Annual financial statements as at 31 December 2022 and management report

TRANSLATION – AUDITOR'S REPORT

Deutsche Factoring Bank GmbH & Co. KG
Bremen

KPMG AG
Wirtschaftsprüfungsgesellschaft

Balance sheet as at 31 December 2022 of
Deutsche Factoring Bank GmbH & Co. KG, Bremen

Assets		31 Dec. 2022	31 Dec. 2021
	EUR	EUR	KEUR
1. Cash reserves			
a) Cash on hand	1,396.00	1,396.00	1
2. Receivables from banks			
a) Due at call	16,891,235.74		59,226
b) Other receivables	293,734.94	17,184,970.68	27
3. Receivables from customers		1,972,550,979.99	1,877,576
4. Investments		2,700.64	3
5. Intangible assets			
a) Internally generated industrial property rights and similar rights and assets	2,397,885.95		0
b) Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	824,062.99		1,098
c) Goodwill	0.00		0
d) Advance payments	0.00	3,221,948.94	2,835
6. Property, plant and equipment		956,271.10	2,116
7. Other assets		5,170,353.41	5,611
8. Prepaid expenses		669,185.25	1,019
9. Excess of plan assets over pension liabilities		0.00	0
Total assets		**1,999,757,806.01**	**1,949,511**

Equity and liabilities		31 Dec. 2022	31 Dec. 2021
	EUR	EUR	KEUR
1. Liabilities to banks			
a) Due at call	149,536,602.39		188,341
b) With agreed maturities or notice periods	668,672,115.94	818,208,718.33	676,314
2. Liabilities to customers			
b) Other liabilities			
ba) Due at call	139,854,954.62		93,946
bb) With agreed maturities or notice periods	632,388,503.21	772,243,457.83	616,444
3. Other liabilities		5,902,049.62	2,531
4. Deferred income		174,999.98	481
5. Provisions			
a) Provisions for pensions and similar benefits after offsetting against plan assets	164,242.81		54
b) Tax provisions	18,800.00		0
c) Other provisions	6,001,230.15	6,184,272.96	9,785
9. Subordinated liabilities		78,852,885.28	52,865
12. Equity			
a) Subscribed capital	6,435,874.52		6,436
b) Capital reserve	64,696,360.28		64,696
c) Revenue reserves			
cd) Other revenue reserves	226,267,325.82		216,981
d) Retained earnings	20,791,861.39	318,191,422.01	20,637
Total equity and liabilities		**1,999,757,806.01**	**1,949,511**
2. Other obligations			
thereof irrevocable credit commitments		9,176,659.22	15,752

Income statement for the period from 1 January 2022 to 31 December 2022 of

Deutsche Factoring Bank GmbH & Co. KG, Bremen

Expenses			2022	2021
			EUR	KEUR
1. Interest expenses			8,058,974.91	735
thereof negative interest received				
in EUR -1069766,37 (PY: in KEUR -2209,30598)				
2. Commission expenses			4,097,018.68	4,143
3. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	18,479,440.43			18,416
ab) Social security, pension	3,826,438.38	22,305,878.81		3,634
and other benefits				
thereof for pensions in EUR 714.201,63				
(PY: in KEUR 624)				
b) Other administrative expenses		11,927,216.50	34,233,095.31	11,786
4. Amortisation, depreciation and write-downs of intangible				
assets and property, plant and equipment			1,308,060.50	1,232
5. Other operating expenses			793,748.37	753
6. Write-downs of and value adjustments to receivables and certain securities				
as well as additions to provisions in the credit business			8,787,408.13	3,105
7. Income taxes			3,256,646.00	2,474
8. Other taxes not included under item 5			72,437.20	67
9. Net income for the year			20,791,861.39	20,637
Total expenses			**81,399,250.49**	**66,981**
1. Net income for the year			20,791,861.39	20,637
2. Allocations to other revenue reserves			0.00	0
3. Retained earnings/accumulated deficit			20,791,861.39	20,637

Income	2022	2021
	EUR	KEUR
1. Interest income from credit and money market transactions	72,283,591.46	60,544.11
2. Commission income	4,367,151.57	4,514.25
3. Other operating income	4,748,507.46	1,923.14
Total income	**81,399,250.49**	**66,981.49**

Notes to the financial statements for the 2022 financial year

1. GENERAL INFORMATION

Deutsche Factoring Bank GmbH & Co. KG (Deutsche Factoring Bank) as a bank prepared its annual financial statements for the financial year ending 31 December 2022, in accordance with German commercial law (Sections 242 et seqq. of the German Commercial Code [HGB]), the supplementary provisions for banks and financial services institutions (Sections 340 et seqq. HGB), and the provisions of the German Regulation on the Accounting of Banks and Financial Services Institutions [RechKredV].

Deutsche Factoring Bank, Bremen, is listed in the Bremen Register Court in the commercial register department A (HRA) with register number 15633.

The Company uses form 1 (balance sheet) RechKredV. Form 2 (account form) was used to present the income statement.

In addition to the annual financial statements – which comprise the balance sheet, the income statement and the notes to the financial statements – a management report was prepared in accordance with Section 289 HGB. Disclosures that can be presented optionally in the balance sheet, the income statement or in the notes to the financial statements are presented in the notes.

2. GENERAL ACCOUNTING POLICIES

The accounting policies have remained unchanged.

The cash reserve and receivables from banks are recognised at nominal value.

Receivables from banks and receivables from customers are recognised at their nominal value. Appropriate specific bad debt allowances have been made for all identifiable risks in the credit business.

The latent credit risk (including the risk of potentially non-legally enforceable receivables) is taken into account by recognition of general bad debt allowances. The assessment is based on a BFA 7-compliant approach.

Investments are stated at cost.

Purchased intangible fixed assets and property, plant and equipment were valued at cost and – apart from land and purchased art works – were amortised and depreciated on a straight-line basis.

Other assets were stated at nominal value.

Liabilities are recognised at their settlement amounts.

Pension provisions are recognised at the settlement amount deemed necessary. The Heubeck 2018 G mortality tables serve as the basis of calculation. The projected unit credit method was used for calculating these provisions.

The discount rate applied in the calculation amounted to 1.78% as at 31 December 2022 (average of the last ten years). Future pension increases were assumed at 1.0% or 1.5% p.a. The growth of pension expectancies was estimated. The difference between the pension provision measured using the average market interest rate of the past ten years and the past seven years amounts to KEUR 10.

