Annual financial statements as at 31 December 2020

TRANSLATION – AUDITOR'S REPORT

Deutsche Factoring Bank GmbH & Co. KG
Bremen

KPMG AG Wirtschaftsprüfungsgesellschaft

Balance sheet as at 31 December 2020 of
Deutsche Factoring Bank GmbH & Co. KG, Bremen

Assets

		31 Dec. 2020	31 Dec. 2019
	EUR	EUR	KEUR
1. Cash reserves			
a) Cash on hand	1,550.00	1,550.00	2
2. Receivables from banks			
a) Due at call	15,549,046.45		22,511
b) Other receivables	1,115,780.23	16,664,826.68	3,853
3. Receivables from clients		1,656,186,918.64	1,782,775
4. Investments		2,700.64	3
5. Intangible assets			
a) Internally generated industrial property rights and similar rights and assets	0.00		0
b) Concessions,industrial property rightsand similar rights and assetsas well as licences tosuch rights and assetsacquired for a consideratio	1,274,054.28		783
c) Goodwill	0.00		0
d) Advance payments	1,018,763.72	2,292,818.00	0
6. Property, plant and equipment		1,915,863.63	2,206
7. Other assets		3,945,197.93	1,244
8. Prepaid expenses		852,453.50	748
9. Excess of plan assets over pension liabilities		0.00	58
Total assets		**1,681,862,329.02**	**1,814,183**

Equity and liabilities

	31 Dec. 2020	31 Dec. 2020	31 Dec. 2019
	EUR	EUR	KEUR
1. Liabilities to banks			
a) Due at call	136,998,505.44		157,786
b) with agreed maturities or notice periods	662,339,587.07	799,338,092.51	673,904
2. Liabilities to clients			
b) Other liabilities			
ba) Due at call	141,685,160.81		161,109
bb) with agreed maturities or notice periods	386,346,975.68	528,032,136.49	476,187
3. Other liabilities		2,055,446.62	3,186
4. Deferred income		777,447.65	814
5. Provisions			
a) Provisions for pensions and similar benefits after offsetting against plan assets	10,701.16		0
b) Tax provisions	0.00		0
c) Other provisions	7,596,000.00	7,606,701.16	8,373
9. Subordinated liabilities		52,863,720.93	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	204,676,627.20		188,073
d) Retained earnings	15,379,921.66	291,188,783.66	20,755
Total equity and liabilities		1,681,862,329.02	1,814,183
2. Other obligations			
thereof irrevocable loan commitments		15,290,307.77	16,646

Income statement for the period from 1 January 2020 to 31 December 2020 of

Deutsche Factoring Bank GmbH & Co. KG, Bremen

Expenses

			31 Dec. 2020	31 Dec. 2019
			EUR	KEUR
1. Interest expenses			2,473,270.43	2,771
thereof negative interest received in EUR -1,035,939.93 (PY: in KEUR -843)				
2. Commission expenses			4,541,445.11	5,222
3. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	16,286,459.50			15,260
ab) Social security, pension and other benefits	3,330,038.95	19,616,498.45		2,784
thereof for pensions in EUR 483,009.24 (PY: in KEUR 556)				
b) Other administrative expenses		8,777,907.39	28,394,405.84	8,597
4. Amortisation, depreciation and write-downs of intangible assets and property, plant and equipment			791,961.16	686
5. Other operating expenses			605,826.09	439
6. Write-downs of and value adjustments to receivables and certain securities as well as additions to provisions in the credit business			9,004,737.19	7,370
7. Income taxes			1,858,376.00	3,224
8. Other taxes not included under item 5			63,127.72	62
9. Net income for the year			15,379,921.66	20,755
Total expenses			**63,113,071.20**	**67,169**
1. Net income for the year			15,379,921.66	20,755
2. Allocations to other revenue reserves			0.00	0
3. Retained earnings/accumulated deficit			15,379,921.66	20,755

Income

	31 Dec. 2020	31 Dec. 2019
	EUR	KEUR
1. Interest income from credit and money market transactions	56,977,256.61	62,625
2. Commission income	4,453,054.13	4,247
3. Other operating income	1,682,760.46	297
Total income	**63,113,071.20**	**67,169**

Notes to the financial statements for the 2020 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 2020, 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 were largely maintained.

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

Receivables from clients are stated at 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. Measurement was switched to forward-looking approach in the reporting year in order to appropriately take into account the current developments in the context of the Covid-19 pandemic. Calculation is based on the mid-range maturity of the scaled expected loss (EL).

