and liabilities		815,028,319.92	772,332

1. Other obligations			
a) Irrevocable loan commitments		1,449,862.80	1,353

Income statement

for the period from 1 January to 31 December 2022

	EUR	EUR	2022/EUR	previous year/ EUR thousand
1. Interest income from				
a) Lending and money market transactions of which: negative interest on credit balances EUR 488,856.36 (previous year: EUR 867 thousand)	2,765,240.53			2,254
b) Fixed-income securities and debt register claims	805,482.46	3,570,722.99		781
2. Interest expense		-3,619,192.01		-3,837
			-48,469.02	-802
3. Current income from				
a) Equities and other non-fixed-income securities		90.00		0
b) Equity investments		16,361.14		21
c) Shares in affiliated companies		115,500.00		128
			131,951.14	149
4. Income from profit pooling, profit and loss transfer, or partial profit transfer agreements			163,706.52	326
5. Fee and commission income	421,204,976.93			416,432
6. Fee and commission expense	-100,516,475.96			-103,247
			320,688,500.97	313,185
7. Other operating income			80,437,005.80	65,464
8. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-94,653,083.10			-92,791
ab) Social security, post-employment and other employee benefit costs of which: in respect of old-age pensions EUR 11,610,793.74 (previous year: EUR 4,537 thousand)	-25,698,381.66	-120,351,464.76		-18,190
b) Other administrative expenses	-142,020,845.62			-140,946
			-262,372,310.38	-251,927

	EUR	EUR	2022/EUR	previous year/ EUR thousand
9. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets			-9,606,821.22	-13,336
10. Other operating expenses of which: interest on longer-term provisions: EUR 4,633,951.59 (previous year: EUR 14,316 thousand)			-116,926,400.75	-53,649
11. Write-downs of and allowances on loans and advances and certain securities and additions to provisions for credit risks			-529,583.21	-2,106
12. Write-downs of and allowances on equity investments, shares in affiliated companies and securities treated as fixed assets			-9,990,037.87	0
13. Result from ordinary activities			1,947,541.98	57,304
14. Taxes on income				
a) Current taxes on income	-819,606.60			-24,150
b) Deferred taxes	350,531.34			4,062
			-469,075.26	-20,088
15. Net income for the financial year			1,478,466.72	37,216
16. Retained profits brought forward from prior period			0.00	15,784
17. Net retained profits			1,478,466.72	53,000

Statement of changes in fixed assets

for the period from 1 January to 31 December 2022

	Cost			Cost
	01/01/2022	Additions	Disposals	31/12/2022
I. Intangible fixed assets				
1. Internally generated industrial and similar rights and assets	85,654,020.63	26,145,256.37	-1,489,348.41	110,309,928.59
2. Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	7,825,070.23	0.00	-9,657.79	7,815,412.44
Total intangible fixed assets	93,479,090.86	26,145,256.37	-1,499,006.20	118,125,341.03
II. Tangible fixed assets				
1. Technical equipment and machinery	15,732,727.94	373,826.42	-127,164.22	15,979,390.14
2. Other assets, operating and office equipment	9,308,375.27	847,798.89	-664,583.76	9,491,590.40
Total tangible fixed assets	25,041,103.21	1,221,625.31	-791,747.98	25,470,980.54
III. Long-term financial assets				
1. Bonds and other fixed-income securities	0.00	143,924,574.49	0.00	143,924,574.49
2. Equities and other non-fixed-income securities	114,999,906.87	0.00	0.00	114,999,906.87
3. Equity investments	320,000.00	0.00	0.00	320,000.00
4. Shares in affiliated companies	651,697.32	0.00	0.00	651,697.32
Total long-term financial assets	115,971,604.19	143,924,574.49	0.00	259,896,178.68
Total	234,491,798.26	171,291,456.17	-2,290,754.18	403,492,500.25

Depreciation, amortisation and write-downs			Depreciation, amortisation and write-downs			Carrying amount	Carrying amount
01/01/2022	Additions	Disposals	31/12/2022	31/12/2022	31/12/2021		
-52,118,382.32	-7,041,195.84	0.00	-59,159,578.16	51,150,350.43	33,535,638.31		
-4,813,544.23	-1,269,204.00	9,657.79	-6,073,090.44	1,742,322.00	3,011,526.00		
-56,931,926.55	-8,310,399.84	9,657.79	-65,232,668.60	52,892,672.43	36,547,164.31		
-12,027,246.57	-659,067.49	110,273.85	-12,576,040.21	3,403,349.93	3,705,481.37		
-7,252,106.27	-637,353.89	664,583.76	-7,224,876.40	2,266,714.00	2,056,269.00		
-19,279,352.84	-1,296,421.38	774,857.61	-19,800,916.61	5,670,063.93	5,761,750.37		
0.00	-3,154,045.91	0.00	-3,154,045.91	140,770,528.58	0.00		
0.00	-6,835,991.96	0.00	-6,835,991.96	108,163,914.91	114,999,906.87		
0.00	0.00	0.00	0.00	320,000.00	320,000.00		
0.00	0.00	0.00	0.00	651,697.32	651,697.32		
0.00	-9,990,037.87	0.00	-9,990,037.87	249,906,140.81	115,971,604.19		
-76,211,279.39	-19,596,859.09	784,515.40	-95,023,623.08	308,468,877.17	158,280,518.87		

Notes to the 2022 annual financial statements

General information

The annual financial statements of Deutsche WertpapierService Bank AG (hereinafter dwpbank AG) for the 2022 financial year were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, "HGB"), including sections 340 et seq. in particular, and the German Regulation on Accounting by Banks (Kreditinstituts-Rechnungslegungsverordnung, "RechKredV").

I. Accounting policies

Assets and liabilities have been accounted for in accordance with German generally accepted accounting principles as set out in sections 252 et seq. HGB unless dictated otherwise by the special provisions of sections 340 et seq. HGB. The provisions of the RechKredV were observed.

The individual assets were measured conservatively. Loans and advances to other banks and to clients were measured at their principal amounts. Liabilities are carried at their settlement amounts.

To adequately account for expected bad debts, specific valuation allowances were recognised in respect of loans and advances to clients in financial year 2022. The specific valuation allowances for exposures at imminent risk of default are calculated based on an individual estimate. The necessary valuation allowances are deducted from the loans and advances.

Latent credit risk must be accounted for by recognizing corresponding global valuation allowances. In accordance with IDW accounting principle AcP BFA 7, historical credit loss experience is used as the basis for calculating expected credit losses and consequently for assessing whether a global valuation allowance needs to be recognised for any potential counterparty credit risk. Furthermore, dwpbank's specific business model is taken into consideration and transparent assumptions are made about probabilities of default.

The calculation of global valuation allowances assumes a ten-year observation period, during which the defaults on loans and advances to customers recorded by dwpbank were negligible in terms of amount.

