



Annual report 2023

We are securities services

Key figures

		2023	2022
Operating business			
Member institutions	Number	1,060	1,106
Securities accounts	Number (millions)	5.2	5.5
Transactions	Number (millions)	48.1	52.3
Results			
Net fee and commission income	EUR (millions)	309.1	320.7
Administrative expense	EUR (millions)	264.0	262.4
Result from ordinary activities	EUR (millions)	74.8	1.9
Net income for the financial year	EUR (millions)	50.3	1.5
Total assets	EUR (millions)	673.6	815.0

Annual report 2023

Deutsche WertpapierService Bank AG

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Letter from the Board of Management



Left to right:

Dr Heiko Beck,
CEO

Martin Zoller,
Member of the Board

Kristina Lindenbaum,
Chief Digital Officer

Markus Neukirch,
Member of the Board

Ladies and gentlemen,

Over recent years, the outbreak of the COVID pandemic and Russia's invasion of Ukraine have shown us just how quickly and abruptly things can change and that we should take nothing for granted. We are speaking from experience here: before December 2022, the considerable financial consequences wrought by a single mistrade were unimaginable. Yet, that which we have repeatedly seen outside the financial sector also applies to the securities business: increasing complexity, fed by a variety of factors such as technological change and increased speed, can lead to the occurrence of highly improbable events.

In 2023 and beyond, one primary focus of our efforts will therefore be on avoiding such extremely rare events. We have already implemented one key measure: automated trading and portfolio blocks for reverse splits. In addition, we have

identified a variety of potential improvements within our internal control system and will leverage these in order to further enhance the stability and reliability of our systems. Last but not least, we have laid the foundations to strengthen cross-functional collaboration and further raise awareness for a wide range of risk scenarios – for instance in our cultural project "Fit for 2024".

Even though these issues were not foreseen in our medium-term strategy in the current scope and now require considerable attention: there has been no change in dwpbank's fundamental strategy. We will continue to offer credit institutions and Sparkasse savings banks a consistently high level of service quality, settle securities transactions reliably for institutional and retail clients, manage securities accounts, keep portfolios in custody and handle a large number of regulatory obligations for our client

institutions. And we will continue to expand our offering, with the aim of making our clients' securities business even more successful.

The figures for the past financial year also demonstrate the vitality and viability of our business model: at approximately EUR 75 million, we generated the greatest pre-tax profit in dwpbank's history. Following a rapid increase in our transactions beginning in 2020, the volume rose from less than 30 million to approximately 50 million. On top of this is a stable savings plan business with market-beating savings rates, an increase in assets under custody thanks to additional cash inflows and highly valuable securities accounts, each with more than five different asset classes.

This trend is all the more impressive when you consider that the economic and political environment in 2023 by no means offered the ideal circumstances for the securities business. The elevated interest rate level caused a surge in interest on the part of retail clients for fixed income products such as sight and term deposits. However, a period of rapidly rising interest rates appears to be giving way to a new phase of rate cuts. Securities therefore remain the first choice for asset accumulation above the inflation rate, which is becoming increasingly important in view of the impending pension gap for many German citizens.

This is precisely why we are developing new solutions in many areas that will sustainably promote the securities business of credit institutions and savings banks. In 2023, this included not only expanding our securities savings product family to add its newest member, VL-Sparen, but also further building our private banking and asset management product offering. Aside from this short- and medium-term expansion of our product portfolio, we are also working on wpNex – our new platform for digital assets trading

and custody – in the long term. Although today everyone is talking about crypto currencies such as bitcoin – which also offered the ideal conditions for our wpNex pilot programme –, we believe that there are a multitude of opportunities beyond this for digitalising the securities business. Our stable basis and growing core business enable us to make investments today that will make dwpbank Germany's market-leading securities service provider tomorrow and beyond.

That future will continue to hold our central securities settlement platform WP2, dwpbank's beating technological heart. We will also continue to invest in modernising that platform, to which more than 1,000 credit institutions and savings banks send thousands and thousands of trade orders every day. In recent years, many WP2 components have gradually been migrated to our new infrastructure as part of our Move-WP3 programme – and now one of the most crucial stages in the process is on the agenda: the order management system. Once we have completed this migration, we will have nearly achieved our objective of bringing WP3 on line. In this way, we will make a flexible and stable IT architecture available to our client institutions for the future – a future in which the securities business is even more complex and thus will become more important than it already is today.

We can say with some certainty that 2023 was an extraordinary year for dwpbank – not least due to our anniversary: for more than 20 years now, we have offered our services to more than 1,000 institutions in all three pillars of the German financial sector. The loyalty of our customers, the progress made in Germany's securities business and the still-great potential in this ever-more important business motivate us to do our very best year in and year out. So that our client institutions can benefit from stable, secure and future-facing services.

Yours,



Dr Heiko Beck



Markus Neukirch



Martin Zoller



Kristina Lindenbaum

New momentum for the securities business

"In collaboration with dwpbank, we would like to offer our clients the ability to trade in crypto currencies going forward. This represents a logical extension of the existing asset management offering in our MLP client portal."

Dr Paul Utzat, Head of Accounts & Securities Settlement, MLP Banking AG

The future of the securities business is digital and diverse – investors expect a comprehensive product universe and bespoke recommendations. As a service provider, we support credit institutions and savings banks (Sparkassen) in approaching their clients with targeted, attractive offerings.

wpNex – the platform for digital assets

Our new platform wpNex combines two worlds – the conventional securities business and trading in digital assets. In 2023, MLP Banking AG was our first client to successfully execute a pilot trade based on the crypto currency bitcoin. MLP purchased bitcoin which were subsequently posted to the client institution's crypto account managed by dwpbank. This account is directly linked to the corresponding cash account, so that orders can be instantly entered in euros without having to make a transfer to a separate payment account.

We launched this pilot project in 2021. In autumn 2023, the project phase was successfully concluded and the application process for a BaFin licence initiated. The plan is now to gradually expand wpNex so as to enable the credit institutions and savings banks linked to our system to include regulated trading in other digital assets in their service portfolio for retail clients. This will spare institutions from having to make changes to their processes and infrastructure, and retail investors will be able to invest in crypto currencies in the future through the user interfaces they are accustomed to. In order to offer its client institutions a market-ready solution as soon as possible, dwpbank is relying on a partner model with service providers which are licensed and regulated in Germany.



“Digital assets will be more and more important in the future. That's why we are expanding our service offering in this area and focusing our portfolio more on the opportunities it offers for the future. Bitcoin is not going to remain the only digital asset that we at dwpbank will be making available for trading.”

Markus Neukirch, Member of the Board

WPCockpit: Reliable data for the securities business

Germany's securities culture has evolved markedly. Yet the upswing has been uneven, with savings banks and cooperative banks profiting even more strongly from growth in the securities business. In order to improve how this is managed and facilitate targeted offerings to clients, we have developed WPCockpit. This application makes it easy to prep and analyse data so that it is possible to systematically provide customers with bespoke offers. Merging data from multiple sources makes it possible to gain a holistic overview; in addition, the institution's sales management gains valuable insight into how securities accounts and client behaviour are changing.

Practical experience has shown that WPCockpit demonstrably increases business. For instance, after a target group created using WPCockpit was approached, 48 percent more appointments for advice were scheduled and sales rose by more than 100 percent as compared to the control group. We will gradually expand WPCockpit, for example to integrate an ISIN filter function. WPCockpit will remain a neutral tool without any defined target products. The credit institutions and savings banks can decide for themselves how they conduct their business – the application offers a well-founded basis for this.



“WPCockpit has a very user-friendly design. Even people with no prior knowledge of our reporting tool WPDynamic can use WPCockpit after only a brief introduction.”

Maximilian Weiß, Product Management & Sales

Attractive securities savings plans: Webinar with Kreissparkasse Köln

Together with Kreissparkasse Köln, dwpbank conducted a well-attended webinar on the topic of securities savings plans. Thomas Plicht, Head of Securities Sales Management at KSK Köln, presented the savings bank's sales strategy to the 90 attendees. “What we need is a clear commitment to securities saving at every level of the hierarchy”, stated Mr Plicht. A success: Five years ago, KSK Köln had quite some catching up to do, with approximately 14,000 active securities savings plans. But after the management's clear commitment and regular sales activities, the number of newly opened savings plans rose to 50,000 in 2022. But not even half of the client securities accounts featured savings plans – according to Mr Plicht, this means that there is still considerable potential.



“Our migration to dwp-bank has provided us with a clean process chain, sparing us from the effort and expense involved with the adoption of new regulatory requirements. Our project was expertly managed by dwpbank and we are absolutely satisfied with how it all went.”

Daniel Busch, Deputy Head of IT Management, Hamburger Sparkasse

Successful migration projects: Haspa and UmweltBank

Haspa – a blueprint for institutional clients

In 2023, Hamburger Sparkasse (Haspa) made the switch to our derivatives service. Exchange-traded derivatives (ETDs) are financial instruments that play a particularly important role for institutional clients. We settle these transactions via primedex, a software program that we have previously used for our clients HCOB, Oddo/BHF, Helaba and BayernLB as well as their affiliated institutions. And now we have added a new client: Haspa. The successful migration sends a signal to the ten largest savings banks in Germany (the “G10”). In their institutional ETD business, regulation and market presence are vital. The use of our standard furthermore enables Haspa to make efficiency gains – something that other major savings banks are looking to achieve in their derivatives business.

“In our migration project, we successfully integrated Haspa into our standard service, establishing an SCD interface. This essentially serves as a blueprint and sends a signal to other G10 savings banks.”

Giampiero Di Lorenzo, Head of Derivatives Services & BOSC Master Data



Our project team worked on the preliminary study for a half a year. Implementation then took around one and a half years; by the end of May 2023 all portfolio positions for derivatives held by Haspa were migrated. The frictionless collaboration between our specialist department, the subsidiary dwp Software Kft and the savings banks' service provider Finanz Informatik Technologie Service (FITS) demonstrated how we successfully navigate challenging projects through the use of our innovative technologies in an agile approach.

UmweltBank – more than 29,000 green securities accounts integrated

Right on time in October 2023, over 29,000 UmweltBank client securities accounts were migrated – one year after the Nuremberg-based institution gave the green light to move its securities business over to our platform. The migration took place at the same time as the switch from the previous core banking system to Atruvia's cooperative banking platform agree21.

The cooperative institution with its headquarters in Nuremberg offers bonds, funds and equities of issuers with environmentally friendly business models. Our platform offers its clients easy-to-use online access to sustainable investment products for the first time. Going forward, the savings plan function will also be activated, giving UmweltBank clients the chance to build up savings with sustainable products.

Over
29,000
UmweltBank client
securities accounts were
migrated in October 2023.

Solutions for regulatory duties

At dwpbank's invitation, regulatory expert Dr Christian Waigel spoke with Christian Hogrebe, Head of Product Management & Sales, about the regulatory challenges facing retail banks. "You do in fact see that standards are constantly rising", stated Dr Waigel, a lawyer from Munich. In particular, smaller and medium-sized retail banks lacked the capacities to deal with these unbelievable quantities of documents and regulatory requirements. Dr Waigel's most important piece of advice was therefore: "Outsource and digitalise!". He issued an urgent warning not to drop the ball in this area, as this can cost you not only money but also your reputation. The effort and expense involved in keeping up with regulatory developments are not likely to abate in the future. Germany's federated banking system would therefore only be viable for the future if credit institutions and savings banks engaged specialised service providers to manage these duties.

The regulatory services offered by dwpbank are tailored precisely to meet these requirements. Our employees engage with more than 100 boards and committees of national and European legislative and supervisory authorities, as well as with European initiatives and the leading associations in the German banking industry. Based on this expertise, we offer a plethora of solutions for regulatory challenges.

"My best advice to banks is: Outsource and digitalise!"

Dr Christian Waigel, Partner,
Waigel Rechtsanwälte

Advancing our transformation together



We believe that candid collaboration and communication form the bedrock of our corporate culture. In a spirit of mutual respect and willingness to learn, we are working to transform dwpbank so that it offers personal development opportunities to its employees and optimal solutions in a digitised world to its clients.