Investments are stated at cost.

Purchased intangible fixed assets and property, plant and equipment were valued at cost and – apart from land, advance payments on intangible assets and the 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 2.30% as at 31 December 2020 (average of the last ten years). Future pension increases were assumed at 1.5% or 1.0% 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 145.

The mandatory offsetting of plan assets against corresponding pension obligations resulted in the recognition of a pension provision as at 31 December 2020. An excess of plan assets over pension liabilities was disclosed in the prior year.

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 340 HGB according to the contractual arrangements with factoring clients as receivables from or liabilities to clients. The loss amounting to KEUR 4 (PY: KEUR 40) from foreign currency translation was recorded in the income statement under other operating expenses.

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. 2020 KEUR	31 Dec. 2019 KEUR
up to three months	1,114	3,834
between three months and 1 year	2	19

Receivables from clients	31 Dec. 2020 KEUR	31 Dec. 2019 KEUR
up to three months	1,634,107	1,761,864
between three months and 1 year	22,080	20,911

Liabilities to banks with agreed maturities or periods of notice	31 Dec. 2020 KEUR	31 Dec. 2019 KEUR
up to three months	662,340	663,904
between three months and 1 year	0	10,000

Other liabilities to clients with agreed maturities or periods of notice	31 Dec. 2020 KEUR	31 Dec. 2019 KEUR
up to three months	378,147	430,076
between three months and 1 year	8,202	46,110

between one and five years	0	0

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

	31 Dec. 2020 KEUR	31 Dec. 2019 KEUR
Receivables from banks	10	1
of which from partners	0	0
Liabilities to banks	89,020	94,319
thereof to partners	0	0

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

	31 Dec. 2020 KEUR	31 Dec. 2019 KEUR
Receivables from clients	1,498	868
of which from partners	1,498	0
Liabilities to clients	7	85,550
thereof to partners	7	85,550
Other liabilities	0	0
thereof to partners	0	0
Subordinated liabilities	40,629	39,923
thereof to partners	28,392	28,004

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

3.4. Disclosure of currency items

	31 Dec. 202 0 KEUR	31 Dec. 2019 KEUR
Total assets denominated in foreign currency were as follows:	86,440	89,612

Total liabilities denominated in foreign currency were as follows:	86,036	89,330

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. Deferred income

This item mainly consists of deferred factoring fees.

3.7. Provisions

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

3.8. 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 1,295. The fair value of plan assets exceeding the corresponding pension obligation is recognised in the amount of KEUR 11 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 45 and is recognised under personnel expenses.

3.9. 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 52,000 (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

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

For the liabilities recognised in the item, interest expenses of KEUR 2,193 (PY: KEUR 1,663) were incurred.

3.10. Equity

The Supervisory Board will submit a recommendation to the partners' meeting on 2 June 2021 to resolve that, subject to the approval of the regulatory authorities, KEUR 3,076 of the net income for 2020 be distributed to the partners and an amount of KEUR 12,304 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 60% to 40% (PY: 58% to 42%). Deutsche Factoring Bank's clients are almost exclusively domestic companies, of which some have foreign subsidiaries.

4.2. Interest expenses

The negative interest received from refinancing of KEUR 1,036 (PY: KEUR 843) had a favourable effect on interest expenses. Interest expenses for liabilities arising from pension obligations of KEUR 33 (PY: KEUR 35) were offset with interest income from plan assets of KEUR 30 (PY: KEUR 31) in accordance with Section 246 (2) sentence 2 HGB.

4.3. Other operating income

Other operating income mainly includes income from the reversal of provisions of KEUR 950 (PY: KEUR 87).

4.4. Other administrative expenses

Other administrative expenses relate mainly to consulting and office costs.

4.5. Income taxes

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

5. OTHER DISCLOSURES

5.1. Irrevocable loan commitments

Irrevocable loan commitments amounted to KEUR 15,290 (PY: KEUR 16,646). This involves special credit lines of the clients that were not used. The utilisation probability depends on the specific customer.

5.2. Other financial obligations

Financial obligations relating i.a. to service agreements amounted to approx. KEUR 4,483. These include KEUR 1,010 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 41 days (PY: 41 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)

Fedor Krüger, Düsseldorf

The managing directors work full-time for the general partner. 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 63 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 result solely in differences that lead to deferred tax assets. This was largely due to recognising goodwill and fixed assets as part of supplementary tax accounts along with the pension provisions. Applying the capitalisation option (Section 274 (1) sentence 2 HGB), deferred taxes were not recognised. The deferred taxes are computed on the basis of a tax rate of currently 15.44%.