There are no indications in dwpbank's 2022 annual financial statements that a global valuation allowance needs to be recognised. The assumption going forward is that dwpbank's loans and advances to customers will not be subject to any general counterparty credit risk that would require a global valuation allowance to be recognised taking into account the impact of the current macroeconomic environment on our customers.

Receivables and liabilities from the performance of payments in association with securities were recognised by the Bank as trust assets and trust liabilities respectively, provided the appropriate contractual bases exist.

Securities are classified as fixed assets or current assets using objective and subjective criteria depending on their purpose. The objective criteria represent classification based on the respective features of the asset, whereas the subjective criteria relate to how dwpbank can use the individual asset.

From initial recognition onwards, the debt instruments in the Bank's own portfolio had been allocated exclusively to the liquidity reserve and thus to current assets, and measured in accordance with the strict principle of lower of cost or market value.

Due to a change of purpose, under which securities are now intended to serve dwpbank's business operations in the long term, in September 2022 the Bank resolved to reclassify bonds with time to maturity of more than one year as at 31 December 2022 from current assets to fixed assets, and to measure them in accordance with the less strict principle of lower of cost or market value. The listed fixed-income securities serve a long-term purpose as collateral for the execution of securities transactions, in particular in the form of financial brokerage transactions (exchange-traded and over-the-counter), and to hedge risks arising from dwpbank's current pension obligations. Furthermore, dwpbank has no intention of realising gains by means of disposals from its bond portfolio. The securities are also no longer needed for the liquidity reserve, and the intention is generally to hold them until maturity. Bonds with time to maturity of less than one year that remain in current assets are measured in accordance with the strict principle of lower of cost or market value using the market value as at the balance sheet date; they remain allocated to the liquidity reserve.

The securities reclassified to fixed assets were measured in accordance with the less strict principle of lower of cost or market value as at 31 December 2022. Write-downs were only recognised if any impairment identified was expected to be permanent. The impairment test differentiated between changes in value due to interest rates and those due to credit ratings. In the case of a prolonged price loss due solely to interest rates, held-to-maturity fixed-income securities which are expected to be redeemed at their principal amount are written down to that principal amount.

The special fund allocated to fixed assets on launch and reported under the "Equities and other non-fixed-income securities" balance sheet item was measured in accordance with the less strict principle of lower of cost or market value.

In the case of fixed-income special funds, the assessment of whether impairment was permanent took into consideration the fund's composition and risk profile, the fixed-income securities held in the fund, potential compensatory effects and potential reductions in capital due to planned or implemented distributions or reallocations of the fund's material assets.

For the purposes of measurement as at the balance sheet date, the look-through principle was applied on the assumption that impairment was expected to be permanent. To do so, all of the fixed-income securities held in the fund were analysed and valued separately as at the respective reporting date. To the extent that fixed-income securities were not subject to valuation haircuts due to ratings downgrades, and both the intention and objective conditions were present to hold them until maturity, securities acquired at a discount (below par) were written down to their respective principal amount and compensatory effects, depending on the time to matu-

riety. Bonds included in the fund that are not expected to be held until maturity were reported at their respective market value as part of the overall valuation of the special fund, and a corresponding write-down was applied.

Equity investments and shares in affiliated companies were carried at cost, less write-downs in the event that impairment is expected to be permanent.

If the reasons for writing down a financial asset cease to apply, the write-down is reversed up to a maximum of the asset's historical cost.

Finite-lived items of intangible and tangible fixed assets are carried at cost and reduced by depreciation reflecting their expected useful lives. These useful lives are generally based on the depreciation tables published by the tax authorities. If any impairment identified is expected to be permanent, the carrying amount of the asset is written down.

The bank has exercised the option provided under section 248 (2) HGB to capitalise internally generated intangible assets.

Low-value assets are recognised in accordance with tax simplification rules.

The provisions take into account all identifiable risks and uncertain obligations as at the balance sheet date and were recognised at their settlement amount in accordance with prudent business judgement.

Pension and early retirement provisions are calculated in line with actuarial principles in application of the projected unit credit method (in other words at their full present value) and in application of the Prof. Klaus Heubeck 2018 G mortality tables, based on the following actuarial assumptions:

	%
Discount rate (10-year average)	1.78
Discount rate (7-year average)	1.44
Pension increase	1.50–2.20
Early retirement benefits	2.20

In accordance with section 246 (2) HGB, the Bank offset assets and liabilities to the necessary extent. These relate to the provisions for partial retirement and the corresponding plan assets.

Foreign currency receivables and liabilities were translated at the ECB reference rates of 31 December 2022 in accordance with section 340h HGB.

The Bank presents deferred tax assets and liabilities separately under assets and under liabilities (section 274 (1) HGB). The calculation is based on a tax rate of 31.789%.

The proposal for the appropriation of profits was prepared taking into account the restrictions on distribution set out in section 253 (6) HGB and section 268 (8) HGB.

For 2022, changes in fixed assets were presented for the first time in a separate statement of changes in fixed assets appended to the notes. In addition, various details previously described in narrative form in the notes are now presented in tables. Both of these changes serve to improve transparency and clarity.

In accordance with IDW AcP BFA 3, the entire banking book under the HGB was measured at the lower of cost or market value, whereby the interest-bearing transactions and financial instruments (on- and off-balance-sheet items) not held for trading were assessed with respect to whether a provision under section 249 HGB (provision for expected losses) had to be recognised in application of the principle of prudence under the HGB for any excess obligations. Any potential excess obligation was calculated using an income statement approach. Administrative expenses were recognised at the level of the full-time equivalents (FTEs) required, decreasing as securities matured. Appropriate risk premiums were included in the carrying amounts of the securities. As at the balance sheet date,

this valuation did not result in any negative balance of discounted earnings contributions for the period. Consequently, it was not necessary to recognise a provision for expected losses for transactions in the banking book.

Computational rounding differences may appear in the tables, so that the figures included therein may deviate from the precise figures.

II. Notes to the balance sheet

1. Cash

The central bank balances of EUR 86 thousand (previous year: EUR 77,835 thousand) reported as cash relate to loans and advances payable on demand from securities settlement as part of operating activities and non-operating credit balances.

2. Loans and advances to other banks

Loans and advances to other banks can be broken down as follows. (Table below)

3. Loans and advances to clients

The loans and advances to clients payable on demand of EUR 3,089 thousand (previous year: EUR 1,898 thousand) resulted primarily from invoices outstanding as at the balance sheet (EUR 2,753 thousand; previous year: EUR 1,898 thousand). The invoices outstanding as at the balance sheet date included loans and advances to affiliated companies of EUR 511 thousand (previous year: EUR 453 thousand).

Foreign currency receivables amounted to EUR 64 thousand (previous year: EUR 0 thousand).

