



ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET FOR THE FISCAL YEAR ENDED ON 31 DECEMBER 2023

of FMS Wertmanagement

Assets	in EUR thousand	in EUR thousand	31.12.2023 in EUR thousand	31.12.2022 in EUR thousand
1. Cash reserve				
Balances with central banks		0		8,761,110
Including: with Deutsche Bundesbank EUR 0 thousand (previous year: EUR 8,761,110 thousand)				
			0	8,761,110
2. Loans and advances to banks				
a) Payable on demand		18,293,627		15,875,470
b) Other loans and advances		3,069,560		2,093,250
			21,363,187	17,968,720
3. Loans and advances to customers			11,827,779	14,636,228
Including: secured by mortgages EUR 271,168 thousand (previous year: EUR 268,153 thousand) Public-sector loans EUR 3,544,110 thousand (previous year: EUR 3,898,885 thousand)				
4. Debt instruments				
a) Bonds and notes				
aa) Public-sector issuers	17,728,679			19,605,551
Including: eligible as collateral for Deutsche Bundesbank advances EUR 12,416,445 thousand (previous year: EUR 12,528,040 thousand)				
ab) Other issuers	25,328,946			27,396,348
Including: eligible as collateral for Deutsche Bundesbank advances EUR 752,096 thousand (previous year: EUR 714,674 thousand)		43,057,625		47,001,899
b) Own debt instruments		9,012,052		5,003,207
Principal amount EUR 9,000,000 thousand (previous year: EUR 5,000,000 thousand)			52,069,677	52,005,106
5. Other long-term equity investments			3	3
Including: in banks EUR 0 thousand (previous year: EUR 0 thousand) in financial services institutions EUR 0 thousand (previous year: EUR 0 thousand)				
6. Shares in affiliated companies			10,000	30,000
Including: in banks EUR 0 thousand (previous year: EUR 0 thousand) in financial services institutions EUR 0 thousand (previous year: EUR 0 thousand)				
7. Intangible fixed assets			221	250
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets				
8. Tangible fixed assets			20	24
9. Other assets			530,027	1,030,129
10. Prepaid expenses			2,570,895	4,532,371
Total assets			88,371,809	98,963,941

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BALANCE SHEET FOR THE FISCAL YEAR ENDED ON 31 DECEMBER 2023



Equity and liabilities	in EUR thousand	31.12.2023 in EUR thousand	31.12.2022 in EUR thousand
1. Liabilities to banks			
a) Payable on demand	357,226		341,544
b) With agreed maturity or notice period	1,310,137		1,302,023
		1,667,363	1,643,567
2. Liabilities to customers			
Other liabilities			
a) Payable on demand	43,442		48,306
b) With agreed maturity or notice period	57,992,850		60,903,931
		58,036,292	60,952,237
3. Securitised liabilities			
a) Debt instruments issued	12,890,033		14,407,415
b) Other securitised liabilities Including: commercial paper EUR 4,668,203 thousand (previous year: EUR 8,931,094 thousand)	4,668,203		8,931,094
		17,558,236	23,338,509
4. Other liabilities		296,000	306,661
5. Deferred income		8,486,196	10,642,277
6. Provisions			
a) Provision for taxes	5,014		8,749
b) Other provisions	169,220		203,946
		174,234	212,695
7. Fund for general banking risks		250,000	0
8. Equity			
a) Subscribed capital	200		200
b) Capital reserves	1,800		1,800
c) Retained earnings			
Other retained earnings	1,865,995		1,815,554
d) Net retained profits	35,493		50,441
		1,903,488	1,867,995
Total equity and liabilities		88,371,809	98,963,941
1. Contingent liabilities			
Contingent liabilities from guarantees and indemnity agreements		234,705	238,542
2. Other obligations			
Irrevocable loan commitments		51,861	45,648