Kristina Lindenbaum appointed Chief Digital Officer

Digitalisation is central to dwpbank's future viability. We have therefore created the function Chief Digital Officer (CDO), with Kristina Lindenbaum fulfilling this vital role in the Company's leadership team since April 2023. Going forward, we intend to enable our client institutions the ability to leverage the opportunities offered by digitalisation in the securities business – for instance through offerings such as wpNex. We are also systematically blazing a trail for digitalisation and technological modernisation through MoveWP3. Kristina Lindenbaum took command of this project last year and has been driving dwpbank's digitalisation strategy forward since then. She has also been overseeing the continued evolution of structures and processes as well as the interplay between automated and data-driven approaches, agile working and innovative corporate culture.

In her new role, Kristina Lindenbaum brings to bear her longstanding experience in the banking sector and with digitalisation. Before joining dwpbank, she had been serving as Executive Director for Strategy Global Markets at Landesbank Baden-Württemberg since 2020. Prior to that, she helped to propel LBBW's digital transformation as Executive Director for Business Development & Digitalization, among other things.

“We are very pleased to bring the dynamic and competent Kristina Lindenbaum on board at dwpbank. We are confident that she will apply her experience and openness to new ideas in order to advance the multifaceted topic of digitalisation at dwpbank.”

Dr Heiko Beck, CEO



“dwpbank has recognised the opportunities of digitalisation and is helping to shape the future of the securities business as a market leader. I hope to do my part in achieving this and look forward to working with my colleagues to strengthen the Bank's future viability.”

Kristina Lindenbaum, Chief Digital Officer

Digitalisation and culture: wir³ employee town hall meeting

At the wir³ digital town hall meeting in April 2023, our Board of Management and CDO Kristina Lindenbaum were on hand to answer questions from the rank and file. For the first time, colleagues were also live on air. Board of Management members Heiko Beck, Markus Neukirch and Martin Zoller discussed topics such as the current state of the business and trends in the retail client segment. They then introduced the new CDO, Kristina Lindenbaum. Ms Lindenbaum discussed three factors which she believes to be crucial: recognising the relevance of digitalisation, having the courage to try new things, and constructive collaboration across all areas at dwpbank.

Changing perspectives – the 2023 Future Workshop

With dwpbank's previous Future Workshop having been held in a purely virtual format, more than 110 executives met in Frankfurt in 2023. Attendees took advantage of the opportunity to finally come together and discuss issues face to face again. Interactive talks, breakout sessions and discussion panels covered the three topics of business, leadership and organisational resilience. Two things stood out in particular:

- In order to make headway when it comes to leadership, it's always important to see things from a different perspective. What is the significance of a certain manner of conducting ourselves – for us, our employees, for dwpbank as a whole and for our client institutions? These questions are incredibly important for our future viability.
- In-person contact makes it possible to create a very open and confiding atmosphere. That is a basic requirement for being able to discuss personal challenges in one's day-to-day work and leadership role. This year's Future Workshop offered an excellent platform to do this.

110

executives met for the
Future Workshop 2023
in Frankfurt.



The **5** leadership principles form the framework for effective performance at dwpbank.

Lodestar: our guiding light for future viability

Five new leadership principles

Our newly developed Lodestar sets out the parameters for a future-proof, effective working culture at dwpbank. One of the four action areas is “potential-oriented leadership”. A working group comprising heads of divisions and departments, sub-domain heads and senior project managers used methods such as Lego Serious Play to develop five leadership principles:

- **Providing direction**
- **Strengthening trust**
- **Shaping change**
- **Empowering people**
- **Promoting diversity**

These five leadership principles form the framework for effective performance at dwpbank – the main thing now is to apply these principles in day-to-day life.



Testimonial campaign: executives share their perspectives

Good leadership is crucial to the success of a company. At dwpbank, the five principles express how we understand good leadership. But how do we put these principles into practice every day? Ten colleagues from the management team have shared their own views on our leadership principles. The campaign can be found in dwpbank's intranet and LinkedIn channel.

"Meet & Learn" to exchange knowledge

"Independent development" is another of our Lodestar action areas. When we share our experiences and invest time in our own development, we also strengthen the work of our clients. The "Meet & Learn" format offers a venue to do this together across departmental boundaries. The first "Meet & Learn" offering in March 2023 comprised nine different sessions in two rounds, with approximately 140 participants. The "Meet & Learn" format gives people the opportunity, in two-hour sessions at regular intervals, to engage in further training, exchange ideas and network. As demonstrated by the lively participation, this offering was extremely popular once again in 2023.

140

participants
comprised the
first "Meet &
Learn".

Fit for 2024: Cultural transformation gaining steam

In order to remain fit for the future, we continue to develop our work and corporate culture. The "Fit for 2024" project is guiding this process of transformation, to everyone's benefit: dwpbank as an organisation, every colleague, and above all our client institutions. To ease the steering and planning process, we have broken "Fit for 2024" down into four-month stages with specific interim objectives and an assessment of the results:

- **In the third stage in 2022** (September to December), the focus was on potential-oriented leadership, hybrid working and collaboration.
- **In the first stage in 2023** (January to April), the focus returned to potential-oriented leadership. In addition, agile mindset and ability to handle change were also added to the agenda.
- **For the second stage in 2023** (May to August), the defined focal points were leadership and collaboration, culture workshops, ability to handle change and agility.

One special highlight for 2023: the topic of agility will be discussed as a cross-project focal point together with iTOPS.TheNextLevel.

Roadmap for greater agility

At dwpbank, we want to react to dynamic markets and increasing requirements on the part of credit institutions and savings banks with greater flexibility and speed. To that end, we are refining our organisation's structure and culture. IT and Operations is doing this with the support of iTOPS.TheNextLevel and under the close monitoring of "Fit for 2024". To find out whether a change makes sense, the team has conducted a preliminary study. It's key findings:

- 1. Status quo:** the team spoke with more than 100 colleagues in small groups. It became clear that many people valued their team and flexible working and had high standards when it came to their work.
- 2. Objective:** in the next step, an objective was developed for the department. Colleagues were given the opportunity to contribute their experiences and ideas in workshops. Among other things, the "Scrum" and "Kanban" methods would be used more frequently in an agile department.
- 3. Transformation:** finally, the team drew up a roadmap laying out the specific steps towards becoming an agile department. Implementation began with a pilot project. Under the plan, do, check, act (PDCA) principle, the objective was implemented at small scale. Agile teams were created, whose experiences helped to refine the objective and lay out the course of the next steps.



Workation – Home office with sea views

Working where others go on holiday? For many dwpbank employees, 2023 was the first full year they were able to do this. "Workation" is a combination of work and vacation. In spring 2022, dwpbank employees were given permission to relocate their home offices to another EU country for 25 days of the year, provided their work duties permitted mobile working. One in ten employees –

roughly 120 – have taken advantage of the programme since then. Top destinations include Spain, Italy and Austria, followed by Croatia, France and Greece. Workation is good for motivation, productivity and collaboration – and is simply fun. Who wouldn't like to swap rainy Frankfurt for a spot on the Mediterranean every now and then?

We made a conscious effort to introduce workation early on. The pandemic showed us that hybrid working works well for us and that's why we have extended it to working from abroad."

Martin Zoller, member of the Board of Management



I have friends in Vienna; a short weekend jaunt ends quickly in stress and hectic. I tacked two workation days onto the trip and was thus able to travel earlier and had more free time to enjoy."

Daniel Panzer, Business Development

Workation offers a better work-life balance and the opportunity to discover new places, to relax and to work efficiently at the same time."

Dimitri Eges, Monetary Systems Development



Three parties and one anniversary: dwpbank celebrates 20 years



At three office parties in Frankfurt, Düsseldorf and Munich, many colleagues braved the summer rain and danced the night away. This year they had a special reason to celebrate: on 4 August 2023 dwpbank threw its 20-year anniversary bash under the banner "Today. Tomorrow. The Day After". In their welcome speeches, the members of the Board of Management therefore covered a wide range of topics, from thanking employees to the Bank's self-image. In Frankfurt, Heiko Beck said: "We are one of three market-relevant system institutions. We don't simply do securities settlement, we play an active role in shaping the financial sector." dwpbank is a key player and the staff can be proud of that. sein.

Sometimes funny, sometimes reflective: "What makes us what we are"

To mark dwpbank's 20-year anniversary, we asked eight colleagues what memory they would particularly cherish from their time thus far at dwpbank, and what they hope to see happen for dwpbank in the years to come. Sometimes funny, sometimes reflective, sometimes with an eye to the future: four videos titled "What makes us what we are" can be found on our intranet and social media channels. Even several clients sent us congratulations on our anniversary.



[CLICK TO THE VIDEO ON LINKEDIN](#)





“dwpbank, our colleagues and clients will benefit from the new location. For us the most important thing is that the building offer a high-quality atmosphere, climate-friendly energy utilities and much flexibility. Our new building offers really great opportunities for this.”

Dr Heiko Beck, CEO



Farewell and goodbye: moving to Eschborn

The lease has been signed. In 2026, dwpbank will be moving from Frankfurt to Eschborn. The office is currently being gutted and renovated, and the employees will have their say in every important decision. What do they need? What makes them work productively and flexibly? To find the answers to these questions, we are hoping for broad participation.

What's already clear is that the new building will offer flexible workspaces and excellent public transport links, and adhere to strict ecological standards. The utmost standard for sustainable construction has been agreed for the entire building, which will also reduce rental costs. In addition, the property is designed to be fully accessible. And: the new location supports sustainable mobility. A commuter rail station is nearby and the underground garage offers EV charging stations and a bicycle parking facility with charging options for e-bikes. Excellent conditions that make our farewell from Bockenheim all the more easy.



Financial Statement 2023

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 securities account customers 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 for its clients through economies of scale and scope relating to products, services and expertise. Functional and technical developments as well as regulatory requirements affecting the securities business are implemented for all member banks centrally, thereby relieving them of investment and operating expenses. 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 through to the end of 2024 and anchored it in the "dwpbank 2024" programme. This objective takes into account the still challenging market environment and is intended to enable dwpbank to prioritise its initiatives. The ambition sets out the implementation framework for the period from 2021 to the end of 2024.

Derived from the 2024 vision and based on performance in 2023, the strategic priorities will form part of the following three target dimensions in 2024 too, in order to secure the future viability of dwpbank's business activities:

1. "Focus" (quality and future viability)

- Strengthening the operational processes to further improve the quality, stability and robustness of the operating model
- Refining the technological infrastructure as part of the MoveWP3 programme
- Expanding and making structural changes to the employee and skills profile in the context of technological and demographic shifts
- Reinforcing the capital resources and risk-bearing capacity of dwpbank

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 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 technology development and innovation to expand our business model in the area of digital assets

1.3 Offices

dwpbank offers its services from its headquarters pursuant to the Articles of Association in Frankfurt am Main as well as from its branch offices in Düsseldorf and Munich.

1.4 Equity investments

dwp Service GmbH (Halle (Saale))

dwpbank is the sole shareholder of dwp Service GmbH, which was formed in financial year 2017. A control and profit and loss transfer agreement has been entered into with dwp Service GmbH. It specialises in providing back office securities services for dwpbank's savings bank and credit institution clients and performs its tasks on behalf of dwpbank.