The mandatory offsetting of plan assets against corresponding pension obligations resulted in the recognition of a pension provision as at 31 December 2022.

Provisions were stated at their settlement amount deemed necessary based on prudent commercial judgement. This includes all discernible risks and contingent liabilities. Long-term provisions with a remaining term of more than one year were discounted.

The translation of assets and liabilities denominated in foreign currency in the annual financial statements as well as expenses and income from factoring into euro is recognised in line with Section 256a HGB in conjunction with Section 340h HGB according to the contractual arrangements with factoring clients as receivables from or liabilities to customers. The amount resulting from foreign currency translation of KEUR 146 (PY: KEUR 165) was recorded in the income statement under other operating income.

Use was made of the netting options in the income statement pursuant to Section 340f (3) HGB and the balance sheet recognition option in Section 274 (1) sentence 2 HGB.

Deferred tax assets were not recognised.

3. EXPLANATORY NOTES ON THE BALANCE SHEET AND THE INCOME STATEMENT

3.1. Maturities breakdown of balance sheet items (Section 9 RechKredV)

Other receivables from banks	31 Dec. 2022 KEUR	31 Dec. 2021 KEUR
up to three months	293	12
between three months and one year	0	15

Receivables from customers	31 Dec. 2022 KEUR	31 Dec. 2021 KEUR
up to three months	1,960,809	1,850,576
between three months and one year	11,721	26,987
between one and five years	20	13

Liabilities to banks with agreed maturities or periods of notice	31 Dec. 2022 KEUR	31 Dec. 2021 KEUR
up to three months	653,622	671,314
between three months and one year	15,050	5,000

Other liabilities to customers with agreed maturities or periods of notice	31 Dec. 2022 KEUR	31 Dec. 2021 KEUR
up to three months	578,112	605,780
between three months and one year	54,271	10,662
between three and five years	5	2

3.2. Balance sheet items relating to companies in which the bank has a participating interest (Section 3 RechKredV)

	31 Dec. 2022 KEUR	31 Dec. 2021 KEUR
Receivables from banks	49	57
thereof from partners	0	0
Liabilities to banks	92,476	92,857
thereof to partners	0	0

3.3. Balance sheet items relating to affiliated companies (Section 3 RechKredV)

	31 Dec. 2022 KEUR	31 Dec. 2021 KEUR
Receivables from customers	1,825	67
thereof from partners	1,825	67
Liabilities to customers	316,576	200,000
thereof to partners	316,576	200,000
Other liabilities	0	0
thereof to partners	0	0
Subordinated liabilities	66,617	40,629
thereof to partners	43,985	28,392

Receivables from customers are unsecuritised and mainly include debtor receivables purchased from factoring clients.

3.4. Disclosure of currency items

	31 Dec. 2022 KEUR	31 Dec. 2021 KEUR
Total assets denominated in foreign currency were as follows:	73,974	88,853
Total liabilities denominated in foreign currency were as follows:	72,659	89,496

3.5. Fixed assets

Movements in fixed assets are presented in Appendix 1 to these notes. Property, plant and equipment are solely utilised in the course of own activities.

3.6. Other assets

This item mainly consists of receivables from the tax authorities.

3.7. Deferred income

This item consists of deferred factoring fees.

3.8. Provisions

This mainly includes provisions for personnel costs, provisioning in the credit business, archiving costs, audit fees and factoring fees to be reimbursed.

3.9. Other liabilities

This item mainly consists of liabilities from the broker's commission as well as from value-added tax.

3.10. Pension provision

The reinsurance policies exclusively serve the purpose of fulfilling the pension provision obligations and are inaccessible to other creditors. They have been offset against the underlying obligations in accordance with Section 246 (2) sentence 2 HGB. The fair value of plan assets corresponds to the actuarial reserve established by the insurer and thus to the cost of KEUR 1,502. The pension obligation exceeding the corresponding fair value of plan assets is recognised in the amount of KEUR 164 in accordance with Section 246 (2) sentence 3 HGB. Interest expenses and income were offset. The allocation expense inclusive of expenses for changes in interest rates amounted to KEUR 215 and is recognised under personnel expenses.

3.11. Subordinated liabilities

The conditions of subordination are in line with the provision in Article 63 of the Regulation (EU) No 575/2013 and are met in the amount of KEUR 77,000 (PY: KEUR 52,000). The conversion to capital or another form of debt is not planned. The creditors do not have a right to call in a loan prior to maturity.

The subordinated liabilities are broken down as follows:

Amount in KEUR	Interest rate in % per annum	Maturity date
5,000	4.55	12 Mar. 2024
2,000	4.30	4 Apr. 2024
3,000	4.18	20 Jun. 2024
200	4.18	20 Jun. 2024
500	4.18	20 Jun. 2024
1,800	4.18	20 Jun. 2024
500	4.18	20 Jun. 2024
10,000	4.40	28 Dec. 2027
3,000	4.40	28 Dec. 2027
1,000	4.40	28 Dec. 2027
13,250	4.05	9 Jul. 2029
8,750	4.05	9 Jul. 2029
3,000	4.05	9 Jul. 2029
15,000	5.27	31 Mar. 2032
10,000	5.27	31 Mar. 2032

The creditors are three banks, a financial services institution and six insurance companies.

For the liabilities recognised in the item, interest expenses of KEUR 3,181 (PY: KEUR 2,193) were incurred.

3.12. Equity

The Supervisory Board will submit a recommendation to the partners' meeting on 13 June 2023 to resolve that KEUR 12,475 of the net income for 2022 be distributed to the partners and an amount of KEUR 8,317 be transferred to other revenue reserves.

4. EXPLANATORY NOTES ON THE INCOME STATEMENT

4.1. Interest income

Interest income is comprised of interest-like factoring fees and interest income in a ratio of 56% to 44% (PY: 62% to 38%). Deutsche Factoring Bank's clients are almost exclusively domestic companies, of which some have foreign subsidiaries. Interest expenses for liabilities arising from pension obligations of KEUR 27 (PY: KEUR 30) were offset with interest income from plan assets of KEUR 60 (PY: KEUR 54) in accordance with Section 246 (2) sentence 2 HGB.

4.2. Interest expenses

The negative interest received from refinancing of KEUR 1,070 (PY: KEUR 2,209) had a favourable effect on interest expenses.