INCOME STATEMENT

of FMS Wertmanagement for the period from 1 January until 31 December 2023

Income statement	in EUR thousand	in EUR thousand	01.01.– 31.12.2023 in EUR thousand	01.01.– 31.12.2022 in EUR thousand
1. Interest income from				
a) Lending and money market transactions Including: negative interest deducted EUR 62 thousand (previous year: EUR 250.088 thousand)	7,697,739			3,918,928
b) Fixed-income securities and registered government debt	1,963,664			1,499,000
		9,661,403		5,417,928
2. Interest expenses Including: positive interest deducted EUR 826 thousand (previous year: EUR 220.162 thousand)		-9,133,730		-5,026,843
			527,673	391,085
3. Current income from				
Shares in affiliated companies			0	10
4. Income from profit pooling, profit transfer or partial profit transfer agreements			72	2,848
5. Commission income		4,146		6,857
6. Commission expenses		-16,469		-20,732
			-12,323	-13,875
7. Other operating income			7,265	9,106
8. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-16,071			-14,162
ab) Social security, post-employment and other employee benefit costs Including: in respect of post-employment benefits EUR -100 thousand (previous year: EUR -100 thousand)	-1,603			-1,538
		-17,674		-15,700
b) Other administrative expenses		-84,186		-113,665
			-101,860	-129,365
9. Depreciation, amortisation and write-downs of intangible and tangible fixed assets			-34	-39
10. Other operating expenses			-3,017	-1,220
11. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions Including: Expenses from additions to the fund for general banking risks EUR -250.000 thousand (previous year: EUR 0 thousand)			-409,295	-213,828
12. Income from reversals of write-downs of shares in affiliated companies, other long-term equity investments and securities classified as fixed assets			87,560	31,969
13. Result from ordinary activities			96,041	76,691
14. Taxes on income			-60,548	-26,249
15. Other taxes not included in "10. Other operating expenses"			0	-1
16. Net income for the year			35,493	50,441
17. Net retained profits			35,493	50,441



CASH FLOW STATEMENT

of FMS Wertmanagement for the period from 1 January until 31 December 2023

Cash flow statement		01.01.– 31.12.2023 in EUR thousand	01.01.– 31.12.2022 in EUR thousand
1.	Net income/loss for the period	35,493	50,441
Non-cash items included in net income/loss for the period and reconciliation to cash flow from operating activities			
2.	+/- Depreciation, amortisation and write-downs and valuation allowances on receivables and items of fixed assets/reversals of such write-downs and valuation allowances	364,098	162,216
3.	+/- Increase/decrease in provisions	-34,726	-28,722
4.	+/- Other non-cash expenses/income	-2,288	-3,864
5.	-/+ Gain/loss on disposal of fixed assets	-5	-8
6.	-/+ Other adjustments (net)	-72	-2,848
7.	-/+ Increase/decrease in loans and advances to banks	-2,302,099	20,749,927
8.	-/+ Increase/decrease in loans and advances to customers	2,807,072	-4,350,521
9.	-/+ Increase/decrease in securities	3,426,359	3,482,468
10.	-/+ Increase/decrease in other assets relating to operating activities	1,947,313	5,307,305
11.	+/- Increase/decrease in liabilities to banks	20,181	63,296
12.	+/- Increase/decrease in liabilities to customers	-2,915,889	4,570,928
13.	+/- Increase/decrease in securitised liabilities	-9,726,060	-26,132,079
14.	+/- Increase/decrease in other liabilities relating to operating activities	-1,270,998	-4,473,836
15.	+/- Interest expense/interest income	-527,673	-391,085
16.	+/- Income tax expense/income	60,548	26,249
17.	+ Interest and dividend payments received	8,874,108	4,775,673
18.	- Interest paid	-8,377,791	-4,428,565
19.	-/+ Income taxes paid	-84,915	-2,784
20.	= Cash flows from operating activities	-7,707,344	-625,809
21.	+ Proceeds from disposal of long-term financial assets	20,000	417
22.	- Payments to acquire long-term financial assets	0	0
23.	+ Proceeds from disposal of tangible fixed assets	5	8
24.	- Payments to acquire tangible fixed assets	-1	-14
25.	+ Proceeds from disposal of intangible fixed assets	0	0
26.	- Payments to acquire intangible fixed assets	0	0
27.	= Cash flows from investing activities	20,004	411
28.	= Cash flows from financing activities	0	0
29.	Net change in cash funds	-7,687,340	-625,398
30.	+/- Effect on cash funds due to exchange rate movements and remeasurements	-1,685	40,764
31.	+ Cash funds at beginning of period	8,830,282	9,414,916
32.	= Cash funds at end of period	1,141,257	8,830,282