Loans and advances to other banks

EUR thousand	31/12/2022	31/12/2021
Payable on demand		
Credit balances with banks	416,939	317,979
of which from operating activities in the securities business	327,238	238,474
of which foreign currency receivables	31,553	54,054
of which receivables from banks in which dwpbank holds an equity interest	283,186	76,377

4. Bonds and notes

This item consists entirely of fixed-income, listed securities. These relate primarily to bonds issued by the Federal Republic of Germany and the Kreditanstalt für Wiederaufbau, foreign government bonds, and Pfandbriefe issued by banks.

Bonds and notes serve as collateral for dwpbank's participation in Xetra trading as a CCP of EUREX Clearing AG and in trading on the Frankfurt Stock Exchange, as well as to secure the domestic transactions settled via the Bundesbank account. They are deposited in a pledged securities account with Clearstream.

In financial year 2022, securities with a carrying amount of EUR 143,440 thousand were reclassified from current assets to fixed assets. The term to maturity of these securities as at the balance sheet date amounted to more than one year in each case. One security with a carrying amount of EUR 4,032 thousand (principal amount: EUR 4,000 thousand) and time to maturity of less than one year will remain under current assets until maturity.

The reclassification of the securities already included in securities account A as at 31 December 2021 was recognised directly in equity at the respective carrying amounts as at 31 December 2021. The reclassification of the securities in securities account A newly acquired in 2022 was recognised directly in equity at their respective acquisition costs as at 31 December 2021.

Due to the reclassification from current assets to fixed assets, the securities with a carrying amount of EUR 140,286 thousand allocated to fixed assets from the bond portfolio were not written down to the respective lower market value of EUR 114,702 thousand as at the balance sheet date. Of that amount, a write-down on acquired securities with carrying amounts of EUR 49,276 thousand was not recognised, since these were already measured at carrying amounts below their respective principal amounts.

5. Equities and other non-fixed-income securities

The carrying amount of this item relates to the unlisted units of a German institutional fund (Spezialfonds) launched for dwpbank. The fund serves to generate returns in excess of the money market interest rate and can be liquidated at short notice without restrictions.

Due to interest rate-related impairment that is expected to be permanent, the units of the special fund with a carrying amount of EUR 108,164 thousand classified as long-term financial assets were not written down to the market value of the fund units (EUR 87,338 thousand), but rather to the fair value of the fund units calculated in application of the look-through approach specified in point I. below.

The special fund did not make any distributions in the financial year. The interest accruing was reinvested in the special fund.

As at year-end, the special fund predominantly contains highly rated securities mainly issued by euro area governments and German and European institutions.

6. Equity investments

dwpbank holds a 26% interest in CintaC A/S, Roskilde, Denmark, which it carries at a value of EUR 320 thousand. The shares are not listed. The company's share capital amounts to DKK 573 thousand (EUR 77 thousand). In financial year 2021 (the most recent financial year in which annual financial statements are available for this equity investment), it generated net income for the year of DKK 469 thousand (EUR 63 thousand).

7. Shares in affiliated companies

As at 31 December 2022, dwpbank held shares in the following affiliated companies: (Table below)

Shares in affiliated companies

Company	Registered office	Equity EUR thousand	Net income for the financial year EUR thousand	Equity interest
dwp Service GmbH	Halle/Saale	500	164	100.00%
dwp Software Kft.	Budapest (Hungary)	1,295	347	100.00%

The shares held by dwpbank in dwp Software Kft., Budapest (Hungary) are recognised at their original cost of EUR 113 thousand; the shares in dwp Service GmbH, Halle/Saale, are recognised at cost in the amount of EUR 539 thousand. The shares of neither company are listed.

In accordance with section 290 (5) HGB, consolidated financial statements were not prepared since taken together the subsidiaries need not be included in consolidated financial statements on account of their insignificance for the presentation of the net assets, financial position and results of operations of the Group, in accordance with section 296 (2) HGB.

The changes in the long-term financial assets outlined in notes 4 to 7 are presented in the statement of changes in fixed assets attached to the notes. (Page 52)

8. Trust assets

The trust assets reported separately here relate entirely to loans and advances to other banks of EUR 1,851 thousand (previous year: EUR 8,527 thousand) resulting from payments associated with securities settlement. This item is offset by trust liabilities to other banks in the same amount.

Foreign currency receivables amounted to EUR 1,009 thousand (previous year: EUR 6,737 thousand).

9. Intangible fixed assets

This item consists primarily of software developed internally by the Bank. The Bank identified EUR 26,145 thousand (previous year: EUR 11,434 thousand) of its project work as additions eligible for capitalisation in the financial year and recognised this amount as internally generated intangible assets.

Purchased intangible assets relate exclusively to software. Software is carried at cost less amortisation. The amortisation period is four years.

10. Tangible fixed assets

Tangible fixed assets are finite-lived operating assets and business equipment, as well as technical equipment and machinery. The useful life of a tangible fixed asset takes account of the asset's physical life, technical obsolescence and contractual and statutory restrictions.

The changes in the intangible fixed assets and tangible fixed assets outlined in notes 9 and 10 are presented in the statement of changes in fixed assets attached to the notes.

11. Other assets

The other assets can be broken down as follows as at the balance sheet date: (Table below)

The income tax receivables amounting to EUR 21,307 thousand (previous year: EUR 3,881 thousand) were due to the tax prepayments made during the course of financial year 2022 and the reduced earnings before taxes resulting from an extraordinary loss event.

Other assets

EUR thousand	31/12/2022	31/12/2021
Income tax receivables	21,307	3,881
Employee-related receivables	4,957	4,615
Receivables from securities settlement	2,739	1,928
Other assets from settlement with depositories	165	3,222
Creditors with debit balances	88	820
Miscellaneous other assets	879	1,607
	30,135	16,073

The miscellaneous other assets also include a subordinated asset of EUR 290 thousand (previous year: EUR 193 thousand) resulting from payments for an irrevocable loan commitment in the total amount of EUR 1,740 thousand (previous year: EUR 1,740 thousand).

The other assets include items denominated in foreign currencies amounting to EUR 1,578 thousand (previous year: EUR 0 thousand).

12. Prepaid expenses

This item includes EUR 3,515 thousand (previous year: EUR 2,636 thousand) in prepaid advance payments by dwpbank only.

13. Deferred tax assets

Deferred tax assets amounting to EUR 47,022 thousand resulted from differences in the measurement of balance sheet items in the tax accounts and in the financial accounts. This relates primarily to the recognition of a tax adjustment item in accordance with section 4e of the German Income Tax Act (Einkommensteuergesetz, "EStG"), the special fund (tax recognition of retained income) and the difference in the recognition of individual provisions under tax law, in particular pension and restructuring provisions. A further EUR 5,945 thousand results pro rata from the effects in income of 2022.

14. Liabilities to other banks

The EUR 322,058 thousand in liabilities payable on demand (previous year: EUR 261,332 thousand) resulted

mainly from the Bank's operating activities in the securities business and included EUR 32,312 thousand (previous year: EUR 53,578 thousand) denominated in foreign currency.