5.6. Personnel

The average number of employees in the financial year was:

	2020	2019
Female employees	99	87
thereof part-time	25	24
Male employees	125	118
thereof part-time	7	6

All staff are employees of Deutsche Factoring Bank.

5.7. Total auditor's fee

The statutory auditor charged a total fee of KEUR 417 for audit services in financial year 2020. Of this amount, KEUR 81 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

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

Heinz-Hermann Hellen

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

Hans Jürgen Kulartz

Member of the Management Board
Landesbank Berlin AG, Berlin

Dr Tim Nesemann

Chairman of the Board of Management
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 2020. 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 material events with effects on the financial statement as at 31 December 2020 have occurred subsequent to the reporting date.

Bremen, 12 May 2021

Deutsche Factoring Bank GmbH & Co. KG, represented by

Deutsche Factoring GmbH

Christian Eymery Fedor Krüger

APPENDIX 1:

Movements in fixed assets (all amounts in KEUR)

	Cost 1 Jan. 2020	Changes Additions	Disposals	Accumulated amortisation, depreciation and write-downs	Net book value 31 Dec. 2020	Amortisation, depreciation and write-downs during the financial year
Intangible assets						
Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	1,902	787	0	1,415	1,274	251
Advance payments	0	1,019[1]	0	0	1,019	0
	1,902	**1,806**	**0**	**1,415**	**2,293**	**296**
Property, plant and equipment						
Land and buildings	2,466	0	0	1,601	865	45
Operating facilities	189	0	0	167	23	6
Leasehold improvements	27	0	0	27	0	0
Operating and office equipment	2,916	213	13	2,088	1,028	445
	5,598	**213**	**13**	**3,883**	**1,916**	**496**
Financial assets						
Affiliated companies	3	0	0	0	3	0
Total	**7,503**	**2,020**	**13**	**5,298**	**4,212**	**792**

[1] Additions include advance payments on internally generated intangible assets in the amount of KEUR 1,019

Management report for 2020

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 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 over 70 sectors in Germany and abroad with modular-based service packages.

The successful 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%.

Deutsche Factoring Bank

II. Development of the factoring market

Despite the coronavirus pandemic, it was possible for the members of the Deutsche Factoring-Verband e.V. (German Factoring Association) to raise their factoring volume in 2020 by 1.3% to now EUR 279.2 billion. The number of clients declined to more than 82,400.

On account of the decline in GDP, the factoring ratio was able to exceed the all-time high for the second time in a row and now equals 8.4%, which means that factoring accounts for more than 8.4% of German GDP. The factoring ratio is measured as the ratio of the factoring volume of members of the German Factoring Association and GDP.

International factoring decreased by 2.7% to EUR 69 billion. In this regard, import business reported a sharper decline of 8.1%. Export factoring declined by 2.3%. It was possible to raise revenue in national business by 2.7% to EUR 210.2 billion.

Factoring volume grew in the 11th year in a row in 2020. As summarised by the Deutsche Factoring-Verband e.V. in its 2020 annual report, factoring was able to make a solid contribution during the coronavirus pandemic to maintaining the financing of companies and supply chains.

III. Economic report

The reporting year was dominated by the global coronavirus pandemic. The economy can look back at an unprecedented and turbulent development in 2020. After economic output experienced a historical slump in spring, the economy was initially able to stabilise in the following months before the economy cooled off once again at year-end. This was due to infections flaring up once more and the resulting containment measures. The declining development of value added compared to the previous-year period affected virtually all sectors, although the contact-intensive segments, such as other services (including entertainment and recreation), hospitality, trade (excluding food) and transport, were the biggest losers.

According to the German Federal Statistical Office's calculations, GDP shrank year on year by 4.9% in 2020.

Despite the sharp recession in 2020, the number of company insolvencies continued to decline year on year. 15.5% fewer company insolvencies were registered year on year in 2020.

IV. Development of Deutsche Factoring Bank in financial year 2020

Deutsche Factoring Bank faced a challenging economic environment in financial year 2020. Besides the coronavirus pandemic, which was the main reason for a slowdown in the Bank's development, competitive pressure and the squeeze on margins influenced the factoring market. The ECB's expansive monetary policy continues. The 3-month Euribor, the key reference interest rate, continued to develop negatively during the course of year and equalled –0.545% at year-end (PY: –0.383%).