4.3. Other operating income

Other operating income mainly includes income from the reversal of provisions of KEUR 782 (PY: KEUR 1,425). In addition, the item includes a non-recurring effect from the sale of the bank's own property in the amount of KEUR 3,390.

4.4. Other administrative expenses

Other administrative expenses relate mainly to consulting, office and building costs.

4.5. Income taxes

Income taxes reduced in full the net income for the year.

5. OTHER DISCLOSURES

5.1. Irrevocable credit commitments

Irrevocable credit commitments amounted to KEUR 9,177 (PY: KEUR 15,739). This involves special credit lines of the clients that were not used. The utilisation probability depends on the specific clients.

5.2. Other financial obligations

Financial obligations relating, among others, to service agreements amounted to approx. KEUR 11,379. These include KEUR 982 in obligations to affiliated companies.

5.3. Loss-free valuation of the interest book

The loss-free valuation (net realisable value) of the interest book is based on the periodic approach.

Due to the short terms of purchased receivables of an average of 38 days (PY: 40 days) and the matching maturity refinancing, the calculation is carried out on the basis of a one-year profit (loss) taking into account risk and administrative costs.

As at the reporting date, there was a significant surplus overall. As a result, recognition of a provision for onerous contracts was not necessary.

5.4. Management

The management function was performed by the general partner Deutsche Factoring GmbH, Bremen, with subscribed capital of KEUR 60 (PY: KEUR 60), represented by its managing directors:

Christian Eymery, Bremen (Spokesman)

Susanne Gögel, Bremen

Fedor Krüger, Stuhr

The managing directors work full-time for the Company. The managing directors' remuneration was not disclosed pursuant to Section 286 (4) HGB.

The benefits for former managing directors and their surviving dependents amounting to KEUR 30 (PY: KEUR 27) are taken into account in the provision for post-employment benefits after offsetting against plan assets.

5.5. Deferred tax assets and liabilities

Deviations between amounts stated in the commercial and tax balance sheets resulted in differences that led to deferred tax assets and liabilities. This was largely due to the recognition of goodwill, intangible assets and fixed assets as part of supplementary tax accounts along with the pension provisions. Deferred tax assets significantly exceeded deferred tax liabilities. Applying the capitalisation option (Section 274 (1) sentence 2 HGB), deferred taxes were not recognised. The deferred taxes were computed on the basis of a tax rate of currently 15.37%.

5.6. Personnel

The average number of employees in the financial year was:

	2022	2021
Female employees	112	108
thereof part-time	26	24
Male employees	140	135
thereof part-time	6	6

All staff are employees of Deutsche Factoring Bank.

5.7. Total auditor's fee

The statutory auditor charged a total fee of KEUR 469 for audit services in financial year 2022. Of this amount, KEUR 57 relates to prior years.

5.8. Supervisory Board

Members of the Supervisory Board included:

Kai Ostermann, Chairman

Chairman of the Management Board
Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft, Bad Homburg v. d. Höhe

Frank Brockmann, Deputy Chairman

Member of the Management Board
Hamburger Sparkasse AG, Hamburg

Roland Burgis (until 31 December 2022)

Deputy Chairman of the Management Board
Sparkasse Nürnberg Anstalt des öffentlichen Rechts [Institution established under public law], Nuremberg

Stefan Grunwald (since 1 January 2023)

Chairman of the Management Board
Stadt-Sparkasse Solingen Anstalt des öffentlichen Rechts [Institution established under public law], Solingen

Heinz-Hermann Hellen (until 31 May 2022)

Member of Management
Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

Markus Hans Strehle (since 1 June 2022)

Member of the Management Board
Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft, Bad Homburg v. d. Höhe

Hans Jürgen Kulartz

Member of the Management Board
Landesbank Berlin AG, Berlin

Dr Tim Nesemann

Chairman of the Management Board
Die Sparkasse Bremen AG, Bremen

Dr Harald Vogelsang

Spokesman and Member of the Management Board
Hamburger Sparkasse AG and HASPA Finanzholding, Hamburg

Rainer Weis

Member of the Management Board
Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft, Bad Homburg v. d. Höhe

Remuneration of the Supervisory Board

Remuneration of KEUR 147 (PY: KEUR 147) was paid to the members of the Supervisory Board.

5.9. Shares in affiliated companies

Deutsche Factoring Bank GmbH & Co. KG is included in the consolidated financial statements of Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe, as at 30 September 2022. The consolidated financial statements are published in the German Federal Gazette [Bundesanzeiger]. This is the only consolidated group in which Deutsche Factoring Bank is taken into account.

5.10. Subsequent events

No significant events with effects on the financial statement as at 31 December 2022 have occurred subsequent to the reporting date.

Bremen, 24 May 2023

Deutsche Factoring Bank GmbH & Co. KG

represented by

Deutsche Factoring GmbH

Christian Eymery	Susanne Gögel	Fedor Krüger

APPENDIX 1:

Movements in fixed assets (all amounts in KEUR)[1]

	Cost	Changes		Accumulated amortisation, depreciation and write-downs (incl. disposals)	Net book value	Amortisation, depreciation and write-downs during the financial year
	1 Jan. 2022	Additions	Disposals		31 Dec. 2022	
Intangible assets						
Internally generated industrial property rights and similar rights and assets	0	2,936	0	538	2,398	538
Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	2,910	163	10	2,238	824	427
Advance payments	2,835	101	2,936	0	0	0
	5,744	**3,201**	**2,946**	**2,776**	**3,222**	**965**
Property, plant and equipment						
Land and buildings	2,466	0	2,466	0	0	11
Operating facilities	189	0	189	0	0	4
Leasehold improvements	82	0	0	37	45	7
Operating and office equipment	4,007	86	436	2,746	911	321
	6,744	**86**	**3,091**	**2,783**	**956**	**343**
Financial assets						
Affiliated companies	3	0	0	0	3	0
Total	**12,491**	**3,287**	**6,037**	**5,559**	**4,181**	**1,308**

[1] Deutsche Factoring Bank wishes to point out that differences may arise due to the use of rounded figures and percentages.

Management report for 2022

I. Background information on the Bank

Deutsche Factoring Bank GmbH & Co KG (Deutsche Factoring Bank) has its registered office in Bremen and is the centre of competence for factoring and receivables management within the Sparkassen-Finanzgruppe [German Savings Banks Finance Group].