Liabilities to banks in which dwpbank holds an equity interest totalled EUR 2,550 thousand (previous year: EUR 32,818 thousand).

15. Liabilities to clients

Liabilities to non-banks amounted to EUR 174 thousand (previous year: EUR 195 thousand); these related mainly to liabilities from the Bank's operating activities in the securities business. This included foreign currency liabilities of EUR 14 thousand (previous year: EUR 1 thousand).

16. Other liabilities

The other liabilities can be broken down as follows as at the balance sheet date: (Table below)

Other liabilities includes items denominated in foreign currencies amounting to EUR 12 thousand (previous year: EUR 16 thousand).

17. Deferred tax liabilities

All of the deferred tax liabilities (EUR 16,260 thousand) relate to the capitalisation of internally generated intangible fixed assets. In financial year 2022, deferred tax liabilities increased by EUR 5,595 thousand through profit or loss.

Other liabilities

EUR thousand	31/12/2022	31/12/2021
Liabilities from operating activities in the securities business	3,531	6,017
Employee-related liabilities	3,459	2,945
Liabilities from services	2,997	-487
VAT liabilities	2,041	3,560
Miscellaneous other liabilities	1,964	3,079
	13,992	15,114

18. Provisions

Provisions before offsetting against plan assets totalled EUR 175,972 thousand as at 31 December 2022 (previous year: EUR 180,475 thousand).

The provisions offset against plan assets can be broken down as follows: (Table 1 below)

The difference in pension provisions in accordance with section 253 (6) HGB amounts to EUR 8,072 thousand. The reduction in the pension provisions was due to outsourcing a portion of the pension obligations to a pension fund.

Under other employee-related provisions, the provision for partial retirement was offset against the corresponding

plan assets of EUR 227 thousand in accordance with section 246 (2) HGB. This figure constitutes both the fair value and amortised cost of the reinsurance.

No provision for corporate income tax and trade tax was recognised in 2022 due to the tax prepayments made during the financial year and the reduced earnings before taxes resulting from an extraordinary loss event.

19. Equity

Subscribed capital amounted to EUR 20,000,000 and is divided into 20,000,000 registered voting shares with restricted transferability. The share capital is fully paid up and structured as follows: (Table 2 below)

Provisions

EUR thousand	31/12/2022	31/12/2021
Provisions for pensions and similar obligations	108,400	118,760
Provisions for outstanding invoices	24,704	21,992
Restructuring provisions	15,864	10,807
Other employee-related provisions	12,731	13,576
Provisions for early retirement	9,214	8,993
Provisions for holiday leave and flexitime	3,596	3,886
Provisions for partial retirement	373	409
Provisions for taxes	0	551
Other provisions	832	1,282
	175,714	180,256

Equity

Shareholders as at 31 December 2022	Percentage	No. of shares
DZ BANK	50,00000%	10,000,000
Sparkassenverband Westfalen-Lippe	20,00000%	4,000,000
Rheinischer Sparkassen- und Giroverband	20,00000%	4,000,000
Bayerische Landesbank	3,74501%	749,002
Landesbank Hessen-Thüringen Girozentrale	3,74499%	748,998
DekaBank Deutsche Girozentrale	2,51000%	502,000
	100,00000%	20,000,000

Changes in equity

EUR thousand	Subscribed capital	Capital reserves	Legal reserves	Other revenue reserves	Net retained profits
Brought forward as at 1 Jan. 2022	20,000	108,417	2,000	112,591	53,000
Additions to revenue reserves from prior-year net retained profits				40,400	-40,400
Profit distribution from prior-year net retained profits					-12,600
Balance as at 31 Dec. 2022	20,000	108,417	2,000	152,991	1,478
Total equity					284,886

Changes in equity in the financial year: (Table above)

20. Foreign currencies

As at 31 December 2022, EUR 34,204 thousand (previous year: EUR 60,791 thousand) in assets and EUR 33,347 thousand (previous year: EUR 60,332 thousand) in liabilities were denominated in foreign currencies.

III. Notes to the income statement

1. Interest income

Interest income from lending and money market transactions amounting to EUR 2,765 thousand (previous year: EUR 2,254 thousand) relates solely to operating activities in the securities business. This includes negative interest of EUR 489 thousand (previous year: EUR 867 thousand) resulting from interest on the balances of current accounts used for this purpose at clients, depositories and payment service providers.

The interest on fixed-income securities amounting to EUR 805 thousand (previous year: EUR 781 thousand) resulted from securities furnished as collateral.

2. Interest expense

In addition to provision commissions of EUR 363 thousand and other interest of EUR 3 thousand (previous year: EUR 2 thousand), interest expenses mainly include interest of EUR 3,253 thousand (previous year: EUR 3,835 thousand) for current accounts relating to operating activities in the securities business. In the previous year, provision commissions (EUR 0 thousand) were reported under fee and

commission expenses. Due to reasons of materiality, the prior-year disclosure was not restated.

3. Current income

Current income includes primarily income from affiliated companies amounting to EUR 116 thousand (previous year: EUR 128 thousand) resulting from the dividends of dwp Software Kft., Budapest (Hungary). In addition, dividend income of EUR 16 thousand (previous year: EUR 21 thousand) was received from the equity investment in CINTAC A/S, Roskilde, Denmark.

4. Fee and commission income

Fee and commission income amounted to EUR 421,205 thousand (previous year: EUR 416,432 thousand), with EUR 401,857 thousand (previous year: EUR 394,832 thousand) of that amount resulting from full-service securities services. Brokerage fees and expenses amounted to EUR 14,752 thousand (previous year: EUR 18,176 thousand). Additional income amounting to EUR 4,596 thousand (previous year: EUR 3,423 thousand) resulted from reimbursement of expenses and depositories' transaction fees passed on to clients.

5. Fee and commission expense

Fee and commission expenses amounted to EUR 100,516 thousand (previous year: EUR 103,247 thousand) and included securities account and transaction fees of EUR 80,165 thousand (previous year: EUR 81,592 thousand). Brokerage fees and expenses amounted to EUR 13,446 thousand (previous year: EUR 16,025 thousand). The other fee and commission expense and reimbursement of expenses totalled EUR 6,906 thousand (previous year: EUR 5,630 thousand).

6. Other operating income

The other operating income can be broken down as follows: (Table 1 below)

For the first time in financial year 2022, the income from recharging production costs contained in the IT services (including migrations) amounting to EUR 1,340 thousand (previous year: EUR 0 thousand) was offset against other administrative expenses of EUR 1,030 thousand (previous year: EUR 0 thousand) and personnel expenses of EUR 310 thousand (previous year: EUR 0 thousand).

7. Other administrative expenses

The other administrative expenses of EUR 142,021 thousand (previous year: EUR 140,946 thousand) can be broken down as follows: (Table 2 below)

The IT operating costs include EUR 1,030 thousand in offset income from recharging production costs (previous year: EUR 0 thousand).