Last year's ambitious annual profit targets were not met. This was largely due to the development of the factoring revenue volume (which fell short of budget) and an increase in project investments.

At EUR 4.8 million (PY: EUR 3.5 million), business risk costs were in line with the projected figure of EUR 5.0 million, but still considerably above prior year's level. This was primarily due to the deliberately conservative and pandemic-related adjustment of risk provisioning for latent risks.

The factoring volume of Deutsche Factoring Bank decreased in 2020 by EUR 1.3 billion (-6.9%)[1] to EUR 17.0 billion (PY: EUR 18.2 billion).

In terms of volume, new business was able to almost reach prior year's record high, but with a considerable reduction in the number of new contracts. Thus, new business fell short of budget.

The Bank's import segment was also down as a result of the pandemic – although it remained at a high level.

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

in EUR million	2020	in %	2019
Domestic business	12,297	–8.0	13,368
Export factoring	3,357	–2.5	3,442
Import factoring	1,308	–7.7	1,417

The share of international business increased year on year in the reporting year by 0.8 percentage points to 27.5% (PY: 26.7%). The basis of the import

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

business is the strong cooperation with partners from Factors Chain International (FCI). FCI is a global network of leading banks and factoring companies, of which Deutsche Factoring Bank has been a member since 1971.

Deutsche Factoring Bank received recognition in June 2019 for the fourth time running. This time as Import Factor of the Year (Annual Award for Excellence 2019). Judging for the annual award is based on a range of criteria. These include, in particular, the promptness of decision-making, processing quality, risk appetite and problem-solving ability along with the generated turnover volume and number of international factor partners. On account of the global measures taken by governments to contain the coronavirus pandemic and this year's annual general meeting, which was held digitally and kept extremely short, Factors Chain International (FCI) refrained from awarding any service quality prizes in 2020. Deutsche Factoring Bank continues to view itself as being among the quality leaders in the factoring sector and intends to again rank among the top factoring companies during the next voting. With import revenue of approx. EUR 1.3 billion, Deutsche Factoring Bank was the second largest import factor worldwide in 2020.

Further steps were taken in 2020 to integrate the Sparkasse centre for factoring competence with the Sparkasse banks and Deutsche Leasing. In order to further entrench factoring as a part of commercial and corporate banking, Deutsche Factoring Bank actively supports the Sparkasse banks with their sales process in close collaboration with Deutsche Leasing. It was possible to conclude further cooperation agreements with additional Sparkasse banks in the financial year under review.

The share of revenue generated by the factoring business with non-recourse factoring (delcredere) rose slightly year on year by 0.3 percentage points to 99.4% (PY: 99.1%).

The number of invoices/open items processed by DFB totalled 5.6 million in 2020.

The industry and credit risks are still widely diversified (see the following risk report). Deutsche Factoring Bank granted debtor limits of EUR 9.8 billion as at 31 December 2020 (PY: EUR 10.3 billion) for customers of clients. Utilisation amounted to 17.2% (PY: 17.8%).

At 41 days, the average payment term of receivables purchased by the Bank in 2020 was on par with the prior year of also 41 days.

In terms of organisation, Deutsche Factoring Bank particularly focused on the continuation of standardising IT and business processes resulting from the merger in 2016.

Gesellschaft für Bonitätsbeurteilung mbH in Cologne (GBB-Rating) prepared an external rating for Deutsche Factoring Bank again in 2020. With the "A+" rating (stable outlook), Deutsche Factoring Bank is recognised as a bank with an above-average credit rating on the refinancing market.

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 30 part-time employees, two trainees and one employee on parental leave, Deutsche Factoring Bank had 235 employees as at 31 December 2020, of which 107 were female and 128 male. The trainees were all undergoing training to become office administrators (Bremen Chamber of Commerce).

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 purchased), net income after taxes, the operating risk costs (not taking into the costs for account 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 maintaining client satisfaction and focusing on the client is evidenced by the further growth in the number of clients.

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 2020	Plan 2020	PY 2019
Factoring volume (EUR billion)	17.0	19.9	18.2
Cost-income ratio (%) business management	56.0	45.6	47.7
Net income after taxes (KEUR)	15,380	21,164	20,755
Risk costs (KEUR) business management	4,830	5,000	3,528

VI. Financial performance

The net interest and net commission income amounted to EUR 54.4 million. This figure decreased by EUR 5.4 million year on year, due mainly to the pandemic-driven decline in purchased receivables.