With over 50 years of experience, we are a competent financing and service partner for small and medium-sized enterprises (SMEs). For SMEs in particular, we offer the highest level of individual solution expertise with regard to receivables management, financing and default protection. We support clients from 80 sectors in Germany and abroad with modular-based service packages.

The successful and partnership-based cooperation with the Sparkasse (Savings) banks is the main pillar promoting new business. The continuous intensification of this cooperation is one of our primary goals, which we ambitiously implement in various projects and committees. As a credit institution pursuant to the German Banking Act [KWG], Deutsche Factoring Bank is subject to supervision from both the German Federal Financial Supervisory Authority [BaFin] and the German Central Bank [Deutsche Bundesbank]. Deutsche Factoring GmbH is the general partner. The partners of Deutsche Factoring Bank and Deutsche Factoring GmbH are:

- Deutsche Sparkassen Leasing AG & Co. KG (Deutsche Leasing) with registered offices in Bad Homburg v. d. Höhe which holds 53.0%,
- Freie Sparkassen Beteiligungsgesellschaft mbH with registered offices in Bremen which holds 35.0%, and
- Landesbank Berlin AG with registered offices in Berlin which holds 12.0%.

II. Development of the factoring market[1]

Factoring has once again proven to be a stable anchor of the German economy. Despite these times of crisis, it was possible for the members of the Deutsche Factoring-Verband e.V. (German Factoring Association) to significantly raise their revenue in 2022 by 20.5% to EUR 372.9 billion. The number of clients increased significantly year on year to more than 105,000.

The factoring ratio, defined as the ratio of purchased factoring receivables volume to GDP, once again exceeded prior year's all-time high and now equals 9.7%. The ratio reflects the high importance of factoring as a financing instrument, and its growth impressively documents how factoring, particularly in times of crisis, makes a significant contribution to the stability of the German economy.

In addition to the sharp year-on-year growth of 19.3% in domestic business, international business developed especially positively, registering growth of 23.7% over the same period of the prior year. In this regard, export business rose by 24.1% to EUR 102.7 billion and import business increased by 17.5% to EUR 6.5 billion.

1 Source: 2022 Annual Report (May 2023) of the German Factoring Association

As was the case in recent years, factoring has acted as a stabiliser to help all companies of all sizes through the current challenges.

Going forward, the ever-growing relevance of sustainability issues is setting the course for the future. These will continue to have an impact on companies' activities in the future. Due to the latest developments, particularly as a result of the anticipated publication of the 7th MaRisk amendment during the first half of 2023, ESG issues are no longer (as was previously the case) only binding in regulatory terms for large companies, but will in future become binding for all providers of factoring, taking proportionality into account. For the factoring industry, this means that it will continue to play a key role in transforming the economy in terms of sustainability, with all its opportunities and challenges, as summarised by the German Factoring Association in its 2022 annual report.

III. Economic report[2]

The reporting year was dominated by crises. The coronavirus pandemic was not yet completely overcome, supply chain issues continued to linger and the Russian invasion of Ukraine triggered an energy crisis. It has been possible to avert a gas shortage to date by using other suppliers, replenishing gas storage facilities and reducing consumption, and at present, it seems rather unlikely that a shortage will occur in the near future. Owing to the sharp rise in energy prices and the ongoing shortage of preliminary products resulting from supply chain problems, inflation in Germany reached historical highs. As a result, the ECB ended its long-standing policy of negative interest rates and, in the space of just a few months, made a series of significant interest rate decisions, increasing the interest rates in the eurozone to levels not seen for years. Despite these tough conditions, the German economy was able to hold its own in the year under review. While economic output declined by 0.4% in Q4 2022 compared to the previous quarter, the drop was smaller than expected beforehand. Gross domestic product increased year on year by a total of 1.9%.

2022 also saw a reversal in the trend regarding corporate insolvencies. According to information provided by the Federal Statistical Office of Germany, the number of corporate insolvencies registered was 4% higher than in the prior-year period following several consecutive years of decline.

IV. Development of Deutsche Factoring Bank in financial year 2022

Deutsche Factoring Bank faced a challenging economic environment in financial year 2022. With the outbreak of the war in Ukraine, the coronavirus pandemic faded into the background. The economic uncertainties and ramifications, in particular with respect to energy supply and resulting inflation, and the monetary policy decisions made by the ECB impacted the factoring market. Deutsche Factoring Bank was able to overcome the challenges well and once more proved itself to be a stable financing partner.

It was not possible to reach the annual profit targets of the previous year, mainly on account of continuing pressure on margins as well as continued high investments and thus costs that were higher than budgeted.

At EUR 3.5 million, business risk costs were in line with the projected figure, but still considerably higher than the extraordinarily good risk

2 Source: 2022/12 and 2023/02 monthly reports of the German Central Bank and publications by the Federal Statistical Office of Germany

result of EUR -1.6 million recorded in the prior year.

The factoring volume of Deutsche Factoring Bank increased in 2022 by EUR 2.9 billion (14.2%)[3] to a record high of EUR 23.0 billion (PY: EUR 20.1 billion) and was thus slightly above the projected figure. In terms of volume, existing business was up significantly over prior years. The Bank's import segment also developed extremely favourably. Import revenue rose by 12.7%, which put it at a new record high.

Differentiated by type of transaction, turnover performance is as follows:

in EUR million	2022	in %	2021
Domestic business	16,462	15.4	14,268
Export factoring	4,914	10.9	4,433
Import factoring	1,628	12.7	1,444

The share of international business declined marginally year on year to 28.4% (PY: 29.2%).

The basis of the import business is the strong cooperation with international factor partners, who are mainly members of Factors Chain International (FCI). FCI is a global network of leading factoring companies, of which Deutsche Factoring Bank has been a member since 1971.

Deutsche Factoring Bank was recognised once again in June 2022 for its excellent services as one of the World's Best Import Factors (Annual Award for Excellence 2022). Judging for the annual award is based on a range of criteria. These include, in particular, the speed at which decisions are made, the quality of processing, risk appetite and problem-solving skills, along with the number of international factor partners with whom we cooperate. Deutsche Factoring Bank continues to view itself as being among the quality leaders in the factoring sector and, despite a market environment that continues to become more challenging globally, strives to again rank among the top factoring companies in the future. With import revenue of approx. EUR 1.6 billion, Deutsche Factoring Bank achieved its highest import revenue to date in 2022 and, according to the FCI business volume statistics, continues to be one of the strongest import factors worldwide in terms of revenue.