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

- **Number of employees:** 251 (previous year: 221)
- **Other operating income:** EUR 9,957 thousand (previous year: EUR 8,591 thousand)
- **Total assets:** EUR 917 thousand (previous year: EUR 1,065 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 382.8 as at 29 December 2023):

- **Number of employees:** 56 (previous year: 58)
- **Sales:** HUF 3,076,174 thousand (EUR 8,036 thousand, previous year: HUF 2,272,848 thousand)
- **Total assets:** HUF 1,121,144 thousand (EUR 2,929 thousand, previous year: HUF 796,745 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 7.4529 as at 30 December 2023):

- **Number of employees:** 1 (previous year: 1)
- **Sales:** DKK 1,674 thousand (EUR 225 thousand, previous year: DKK 1,798 thousand)
- **Total assets:** DKK 1,746 thousand (EUR 234 thousand, previous year: DKK 1,842 thousand)

2 Economic report

2.1 Macroeconomic and sector environments

2.1.1 Development of client business and market environment

dwpbank achieved its best ever result at EUR 74.8 million in earnings before taxes, despite the challenging economic and political environment. Geopolitical uncertainties, inflation and the change in interest rate policy did not affect the apparent interest in securities, but did cause a significant shift to interest-bearing securities such as bonds and certificates. The increased interest rates also enabled dwpbank to generate healthy profits from its proprietary investments and liquidity. There was a slight decline of 8% year on year in the number of transactions for dwpbank (2023: approximately 48.1 million transactions; 2022: approximately 52.3 million). Securities saving showed stable development through most of 2023, but weakened towards the end of the year. dwpbank was managing over 1.1 million savings plans at the end of the year, of which 53% were on ETFs and certificates, and 44% on actively managed funds. Savings plans on stocks accounted for 3% of all savings plans at year-end. The average monthly saving rate per savings plan remained high at EUR 268. The number of managed securities accounts once again climbed sharply in 2023 by around 660,000 (+14.25%) to a total of 5.29 million. This figure was adjusted for the demigration of Postbank in 2022 to emphasise the absolute growth in managed securities accounts in 2023.

The average number of items per securities account rose again, increasing from approximately 5.0 in the previous year to 5.2. dwpbank's stable core business was enhanced by further effects on earnings, which reflect the positive overall development.

The Bank's generally positive performance was buoyed by a strong, though volatile, year on the stock markets in 2023. The continued tense situation regarding inflation and interest rates was a key issue. Technology stocks performed better than other sectors, with the US Nasdaq-100 Technology Sector index reaching an all-time high after a jump of 52%. Even fewer companies chose to go public, with the number of IPOs on European exchanges falling further to 136 (previous year: 171) and issue volumes plummeting from USD 18.9 billion to USD 12.9 billion – a decline of more than 30%. The DAX, Germany's blue-chip stock index, opened on 2 January 2023

at 13,993 points (XETRA opening price) and reached an interim high of 15,654 points on 6 March 2023. This was soon followed by a sharp drop caused by the collapse of Silicon Valley Bank (SVB) and the ensuing regional bank crisis in the US. However, swift action by the US Federal Reserve and the rescue of Switzerland's Credit Suisse calmed the markets. The months thereafter were marked by highly volatile markets. The DAX reached an interim record high in July 2023, but then fell to a lower level for the next three months due to the deteriorating global economic environment. One major factor was the Chinese real estate group Evergrande, which filed for US bankruptcy protection in August. This was followed in October 2023 by the outbreak of armed conflict between Israel and Hamas, which caused the DAX to plummet to 14,716 points. The subsequent rally (with an interim high of 17,003 points) was largely supported by the expectation of declining key interest rates (in both Europe and the USA) and ensured the DAX had an increase for the year. It closed at 16,751 points on 29 December 2023, some 20% higher than the beginning of 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 as a CRR bank and service provider for the bundled implementation of requirements for its clients. In total, dwpbank invested some EUR 17.4 million in this area in 2023 – roughly 26% of its overall investments in projects.

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

Important new regulatory requirements included the seventh amendment to MaRisk and the Markets in Crypto-Assets Regulation (MiCAR), which both entered into effect on 29 June 2023. dwpbank also began to implement the requirements of the German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz, "LkSG") and the EU Corporate Sustainability Reporting Directive by means of implementation projects and realisation measures.

EU regulations, implementation acts and BaFin circulars relating to the prevention of money laundering and terrorist financing were also key in 2023, with particular regard to the sanctions against Russia. dwpbank accordingly expanded its application-based monitoring of transactions and sanction compliance at person and asset class level.

In line with the TARGET2/T2S Consolidation project pursued by the European Central Bank and participating national central banks to refine the Eurosystem's market infrastructure, the project on the necessary preparations and modifications was concluded in 2023 with timely implementation in dwpbank's systems.

In its dealings with the affected markets, dwpbank will have to take into account the move to shorten the securities settlement cycle in the North American securities market by one day to one business day after the trade date (T+1). The effects on the Bank's systems and processes were first examined in a preliminary study, and a project was then launched for implementation by the end of May 2024. dwpbank is therefore aligning its processes and systems with the amended settlement cycle.

Action was also taken to implement additional requirements stemming from the new version of BaFin's Supervisory Requirements for IT in Financial Institutions (BAIT) adopted in 2021.

Changes in tax law

The Federal Ministry of Finance (BMF) published a circular on the German Act to Modernise Relief from Withholding Tax (Abzugsteuerentlastungsmodernisierungsgesetz, "AbzStEntModG") in financial year 2023. dwpbank successfully implemented the requirements on issuing tax certificates and data transmission pursuant to section 45b and 45c of the German Income Tax Act (Einkommensteuergesetz, "EStG") for its clients along with the complex reporting obligation for corrected tax certificates (section 45a (6) EStG).

Among other things, implementation work was also carried out in dwpbank's systems based on the supplement to the BMF circular on definitive withholding tax dated 11 June 2023.

As regards new tax regulations outside of Germany, the complex taxation regime of the US Internal Revenue Service (IRS) for publicly traded partnerships (section 1446(a) and (f) IRC), which came into effect at the beginning of 2023, was implemented for dwpbank tax services. The automated reporting obligation of Greek sales tax was also implemented in dwpbank's systems.

2.2 Course of the business

2.2.1 Further healthy development in the client business

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 345 direct clients (previous year: 353) as at the 31 December 2023 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 in the year under review was due to the ongoing trend towards consolidation in the German banking market (mergers).

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 720 (previous year: 758) local credit cooperatives and private banks in total are linked to dwpbank's securities system via DZ BANK AG.

German Savings Banks Financial Services Network (Sparkassen-Finanzgruppe)

By the end of the year, four state banks (Bayerische Landesbank, Landesbank Hessen-Thüringen Girozentrale, Norddeutsche Landesbank - Girozentrale -, and SaarLB), as in the previous year, and 315 savings banks (previous year: 322) from all German states were making use of services offered by dwpbank in a direct contractual relationship. The decrease in this figure is due in particular to mergers between savings banks. Individual standard services were performed for Landesbank Baden-Württemberg in 2023. dwpbank also provides a variety of back-office services for DekaBank Deutsche Girozentrale.

Private/commercial banking

As at 31 December 2023, the number of client institutions in the private and commercial banking sector was 21 (previous year: 22). These included ODDO BHF Aktiengesellschaft, Santander Consumer Bank AG, Deutsche Kreditbank Aktiengesellschaft (DKB), Hamburg Commercial Bank AG and MLP Banking AG.

2.2.2 Stable business operations

dwpbank's long-established, stable IT infrastructure features efficient and effective processes to deliver securities services for its clients. IT stability was achieved for the whole year, with just one exception, when a service provider experienced a disruption to a central component at the end of October. This affected all customers of the service provider. This disruption caused major constraints in securities settlement, although these were remedied that same day.

Continuation of "dwpbank 2024" strategy programme

Since 2021, the "dwpbank 2024" programme has shaped dwpbank's development in the period to 2024. In financial year 2023, key projects were implemented as planned in the target dimensions of Focus, Improve, and Grow. dwpbank will define the next corporate development cycle with its key stakeholders in 2024.

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

dwpbank has bundled its client-related products 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. The savings product "VL-Sparen" was added to the service range in 2023 and production began with a pilot client. Another focus is to expand the range of services for private banking/wealth management. dwpbank already offers products in this area such as specific interfaces, flat-rate pricing models and automated inducement distribution. Work is underway with the German Savings Banks Finance Group on a new private banking portal, with further activities planned for 2024.

Digital asset product range

dwpbank expects digital assets to become established in line with the market's growing maturity, and become a fixed component of the market. It is therefore both strategically important and logical for us to position ourselves in this segment and meet the arising client needs. The Bank started production of the "wpNex" platform for trading digital assets at the end of 2023, which is intended to start operating with pilot client MLP Banking AG and undergo further expansion in 2024. dwpbank applied to the Federal Financial Supervisory Authority (BaFin) in 2023 for a licence to conduct crypto-custody business.

Target dimension "Improve" – efficiency for our clients:

The "Improve" target dimension of the "dwpbank 2024" programme identifies and realises process optimisations and structural cost savings. Process optimisations include simplifying processes, improving efficiency and increased use of automation.

Developing the internal control system (ICS)

A number of special audits were performed in early 2023, including by BaFin, due to damage relating to corporate action in the previous year. Various projects were launched in 2023 based on the findings. dwpbank aims to make its ICS more effective overall and in so doing, to further increase stability and reliability for its clients.

Target dimension "Focus" – quality and future viability: "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.

The project launched in 2022 to implement the WP3 order and trade management system (OMS) went live in November 2023 with its first order process (direct OTC trading) and first client. This complex application, which is integrated in both WP2 and the client environment, has been running smoothly and without error since day one. The remaining clients will be transitioning to WP3 direct OTC trading in 2024, and fund business and exchange trading will also be launched.

An entire process in the specialist area of AGMs in securities account services ran on WP3 without any issues for the whole of 2023. The accompanying mainframe programs from WP2 were archived. Implementation of automated trading and portfolio blocks was one of the key steps in preventing losses such as the extraordinary loss at the end of 2022. A control and manual verification of transactions in structured products with a scope of more than EUR 5 million also started in early 2023. Moreover, at the initiative of dwpbank, the international organisation ANNA resolved to change the ISIN underlying securities in reverse splits and other corporate actions. The first stage of the central money transfer tool was also introduced to reduce manual processes and risks through automation.

Follow-up activities on supervisory requirements and DORA

Last year, dwpbank successfully completed the “apollo” project, designed to work through the actions from a banking regulation audit in 2019. The follow-up audit confirmed significant improvements to IT risk management. The follow-up audit also resulted in additional actions for structure realisation via the “iLuna” project. This project will also work through required adjustments, analyses and implementation of the Digital Operational Resilience Act (DORA) and other measures for infrastructural security and stability in a coordinated manner and is expected to be completed in approximately three years.

Other key projects and activities:

WP3 application operations

The project to transfer application operations of the WP3 IT platform from FI-TS to dwpbank was launched in 2023. The objective is to improve quality, to guarantee the stability and high availability of the WP3 application operations, and to provide users with high-performance availability of all application components. WP3 application operations will be provided by dwpbank from 1 May 2024. The project included a new service carve-out with FI-TS and procedural adjustments.

Implementing the purchase price action catalogue.

Improvements to data quality and stability in performance purchase prices were continued with high priority in 2023. The objectives include reducing unvalued holdings, linking sales to purchases, applying the first in, first out (FIFO) principle to purchase data in the securities portfolio, and timely updates of purchase prices. The improvements were piloted with clients in October 2023. Changes to the purchase prices in various tranches will be introduced for all clients in 2024.

2.2.3 Cooperation with our clients

dwpbank works in close cooperation with its clients. A key factor is client governance, which dwpbank established for regular dialogue and solution development in order to best support clients in successfully developing their securities business.

The most important client body at dwpbank is the Advisory Board. The current board comprises a total of 20 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 twice in 2023. The members also engage in regular dialogue outside of the meetings. Among other things, the (product) ideas formulated by dwpbank and trends in the securities environment 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, continue with their work. Since a new meeting concept was successfully introduced in 2022, the two boards meet together for the first part of the day to address overarching and general matters, after which the client representatives discuss specific market issues. 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

Material non-financial factors affecting the results of operations of dwpbank are listed in the following table. (Table on the top right).

The overall volume of securities transactions settled by dwpbank declined by 8.0% year on year to 48.1 million, and was thus short of projections. After adjustment for the demigration of Postbank, the decrease is 3.1%.

The average number of items per securities account increased slightly to 5.2 items as compared to 2022, but was below the projected 5.5 items per securities account. The average number of managed securities accounts fell by 5.5% year on year to 5.2 million, due to the demigration of Postbank, but was higher than forecast.