8. Other administrative expenses

The other operating expenses of EUR 116,926 thousand (previous year: EUR 53,649 thousand) comprise: (Table on the right)

Other operating income

Income from (EUR thousand)	31/12/2022	31/12/2021
Currency translation	25,496	18,570
Exchange rate measurement	23,846	17,676
IT services (incl. migrations)	13,118	17,039
Reversal of provisions	5,577	2,988
VAT refunds from prior periods	2,674	2,585
Damages	1,846	747
Postage in the securities business	1,299	1,398
Leasing	902	349
Discounts	554	530
Miscellaneous other income	5,125	3,582
	80,437	65,464

Other administrative expenses

Expenses for (EUR thousand)	31/12/2022	31/12/2021
IT operating costs	57,010	57,283
Purchased services	51,394	53,079
Building maintenance and ancillary costs	13,411	13,246
Production-related administrative expenses	9,612	8,550
Contributions and fees	4,714	3,638
Non-labour costs	4,325	3,569
Market support	1,280	1,306
Other administrative expenses	275	275
	142,021	140,946

Other administrative expenses

Expenses for (EUR thousand)	31/12/2022	31/12/2021
Losses	62,136	1,859
Foreign currency translation	24,261	17,656
Restructuring	9,119	340
Non-deductible input tax	9,035	12,318
Discounting of employee-related provisions	4,634	14,316
Outsourcing of pension provisions	2,082	3,753
Currency translation	1,638	838
Items relating to prior periods	1,489	0
Postage	1,296	1,397
Other administrative expenses	1,236	1,172
	116,926	53,649

In 2022, dwpbank incurred a major loss of EUR 61,069 thousand in connection with a stock exchange trade. This corresponds to the expense for the required buy-in transactions to settle the exchange-traded commodity (ETC) trade in question on the stock exchange in the December of financial year 2022.

Costs of EUR 1,489 thousand recharged to customers reducing production costs were not recognised as a reduction in purchase costs in the previous year. This reduction was corrected as a prior-period expense in the financial year.

9. Write-downs of and allowances on loans and advances and certain securities and additions to provisions for credit risks

The expenses reported include write-downs on securities included in the liquidity reserve that are still reported as current assets (EUR 112 thousand), write-downs on bonds and other fixed-income securities (EUR 49 thousand) sold in financial year 2022 and allocated to current assets, and expenses for receivables of EUR 369 thousand for which specific valuation allowances are recognised.

10. Write-downs of and allowances on equity investments, shares in affiliated companies and securities treated as fixed assets

No write-downs of equity investments and shares in affiliated companies were recognised in financial year 2022.

In application of the less strict principle of lower of cost or market value, write-downs of EUR 3,154 thousand were recognised on bonds and other fixed-income securities following reclassification from current assets to fixed assets. Write-downs of EUR 6,836 thousand were recognised on the special fund reported under equities and other non-fixed-income securities.

11. Taxes on income

EUR 1,232 thousand of reported current taxes related to the operating profit from the past financial year. EUR 412 thousand resulted from tax refunds for prior years.

Total income of EUR 351 thousand (previous year: EUR 4,062 thousand expense) resulted from deferred taxes.

12. Return on capital

The return on capital, which under section 26a of the German Banking Act (Kreditwesengesetz, "KWG") is calculated as net income for the financial year divided by total assets, amounted to 0.18%. The meaningfulness of the return on capital is limited since dwpbank's total assets are heavily dependent on the volume of settled securities transactions and thus cannot be actively controlled by the Bank.

IV. Report on post-balance sheet date events

No significant events or transactions occurred after the balance sheet date.

V. Other disclosures

1. Employees

The average number of active employees (full-time equivalents) in the financial year was 1,204.3. Of that figure, 881.5 were employed full-time and 322.8 part-time. There were 1,216 active employees as at 31 December 2022. Of that figure, 887 were employed full-time and 329 part-time. Additionally, the Bank employed three members of the Board of Management as at 31 December 2022, as well as 15 non-active employees.

2. Total remuneration of executive bodies and recognised provisions for pensions

The total remuneration paid to members of the Board of Management in the year under review was EUR 1,582 thousand. Remuneration of EUR 848 thousand was paid to former members of the Board of Management. Additionally, provisions for pensions amounting to EUR 27,645 thousand are recognised for current and former members of the Board of Management. Provisions of EUR 257 thousand were recognised for the remuneration of dwpbank's Supervisory Board for the past financial year.

3. Total fee for auditor

Expenses of EUR 493 thousand were incurred for the activities of the auditor in the financial year. Of this figure, EUR 436 thousand was attributable to audit services and EUR 57 thousand to other audit services.

4. Development expenses

During the financial year, the Bank incurred a total of EUR 70,707 thousand (previous year: EUR 73,798 thousand) in expenses for development activities. These development activities were reviewed with respect to capitalisation and, if the conditions were met, were recognised in the balance sheet. EUR 26,145 thousand (previous year: EUR 11,434 thousand) was capitalised as intangible assets in the financial year.

5. Contingent liabilities not shown on the face of the balance sheet

Lease collateral in the form of a bank guarantee was provided to the lessor on behalf of dwp Service GmbH, Halle (Saale).

6. Other financial obligations

Financial obligations amounting to EUR 28,090 thousand arise from long-term contracts to which dwpbank is tied for terms of between one and five years.

dwpbank has long-term leases for its office premises amounting to EUR 27,090 thousand (of which up to 1 year: EUR 6,337 thousand; 1–5 years: EUR 20,752 thousand).

Furthermore, other financial obligations of EUR 1,400 thousand relate to a client's system migration (of which up to 1 year: EUR 200 thousand; 1–5 years: EUR 800 thousand).

The miscellaneous other financial obligations are within the boundaries of normal business operations.

There are also irrevocable loan commitments that relate in their entirety to the portions not yet drawn down of a loan commitment granted in relation to a loan for the initial fund of a non-bank entity. dwpbank expects this to be fully drawn down by 2036. Under the terms of the agreement, the tranches can be called until the end of 2045. Based on ongoing credit monitoring, a default on the part of the borrower was assessed as unlikely as at the date of preparing the annual financial statements.

7. Amounts excluded from distribution

A total of EUR 89,984 thousand was excluded from distribution. That amount comprised EUR 8,072 thousand in accordance with section 253 (6) HGB and EUR 81,912 thousand in accordance with section 268 no. 8 HGB. The amounts excluded from distribution pursuant to section 268 HGB consisted of net deferred tax assets and liabilities (EUR 30,762 thousand) and capitalised internally generated intangible assets (EUR 51,150 thousand).

8. Proposal for the appropriation of profits

The Board of Management proposes the following appropriation of profits: "The net retained profits for the 2022 financial year amounting to EUR 1,478,466.72 shall be transferred in full to the revenue reserves."