Further steps were taken in 2022 to integrate the Sparkasse centre for factoring competence with the Sparkasse banks and Deutsche Leasing. In order to further entrench factoring as a sustainable part of commercial and corporate banking, Deutsche Factoring Bank will continue to actively support the Sparkasse banks with their sales process, in close cooperation with Deutsche Leasing. In the financial year under review, cooperation with Sparkasse banks was further expanded.

At 98.9% (PY: 99.4%), the share of revenue generated by the factoring business with non-recourse factoring (del credere) remained slightly below the prior-year level.

The number of invoices/open items processed by Deutsche Factoring Bank totalled 7.8 million in 2022.

The industry and credit risks are still widely diversified (see the following risk report). Deutsche Factoring Bank granted debtor limits of EUR 9.6 billion (PY: EUR 9.7 billion) for customers of clients as at 31 December 2022. Utilisation amounted to 20.7% (PY: 20.0%).

3 Deutsche Factoring Bank wishes to point out that differences may arise due to the use of rounded figures and percentages.

At 38 days (PY: 40 days), the average payment term of receivables purchased by the Bank in 2022 was below the prior-year level.

In terms of organisation, Deutsche Factoring Bank particularly focused on the modernisation of IT and business processes in the year under review. 2022 saw the successful completion of the full replacement and migration of IT systems to modern processes. These investments provided the basis for the automation and digitalisation of processes and applications centred around the client.

Deutsche Factoring Bank has its headquarters in Bremen. The Bank maintains a further office in Ratingen and has a decentralised sales structure with sales offices in Bad Homburg v. d. Höhe, Berlin, Bielefeld, Düsseldorf, Frankfurt/Main, Gera, Hamburg, Münster, Monheim, Munich, Nuremberg and Stuttgart.

Including 35 part-time employees, four trainees and five employees on parental leave, Deutsche Factoring Bank had 263 employees as at 31 December 2022, of which 120 were female and 143 male. For the most part, the trainees were undergoing training to become office administrators.

Management would like to thank and recognise the employees of Deutsche Factoring Bank for their personal commitment, which has enabled our business success, and for the way in which they work with trust and dedication towards further developing our company.

Management would also like to thank the members of the Supervisory Board for the trust they have shown in us, the continuous dialogue we have engaged in and for the advice and guidance they have provided for the strategic development of the Company.

Furthermore, we would like to thank our business partners, the cooperating members of the Savings Banks Finance Group (Sparkassen-Finanzgruppe) and in particular our clients for the successful and cooperative partnership and the trust they have shown in us on a daily basis.

V. Internal management system

Deutsche Factoring Bank has a business and risk strategy, in which both budget targets and strategic and medium-term company objectives are defined using selected operating performance indicators.

Financial and non-financial performance indicators:

The financial development of the Company is continuously monitored on the basis of various figures and performance indicators. Management uses the following financial performance indicators to manage the Bank: the factoring volume (receivables tendered), net income after taxes, the operating risk costs (not taking into account the costs for trade credit insurance) as well as the cost-income ratio as a ratio between expenses required for business operations and income from operating business (interest and net commission income).

The strategic aim of keeping significant non-financial performance indicators, client satisfaction and client focus at a high level is evidenced by strong volume growth in the existing business.

Moreover, a range of other financial and non-financial performance indicators are calculated and monitored, which, however, are subordinate in respect of their relevance for management. We would like to specifically mention the particularly pronounced expert knowledge and performance of our employees. Employee turnover was not high during the prior financial year and we were able to recruit additional qualified staff at both locations.

The key financial performance indicators developed as follows:

	Actual 2022	PY 2021
Factoring volume (EUR billion)	23.0	20.1
Net income after taxes (KEUR)	20,792	20,637
Risk costs (KEUR) business management	3,491	-1,635
Cost-income ratio (%) business management	57.5	60.7

VI. Financial performance

Net interest and net commission income amounted to EUR 64.2 million. This figure was EUR 4.4 million up on the prior-year figure, despite the significant increase in interest expenses, primarily due to the positive development of purchased receivables.

Personnel expenses increased in the reporting year by 1.2% to EUR 22.3 million, largely due to the creation of new positions and adjustments to collective bargaining agreements. At EUR 11.9 million (PY: EUR 11.8 million), other administrative expenses remained almost at the level of the prior year.

In total, general administrative expenses increased by EUR 0.4 million to EUR 34.2 million. The business cost-income ratio increased significantly year on year by 3.2 percentage points to 57.5%. However, it was not possible to reach the highly ambitious target level of below 50%.

Earnings before risk provisioning and income tax increased significantly to EUR 32.9 million (PY: EUR 26.3 million) due to higher net interest and net commission income.

Risk costs, i.e. write-downs of receivables, additions to risk provisions for debtors and factoring clients as well as expenses for credit insurance, increased year on year by EUR 5.7 million to EUR 8.8 million.

Net income for the year after trade tax amounted to EUR 20.8 million in 2022 (PY: EUR 20.6 million), which was significantly below the projected figure. The return on assets pursuant to Section 26a (1) sentence 4 of the German Banking Act [KWG] as a ratio of net income and total assets amounted to 1.0% (PY: 1.1%).

In light of the current economic situation, management considers financial performance in 2022 as being satisfactory.

VII. Assets, liabilities and liquidity

Deutsche Factoring Bank's balance sheet is dominated by purchased receivables and the corresponding refinancing.

The structure of assets is characterised by receivables from customers, which account for approx. 98.6% (PY: 96.3%) of total assets and amount to EUR 2.0 billion. Receivables are largely subject to variable interest rates and are almost all due within three months. Risks for debtor receivables are largely covered by own credit insurance and the credit insurance of factoring clients (see the following risk report).

Deutsche Factoring Bank had sufficient refinancing facilities at its disposal at all times. For refinancing, there are mostly term deposits from banks as well as group credit lines with a term of up to three months available to us. In addition, there are the blocked and settlement accounts of factoring clients.

Liabilities to banks decreased by 5.4% to EUR 818.2 million. Accounting for 40.9% of the balance sheet total (PY: 44.4%), this represents the most significant item.

Liabilities to customers in relation to the balance sheet total increased by 8.7% to EUR 772.2 million. This amounts to 38.6% (PY: 36.4%) of the balance sheet total and was mainly caused by the increase in funding sources through intragroup lines.

The balance sheet equity ratio rose marginally year on year to 15.9% (PY: 15.8%).