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 up by EUR 72.8 million to EUR 74.8 million (previous year: EUR 1.9 million). This increase was due primarily to the expenses in connection with the mistrade amounting to EUR 61.1 million. The earnings before taxes of EUR 50.4 million far exceeded the projections for 2023.

Net interest income rose by EUR 4.9 million as against 2022 to EUR 4.9 million. This was due to the significant increase in interest rates in Europe to combat inflation in the financial year ended. This meant interest of between 2.0% and 4.0% was generated on credit balances at the Bundesbank and at depositories in 2023.

Net fee and commission income amounted to EUR 309.1 million, a considerable decline (EUR 11.6 million) compared with the previous year. The year-on-year decline of EUR 18.3 million in fee and commission income was due primarily to the demigration of Postbank. At the same time, targeted cost management enabled a EUR 6.7 million total reduction in fee and commission expenses relating to expenditure, expenses and depositories.

The significant increase in **net other operating income** resulted from the higher expenses incurred in the previous year in connection with the mistrade in the operational securities business, the impact of which amounted to EUR 61.1 million.

Other income fell slightly year on year, by EUR 2.8 million to EUR 77.9 million. This was largely a result of the lower gains from the reversal of provisions (EUR -2.8 million). There was a significant decline in other operating expenses by EUR 73.1 million, which was attributable to the mistrade in the previous year amounting to EUR 61.1 million, the lower expenses for restructuring (EUR -3.9 million) and the interest cost in relation to provisions (EUR -3.6 million).

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 7.1 million year on year, due primarily to higher costs for wages and salaries and to the inflation compensation bonus paid out in 2023. The higher expenses were partially offset by the lower expenses for occupational pensions than in the previous year.

Other administrative expenses fell noticeably by EUR 5.5 million year on year. Costs for purchased services were reduced by EUR 8.3 million in financial year 2023, while costs for IT operations rose by EUR 1.8 million and for contributions and fees increased by EUR 1.3 million.

The decline in **depreciation, amortisation, write-downs and reversals of write-downs** by EUR 10.6 million was primarily a result of the decline in write-downs on equities and other non-fixed-income securities of EUR 10.0 million, of which EUR 0.8 million was reversed in 2023. By contrast, amortisation of intangible assets and depreciation of tangible fixed assets increased by EUR 0.7 million.

The significant increase of EUR 24.0 million in the **tax expense** as against 2022 to EUR 24.5 million was due to the higher earnings before taxes of EUR 74.8 million.

2.3.2 Net assets and financial position

As at 31 December 2023, dwpbank had total assets of EUR 673.6 million (previous year: EUR 815.0 million). Total assets consist of current receivables of EUR 126.8 million

(previous year: EUR 327.3 million) from the settlement of payments in association with securities, which are offset by similar amounts of liabilities. The decrease in total assets was related mainly to these items.

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 of

Non-financial indicators	2023	2022	Delta
Transactions (millions)	48.1	52.3	-4.2
Average number of securities accounts managed (millions)	5.2	5.5	-0.3
Average number of items per securities account	5.2	5.0	+0.2

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)	2023	2022	Delta
Interest income	7.4	3.6	+3.8
Interest expense	-2.5	-3.6	+1.1
Net interest income	4.9	0.0	+4.9
Fee and commission income	402.9	421.2	-18.3
Fee and commission expense	-93.8	-100.5	+6.7
Net fee and commission income	309.1	320.7	-11.6
Other income ¹	77.9	80.7	-2.8
Other operating expenses	-43.6	-116.9	+73.4
Net other operating income	34.4	-36.2	+70.6
Personnel expenses	-127.5	-120.4	-7.1
Other administrative expenses	-136.5	-142.0	+5.5
Total general and administrative expenses	-264.0	-262.4	-1.7
Depreciation, amortisation and write-downs	-9.5	-20.1	+10.6
Earnings before taxes	74.8	1.9	+72.8
Taxes on income	-24.5	-0.5	-24.0
Net income for the financial year	50.3	1.5	+ 48.9

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.

the German Banking Act (Kreditwesengesetz, "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 140.8 million; previous year: EUR 144.7 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 109.0 million (previous year: EUR 108.2 million) were invested in a German institutional fund (Spezialfonds).

The capitalisation of internally generated software resulted in intangible fixed assets of EUR 70.7 million (previous year: EUR 51.2 million), reflecting the creation of additional functionalities within the securities system. Investments amounting to EUR 28.8 million were made in financial year 2023. 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 2023, dwpbank had a surplus of deferred tax assets amounting to EUR 25.9 million (previous year: EUR 30.8 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 2023 annual financial statements, dwpbank's equity amounted to EUR 335.2 million, including net retained profits (previous year: EUR 284.9 million). The Bank's liable capital in the amount of EUR 211.3 million (previous year: EUR 220.6 million) continues to consist solely of core (common equity tier 1) capital (see section 3.3.4 for further information).

As at the balance sheet date, the Bank reported pension obligations totalling EUR 114.1 million (previous year: EUR 108.4 million). This increase was largely attributable to an increase in the measurement parameters used to recognise assumptions regarding future salary and pension trends caused by inflation. There were also current liabilities and other provisions amounting to EUR 201.2 million (previous year: EUR 405.4 million).

dwpbank was able to meet its financial commitments at all times throughout the 2023 financial year. Through its clearing service providers, dwpbank has ample opportunity to refinance peak volumes of securities-related payment transactions. Credit lines totalling EUR 750 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 2023. None of the committed credit lines were drawn down as at 31 December 2023. 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 financial position in the 2023 financial year

As in the previous years, the primary factors shaping dwpbank's financial result in financial year 2023 were market developments and client activities. Things got off to a good start in 2023, and as the year progressed it was marked by continued high volatility in the context of the aftermath of the COVID-19 pandemic and rising uncertainty concerning inflation and interest rates, the ongoing war in Ukraine, the conflict in the Middle East and disruptions to supply chains. The recovery in the securities business observed in recent years remained stable overall in this context – albeit with a slight decline in the number of transactions. 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 developments at dwpbank were positive against the backdrop of the developments described above.

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 1,273¹ staff at the end of 2023 (previous year: 1,253).

In December 2023, 621 staff members worked in Frankfurt (previous year: 607), 483 in Düsseldorf (previous year: 476) and 169 in Munich (previous year: 170), of which 42 were trainees (previous year: 37).

The Bank employs 549 women (43%) and 724 men (57%). The share of part-time employees was lower than in the previous year at 25.9% or 330 people (previous year: 27.4%). The average age of employees was 48.2 (previous year: 48.1).

3.1.2 Human resources development

In 2023, human resources development focused on cultivating technical and leadership expertise, support for the piloting of a developed organisational target, and furthering new talent.

The substantive focus in 2023 was on performing a development audit for the majority of managers, coaching, and refining social and methodological skills. In addition, in the context of developing their understanding of leadership into leadership based on potential, managers continued to take part in leadership sprints in which they could learn about the refined leadership understanding and leadership principles in various formats such as virtual "classrooms". 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).

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 sixth time at dwpbank in 2023. Since its launch in financial year 2018, this annual structured process to analyse actual and target situations in the organisational units from both an individual and a position-related viewpoint in order to identify high-po-

tential individuals and concentrations of expertise, and to determine action to reduce mission-critical positions for the purposes of focused succession planning has thus become an established feature. A total of 12 high-potential individuals completed their three-year Q³ development programme at the end of 2023, and 18 new high-potential individuals were identified in 2023 and will begin the programme in 2024.

3.1.4 Trainee programme

In December 2023, dwpbank was certified for a sixth 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 eleven trainee cohorts. Since its introduction, the 18-month training programme has worked effectively 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.

A total of 17 trainees started the programme in 2023, and eight former trainees from the 2021 intake were taken on permanently.

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 2023, three students of Business Informatics, Banking & Finance and Business Administration started the seven-semester twin-track course of study. Five students who had started in the 2019 winter semester successfully graduated with Bachelor's degrees from FOM in 2023. 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 2023 dwpbank was named "Best Trainer in Germany 2023" by the business magazine Capital (Issue 11/2023) for its twin-track study course and IHK training courses. Handelsblatt also included dwpbank once more in its ranking of "Best Educators 2023". 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 2023.

3.1.7 Young Professional programme

Following the pilot run in 2022, the Young Professional programme began again with a further nine participants in 2023. The two-year scheme gives graduates of our training programmes (trainee programme, twin-track study course and chamber of commerce and industry (IHK) training) as well as direct hires with high potential and relevant experience the opportunity to address their own strengths and talents alongside their regular duties, and to develop appropriate skills for the future. They receive support from their manager and a mentor from the high-potential individuals from the Q³ development programme. Four young professionals from the pilot completed the programme at the end of 2023.

3.1.8 Employee survey/employee satisfaction

The high level of employee satisfaction measured by the last employee survey was also expressed in 2023 with a score of 4.2 (out of a maximum of 5.0) on the employer ranking platform "kununu", placing dwpbank second in the bank category of the Zeit publishing group's "Most Wanted Employer 2023". This also represented an improvement on the previous year's score of 4.0.

dwpbank also received an award from "Stern" as a "company with a future".

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 2025. 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 for the 30 June 2025 reporting date. The Supervisory Board resolved on 15 April 2024 to change the target proportion of women again, from 10% to 13.33%. The target for the Board of Management was set against the background of its current composition and small size. A strategy was adopted in order to promote diversity in the Board of Management and the Supervisory Board of dwpbank, aimed at ensuring a diverse group of individuals when appointing members of the boards. As at 31 December 2023, 15% of divisional head positions and 21% 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%. As previously, no women serve on the Board of Management. The failure to meet the targets for women holding divisional and departmental head positions was due in part to the measures taken and yet to be taken by dwpbank to increase the potential of internal female candidates having yet to show an effect. The Bank also plans to define further action to increase its attractiveness to external female applicants.

All internal and external job adverts for leadership positions are aimed at women, men and non-binary candidates in equal measure. Our talent development programme prepares and develops a range of individuals 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. dwpbank bundled additional measures to increase the proportion of women in divisional and departmental head positions in its ESG strategy in order to increase the number of female applicants and potential internal female candidates. The components of the ESG strategy are described in the 2023 non-financial statement.

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.

3.3 Risk report

dwpbank AG has a risk management system which is aligned with changing overall conditions on an ongoing basis. It includes tools to identify, assess, manage, monitor and communicate the material risks for dwpbank. The existing risk management tools and risk-bearing capacity analysis methods were further refined during the year under review.

3.3.1 Material risk management requirements

dwpbank is required in accordance with section 25a (1) KWG to have in place a proper business organisation, which must comprise, in particular, appropriate and effective risk management, on the basis of which an institution shall continuously safeguard its internal capital adequacy. The Bank is also required to have adequate staffing and technical and organisational resources, and an adequate contingency plan, especially for IT systems.

As part of the regular planning processes, dwpbank continuously reviews financial and human resources based on commercial approaches and adjusts them as necessary. Appropriate personnel expense and non-labour cost budgets were included in the annual planning.

Section 91 (2) of the German Stock Corporation Act (Aktiengesetz, "AktG") also applies to dwpbank as a stock corporation (Aktiengesellschaft), requiring a monitoring system to be instituted, in order to allow developments jeopardising the company's continued existence to be identified at an early point in time. The German Control and Transparency in Business Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich, "KonTraG") provides further detail and expands this requirement as well as the relevant provision of the German Commercial Code (Handelsgesetzbuch, "HGB").

The provisions of the Minimum Requirements for Risk Management (MaRisk), the Capital Requirements Regulation (CRR), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Internal Capital Adequacy Assessment Process (ICAAP) also apply.

3.3.2 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 risk culture.

The content of the risk strategy was reviewed, restructured and updated in 2023 in line with the corporate strategy. At dwpbank, risks are defined as the danger that actual results deviate from planned results with respect to the Bank's net assets, results of operations, liquidity or non-financial situation. The annual revision process included expanding the statements on the influence of environmental, social and governance (ESG) factors on the existing risk types. The tolerances for material risk types were adjusted within the Bank's ICAAP while maintaining the previous tolerance for overall risk as a key element of risk appetite.