9. Members of the Board of Management

The following people were members of the Board of Management of dwpbank in the year under review:

- **Dr Heiko Beck**, Bensheim, Chairman, Corporate Management and Client Management
- **Markus Neukirch**, Oberursel, IT and Operations
- **Martin Zoller**, Krefeld, Finance and Risk Management

10. Positions held by members of the Board of Management in supervisory bodies of other companies

Dr Heiko Beck is a member of the Exchange Council of the Düsseldorf Stock Exchange.

11. Members of the Supervisory Board

In accordance with the Articles of Association, the Bank's Supervisory Board comprises 15 members; the following people were members of the Supervisory Board:

- **Dr Christian Brauckmann**
Chairman (since 1 July 2022), Member of the Board of Management/responsible for IT and Organisation, DZ BANK AG, Frankfurt am Main
- **Dr Klaus Tiedeken**
Chairman (until 30 June 2022), Representative of Rheinischer Sparkassen- und Giroverband, former Member of the Board of Management, Kreissparkasse Köln, Pulheim
- **Jürgen Wannhoff**
Deputy Chairman (since 1 July 2022), Vice President, Sparkassenverbands Westfalen-Lippe, Münster
- **Thomas Ullrich**
Deputy Chairman (until 30 June 2022), Member of the Board of Management/responsible for Group HR and Transaction Banking, DZ BANK AG, Frankfurt am Main
- **Peter Becker**
Chairman of the Board of Management of Sparkasse Herford, Herford
- **Ebrahim Boulehia**
Employee representative, dwpbank, Frankfurt am Main
- **Ulrich Eschert**
Employee representative, dwpbank, Frankfurt am Main
- **Axel Jungen**
Employee representative, dwpbank, Düsseldorf
- **Johannes Koch**
Head of Strategy & Group Development, DZ BANK AG, Frankfurt am Main
- **Dr Claudia Nowak**
Employee representative, dwpbank, Frankfurt am Main
- **Thomas Pennartz**
Managing Director, Rheinischer Sparkassen- und Giroverband, Düsseldorf
- **Peter Tenbohlen**
Head of Operations, DZ BANK AG, Düsseldorf
- **Christoph Ulm**
Employee representative, dwpbank, Munich/Deutscher Bankangestellten-Verband, Düsseldorf
- **Dr Ulrich Walter**
Head of Capital Markets and Trading, DZ BANK AG, Frankfurt am Main
- **Dr Markus Wiegelmann**
Member of the Board of Management/Chief Financial Officer/Chief Operating Officer, Bayerische Landesbank, Munich

12. Members of the Advisory Board

dwpbank presents the ideas it has developed and the trends it has identified to the Advisory Board, which acts as the central point of contact for the Board of Manage-

ment in all issues connected with the market, clients and products, and which provides feedback.

The Advisory Board comprises:

- **Daniel Keller**
Chairman, Member of the Board of Management/
Organisation and Sales Service, Compliance/Statutory
Controls, Finance and Banking, Berliner Volksbank eG,
Berlin
- **Wolfgang Reinhart**
Head of Operations & Services, Bayerische Landesbank,
Munich
- **Tilo Hacke**
Member of the Board of Management/Private, Business
and Retail Customers, Deutsche Kreditbank AG, Berlin
- **Marcus Vitt**
Board of Management Spokesman, DONNER &
REUSCHEL AG, Hamburg
- **Matthias Frentzen**
Member of the Board/Retail Customers and HR,
Dortmunder Volksbank eG, Dortmund
- **Markus Reitmeier**
Head of Capital Markets Retail Customers, DZ BANK,
Frankfurt am Main
- **Dr Ingo Wiedemeier**
Chairman of the Board of Management, Frankfurter
Sparkasse AöR, Frankfurt am Main
- **Frank Brockmann**
Member of the Board of Management and Deputy
Spokesman/Customer Business, Hamburger Sparkasse
AG, Hamburg
- **Astrid Joost van der Spek**
Head of Capital Markets, Landesbank Hessen-Thüringen
Girozentrale AöR, Frankfurt am Main
- **Roland Seidl**
Member of the Board of Management/Sales,
meine Volksbank Raiffeisenbank eG, Rosenheim
- **Reinhard Loose**
Member of the Board of Management/Finance, MLP
Finanzberatung SE, Wiesloch
- **Juan Alberto Puentes Puertas**
Head of Business Management & Operations,
Norddeutsche Landesbank AöR, Hanover
- **Benoît Claveranne**
Member of the Board of Management/Chief Transforma-
tion & Development Officer, Oddo BHF AG, Frankfurt am
Main
- **Joachim Hoof**
Chairman of the Board of Management, Ostsächsische
Sparkasse Dresden AöR, Dresden
- **Gregor Surges**
Board of Management Spokesman, S Broker AG & Co.
KG, Wiesbaden
- **Heinz-Jörg Reichmann**
Chairman of the Board of Management, Sparkasse
Attendorf Lennestadt Kirchhundem AöR, Attendorf
- **Lutz Boden**
Member of the Board of Management and Savings Bank
Director, Sparkasse Karlsruhe AöR, Karlsruhe
- **Jürgen Wagenländer**
Member of the Board of Management, Sparkasse
Mainfranken Würzburg AöR, Würzburg
- **Stefan Grunwald**
Chairman of the Board of Management,
Stadt-Sparkasse Solingen AöR, Solingen
- **Jörg Lindemann**
Member of the Board of Management/Retail
Customers, Wealth Management, Real Estate Financi-
ng, Volksbank Darmstadt - Südhessen eG, Darmstadt

Frankfurt am Main, 9 March 2023



Markus Neukirch



Dr Heiko Beck



Martin Zoller

Country-by-country reporting

Disclosure in accordance with section 26a (1) sentence 2 KWG
as at 31 December 2022

Deutsche WertpapierService Bank AG, with registered office in Frankfurt am Main, has no foreign branches that conduct banking operations. All disclosures within the meaning of section 26a (1) sentence 2 KWG presented in the annual financial statements relate solely to the Federal Republic of Germany.

The Bank's turnover for the period from 1 January 2022 to 31 December 2022 and the average number of employees on a full-time equivalent basis for financial year 2022 are presented in the table below:

Turnover in EUR million	284.4
Interest income	3.6
Interest expense	-3.6
Net interest income	0.0
Fee and commission income	421.2
Fee and commission expense	-100.5
Net fee and commission income	320.7
Other income	80.7
Other operating expenses	-116.9
Net other operating income	-36.2
Number of employees (full-time equivalent basis)	1,115.3
Profit before tax in EUR million	1.9
Taxes on income in EUR million	-0.5
Public subsidies received in EUR	0.00

Turnover is reported as the total of net interest, fee and commission, and other operating income. Other income includes current income from securities and equity investments, income from profit pooling, profit and loss transfer or partial profit transfer agreements, and other operating income.