To back growth objectives and to safeguard against potential unexpected risks, Deutsche Factoring Bank continues to strengthen its equity base through proportionate earnings retention.

The equity and liquidity requirements were met at all times. The Bank was able to meet its payment obligations at all times.

Deutsche Factoring Bank's assets, liabilities and financial position remain in good order.

VIII. Risk report

Deutsche Factoring Bank engages in factoring pursuant to Section 1 (1a) sentence 2 no. 9 KWG and as a financial services institution within the meaning of the KWG is subject to the requirements set forth under the KWG.

Management is responsible for the proper business organisation of the Bank pursuant to Section 25a (1) KWG. To this end, management implemented a risk management system so that developments that could endanger Deutsche Factoring Bank's ability to continue as a going concern can be recognised at an early stage. New regulatory requirements are taken into account in the course of the Bank's further development. The task of risk management of Deutsche Factoring Bank is to identify, analyse, systematise, quantify and communicate risks in order to ensure that especially all material risks are managed.

A sustainable business strategy as well as a consistent risk and IT strategy, which were discussed with the Supervisory Board, provide the key basis for this.

The risk strategy that has been implemented provides for an annual strategy review and encompasses the following process steps: planning, implementation, evaluation, adjustment and communication.

The key elements of risk management include an implemented internal control procedure featuring an internal control system and an internal audit function.

Organisational and operational rules with clearly defined fields of responsibility provide the framework for this.

Risk management follows defined principles, which must be applied and the compliance of which is monitored on a continuous basis. This process is permanently applied on the level of individual transactions according to defined rules and at least quarterly on an aggregated basis in the course of risk reporting.

Functions for risk controlling, information security, anti-money laundering, data protection and compliance have been set up and are key components of risk management. The effectiveness of the risk management system of Deutsche Factoring Bank and its implementation in line with supervision law is regularly monitored by Internal Audit.

Deutsche Factoring Bank has identified the following risk types as material:

- Counterparty risks
- Liquidity risks
- Operational risks
- Market risks
- Other risks

In addition, risk concentrations are examined and documented as part of the process of preparing the risk inventory and the quarterly risk reports.

Counterparty risk

In respect of counterparty risk, Deutsche Factoring Bank differentiates between client risks and dilution risks on the one hand and debtor risk on the other.

The client and dilution risk is the risk that both the factoring client's credit rating as well as the legal validity of the purchased receivables are not (entirely) given. The risk of fraud by factoring clients is generally assigned to client and dilution risk.

The risk classification procedure for factoring clients is carried out using the "Sparkassen Standard Rating" and an in-house-developed dilution rating, taking into account both specific risk factors of the factoring clients and the factorability of the receivables provided under the factoring agreement. The commencement or continuation of a cooperation with a factoring client is generally only possible by complying with certain minimum requirements for the result of the risk classification procedure. Both the creditworthiness (e.g. using financial statements, interim figures, credit reports) and factorability (e.g. monitoring of payment behaviour, sampling of balance confirmations and tax audits) are monitored on a continuous basis. The client and dilution risk is limited by determining and agreeing financing and factoring frameworks.

The established management level concept is divided into normal and intensified management as well as recovery and resolution management. Non-performing client exposures are transferred to the recovery and resolution unit.

Concentration risks are monitored and managed on the level of the factoring client and on industry level. Thus, no single factoring client or factoring client group may account for a concentration of more than 10% of the total factoring turnover.

We carry out a breakdown by economic sector for our clients using the Bundesbank's business sector system (WZ 2008). The sector concentration, measured by the share of the factoring framework, may not exceed 20% for each individual sector.

All concentration requirements were observed as at 31 December 2022.

The debtor risk refers to the risk that a debtor cannot meet its contractually agreed obligations to the seller of the receivables and cannot settle the receivables sold to Deutsche Factoring Bank (in the event of insolvency, for example).

The debtor risk is measured generally by way of an in-house-developed internal scoring procedure that analyses defined internally and externally available risk parameters. Debtor risks are limited by setting debtor limits. Trade credit insurance policies are in place for significant or selected debtor risks in order to reduce debtor risks. In addition, concentrations regarding debtors are monitored and managed.

Deutsche Factoring Bank or the factoring client sends out written reminders at regular intervals in the case of overdue receivables.

The country risk is measured per country using an exposure approach. With a share of 68.5% (PY: 67.2%), the focus continues to be on Germany. The share attributable to European Union (EU) member states excluding Germany fell by 1.2 percentage points to 23.3%, while the share attributable to non-EU countries decreased by 0.1 percentage points to 8.2%. This risk category was classified as material for the first time in the reporting year, even though the foreign exposure share declined year on year. When making materiality judgements, concentrations regarding individual countries are also taken into account.

The Bank recognises risk provisioning in an appropriate amount in order to cover any losses that can occur should a receivable not be legally enforceable. Furthermore, recognising bad debt provisions in an appropriate amount for receivables that are due (overdue) means that potential losses, which can arise as a result of the non-payment by the debtors of receivables purchased and financed by Deutsche Factoring Bank, are taken into account.

The specific and general bad debt provisions totalled EUR 24.7 million as at 31 December 2022 (PY: EUR 20.1 million). The ratio of client-specific bad debt provisions to total specific bad debt provision rose from 42.8% to 55.5%. The specific bad debt provisions for debtors increased by EUR 2.1 million to EUR 9.6 million.

For general bad debt provisions, the requirements of IDW Banking Committee's Statement on Accounting 7 have been taken into account since 31 December 2021. In total, the general bad debt provisions amounted to EUR 2.0 million pursuant to IDW Banking Committee's Statement on Accounting 7. An amount of EUR 2.4 million was recognised for general bad debt provisions in the prior year.

Liquidity risks

Liquidity risks for Deutsche Factoring Bank are risks that the present and future payment obligations cannot be met or can only be met at higher costs.

The risks from refinancing costs are due to lasting price changes in the case of refinancing terms. Management limits these risks and takes these risks into account when calculating risk-bearing capacity.

There are structural financing instructions for refinancing risks in order to keep liquidity risks as low as possible as well as procedures for identifying impending liquidity risks as soon as possible and managing such risks. Furthermore, measures on liquidity protection are stipulated in the liquidity contingency plan of Deutsche Factoring Bank.