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 identifying, assessing, controlling, monitoring and communicating risks. Central information security management is the responsibility of a separate organisational unit. The contingency management and central outsourcing management functions are combined in the "Business Resilience" department.

The risk management system is adjusted on an ongoing basis in line with changing legal and regulatory requirements. One key aspect of strategic development in 2023 was projects that concerned reviewing and revising the ICS and associated governance, as well as reinforcing the risk management system. Existing risk models were also refined and a new risk model was introduced for counterparty risk. Liquidity risk management was also further strengthened by revising the business model-specific ILAAP and expanding liquidity risk monitoring.

3.3.3 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.

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 regular dialogue between central risk management and decentralised risk officers on risk issues, 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. In addition to ad hoc risk reports, IT disruption reports and security incidents, the monthly risk report regularly covers analyses from the loss database and risk and recovery 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, stress tests and emerging risks is also prepared. In addition, the annual risk report also covers risk developments and measures implemented in the past year.

The risk committee meets monthly to discuss the risk report and current risk-relevant issues. The members of the committee include members of the Board of Management and senior management. The risk report is presented to the Board of Management once a quarter.

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

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.

3.3.4 Management of risk-bearing capacity (ICAAP) and MREL requirements

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. This takes into account ensuring capital adequacy from both a normative and an economic perspective.

Risk-bearing capacity in the normative 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 overall capital requirement (OCR) was 17.14% as at 31 December 2023 (Pillar 1 minimum requirement of 8% + SREP add-on of 5.9% + combined buffer requirement (CBR) of 3.24%). 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 25.22% at the end of 2023, practically unchanged from the previous year. It was therefore considerably higher than the OCR. For the capital planning period to 2027, it is envisaged that own funds will be further significantly strengthened by retention actions, which further increases the overfulfillment of capital requirements in the forecasts for development under the normative perspective.

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 current total SREP capital requirement of 13.9% and the OCR for the capital planning period can be met at all times.

MREL requirements

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 MREL notification dated 10 July 2023, dwpbank must comply with a target MREL amounting to 20.49% of the total risk amount plus the combined buffer requirement (CBR) (currently 3.24%), i.e., a total of 23.73%, by 1 January 2023. The target MREL is scheduled to increase to 24.32% from 1 January 2024, plus the combined buffer requirement applicable at such date. dwpbank temporarily fell below the combined buffer requirement on individual working days in the year under review. Appropriate measures are included in the capital planning for 2024 to further strengthen the capital base.

Risk-bearing capacity in the economic perspective

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 (including the adjusted own funds, the profit received during the year and hidden reserves/liabilities) 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.

Operational risks

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk.

In accordance with this causal definition, dwpbank classifies process, employee, technology and external risks under operational risk, with explicit reference to legal risk.

Technology risks comprise deficiencies and outages of IT applications and of any other technical infrastructure of dwpbank. There is a differentiation in process risks between deficiencies in process design and deficiencies in process performance. Due to their importance, operational risks relating to project work are explicitly referred to as project risks within the category of operational risk. The aforementioned cause-oriented risk categories, process, technology and external events have a causal effect on operational project risk.

dwpbank has further categorised operational risk (risk event categories, causal categories and damage types) for operationalisation and statistical analysis purposes.

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 (normative perspective, see above) at their annual value-at-risk (VaR) in the 99.9% quantile. At the end of 2022, Risk Management identified a weakness in the AMA model for operational risk, which could not be rectified in the short term, and for which an add-on has since been charged under both the normative and economic perspectives. The Bank reviews the assumptions for the add-on on an ongoing basis; it amounted to EUR 11.1 million as at the end of 2023.

A new model to quantify operational risk is under development to remedy the aforementioned weakness, which is expected to be used under the economic perspective for the first time at the end of 2024. The current AMA model will no longer be used after the new standard approach for the normative perspective is introduced. 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

	2023	2022
Operational risks	EUR 715.8 million	EUR 785.9 million
Counterparty risks	EUR 118.3 million	EUR 113.3 million
Market risks	EUR 3.7 million	EUR 0.0 million
Total risks	EUR 837.8 million	EUR 899.2 million
CET 1	EUR 211.3 million	EUR 220.6 million
TCR	25.22%	24.53%

(as at 31 December 2023)

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. In addition to its new product process, dwpbank performs special assessments during the year if it has launched new products or entered new business areas. Actual and near-miss losses or the implementation of risk-reducing measures can also trigger a review of prior assessments. The scenario analysis has a significant influence on the quantitative amount recognised for operational risk. This tool was used to analyse a total of 101 scenarios as at 31 December 2023, of which 74 were used in modelling the risk assessment and 27 in workshop-based scenario analyses. It revealed that the possibility of erroneous corporate actions and a loss of information (data) integrity and availability in the context of information security represent the highest risk amount.

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.

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. A new model was introduced to quantify the economic counterparty risk as at 31 December 2023, following the earlier initial validation. The risk is now determined with a time horizon of

one year in line with the risk-bearing capacity analysis. The total risk amount comprises a value at risk (VaR) determined to the 99.9% quantile of the loss distribution using a Monte Carlo simulation and a migration risk premium. The migration risk takes account of the present value loss from the deterioration in creditworthiness beyond rating segments and is added to the determined VaR without consideration for diversification effects.

Market risks

Market price risks arise only as interest rate and credit spread risks relating to dwpbank's proprietary investments. Other market risks (such as equity price risk, exchange rate risk, commodity price risk and volatility risk) 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). 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 direct 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.

Pension risks

With respect to pension obligations, within dwpbank's risk management system a distinction is made between including any hidden liability from pension obligations in determining the risk cover assets (see section 3.3.5), interest rate risks stemming from pension obligations and pension risks from direct and indirect pension obligations.

A hidden liability from pension obligations would result from a negative difference between the carrying amount of dwpbank's pension obligations and their economic value, and reduce dwpbank's risk cover assets in the context of the risk-bearing capacity calculation. There was no hidden liability, but a hidden reserve which was not included in the risk cover assets as at 31 December 2023.

The interest rate risk 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).

Annual 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 with support from our actuary, Mercer. On the one hand, indirect pension risk captures the risk that dwpbank would hold subsidiary liability in the event of the pension provider 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 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 historical observations of deviations between projected and realised

income and losses in aggregated income statement cost centres 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. The risk-bearing capacity analysis would otherwise result in a risk amount of EUR 0 as the potential plan deviation would not lead to a negative result for the year.

Overview of the economic perspective

The above-mentioned risks to which dwpbank is exposed 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 2023, the profit received (earnings before tax) amounted to EUR 74.8 million. Together with adjusted own funds, and after deducting the hidden liabilities relating to securities amounting to EUR 36.8 million (previous year: EUR 39.9 million in hidden reserves), the risk cover assets amounted to EUR 202.6 million as at 31 December 2023 (previous year: EUR 145.3 million). Consequently, as presented in the table below, 55.3% of risk cover assets were utilised (previous year: 80.2%), and the risk buffer amounted to EUR 90.5 million (previous year: EUR 28.8 million). Based on the Bank's risk-bearing capacity analysis dated 31 December 2023, its risk-bearing capacity is therefore guaranteed.

No individual and aggregate tolerances had been exceeded as at 31 December 2023. (Table below)

	2023	2022
Operational risks	EUR 58.6 million	EUR 64.2 million
Counterparty risks	EUR 8.9 million	EUR 8.7 million
Market risks	EUR 21.1 million	EUR 29.4 million
Pension risks	EUR 23.5 million	EUR 14.2 million
Business risks	EUR 0.0 million	EUR 0.0 million
Total risks	EUR 112.1 million	EUR 116.5 million
Risk cover assets	EUR 202.6 million	EUR 145.3 million
Risk cover asset utilisation	55.3%	80.2%

(as at 31 December 2023)

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

3.3.5 Liquidity risk management (ILAAP)

Liquidity risks

In accordance with AT 4.1(4) MaRisk, the liquidity and insolvency risks defined for dwpbank are not included in the risk-bearing capacity analysis at dwpbank as they cannot be reasonably limited or covered by risk coverage potential such as capital. dwpbank defines liquidity risks as the risk that pending payment obligations cannot be met at all, or can only be met with restrictions, at an increased price or with a delay. dwpbank's liquidity risk results primarily from its current business operations in securities settlement, and in particular from dwpbank's function as liquidity provider. The main liquidity risks for dwpbank are intraday risk and call risk (of which pre-funding risk).

Intraday liquidity risk refers to the risk of an unfavourable intraday sequence of cash flows, i.e., cash outflows before 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.

An ILAAP concept was developed in financial year 2023 that represents liquidity risk management throughout the Bank and is based on the principles of the ECB Guide to ILAAP. Additional KPIs are defined and included in the liquidity contingency plan to ensure that the intraday payment obligations are continually met in the context of the Bank's function as a liquidity provider. The liquidity overview and multi-period stress tests confirm that dwpbank does not have any traditional medium to long-term liquidity risk in the sense of mismatched maturities of cash flows or maturity transformation, because it does not have lending or deposit banking business or passive refinancing products.

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 3549.9% as at 31 December 2023 (previous year: 709.3%) and consequently (as throughout the whole of 2023) was above the supervisory requirement of 100%.

In addition, dwpbank uses other recovery and risk indicators to monitor developments in the liquidity situation and operational 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 and presents it to the Board of Management. 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. 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 2023.

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 management action are discussed at the meetings of the 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 2023 was at a low level similar to that seen in previous years (2023: 98 based on the reporting threshold; previous year: 119).

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. At EUR 1.6 million in expenses, the total of realised losses in 2023 remained close to the low level of the previous year (EUR 1.4 million, excluding the expenses relating to the mistrade in 2022).

Indicators revealed a positive overall situation in 2023. A total of 86.6% of indicators had a green traffic light status (previous year: 84%). 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.

There are no legal proceedings pending in connection with dwpbank's business activities.

WP2 system availability remained at the prior-year level and was very high overall; the risk indicator "online availability of WP2" averaged 99.84% (previous year: 99.86%). The availability indicators for WPDirect and WPIO averaged 99.79% and 99.86%, respectively, and thus likewise remained level with the prior-year figures of 99.82% and 99.88%.

In terms of disruptions in IT indicators, there was one IT disruption with very high criticality and one IT disruption with high criticality (previous year: one IT disruption with high criticality). The very highly critical disruption concerned the IT provider's operation of network services. The highly critical disruption concerned timeout problems in a derivatives settlement system. In 2023, the software quality of the securities system family was consistent year on year with respect to impact of disruptions on clients.

Process stability is measured using the indicators "production stability" (comprising individual indicators from securities settlement) and "IT stability" (availability indicators and disruptions). Production stability was 99.94% for 2023 (previous year: 99.42%). With respect to "IT stability", availability amounted to 99.82% (previous year: 99.85%) with one very highly critical disruption and one highly critical disruption. The indicators remained around the healthy level of the previous year.

Over the course of the year, the provider management indicators were at a very good level in terms of SLA breaches and audit monitories.

One security incident was reported for 2023. Finanz Informatik Technologie Service (FI-TS) revealed IP addresses and host names along with the associated vulnerabilities in dwpbank's proxy systems to another customer of FI-TS in its vulnerability management reporting, due to a configuration error. This security breach cannot be exploited because only FI-TS has access. The incident was analysed, documented and remedied.

The risk indicators for contingency management (including convening of the crisis team and the number of provider emergencies) were at a similarly low level to the previous year.

3.3.9 Outlook

In its ongoing development of risk management processes and measurement methods, dwpbank constantly scrutinizes the processes and methods used in order 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, and thereby identifies potential for improvement.

The models to quantify risk under the economic perspective are validated on a regular basis and revised as necessary. Work began in 2023 on a revised model to quantify operational risk, which is expected to be used under the economic perspective for the first time at the end of 2024.

Following the project supervised by Risk Management to review and revise ICS in 2023 (see section 3.3.2), the ICS implementation project is scheduled for 2024. Risk Management is involved in the implementation project to ensure close interplay of the future ICS in designing OpRisk scenarios, and consistent methodology used to assess risks. Approaches to non-financial risk are also being developed throughout the Bank to further improve overall risk management.