The cash flow statement was prepared using the indirect method in accordance with DRS 21. The cash funds reported comprise demand deposits with banks that are payable on demand and do not serve as collateral for financial derivatives, and, in the previous year, balances with Deutsche Bundesbank.



STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for the period from 1 January until 31 December 2023

	Balance at 01.01.2023 in EUR thousand	Appropriation of net income/ loss in EUR thousand	Net income for the year in EUR thousand	Balance at 31.12.2023 in EUR thousand
Subscribed capital	200	0	0	200
Capital reserves	1,800	0	0	1,800
Other retained earnings	1,815,554	50,441	0	1,865,995
Net retained profits	50,441	-50,441	35,493	35,493
Equity as defined by German commercial law	1,867,995	0	35,493	1,903,488

Net retained profits from the 2022 fiscal year were transferred to retained earnings based on a resolution adopted by the Supervisory Board of FMS Wertmanagement AöR on 27 March 2023.

Statement of changes in equity for the period from 1 January until 31 December 2022

	Balance at 01.01.2022 in EUR thousand	Appropriation of net income/ loss in EUR thousand	Net income for the year in EUR thousand	Balance at 31.12.2022 in EUR thousand
Subscribed capital	200	0	0	200
Capital reserves	1,800	0	0	1,800
Other retained earnings	1,771,707	43,847	0	1,815,554
Net retained profits	43,847	-43,847	50,441	50,441
Equity as defined by German commercial law	1,817,554	0	50,441	1,867,995



NOTES

GENERAL INFORMATION

Legal framework

FMS Wertmanagement AöR, Munich (FMS-WM), was founded on 8 July 2010 and recorded in the Commercial Register of the Munich Local Court under number HRA 96076 on 13 September 2010. FMS-WM is domiciled in Munich.

Under agreements dated 29 and 30 September 2010, a portfolio with a nominal value of EUR 175.7 billion (excluding derivatives) was transferred to FMS-WM effective 1 October 2010.

FMS-WM is an organisationally and financially independent winding-up institution under public law with partial legal capacity that may engage in legal transactions in its own name, sue and be sued in court. It is regulated and supervised by the Federal Agency for Financial Market Stabilisation, Frankfurt am Main (FMSA), and the Federal Financial Supervisory Authority, Bonn and Frankfurt am Main (BaFin).

In 2012, FMS-WM established its own service entity, FMS Wertmanagement Service GmbH, Unterschleißheim (FMS-SG), which assumed responsibility for portfolio servicing and the provision of all material services associated with it effective 1 October 2013. FMS-WM has final decision-making powers and ultimate responsibility for the risk positions under management. The master agreement governing the outsourcing of business processes and services grants FMS-WM extensive rights to obtain information and perform inspections, enabling the latter to monitor and control the servicing of the risk positions by FMS-SG. FMS-SG operated from two sites in fiscal year 2023 (Unterschleißheim and Dublin). Operations in New York site were discontinued at the end of 2022 and activities were transferred to the remaining FMS-SG sites. The New York office was completely closed in July 2023.

The following companies were contracted for performing the necessary IT services: Fujitsu Technology Solutions GmbH, Munich (Fujitsu Technology), IBM Deutschland GmbH, Ehningen (IBM Deutschland) and CGI Deutschland BV & Co. KG, Leinfelden-Echterdingen (CGI Deutschland).