Embedded in a multiple-risk stress-test program, Deutsche Factoring Bank conducts liquidity stress tests (special part on risk 3.1 item 8 of the Minimum Requirements for Risk Management [MaRisk]) and determines survival horizons for various stress scenarios.

Deutsche Factoring Bank works with various refinancing partners in order to ensure liquidity. On the one hand, these partners are Sparkasse banks, which are working closely with Deutsche Factoring Bank in market development and, thus, represent a stable financing source. On the other hand, refinancing credits were granted by the partners and regional banks.

Concentration risks are managed by stipulating limits for the refinancing partners. Utilisation and changes in the granted refinance credits are monitored daily using a “traffic light” system so that any apparent liquidity bottlenecks can be recognised early on. In order to ensure that liquidity is available at short notice and if unexpectedly needed, Deutsche Factoring Bank regularly draws on the pledged liquidity facilities only up to 75.0%.

Liquidity is managed and planned using three instruments that differ largely according to their maturities and, accordingly, level of detail:

5-year financial planning:

The 5-year liquidity planning is an integral part of strategic capital planning and, thus, is based on the defined business strategy. This planning provides the acquisition strategy for new credit lines or other financing measures for the next five years.

12-month liquidity comparison:

Liquidity inflows and outflows are compared on a daily basis (business day). Thus, seasonal specifications are taken into account. The overview covers one year on a rolling basis and includes conservatively selected assumptions (the lowest payment inflows and highest payment outflows on any respective business day of the past years).

Daily LCR calculation:

This calculation compares the expected liquidity inflows with the liquidity outflows for the next 30 days. The obligatory minimum value for the liquidity coverage ratio (LCR) of 100% was maintained at all times. As at the reporting date of 31 December 2022, the LCR (mathematically calculated) amounted to 146.2% (PY: 141.9%).

Operational risks

Deutsche Factoring Bank aggregates the risk of losses caused by the inappropriateness or failure of internal processes, people or systems or by external influences under operational risks. The written rules of procedure of Deutsche Factoring Bank and an effective and continually updated internal control system serve to avoid operational risks.

Operational risks are reviewed and evaluated as part of the annual risk assessment and are classified under infrastructure (e.g. IT risks), personnel (e.g. processing errors), internal procedures (e.g. inadequate organisational structure and processes) and external factors (e.g. criminal acts). In addition, significant loss events are analysed and recorded in a loss database.

Internal Audit, the Compliance Officer, the Information Security Officer and Anti-Money Laundering Officer ensure compliance with relevant laws, regulations and policies and thereby help reduce operational risks.

The function of the IT Security Officer ensures continued compliance with regulatory requirements as regards IT security. Various security standards have been defined for data protection in server and network operations as well as for implemented access protection. There are contingency plans for selected business processes.

Market risks

The market risk is the general risk of suffering losses due to changes in market parameters (e.g. interest rates, foreign exchange rates).

The market risk is limited in Deutsche Factoring Bank's case to the foreign exchange risk and the interest rate risk as the securities and custody business, proprietary trading in securities and transactions with derivatives are prohibited at Deutsche Factoring Bank.

The foreign exchange risk is the risk of incurring losses from foreign currency positions due to changes in foreign exchange rates. In order to avoid foreign exchange risks, receivables purchased that are denominated in a foreign currency are refinanced with matching currencies (natural hedge). In addition, currency risks that may result from the purchase of receivables denominated in foreign currency are to be borne by the factoring clients pursuant to the contract. Random checks are made to see if these avoidance strategies are being followed. The currency risk is of minor significance due to both of the aforementioned aspects.

The interest rate risk is the risk of incurring losses from an open interest rate position due to changes in the yield curve. The purchased receivables have a relatively short capital commitment period. Therefore, interest rate risks are limited significantly by means of similarly short refinancing. The risk is quantified and monitored on a quarterly basis according to present value and earnings.

Other risks

As regards other risks, Deutsche Factoring Bank monitors especially the planning risk.

The planning risk is the risk associated with implementing short- and medium-term planning due to incompleteness and uncertainty of the available data that the measures envisaged in the plan could lead to a result that deviates from planning. It includes the cost risk, the earnings risk and especially the sales risk and is accounted for in the risk management process.

Balanced and forward-looking planning of income and expenses, along with regular target/actual comparisons, form the basis for limiting the planning risk. The planning of business activities for the respective financial year as well as medium-term planning is regularly checked. Monthly target/actual comparisons are made for the current financial year, which make it possible to respond to changing framework conditions in a timely and flexible manner (e.g. in the form of sales measures, cost initiatives, etc.).

Risk-bearing capacity

Deutsche Factoring Bank has a model for managing and monitoring the risk-bearing capacity, which incorporates both an economic as well as a normative perspective pursuant to general part 4.1 item 2 MaRisk in conjunction with the BaFin guidelines entitled “Supervisory assessment of bank-internal capital adequacy concepts and their integration into firm-wide performance and risk management processes".

The steering approaches for the economic and normative perspective are centrally embedded in the Bank's management. In this regard, the conservative level of the risk assessment from an economic perspective is based on a confidence level of 99.9% with a risk horizon of one year. Deutsche Factoring Bank takes this approach with the objective of securing the long-term continuation of the Bank on the basis of its own substance and earnings potential and of protecting creditors against losses.

As at 31 December 2022, of the risk limits totalling EUR 242.0 million (PY: EUR 230.0 million), EUR 160.6 million (PY: EUR 141.2 million) was utilised for the individual risk types. Internal capital adequacy continued to be ensured throughout 2022.

Deutsche Factoring Bank includes all material risks – to the extent that these can be reasonably limited by the risk coverage potential – for control reasons when calculating the risk-bearing capacity.

A risk type is defined as being material as soon as it exceeds 1% of the eligible risk coverage potential. The risk coverage potential is calculated closely to the cash value; planned profits are not considered in the economic perspective.

Material risks are managed and limited through risk limits. Within the risk-bearing capacity, there are risk limits for material risks from an economic perspective at the level of the risk types, which are determined by management. Limit utilisation at the level of the key risk types was as follows as at the reporting date of 31 December 2022: Counterparty risks 66%, liquidity risks 52%, operational risks 84% and market risks 62%. Other risks are not taken into account from an economic perspective due to their nature.

Counterparty risks are measured using a credit portfolio model that incorporates those factoring clients/dilution risks and debtor risks that are considered material. The credit portfolio model is based on a Merton Model, which involves loss distribution using a Monte Carlo simulation.