3.4 Outlook and report on opportunities

3.4.1 Outlook for the economy and financial markets

2023 was marked primarily by inflation, the regional bank crisis in the USA, the ongoing war in Ukraine and the conflict in the Middle East. The latest estimates of the European Commission of a 0.3% decline in economic performance for Germany (development of real GDP) in 2023 were accurate. However, it expects an improvement in 2024, with GDP growing by 0.8% in Germany in 2024, due to rising domestic and international demand and an increase in real wages.

These trends are also likely to continue in the EU and the eurozone according to the European Commission' forecast. The European economy can be expected to gradually regain momentum in 2024, with GDP growth predicted by the European Commission to be 1.3% for the EU (2023: 0.6%) and 1.2% for the eurozone (2023: 0.6%).

The majority of macroeconomic growth forecasts by economic research institutions and public bodies in Germany point to slight economic growth from 2024 onwards. For instance, the Hamburg Institute of International Economics predicts +0.5% for 2024, the Bundesbank +0.4% and the German Council of Economic Experts +0.7%.

Germany should also see inflation halved to 3.1% in 2024 after it remained high throughout 2023 (6.2%). Although this rate is still above the ECB's target of below, but close to 2%, it is much closer than it was before.

As regards inflation in the euro area, the year under review showed how it could be dealt with effectively. Following a slight decline in 2023 (EU 6.5%; eurozone 5.6%), a much more marked drop to 3.5% and 3.2%, respectively, is expected in 2024. The first interest rate cuts are also expected from the second half of 2024. Interest-bearing products (deposits and securities) experienced a renaissance due to the change in interest rate policy in 2023. It remains to be seen whether this trend will continue. Assuming a decline in key interest rates in 2024, investments in securities remain logical – even for retail investors – and there may be a greater increase in sales of equity-based investment products.

For the stock exchanges, it is difficult to make predictions for 2024 under these conditions. A majority of domestic and foreign banks (19 banks, including BNP Paribas, BayernLB, Helaba and DZ BANK) predict a positive trend in the DAX by the end of 2024. The forecasts range between 17,000 and 18,600 points, with a mean of approximately 17,600. More pessimistic estimates by seven other banks (including Deutsche Bank, NordLB, Société Générale and Bank of America) range between 15,000 and 16,600 points (with a mean of around 16,000), which is lower than the closing level for 2023.

A lively and volatile year is expected in the securities business in 2024, particularly in light of potential changes in the interest rate environment and the still ongoing global crises.

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 2024. 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.

In 2024, dwpbank will need to begin implementing the European Digital Operational Resilience Act (DORA) that entered into effect at the beginning of 2023 in its processes and systems through appropriate projects and complete implementation by the date of application at the beginning of 2025.

The EU banking package to complete the Basel III standards (sometimes referred to as Basel IV) will enter into effect in 2024 with the revised Capital Requirements Directive (CRD) and the revised Capital Requirements Regulation (CRR III). This will require analysis and implementation work at dwpbank in 2024 in preparation for the date of application in 2025.

In the key area of sustainability, dwpbank will take further action in 2024 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 Supply Chain Act. In application of the European requirements, the sustainability report will be integrated in the management report in 2024.

Implementation of the German Act to Modernise Relief from Withholding Tax will continue in 2024, with additional technical and legal requirements expected, on issuing tax certificates and securities lending, among other things.

In the context of US taxation, considerable coordination with the German Banking Industry Committee and WM Datenservice is expected with a view to the expiry of the simplification rules – currently scheduled for 31 December 2024 – and the subsequently fully applicable rules on taxation of dividend equivalents under section 871m IRC.

With regard to using digital assets as an innovative application option and base technology in the securities business, the EU Markets in Crypto-Assets Regulation (MiCAR) will come into effect in 2024. dwpbank is participating in this development via its digital infrastructure wpNex and has an appropriate roadmap.

However, dwpbank no longer expects the proposed revision of MiFID to be adopted in 2024 under the EU strategy for retail investors published in 2023. Nevertheless, this regulatory initiative will be of key significance for dwpbank and its clients, and will involve considerable analysis and implementation requirements in 2024 and subsequent years as part of the intensive monitoring of the legislative process. Furthermore, process adjustments will need to be made as a result of the amendment to MiFID and MiFIR in relation to capital market transparency.

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 Degussa, dwpbank expects that transaction numbers will remain stable in 2024 (+1.5 million; +4%) and anticipates growth in the average number of managed securities accounts (+0.1 million securities accounts; +2%), with the corresponding effects on earnings. The average number of items per securities account is projected at 5.3 for 2024. Furthermore, it is expected that the savings plan business (likewise adjusted for the demigration of Degussa) will experience strong transaction growth of +0.4 million transactions (+3%). Clients' increasing use of online channels is a key long-term driver behind this development.

Expansion of the portfolio business will continue and 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 BOSC services, the securities savings product family and

add-on products for regulatory services will be systematically expanded. dwpbank also aims to expand its existing offering in private banking/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 2024 due to the continuing need for investments relating to regulatory matters, mandatory market requirements and infrastructure development to bolster technical and operational resilience. As previously, this will focus on continually developing, optimising and – where it makes sense – digitalising processes, both internally, on a cross-divisional basis and in cooperation with clients.

The regulatory developments in Germany and at the EU level in respect of financial services based on DLT and blockchain continued to noticeably hasten the pace of development in digital assets (crypto-currencies and crypto-securities) in 2023. In this light, dwpbank expects that digital assets will become a significant component of infrastructures, processes and product ranges in the medium to long term. The focal point of our activities remains on continuing to establish a platform for digital assets (wpNex) while integrating and expanding our traditional

platform (WP2/WP3). wpNex was systematically developed and made ready for operation in 2023. It is expected to go live with our wpNex pilot client in the first half of 2024. The wpNex platform will undergo targeted expansion with additional functionalities later in the year in line with market and client needs. The project to acquire crypto custody authorisation was completed in 2023 when we submitted our licence application, and is a milestone in the strategic development of our infrastructure and range of services.

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 can be integrated to generate benefits for dwpbank and its clients. Work on further expansion stages will start in financial year 2024, in particular for the new order and trade management system and development of securities account services, with implementations relating to the reverse split and maturities.

The stability and quality of services for clients of dwpbank are improved on an ongoing basis by developing the process architecture and the internal control system. This involves dwpbank expanding both technical capacities and human resources, developing its control and monitoring processes, and thereby ensuring better monitoring of its riskiest areas.

Efforts will continue in 2024 on 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 in the programme made it possible to pursue the strategic objectives and safeguard the long-term success of dwpbank's platform.

Based on the activities outlined and the respective planning, dwpbank expects earnings before taxes in the mid-seven-digit range for 2024, significantly below the figure for the financial year ended.

dwpbank will consider the circumstances, opportunities and risks discussed above in its revision of the "dwpbank 2024" strategy programme, which will begin in early 2024 and will culminate in adoption of a new 2028 strategy programme.

Assets

from 31. Dezember 2023

Assets	EUR	31/12/23 EUR	31/12/22 EUR thousand
1. Cash			
a) Central bank balances of which: at Deutsche Bundesbank EUR 438,691.44 (previous year: EUR 86 thousand)	438,691.44		86
		438,691.44	
2. Loans and advances to other banks			
a) Payable on demand	265,393,288.90		416,939
		265,393,288.90	
3. Loans and advances to clients		2,388,136.16	3,089
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 121,277 thousand)	121,276,797.63		121,277
ab) Of other issuers of which: eligible at Deutsche Bundesbank EUR 19,493,730.95 (previous year: EUR 23,416 thousand)	19,493,730.95		23,416
		140,770,528.58	
5. Equities and other non-fixed-income securities		108,965,863.52	108,164
6. Equity investments		320,000.00	320
7. Shares in affiliated companies		651,697.32	652
8. Trust assets		3,181,651.16	1,851
9. Intangible fixed assets			
a) Internally generated industrial and similar rights and assets	70,741,823.65		51,150
b) Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	1,121,830.00		1,742
		71,863,653.65	
10. Tangible fixed assets		4,930,854.65	5,670
11. Other assets		19,046,082.01	30,135
12. Prepaid expenses		7,215,156.22	3,515
13. Deferred tax assets		48,405,990.00	47,022
Total assets		673,571,593.61	815,028

Equity and liabilities	EUR	31/12/23 EUR	31/12/22 EUR thousand
1. Liabilities to other banks			
a) Payable on demand	111,833,544.35		322,059
		111,833,544.35	
2. Liabilities to clients			
a) Other			
aa) Payable on demand	253,079.28		174
		253,079.28	
3. Trust liabilities		3,181,651.16	1,851
4. Other liabilities		21,362,914.33	13,993
5. Deferred income		568,183.04	91
5a. Deferred tax liabilities		22,487,728.00	16,260
6. Provisions			
a) Provisions for pensions and similar obligations	114,106,522.00		108,400
b) Provisions for taxes	122,562.68		0
c) Other provisions	64,431,097.20		67,314
		178,660,181.88	
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	154,469,679.23		152,991
d) Net retained profits	50,338,006.67		1,478
		335,224,311.57	
Total equity and liabilities		673,571,593.61	815,028

1. Other obligations			
a) Irrevocable loan commitments		1,353,205.28	1,450

Income statement

for the period from 1 January to 31 December 2023

	EUR	EUR	2023/EUR	previous year/ EUR thousand
1. Interest income from				
a) Lending and money market transactions of which: negative interest on credit bal- ances EUR 0.00 (previous year: EUR 488,856 thousand)	6,561,562.11			2,765
b) Fixed-income securities and debt register claims	791,221.24	7,352,783.35		805
2. Interest expense		-2,496,628.54		-3,619
			4,856,154.81	-49
3. Current income from				
a) Equities and other non-fixed-income securities		90.61		0
b) Equity investments		20,174.94		16
c) Shares in affiliated companies		133,547.00		116
			153,812.55	132
4. Income from profit pooling, profit and loss transfer, or partial profit transfer agreements			53,338.92	164
5. Fee and commission income	402,918,489.67			421,205
6. Fee and commission expense	-93,812,022.68			-100,517
			309,106,466.99	320,688
7. Other operating income of which: income from discounting longer-term provisions: EUR 29,763.96 (previous year: EUR 0 thousand)			77,710,317.07	80,437
8. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-104,036,604.24			-94,653
ab) Social security, post-employment and other employee benefit costs of which: in respect of old-age pensions EUR 8,573,725.85 (previous year: EUR 11,611 thousand)	-23,460,664.29			-25,698
		-127,497,268.53		-120,351
b) Other administrative expenses	-136,528,550.93			-142,021
			-264,025,819.46	-262,372

	EUR	EUR	2023/EUR	previous year/ EUR thousand	Vorjahr/Tsd. EUR
9. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets				-10,286,813.64	-9,607
10. Other operating expenses of which: interest on longer-term provisions: EUR 1,051,149.26 (previous year: EUR 4,634 thousand)				-43,554,493.55	-116,926
11. Write-downs of and allowances on loans and advances and certain securities and additions to provisions for credit risks			-97,429.55		-530
12. Income from reversals of write-downs of loans and advances and certain securities and reversals of provisions for credit risks			79,160.00		0
				-18,269.55	-530
13. Write-downs of and allowances on equity investments, shares in affiliated companies and securities treated as fixed assets			0.00		-9,990
14. Income from reversals of write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets			801,948.61		0
				801,948.61	-9,990
15. Result from ordinary activities				74,796,642.75	1,947
16. Taxes on income					
a) Current taxes on income			-19,615,306.08		-820
b) Deferred taxes			-4,843,330.00		351
				-24,458,636.08	-469
17. Net income for the financial year				50,338,006.67	1,478
18. Net retained profits				50,338,006.67	1,478