Accounting principles

These annual financial statements of FMS-WM were prepared in accordance with Section 8a (1a) of the German Law Establishing a Financial Market and Economy Stabilisation Fund (Gesetz zur Errichtung eines Finanzmarkt- und Wirtschaftsstabilisierungsfonds – Stabilisierungsfondsgesetz – StFG) and the supplementary provisions of its Charter pursuant to the provisions of the Handelsgesetzbuch – HGB for large corporations, the supplementary provisions of the HGB for credit institutions and financial services institutions as well as the requirements of the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV.



Since FMS-WM is a capital market oriented organisation as defined by Section 264d HGB, it has expanded its annual financial statements to include a statement of changes in equity and a cash flow statement in accordance with Section 264 (1) Sentence 2 HGB. A management report has also been prepared. Under Section 8a StFG and the supplementary provisions of the Charter, FMS-WM is not required to prepare consolidated financial statements.

Accounting policies

Assets, liabilities as well as prepaid expenses and deferred income are recognised in accordance with the principles laid out in Section 246ff. HGB. Assets, liabilities and executory contracts are measured based on the principles of Section 252 ff. HGB. For recognition and measurement, FMS-WM also applies the supplementary provisions for credit institutions set out in Sections 340 ff. HGB. This includes the option to recognise a contingency reserve for general banking risks in accordance with Section 340f HGB and a special reserve for general banking risks in accordance with Section 340g HGB. Pursuant to Section 2 (1) RechKredV, FMS-WM used Form 1 to structure the balance sheet and Form 3 (vertical presentation format) for the income statement.

FMS-WM took over assets, provisions, liabilities, prepaid expenses and deferred income as well as derivatives effective as at 1 October 2010 for accounting purposes. The transfer of assets is recognised in line with general principles; with respect of the assets taken over as part of the spin-off for absorption (Section 123 (2) No. 1 UmwG) recognition is based on Section 24 UmwG. FMS-WM made use of the option in Section 24 UmwG, which provides for a continuation of the transferring entity's book values.

Those book values were used if the assets were transferred to FMS-WM under so-called "concentration agreements". If the transferor prepares its accounting pursuant to the International Financial Reporting Standards (IFRS), the IFRS book value corresponds to FMS-WM's acquisition cost. The IFRS book value contains hedge adjustments for loans, advances and securities that were reported in micro valuation units; the hedge adjustments related to securities are reported under the item, Debt instruments, and those for loans under prepaid expenses and deferred income. The hedge adjustments for loans or securities are generally contrasted by the market value of the hedging derivatives transferred. The payments that FMS-WM has received or made for the hedging derivatives are shown under prepaid expenses and deferred income. The hedge adjustments and the recognised items for accrued payments related to derivatives are amortised regularly over the remaining terms to maturity of the corresponding transactions. Expenses and income from such amortisation are reported under interest expense or interest income. Amortisation of deferred items and current premium payments on credit default swaps (CDS) are reported under the items, Commission expenses or Commission income.

The fact that the transferring entity's book value represents the transfer price was to be taken into account as part of the acquisition process. Consequently, the risk provisions recognised by the transferring entity were to be taken into account in the determination of the transfer price. The transfer price in turn represented FMS-WM's acquisition costs.



Loans and advances to banks and loans and advances to customers are generally carried at their nominal value less risk provision as specific and general loan loss provisions. Differences between the nominal value and the acquisition cost, which are similar in nature to interest, are accounted for in prepaid expenses and deferred income and recognised in profit or loss under net interest income on a pro-rata basis over the term of the receivable. The proportionate interest calculated at the reporting date is recognised together with the underlying receivable.

On the basis of proposals by FMS-SG, analyses by expert third parties and analyses by FMS-WM itself, *specific loan loss provisions and provisions* are recognised for individual risks that have arisen in the lending business; these provisions take into account both the specific counterparty default risk and, if unwinding measures are sufficiently specific, the conditions on the sales market as well. Expected future proceeds from the realisation of collateral are discounted over the realisation period as necessary using a market interest rate with matching maturities.