Profit before tax amounted to EUR 1.9 million; the tax expense amounted to EUR 0.5 million.

The Bank did not receive any public subsidies in the financial year.

Independent auditor's report

To Deutsche WertpapierService Bank AG, Frankfurt am Main

Report on the audit of the annual financial statements and of the management report

Audit opinions

We have audited the annual financial statements of Deutsche WertpapierService Bank AG, Frankfurt am Main, which comprise the balance sheet as at 31 December 2022 and the income statement for the financial year from 1 January to 31 December 2022, and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Deutsche WertpapierService Bank AG for the financial year from 1 January to 31 December 2022.

We have not audited in accordance with the German legal requirements the content of those parts of the management report listed in the annex to the auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the annex to the auditor's report.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as the "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, "IDW"). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

Calculation and recognition of fee and commission income from full-service securities services

The disclosures relating to fee and commission income are contained in note III.4 to the annual financial statements and section 2.3.1 of the Company's management report.

Risk for the financial statements

Fee and commission income from full-service securities services is the most significant item by amount in the annual net income of Deutsche WertpapierService Bank AG. The Bank reported EUR 421,205 thousand in fee and commission income for financial year 2022, of which EUR 401,857 thousand from full-service securities services.

The fee and commission income for full-service securities services generated from client business results from various agreements with clients (banks). In principle, these agreements are based on a general list of prices and services that constitutes the basis for business relationships with clients. Clients can make use of various Deutsche WertpapierService Bank AG services from this list. Individual terms can also be agreed in derogation from the standard terms specified in the list of prices and services. Accounts are settled as part of a largely automated monthly billing run based on the agreed terms as well as the number of services provided to clients and recorded in the Bank's systems.

Given the material importance of fee and commission income from full-service securities services for the annual financial statements of Deutsche WertpapierService Bank AG, this matter was of particular significance in the context of our audit.

The particular risk for the financial statements is that by failing to properly record the contract master data such as commission rates or discount models, or by incorrectly determining service quantities and miscalculating, the fee and commission income from full-service securities services is calculated in an incorrect amount or allocated to the wrong financial year and as a result the corresponding income is misrepresented.

Our audit approach

Based on our risk assessment and assessment of the risk of error, we based our audit opinion on both tests of controls and substantive audit procedures. Accordingly, we carried out the following and other audit procedures:

In a first step, we carried out interviews and inspected the Company's service overviews and relevant legally binding service agreements to gain an overview of the full-service securities services provided by the Bank and all of the associated risks. Based on the identified services and their risk features, we analysed the billing process for the services provided and the recognition and accounting treatment of the resulting fee and commission income. In carrying out our tests of controls, we assessed the implementation and effectiveness of manual and IT application-related controls that the Company has put in place to ensure the contractually compliant capture of master data relevant for billing purposes and the transaction data used to derive the material earnings contributions in the commission business.

For the IT systems and data processing applications used, we worked with our IT specialists to review in advance the effectiveness of the rules and procedures that relate to the IT applications and support the effectiveness of application controls.

In the context of our substantive audit procedures, we used the individual monthly client statements on which the transaction data is based to verify – on a test basis – the due calculation and accounting recognition of full-service fee and commission income.

Our conclusions

The manual and IT application-related controls are appropriate to ensure that the contractual master data and transaction data in the provision business are properly recorded so that the (full-service) fee and commission income is properly calculated and assigned to the correct period.

Other information

The management and/or supervisory board are responsible for the other information. The other information comprises:

- the parts of the management report referred to in the annex to the auditor's report, the content of which was not audited.

The other information also includes the remaining parts of the annual report. The other information does not comprise the annual financial statements, the audited disclosures in the management report or our associated auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above-mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the audited disclosures in the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of management and the Supervisory Board for the annual financial statements and the management report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In

In addition, management is responsible for such internal control as it, in accordance with German Legally Required Accounting Principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the

date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the forward-looking statements presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the forward-looking statements, and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not express a separate audit opinion on the forward-looking statements and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant material deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 7 April 2022. We were engaged by the Chairman of the Supervisory Board on 19 July 2022. We have been the auditor of Deutsche WertpapierService Bank AG without interruption since financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

We provided the following services that were not disclosed in the annual financial statements or in the management report of the audited company in addition to the statutory audit for the audited entity and/or an entity controlled by it.

- Audit of the apollo IT project (project to implement the findings of the Bundesbank audit pursuant to section 44 KWG).
- Agreed investigative activities in connection with the calculation of the measurement basis pursuant to section 4 (1a) of the Statute of the Protection Scheme of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V., Berlin (National Association of German Cooperative Banks) and the calculation of the annual contribution to the guarantee fund for financial year 2021 by Deutsche WertpapierService Bank AG, Frankfurt am Main, in 2022.

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Thomas Beier.

Frankfurt am Main, 10 March 2023

KPMG AG

Wirtschaftsprüfungsgesellschaft

Beier

German Public Auditor

Dyhr

German Public Auditor

Annex to the auditor's report: Non-audited parts of the management report

The content of the following parts of the management report was not audited:

- corporate governance declaration contained in section 3.2 of the management report;
- separate non-financial report referred to in section 2.3.1 of the management report; and
- the following non-core disclosures made in the management report. Non-core disclosures in the management report are disclosures that are not required pursuant to sections 289, 289a and 289b to 289f HGB.
 - Section 3.1 Staff and welfare

Report of the Supervisory Board

Composition of the Supervisory Board and committee work

In accordance with the Articles of Association, dwpbank's Supervisory Board consisted of a total of fifteen members in financial year 2022: ten shareholder representatives and five employee representatives.

During financial year 2022, the Chairman of the Supervisory Board was Dr Klaus Tiedeken (until 30 June 2022), representative of Rheinischer Sparkassen- und Giroverband, and his deputy was Thomas Ullrich (likewise until 30 June 2022), member of the Board of Management, DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main. At the Supervisory Board meeting on 30 June 2022, the members of the Supervisory Board elected Dr Christian Brauckmann (Member of the Board of Management, DZ Bank AG) as Chairman, and Jürgen Wannhoff (Member of the Board of Management, Sparkassenverband Westfalen-Lippe) as Deputy Chairman, effective 1 July 2022.

In accordance with the statutory provisions and section 9 of its Rules of Procedure, in 2022, the Supervisory Board was advised and assisted by committees formed from amongst its ranks. Based on a resolution of the Supervisory Board adopted in 2014 in accordance with section 25d (10) of the German Banking Act (Kreditwesengesetz, "KWG"), these comprise a joint Risk and Audit Committee, a joint Nominating and Executive Committee, a Remuneration Control Committee and a Strategy Committee. The Nominating and Executive Committee, Remuneration Control Committee and Risk and Audit Committee each consist of two shareholder representatives and one employee representative. The Strategy Committee consists of four shareholder representatives.