Statement of changes in fixed assets

for the period from 1 January to 31 December 2023

	Cost		Cost	
	01/01/2023	Additions	Disposals	31/12/2023
I. Internally generated industrial and similar rights and assets				
1. Internally generated industrial and similar rights and assets	110,309,928.59	28,836,655.86	-1,444,467.56	137,702,116.89
2. Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	7,815,412.44	527,338.43	-23,547.23	8,319,203.64
Total intangible fixed assets	118,125,341.03	29,363,994.29	-1,468,014.79	146,021,320.53
II. Tangible fixe assets				
1. Technical equipment and machinery	15,979,390.14	91,246.49	0.00	16,070,636.63
2. Other assets, operating and office equipment	9,491,590.40	408,910.68	-752,500.21	9,148,000.87
Total tangible fixed assets	25,470,980.54	500,157.17	-752,500.21	25,218,637.50
III. Long-term financial assets				
1. Bonds and other fixed-income securities	143,924,574.49	484,560.50	-484,560.50	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	259,896,178.68	484,560.50	-484,560.50	259,896,178.68
Total	403,492,500.25	30,348,711.96	-2,705,075.50	431,136,136.71

Cumulative depreciation, amortisation and write-downs			Cumulative depreciation, amortisation and write-downs		Carrying amount	Carrying amount
01/01/2023	Additions	Disposals	Reversals of write-downs	31/12/2023	31/12/2023	31/12/2022
-59,159,578.16	-7,906,997.84	106,282.76	0.00	-66,960,293.24	70,741,823.65	51,150,350.43
-6,073,090.44	-1,141,943.60	17,660.40	0.00	-7,197,373.64	1,121,830.00	1,742,322.00
-65,232,668.60	-9,048,941.44	123,943.16	0.00	-74,157,666.88	71,863,653.65	52,892,672.43
-12,576,040.21	-660,013.81	0.00	0.00	-13,236,054.02	2,834,582.61	3,403,349.93
-7,224,876.40	-577,858.39	751,005.96	0.00	-7,051,728.83	2,096,272.04	2,266,714.00
-19,800,916.61	-1,237,872.20	751,005.96	0.00	-20,287,782.85	4,930,854.65	5,670,063.93
-3,154,045.91	0.00	0.00	0.00	-3,154,045.91	140,770,528.58	140,770,528.58
-6,835,991.96	0.00	0.00	801,948.61	-6,034,043.35	108,965,863.52	108,163,914.91
0.00	0.00	0.00	0.00	0.00	320,000.00	320,000.00
0.00	0.00	0.00	0.00	0.00	651,697.32	651,697.32
-9,990,037.87	0.00	0.00	801,948.61	-9,188,089.26	250,708,089.42	249,906,140.81
-95,023,623.08	-10,286,813.64	874,949.12	801,948.61	-103,633,538.99	327,502,597.72	308,468,877.17

Notes to the 2023 annual financial statements

General information

The annual financial statements of Deutsche Wertpapier-Service Bank AG (hereinafter dwpbank AG) for the 2023 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 2023. 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 clients recorded by dwpbank were negligible in terms of amount.

There are no indications in dwpbank's 2023 annual financial statements that a global valuation allowance needs to be recognised. The assumption going forward is that dwpbank's loans and advances to clients 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.

Securities allocated to the liquidity reserve and thus to current assets are recognised at cost or market/fair value based on the strict principle of lower of cost or market value.

Bonds held in the proprietary portfolio are classified as long-term financial assets and measured using the less strict principle of lower of cost or market value.

Reversals of write-downs of securities are recognised if the reasons for specific write-downs recognised in the past no longer apply. 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 maturity. 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)	1.82
Discount rate (7-year average)	1.74
Pension increase	1.50–2.50
Early retirement benefits	2.50

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 2023 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 31.780%.

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 2023, changes in fixed assets were presented in a separate statement of changes in fixed assets appended to the notes.

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

Following the switch by the Deutsche Bundesbank from Target2-Securities (T2S) to Target2/T2S (T2/T2S) on 20 March 2023, cash only includes interest balances at the Bundesbank for non-operating liquidity amounting to EUR 439 thousand (previous year: interest balance of EUR 0 thousand). In the previous year, cash only included central bank balances amounting to EUR 86 thousand. These related to receivables payable on demand from securities settlement as part of operating activities, as well as 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 2,388 thousand (previous year: EUR 3,089 thousand) resulted primarily from invoices outstanding as at the balance sheet date (EUR 1,636 thousand; previous year: EUR 2,753 thousand). The invoices outstanding as at the balance sheet date included loans and advances to

Loans and advances to other banks

EUR thousand	31/12/2023	31/12/2022
Payable on demand		
Credit balances with banks	265,393	416,939
of which from operating activities in the securities business	115,734	327,238
of which from proprietary business	149,659	89,701
of which credit balances from non-operating activities in the securities business	96,000	0
held in the Bundesbank deposit facility		
of which foreign currency receivables	32,222	31,553
of which receivables from banks in which dwpbank holds an equity interest	41,267	283,186

affiliated companies of EUR 239 thousand (previous year: EUR 511 thousand).

Foreign currency receivables amounted to EUR 390 thousand (previous year: EUR 64 thousand).

4. Bonds and other fixed-income securities

This item consists entirely of listed fixed income securities amounting to EUR 140,771 thousand (previous year: EUR 144,693 thousand), and is allocated in full to long-term financial assets. Of that amount, securities totalling EUR 3,604 thousand will mature in financial year 2024. Securities with a carrying amount of EUR 3,922 thousand reported as at 31 December 2022 matured in financial year 2023. 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 (EUR 121,277 thousand; previous year: EUR 121,277 thousand).

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.

The securities from the bond portfolio classified as fixed assets with a total carrying amount of EUR 140,771 thousand (previous year: EUR 140,286 thousand) were written down to their principal amount as at the balance sheet date and not to their respective lower market value of EUR 121,020 thousand (previous year: EUR 114,702 thousand) due to the intention to hold them until maturity and the fact that the impairment was due exclusively to interest rates.

In the financial year, a write-down on securities with carrying amounts of EUR 46,301 thousand (previous year: 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 108,966 thousand (previous year: EUR 108,164 thousand) classified as long-term financial assets were not written down to the market value of the fund units (EUR 91,869 thousand; previous year: 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 recognises at a carrying amount 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 2022 (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 582 thousand (EUR 78 thousand).

7. Shares in affiliated companies

As at 31 December 2023, 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	53	100.00%
dwp Software Kft.	Budapest (Hungary)	1,661	456	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 50)

8. Trust assets

The trust assets reported separately here relate entirely to loans and advances to other banks of EUR 3,182 thousand (previous year: EUR 1,851 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 887 thousand (previous year: EUR 1,009 thousand).

9. Intangible fixed assets

This item consists primarily of software developed internally by the Bank. The Bank identified EUR 28,837 thousand (previous year: EUR 26,145 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 increase in receivables from securities settlement to EUR 9,327 thousand (previous year: EUR 2,739 thousand) was due to securities transactions in the operating business not yet closed as at the balance sheet date.

Other assets

EUR thousand	31/12/2023	31/12/2022
Receivables from securities settlement	9,327	2,739
Employee-related receivables	5,240	4,957
Income tax receivables	3,377	21,307
Other assets from settlement with depositories	29	165
Creditors with debit balances	27	88
Miscellaneous other assets	1,047	879
	19,046	30,135

The income tax receivables amounting to EUR 3,344 thousand (previous year: EUR 21,307 thousand) were due to the tax prepayments made during the course of financial year 2023 and the reduced earnings before taxes resulting from an extraordinary loss event in the previous year.

The miscellaneous other assets also include a subordinated asset of EUR 387 thousand (previous year: EUR 290 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 3,394 thousand (previous year: EUR 1,578 thousand).

12. Prepaid expenses

This item includes EUR 7,215 thousand (previous year: EUR 3,515 thousand) in prepaid advance payments by dwpbank only.

13. Deferred tax assets

Deferred tax assets amounting to EUR 48,406 thousand (previous year: 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 TEUR 1,384 thousand (previous year: EUR 5,945 thousand) results pro rata from the effects in income of 2023.

14. Liabilities to other banks

The EUR 111,834 thousand in liabilities payable on demand (previous year: EUR 322,058 thousand) resulted mainly from the Bank's operating activities in the securities business and included EUR 29,576 thousand (previous year: EUR 32,312 thousand) denominated in foreign currency.

Liabilities to banks in which dwpbank holds an equity interest totalled EUR 25,583 thousand (previous year: EUR 2,550 thousand).

15. Liabilities to clients

Liabilities to non-banks amounted to EUR 253 thousand (previous year: EUR 174 thousand); these related mainly to liabilities from the Bank's operating activities in the securities business. This included foreign currency liabilities of EUR 0 thousand (previous year: EUR 14 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 5,785 thousand (previous year: EUR 12 thousand).

17. Deferred tax liabilities

All of the deferred tax liabilities of EUR 22,488 thousand (EUR 16,260 thousand) relate to the capitalisation of internally generated intangible fixed assets. In financial year 2023, deferred tax liabilities increased by EUR 6,228 thousand (previous year: EUR 5,594 thousand) through profit or loss.

Other liabilities

EUR thousand	31/12/2023	31/12/2022
Liabilities from operating activities in the securities business	11,582	3,531
Liabilities from services	4,574	2,997
Employee-related liabilities	3,213	3,459
VAT liabilities	1,478	2,041
Miscellaneous other liabilities	516	1,964
	21,363	13,992

18. Provisions

Provisions before offsetting against plan assets totalled EUR 178,786 thousand as at 31 December 2023 (previous year: EUR 175,972 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 1,877 thousand.

Under other employee-related provisions, the provision for partial retirement was offset against the corresponding plan assets of EUR 125 thousand in accordance with section 246 (2) HGB. This figure constitutes both the fair value and amortised cost of the reinsurance.

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)

Changes in equity in the financial year: (Table on the right)

20. Foreign currencies

As at 31 December 2023, EUR 36,894 thousand (previous year: EUR 34,204 thousand) in assets and EUR 36,247 thousand (previous year: EUR 33,347 thousand) in liabilities were denominated in foreign currencies.

Provisions

EUR thousand	31/12/2023	31/12/2022
Provisions for pensions and similar obligations	114,107	108,400
Provisions for outstanding invoices	17,847	24,704
Restructuring provisions	19,094	15,864
Other employee-related provisions	14,753	12,731
Provisions for early retirement	8,064	9,214
Provisions for holiday leave and flexitime	3,861	3,596
Provisions for partial retirement	295	373
Provisions for taxes	123	0
Other provisions	516	832
	178,660	175,714

Equity

Shareholders as at 31 December 2023	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. 2023	20,000	108,417	2,000	152,991	1,478
Transfer to revenue reserves from net retained profits of the previous year				1,478	-1,478
Profit distribution from net retained profits of the previous year					-12,600
Balance as at 31 Dec. 2023	20,000	108,417	2,000	154,469	50,338
Total equity					335,224

III. Notes to the income statement**1. Interest income**

Interest income from lending and money market transactions amounting to EUR 6,562 thousand (previous year: EUR 2,765 thousand) relates to operating and non-operating activities in the securities business. This includes negative interest of EUR 0 thousand (previous year: EUR 489 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 791 thousand (previous year: EUR 805 thousand) resulted from securities furnished as collateral.

2. Interest expense

In addition to provision commissions of EUR 442 thousand (previous year: EUR 363 thousand) and other interest of EUR 3 thousand (previous year: EUR 3 thousand), interest expenses mainly include interest of EUR 2,051 thousand (previous year: EUR 3,253 thousand) for current accounts relating to operating activities in the securities business.

3. Current income

Current income includes primarily income from affiliated companies amounting to EUR 134 thousand (previous year: EUR 116 thousand) resulting from the dividends of dwp Software Kft., Budapest (Hungary). In addition, dividend income of EUR 20 thousand (previous year: EUR

16 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 402,918 thousand (previous year: EUR 421,205 thousand), with EUR 388,304 thousand (previous year: EUR 401,857 thousand) of that amount resulting from full-service securities services. Brokerage fees and expenses amounted to EUR 11,326 thousand (previous year: EUR 14,752 thousand). Additional income amounting to EUR 3,288 thousand (previous year: EUR 4,596 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 93,812 thousand (previous year: EUR 100,516 thousand) and included securities account and transaction fees of EUR 77,950 thousand (previous year: EUR 80,165 thousand). Brokerage fees and expenses amounted to EUR 10,587 thousand (previous year: EUR 13,446 thousand). The other fee and commission expense and reimbursement of expenses totalled EUR 5,275 thousand (previous year: EUR 6,906 thousand).