Personnel expenses increased in the reporting year by 8.7% to EUR 19.6 million, largely due to the creation of new positions. Other administrative expenses rose slightly by EUR 0.2 million to EUR 8.8 million.

In total, general administrative expenses increased by EUR 1.8 million to EUR 28.4 million. The business cost-income ratio increased year on year by 8.3 percentage points to 56.0%.

Earnings before risk provisioning and income taxes decreased to EUR 26.3 million (PY: EUR 31.4 million) on account of income being down due to the pandemic and increased costs.

Risk costs, i.e. the write-downs of receivables, the additions to risk provisions for debtors and factoring clients as well as the expenses for credit insurance, increased year on year by EUR 1.6 million to EUR 9.0 million.

The net income for the year after trade tax amounted to EUR 15.4 million in 2020 (PY: EUR 20.8 million). 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 0.9% (PY: 1.1%).

In light of the current economic situation, management considers financial performance in 2020 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 clients, which account for approx. 98.5% (PY: 98.3%) of total assets and amount to EUR 1.7 billion. Receivables generally bear variable interest and almost all are 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 at all times sufficient refinancing facilities at its disposal. For refinancing there are mostly term deposits from banks with a term of up to three months that are made available to us. In addition, there are the blocked and settlement accounts of factoring clients.

Liabilities to banks decreased by 3.9% to EUR 799.3 million. Accounting for 47.5% of the balance sheet total (PY: 45.8%), this represents the most significant item.

Liabilities to clients in relation to the balance sheet total decreased by 17.1% to EUR 528.0 million. This amounted to 31.4% (PY: 35.1%) of the balance sheet total and was mainly caused by the decrease in funding sources through intragroup lines.

The equity ratio increased to 17.3% in the reporting year (PY: 15.4%).

To back growth objectives and to safeguard against potential unexpected risks, Deutsche Factoring Bank continues to strengthen its equity base through 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 and a consistent risk strategy, which was 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 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 areas of authority provide the framework for this.

Risk management follows clearly 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 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 quarterly risk report.

Counterparty risk

In respect of counterparty risk, Deutsche Factoring Bank differentiates between client risks and dilution risks on the one hand and the 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 in-house-developed dilution rating, taking into account both the credit rating 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 of 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, tax audits) are monitored on a continuous basis. The client and dilution risk is limited by determining and agreeing financing and factoring frameworks.

Non-performing loans are transferred to the support function of the workout 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 10.0% 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 turnover, may not exceed 20.0% for each individual sector, with the exception of very heterogeneous trade, wholesale trade and commission trade.

All concentration requirements were observed.

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 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 as regards 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 based on the exposure at default per country. With a share of 67.6% (PY: 69.2%), the focus continues to be on Germany. The share attributable to EU member states excluding Germany decreased slightly by 0.4 percentage point to 24.1%; by contrast, the share attributable to non-EU countries rose by 1.2 percentage point to 8.3%.

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. 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 20.9 million as at 31 December 2020 (PY: EUR 24.4 million). The ratio of client to debtor-specific bad debt provisions decreased from 53% to 44%. By contrast, the amount of risk provisioning (debtors) rose in importance and increased by EUR 0.8 million to EUR 8.3 million. The general bad debt provisions were increased by EUR 2.5 million to EUR 3.8 million in order to take into account the potential effects of the pandemic.

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 section on risk 3.1 item 8) and determines survival horizons for various stress scenarios.

Deutsche Factoring Bank works with various refinancing partners in order to ensure liquidity. The majority of these partners are Sparkasse banks, which are working closely with Deutsche Factoring Bank in market development and, thus, represent a stable financing source. Furthermore, refinance credits were granted by the Bank's partners.

Concentration risks are limited 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. The LCR (mathematically calculated) amounted to 151.0% as at the reporting date of 31 December 2020 (PY: 159.0%).

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, all significant disruptions or loss events are 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 compliance with regulatory requirements as regard 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 interest rate risk and foreign exchange 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 arising from the purchase of receivables denominated in foreign currency, if applicable, must be borne by the factoring client as provided in 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. Interest rate risks are limited significantly by means of refinancing with approximately matching maturities. The risk is quantified and monitored on a quarterly basis.

Other risks

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

The risk associated with preparing short- and medium-term planning due to incompleteness and uncertainty of the available data, which means that the measures envisioned in the plan could lead to a result that deviates from planning, is taken into account as a planning risk in the risk management process. The planning risk includes the cost, earnings and especially the sales risk.