Risk assessment of the market risks in the form of interest rate risks is calculated using a model to determine the interest rate risks in the non-trading portfolio. The model is based on multiple interest rate scenarios, the results of which are suitably selected.

Operational risks have been assessed since 31 December 2021 using a bank-wide risk assessment process. This involves quantifying the frequency of occurrence and the extent of damage within various risk subcategories and then aggregating them into a risk value.

Liquidity risks in the form of the refinancing cost risks are simulated using refinancing interest premiums.

Planning risks as a material part of other risks are monitored and controlled in the context of monthly target/actual comparisons based on multi-year capital planning.

Risk-bearing capacity was ensured throughout, even in consideration of all supervisory requirements from a normative perspective.

The supervisory assessment of suitable regulatory own funds is based on the ratio of regulatory own funds to risk-weighted assets using the Credit Risk Standardised Approach (CRSA) as well as the Alternative Standardised Approach (ASA) for operational risks. The capital ratios as at 31 December 2022 (before appropriation of profit) amounted to:

- Common equity tier 1 capital ratio of 14.48% (PY: 14.50%)
- Total capital ratio of 17.85% (PY: 16.82%)

Risk reporting

Fixed communication channels and information recipients are defined for risk reporting purposes.

Data relevant for risk management is prepared and aggregated into one internal reporting by the risk controlling function.

Information is disseminated for all risk types especially as part of the quarterly risk report and the report on business development or ad-hoc in the case of serious changes. The quarterly reports contain all key information on Deutsche Factoring Bank's risk position, such as information on the risk-bearing capacity, overall risk profile, limit utilisation, stress tests as well as a detailed presentation of the material limitable risk types.

All limit-relevant changes are also presented in Deutsche Factoring Bank's quarterly risk report and the report on business development.

The members of the Supervisory Board are informed in writing through the report on business development of Deutsche Factoring Bank's financial performance at the end of each quarter. Management promptly informs the members of the Supervisory Board of any significant events, e.g. large insolvencies, serious changes in market conditions, etc.

Summary

Deutsche Factoring Bank's risk management system and the established risk management and risk control processes ensure the monitoring and control of risks resulting from the factoring business.

Risks affecting Deutsche Factoring Bank’s ability to continue as a going concern are not currently discernible.

IX. Forecast

Business environment

It has been possible to avert a gas shortage arising from the halt in deliveries by Russian suppliers to date thanks to additional imports from other countries as well as a sharp reduction in consumption. However, prices for energy sources continue to remain high and thus have an impact on inflation. Although it has been possible to stabilise inflation in recent months thanks to the intervention of the ECB, it is still at a high level. Inflation rates have a strong influence on financial market developments. The central banks are continuing to take a restrictive approach in Q1 2023 and are raising key interest rates consistently, albeit not at the same pace as in 2022. As a result, it seems likely that key interest rates will increase by a further 50 bp in May 2023. Price increases, which cannot always be fully passed on to clients, as well as sharp rises in financing costs will continue to present companies with major challenges in 2023.

Despite the negative outlook, the German Central Bank reports an upturn in sentiment among businesses and consumers in its February report. The electricity and gas price cap as well as the easing of supply bottlenecks and economic uncertainties in comparison to the prior year are expected to generate positive effects.

A decrease in economic output is assumed for the first two quarters of 2023. The German economy is expected to gradually recover in the further course of the year. Overall, the German Central Bank expects the economy to contract slightly in 2023, although it believes the outlook is better than projected in December. Despite the apparent slight improvement in sentiment, many uncertainties still remain for the coming year. It will certainly not be possible for all companies to overcome the challenges that lie ahead, which means that a further increase in insolvencies is likely, which will lead to an increased need for banks to make value adjustments.

It is currently not possible to reliably quantify the risks and effects due to the high level of uncertainty.

Forecast for the business-related development of Deutsche Factoring Bank

After favourable revenue performance in the reporting year and despite the continuing demand for factoring as a financing instrument, Deutsche Factoring Bank does not expect to see a further significant increase in the volume of business in the following year. The Bank will operate with caution and assumes a revenue volume of approx. EUR 23 million.

Deutsche Factoring Bank intends to further intensify its cooperation with the Sparkasse banks, its sales cooperation with Deutsche Leasing, in particular in the medium-sized business segment, but also with specialist brokers and financial intermediaries.

For medium-sized companies, factoring is still an attractive addition to financing due to the flexibility it offers and it also represents an extremely good alternative to traditional financing instruments.

Deutsche Factoring Bank is focusing on a balance of risks and profitability as the basis for secure business development.

Deutsche Factoring Bank will also continue to invest in the training of its employees in 2023. This includes providing a wide range of advanced training measures and systematically establishing a staff development programme with a long-term focus.

Against the backdrop of continued high economic challenges and in anticipation of a rise in insolvency rates for 2023, the projected risk costs amount to EUR 6.2 million.

Stable earnings as well as the progress made in the restructuring of IT systems in prior years will have a positive effect on the cost-income ratio and the goal is to bring the ratio up to 52.2% in comparison to the year under review.

Despite the increase in risk costs, management expects net income after taxes in the 2023 financial year to be on a similar level as in the prior year in the amount of EUR 20.2 million. The expected earnings will continue to enable compliance with the supervisory capital requirements and further expansion of the equity base in the form of reinvestments. In summary, management expects developments in 2023 to be in line with the budget.

Bremen, 24 May 2023

Deutsche Factoring Bank GmbH & Co. KG

represented by

Deutsche Factoring GmbH

Christian Eymery	Susanne Gögel	Fedor Krüger

Independent Auditor's Report

To Deutsche Factoring Bank GmbH & Co. KG, Bremen

Opinions

We have audited the annual financial statements of Deutsche Factoring Bank GmbH & Co. KG, Bremen, which comprise the balance sheet as at 31 December 2022, and the income statement for the financial year from 1 January to 31 December 2022, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Deutsche Factoring Bank GmbH & Co. KG for the financial year from 1 January to 31 December 2022.

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 applicable to banks and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], 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 Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the 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 German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

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 applicable to banks, 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 they, in accordance with German legally required accounting principles, have 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. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, 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 they have 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 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 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 judgement 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement 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 opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective 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 prospective information 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 prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Frankfurt am Main, 25 May 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Bauer Wirtschaftsprüfer [German Public Auditor]	Mark Wirtschaftsprüferin [German Public Auditor]