6. Other operating income

Other operating income of EUR 77,710 thousand (previous year: EUR 80,437 thousand) can be broken down as follows: (Table 1 below)

7. Other administrative expenses

The other administrative expenses of EUR 136,529 thousand (previous year: EUR 142,021 thousand) can be broken down as follows: (Table 2 below)

8. Other operating expenses

The other operating expenses of EUR 43,554 thousand (previous year: EUR 116,926 thousand) comprise: (Table on the right)

9. Write-downs, reversals of write-downs of and allowances on loans and advances and certain securities and additions to and reversals of provisions for credit risks (income statement items 11 and 12)

Other operating income

Income from (EUR thousand)	31/12/2023	31/12/2022
Currency translation	24,992	25,496
Exchange rate measurement	21,613	23,846
IT services (incl. migrations)	16,122	13,118
VAT refunds from prior periods	4,179	2,674
Reversal of provisions	2,695	5,577
Leasing	1,028	902
Postage in the securities business	1,020	1,299
Damages	765	1,846
Discounts	412	554
Discounting of provisions	30	0
Miscellaneous other income	4,855	5,125
	77,710	80,437

Other administrative expenses

Expenses for (EUR thousand)	31/12/2023	31/12/2022
IT operating costs	58,831	57,010
Purchased services	43,071	51,394
Building maintenance and ancillary costs	13,548	13,411
Production-related administrative expenses	9,214	9,612
Contributions and fees	6,022	4,714
Non-labour costs	4,172	4,325
Market support	1,402	1,280
Other administrative expenses	269	275
	136,529	142,021

Other administrative expenses

Expenses for (EUR thousand)	31/12/2023	31/12/2022
Foreign currency translation	21,635	24,261
Non-deductible input tax	8,713	9,035
Restructuring	4,971	9,119
Currency translation	1,617	1,638
Losses	1,372	62,136
Discounting of employee-related provisions	1,051	4,634
Postage	1,021	1,296
Outsourcing of pension provisions	715	2,082
Items relating to prior periods	314	1,489
Other administrative expenses	2,145	1,236
	43,554	116,926

The expenses reported include primarily expenses for loans and advances to clients of EUR 97 thousand (previous year: EUR 369 thousand) for which specific valuation allowances were recognised. Furthermore, no write-downs were recognised on bonds and other fixed-income securities classified as current assets (previous year: write-downs of EUR 49 thousand).

By contrast, reversals of write-downs of EUR 79 thousand were recognised (previous year: EUR 0 thousand).

10. Write-downs, reversals of write-downs of and allowances on equity investments, shares in affiliated companies and securities treated as fixed assets (income statement items 13 and 14)

As in the previous year, no write-downs of equity investments and shares in affiliated companies were recognised in financial year 2023.

There was no need to recognise write-downs on bonds and other fixed-income securities in the financial year (previous year: write-downs of EUR 3,154 thousand). Reversals of write-downs of EUR 802 thousand were recognised on the special fund reported under equities and other non-fixed-income securities (previous year: write-down of EUR 6,836 thousand).

11. Taxes on income

TEUR 19,162 thousand (previous year: EUR 1,232 thousand) of reported current taxes related to the operating profit from the past financial year. TEUR 453 thousand resulted from payments of tax arrears for prior years (previous year: tax refunds of EUR 412 thousand).

Total expenses of EUR 4,843 thousand (previous year: EUR 351 thousand in income) 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 7.47%. 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

At its meeting on 4 March 2024, the Supervisory Board granted Dr Heiko Beck's request to leave office as at 30 June 2024.

Martin Zoller has decided not to extend his contract and will leave dwpbank's Board of Management at the latest in the fourth quarter of 2024.

V. Other disclosures

1. Employees

The average number of active employees (full-time equivalents) in the financial year was 1,225.5. Of that figure, 904.5 were employed full-time and 321 part-time. There were 1,230 active employees as at 31 December 2023. Of that figure, 910 were employed full-time and 320 part-time. Additionally, the Bank employed three members of the Board of Management as at 31 December 2023, as well as 11 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 1,504 thousand. Remuneration of EUR 874 thousand was paid to former members of the Board of Management. Additionally, provisions for pensions amounting to EUR 29,042 thousand are recognised for current and former members of the Board of Management. Provisions of EUR 247 thousand were recognised for the remuneration of dwpbank's Supervisory Board for the past financial year. The members of the Advisory Board have their first claim to remuneration of EUR 6 thousand for the financial year ended.

3. Total fee for auditor

Expenses of EUR 674 thousand were incurred for the activities of the auditor in the financial year. Of this amount, EUR 459 thousand was attributable to statutory audit services, of which EUR 48 thousand in relation to the previous year. A further EUR 215 thousand was attributable to other audit services, of which EUR 131 thousand in relation to the previous year.

4. Development expenses

During the financial year, the Bank incurred a total of EUR 60,068 thousand (previous year: EUR 70,707 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 28,837 thousand (previous year: EUR 26,145 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 27,754 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 26,754 thousand (of which up to 1 year: EUR 6,327 thousand; 1–5 years: EUR 20,427 thousand).

Furthermore, other financial obligations of EUR 1,200 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 98,537 thousand was excluded from distribution. That amount comprised EUR 1,877 thousand in accordance with section 253 (6) HGB and EUR 96,660 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 25,918 thousand) and capitalised internally generated intangible assets (EUR 70,742 thousand).

8. Proposal for the appropriation of profits

The Board of Management proposes the following appropriation of profits: "The net retained profits for the 2023 financial year amounting to EUR 50,338,006.67 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 of the Board of Management, Corporate Management and Client Management
- **Markus Neukirch**, Reichelsheim, 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, Member of the Board of Management / responsible for IT and Organisation, DZ BANK AG, Frankfurt am Main
- **Dr Klaus Tiedeken (until 25 April 2023)**
Representative of Rheinischer Sparkassen- und Giroverband, Cologne
- **Jürgen Wannhoff**
Deputy Chairman, Vice-President of Sparkassenverband Westfalen-Lippe, Münster
- **Thomas Ullrich**
Member of the Board of Management / responsible for Transaction Banking Operations and Payments & Accounts, 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
- **Dr Stefan Dahm (since 25 April 2023)**
Chairman of Stadtsparkasse Düsseldorf, Düsseldorf
- **Johannes Koch**
Member of the Board of Management / responsible for Strategy and Management Functions, 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 Management in all

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

The Advisory Board comprises:

- **Daniel Keller**
Chairman, Deputy Chairman 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 (until 2 June 2023)**
Former Member of the Board of Management and Deputy Spokesman/Customer Business, Hamburger Sparkasse AG, Hamburg
- **Niels Rasmussen (since 22 November 2023)**
Head of IT Management, 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 Transformation & 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/Operations, IT/Organisation, Savings Bank Sales & Service, HR & Internal Audit, S Broker AG & Co. KG, Wiesbaden
- **Heinz-Jörg Reichmann**
Chairman of the Board of Management, Sparkasse Attendorn Lennestadt Kirchhundem AöR, Attendorn
- **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, Private Banking, Treasury, Volksbank Darmstadt Mainz eG, Mainz

Frankfurt am Main, 5 March 2024



Dr Heiko Beck



Markus Neukirch



Martin Zoller

Country-by-country reporting

Disclosure in accordance with section 26a (1) sentence 2 KWG
as at 31 December 2023

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 2023 to 31 December 2023 and the average number of employees on a full-time equivalent basis for financial year 2023 are presented in the table below:

Turnover in EUR million	348.3
Interest income	7.4
Interest expense	-2.5
Net interest income	4.9
Fee and commission income	402.9
Fee and commission expense	-93.8
Net fee and commission income	309.1
Other income	77.9
Other operating expenses	-43.6
Net other operating income	34.4
Number of employees (full-time equivalent basis)	1,137.9
Profit before tax in EUR million	74.8
Taxes on income in EUR million	-24.5
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 74.8 million; the tax expense amounted to EUR 24.5 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 2023 and the income statement for the financial year from 1 January to 31 December 2023, 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 2023.

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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 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 2023. 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 402,918 thousand in fee and commission income for financial year 2023, of which EUR 388,304 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.

If, based on the work we have performed on the other information prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 at-

tention 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 25 April 2023. We were engaged by the Chairman of the Supervisory Board on 21 November 2023. 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.

- 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 2022 by Deutsche WertpapierService Bank AG, Frankfurt am Main, in 2023

German public auditor responsible for the engagement

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

Frankfurt am Main, 6 March 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Beier	Dyhr
German Public Auditor	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 2023: ten shareholder representatives and five employee representatives.

In 2023, the Chairman of the Supervisory Board was Dr Christian Brauckmann, member of the Board of Management of DZ Bank AG, and the Deputy Chairman of the Supervisory Board was Jürgen Wannhoff, member of the Board of Management of Sparkassenverband Westfalen-Lippe.

In accordance with the statutory provisions and section 9 of its Rules of Procedure, in 2023, 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. In particular, the Nominating and Executive Committee discussed succession planning for the CEO and CFO/CRO, who intended to leave the Board of Management in 2024. It met a total of four times in 2023.

The particular focus of the Remuneration Control Committee in 2023 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 met a total of three times in 2023.

The Risk and Audit Committee in 2023 carried out the preliminary review of the documents relating to the 2022 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 five times in 2023.

The Strategy Committee advises the Board of Management in particular on reviewing and refining the business strategy. The Strategy Committee met once in 2023.

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 seven 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 priority for the first half of 2023 was to fully investigate and come to terms with a mistrade at the end of 2022 that resulted in the loss of nearly the entirety of the net profit for 2022. The Supervisory Board convened several extraordinary and regular meetings to discuss in particular the findings of the special audit by Internal Audit, the external audit ordered by the Supervisory Board and Board of Management and the findings of the special audit on the matter pursuant to section 44 of the German Banking Act and the measures implemented on that basis. At the end of 2023, the assessment of the loss event was completed. The Supervisory Board, in particular the Risk

and Audit Committee, subsequently oversaw the implementation of the prescribed measures.

As far as the general course of business was concerned, the Chairman and Deputy Chairman of the Supervisory Board 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 Supervisory Board also discussed in particular the implementation of the 2024 dwpbank strategy.

Further topics of discussion included the project to implement the MoveWP3 IT strategy and the findings of the follow-up audit of measures to rectify the findings of the 2019 special IT audit. The Supervisory Board also oversaw efforts to secure internal capital adequacy in the normative and economic perspectives, as well as capital planning. The annual strategy workshop involved a close dialogue between the Supervisory Board and the Board of Management on dwpbank's strategic development, including for instance on the Digital Assets business model and with regard to process quality and the internal control system (ICS).

Annual financial statements for the year ended 31 December 2023

KPMG AG Wirtschaftsprüfungsgesellschaft, which was elected auditor by the Annual General Meeting, audited dwpbank's annual financial statements for 2023, as prepared by the Board of Management, comprising the balance sheet as at 31 December 2023, the income statement for the 2023 financial year, the notes to the financial statements, including the accounting policies presented in them, and dwpbank's management report for 2023. 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 15 April 2024 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 8 April 2024, 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 2023, 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 2023 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 2023

Furthermore, meetings of the Risk and Audit Committee (8 April 2024) and the Supervisory Board (15 April 2024) discussed the separate non-financial statement of dwpbank as at 31 December 2023, 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 and its gratitude to the members of the Board of Management and all employees and employee representatives for their hard work and commitment in 2023 and their excellent performance.

Frankfurt am Main, 15 April 2024

Deutsche WertpapierService Bank AG
The Supervisory Board



Dr Christian Brauckmann
The Supervisory Board

Published by

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