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 of the Minimum Requirements for Risk Management [MaRisk] in conjunction with the guidelines entitled “Supervisory assessment of bank-internal capital adequacy concepts and their integration into firm-wide performance and risk management processes.

The economic perspective is interpreted as the primary steering approach in this regard. In this regard, the risk assessment's conservative level 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 protecting creditors against losses.

As at 31 December 2020, of the risk limits totalling EUR 230.0 million (PY: EUR 230 million), EUR 126.0 million (PY: EUR 123.9 million) was utilised for the individual risk types. Internal capital adequacy continued to be ensured throughout 2020.

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 risk-bearing capacity there are risk limits for material risks at the level of the risk type, which are defined by management.

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, whose results are suitably aggregated.

Operational risks are measured using the Alternative Standardised Approach (ASA).

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 existed at all times, also in consideration of all supervisory requirements (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). The capital ratios as at 31 December 2020 (before appropriation of profits) amounted to:

- Common equity tier 1 capital ratio 15.62% (PY: 14.73%)
- Total capital ratio 18.35% (PY: 17.60%)

Risk reporting

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

Data relevant for risk management are 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 report on business development or ad-hoc in the case of serious changes. This report contains 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 presented also in Deutsche Factoring Bank's quarterly risk report.

The members of the Supervisory Board are informed in writing of the financial performance of Deutsche Factoring Bank at the end of each quarter. Management promptly informs the member 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 controlling 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

Economic development will remain heavily affected by the coronavirus pandemic. The quick recovery, which offset a good part of the pandemic-related declines by the middle of the past economic year, was stifled by the second infection wave and related restrictions. Rising infection rates and the related containment measures at the beginning of the year led the Bundesbank to predict contracting economic output in Q1 2021 in its February report. Consumer behaviour will also be negatively affected by VAT rising once more to its former level. The path to recovery should continue upon declining infection rates, broad availability and effectiveness of vaccines as well as the corresponding gradual relaxing of measures. When this actually happens can currently hardly be reliably forecast as this depends heavily on the infection situation.

Although the measures taken by government are supporting the economy, the increasingly protracted restrictions are posing major challenges for a growing number of companies. Simultaneously, export-oriented companies in particular are benefiting from China's rapid recovery and the US economy's resurgence. A catch-up effect is also assumed for Germany and Europe once the coronavirus pandemic has been overcome. Experts predict a major rise in insolvencies once government support measures run out, although the Bundesbank estimates that the number of insolvencies should be fairly moderate.

It is currently difficult to reliably quantify the risks and quantitative effects of the ongoing containment measures especially on the insolvency situation and economy.

Forecast for the business-related development of Deutsche Factoring Bank

After a decline in revenue due to the coronavirus pandemic in the reporting year, Deutsche Factoring Bank is anticipating significant catch-up effects in the following year. It is currently expected that factoring volume performance will rise year on year by 13.9% and that the ambitious target figure of EUR 19.3 billion can be achieved.

The driver for the projected development in 2021 is continuing successful new business. In this regard, Deutsche Factoring Bank is focusing especially on the further intensification of the cooperation with the Sparkasse banks, on sales cooperation with the Deutsche Leasing Group, in particular in the medium-sized business segment, and also on specialist brokers and financial intermediaries for major transactions. Due to the economy jump anticipated after the end of the pandemic and associated stronger business activity, we expect companies will need more liquidity which can be satisfied by factoring solutions and, thus, can provide positive drive for DFB's business performance.

For medium-sized companies, factoring is still an attractive addition to financing due to the flexibility it offers and it also represents a 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 2021. 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 the expected rise in insolvencies in 2021, exposure costs will increase to EUR 8.0 million and, thus, be up 65.6% over the prior year. As a result of rising revenue and, thus, the associated increase in factoring revenue, the cost-income ratio is expected to go up to 48.1% compared to the 2020 reporting year. Management expects that net income for the 2021 financial year will go up by 28.9% overall and amount to EUR 19.8 million. The expected earnings will continue to enable compliance with supervisory capital requirements. In summary, management expects developments in 2021 to be in line with the budget.

Bremen, 12 May 2021

Deutsche Factoring Bank GmbH & Co. KG

represented by

Deutsche Factoring GmbH

Christian Eymery 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 2020 and the income statement for the period from 1 January to 31 December 2020, 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 2020.

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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in accordance 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 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 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 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 a 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 the 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 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 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, 14 May 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

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