At their meetings, the committees performed the tasks allocated to them in accordance with section 25d KWG and the by-laws of the Supervisory Board. The Nominating and Executive Committee is responsible for tasks including preparing the financial statements and amending and terminating contracts of service with the members of the Board of Management. Furthermore, it regularly assesses the structure, size, composition and performance of management and of the Supervisory Board, which must be carried out at least once per year, and regularly assesses the knowledge, skills and experience of both the individual managing directors and the members of the Supervisory Board, as well as those of the respective bodies in their entirety, which must likewise be carried out at least once per year. The Nominating and Execu-

tive Committee met a total of three times in 2022. The particular focus of the Remuneration Control Committee in 2022 was on performing the tasks assigned to it in accordance with the Regulation Governing Remuneration at Institutions (Instituts-Vergütungsverordnung – InstitutsVergV), including monitoring the appropriate design of the remuneration system for the Board of Management and employees, assessing the achievement of targets by Board of Management members, and identifying risk-takers. It also met a total of three times in 2022. The Risk and Audit Committee in 2022 carried out the preliminary review of the documents relating to the 2021 annual financial statements, the evaluation of the findings of the audit in accordance with section 89 of the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") and the audit of securities accounts, and advised the Board of Management on issues relating to risk management and its further development, and the appropriateness and effectiveness of the internal control system. The Risk and Audit Committee met a total of four times in 2022. The strategy committee advises the Board of Management in particular on reviewing and refining the business strategy. The Strategy Committee met once in 2022.

Supervising the Bank's management and advising the Board of Management

During the financial year ended, the Supervisory Board again continuously supervised the activities of the Board of Management and advised it on the management of the bank. In accordance with its statutory obligations and the provisions set out in the Articles of Association, the Supervisory Board held five meetings during the financial year and regularly received detailed written and oral reports from the Board of Management concerning the position and performance of the Bank. The Chairman and Deputy Chairman of the Supervisory Board also ensured that they were kept apprised of the Bank's current development and strategic focus throughout the year under review by way of regular, comprehensive and timely briefings by the Chairman of the Board of Management. The Supervisory Board was directly involved in all decisions of fundamental importance to the Bank at an early stage. The Board of Management regularly reported to the Supervisory Board at its meetings on the Bank's position, business development, financial and other KPIs, and the risk situation. The topics discussed by the Supervisory Board included in particular the development and continuation of measures under the dwpbank 2024 medium-term strategy, as well as the key sales activities and continuing efforts

to systematically align dwpbank's processes and IT to ensure quality, future viability, effectiveness and efficiency. Other topics were the potential effects of Russia's full-scale invasion of Ukraine, and the further development of services to fulfil the regulatory requirements applicable to dwpbank's clients. Discussions also addressed the action to ensure risk-bearing capacity at all times under both the normative and economic perspectives, capital planning, and the implementation of measures to optimise the risk controlling organisation. Another regular agenda item was the progress through to completion of the project to close the findings from the 2019 special IT audit. The annual strategy workshop involved a close dialogue between the Supervisory Board and the Board of Management on dwpbank's strategic development, including efforts to enhance the resilience of its business model. The end of the year saw an in-depth discussion on the effects of and response to mistrades and the associated substantial financial loss provisionally incurred by dwpbank due to the buy-ins required as a result.

Annual financial statements for the year ended 31 December 2022

KPMG AG Wirtschaftsprüfungsgesellschaft, which was elected auditor by the Annual General Meeting, audited dwpbank's annual financial statements for 2022, as prepared by the Board of Management, comprising the balance sheet as at 31 December 2022, the income statement for the 2022 financial year, the notes to the financial statements, including the accounting policies presented in them, and dwpbank's management report for 2022. In accordance with German legal requirements, the staff and welfare report contained in section 3.1 and the corporate governance declaration pursuant to section 289f (4) of the German Commercial Code (Handesgesetzbuch, "HGB") (disclosures on the proportion of women in management positions), as contained in section 3.2 of the management report, was not subject to a substantive audit. In its unqualified audit opinion on the annual financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft stated that

its audit did not lead to any reservations. In the opinion of KPMG AG, the annual financial statements comply with the statutory provisions and give a true and fair view of the net assets, financial position and results of operations of dwpbank in accordance with German principles of proper accounting. The auditors believe that the management report is consistent with the annual financial statements and, as a whole, provides a suitable view of the Bank's position and accurately presents the opportunities and risks of future development.

The meeting of the Supervisory Board on 25 April 2023 to review the annual financial statements was attended by the auditors of KPMG AG, Wirtschaftsprüfungsgesellschaft, who signed the audit report. In addition, the auditors attended the meeting of the Risk and Audit Committee on 27 March 2023, at which the preliminary review of the documents relating to the annual financial statements took place. They reported in detail on the audit of the annual financial statements and answered questions from the members of the Supervisory Board. dwpbank's annual financial statements, the management report, the proposal by the Board of Management for the appropriation of net retained profits and the auditors' reports were made available to all members of the Supervisory Board.

The Supervisory Board reviewed the annual financial statements and the management report in detail and received the corresponding report by the Risk and Audit Committee. There were no objections. Accordingly, the Supervisory Board approved the annual financial statements of dwpbank for the year ended 31 December 2022, which have therefore been adopted.

In addition, the Supervisory Board reviewed the Board of Management's proposal for the appropriation of net retained profits for the 2022 financial year. It supports the proposal by the Board of Management, which will therefore be submitted for resolution by the Annual General Meeting as a joint proposal by the Supervisory Board and the Board of Management.

Non-financial statement as at 31 December 2022

Furthermore, meetings of the Risk and Audit Committee (27 March 2023) and the Supervisory Board (25 April 2023) discussed the separate non-financial statement of dwpbank as at 31 December 2022, as prepared by the Board of Management. AGIMUS GmbH Umweltgutachterorganisation & Beratungsgesellschaft performed a limited assurance engagement on the separate non-financial report of dwpbank, i.e. on the basis of activities similar to review procedures and of sampling and issued an unqualified opinion. The Board of Management explained the documents in detail at the meetings, and representatives of the auditor reported on the key findings of their audit and answered the additional questions posed by the committee members at the meeting of the Risk and Audit Committee. The Supervisory Board's review did not give rise to any objections.

The Supervisory Board would like to express its thanks to the members of the Board of Management and all employees and employee representatives for their hard work and commitment in 2022.

Frankfurt am Main, 25 April 2023

Deutsche WertpapierService Bank AG
The Supervisory Board



Dr Christian Brauckmann
Chairman

Published by

Deutsche WertpapierService Bank AG
Wildunger Straße 14
60487 Frankfurt am Main, Germany
Tel: +49 69 5099 0
E-Mail: info@dwpbank.de

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Deutsche WertpapierService Bank AG
Wildunger Straße 14 | 60487 Frankfurt am Main
www.dwpbank.de