Since 1 January 2022, FMS-WM has been applying the requirements of IDW statement IDW RS BFA 7 for the purposes of calculating the general loan loss provision. As a rule, the general loan loss provision for loans and advances to customers and banks as well as for contingent liabilities and other obligations is calculated on the basis of the expected loss over the remaining term of the exposures. This is calculated on a case-by-case basis for each year through to maturity, taking into account the probability of default, exposure at default and expected recovery rate in the event of default, and discounted to the reporting date using risk-free interest rates. Credit-rating premiums are not taken into account here. If, in the case of receivables, a contractual arrangement allows FMS-WM to adjust the terms in line with the risk during the term to maturity and this adjustment will be made as expected, in accordance with the objective set out in the Charter of unwinding the portfolio in a profit-oriented way, the calculation uses a shorter term over which FMS-WM is exposed to counterparty default risk rather than the contractually agreed term. The modelling of one-year and multi-year probabilities of default required for calculating the general loan loss provision was regularly reviewed and adjusted during fiscal year 2023. This included calibrating the one-year and multi-year probabilities of default on the basis of external default rate time series. For maturities between two and five years, the probabilities of default were adjusted based on expert opinions. Current macroeconomic uncertainties were factored in, and the probabilities of default for shorter maturities were aligned with the long-term average. This reduced the general loan loss provision by EUR 0.4 million. In addition, the accounting treatment of country and company ratings was standardised at the end of 2023 by calibrating the rating classes to a uniform master scale, increasing the general loan loss provision by EUR 3.6 million.

Collective country risk provisions are additionally recognised for exposures subject to discernible country risks. They are recognised in accordance with the methods required under German tax law. The countries to be included and the amount of the risk provisions are determined on the basis of external country ratings that reflect current and expected economic data as well as the overall political situation in the countries in question.



Debt instruments, excluding own issues bought back, are allocated to fixed assets (financial assets) because they are permanently used for operations. Debt instruments are measured at amortised cost in accordance with Section 253 (1) and (3) HGB. If FMS-WM believes that the assets are permanently impaired, impairment losses are charged in accordance with Section 340e (1) Sentence 1 in conjunction with Sentence 2 HGB. The existence of permanent impairment is determined in the case in question on the basis of information supplied by FMS-SG, commissioned expert third parties and through FMS-WM own investigations. The test of whether there is permanent impairment is generally conducted similar to the test for impairment of loan receivables, except that market values representing an additional trigger in the test for impairment of wind-up clusters with a high percentage of securities traded on liquid markets are to be taken into account.

In case of a sufficiently concrete intention not to hold specific securities to maturity, these securities will no longer be recognised as continuously used for operations. They will be measured in line with the strict lower-of-cost-or-market principle. If a full reversal of valuation measures is not expected for these securities by the end of their holding period, a write-down to the lower fair value will be recognised.

When the reasons for permanent impairment no longer apply, write-ups are charged in accordance with Section 253 (5) Sentence 1 HGB up to a maximum of the amortised cost.

Own debt instruments bought back are allocated to current assets (liquidity reserve). They are measured in accordance with the strict lower-of-cost-or-market principle in accordance with Section 253 (4) HGB.

The fair values of securities and derivatives are determined either based on external rate sources (e. g. via stock exchanges or other providers such as Reuters) or based on market value derived from internal measurement models (mark to model). Fair values of securities are largely determined on the basis of securities prices obtained from external sources. Derivatives are largely measured using specific measurement models, whereby the counterparty risk in the case of unsecured OTC derivatives is taken into account when determining any provisions for expected losses for hedge inefficiencies or for stand-alone derivatives. The estimation techniques used to determine any excess obligation in connection with hedge inefficiencies and stand-alone derivatives (standard measurement models such as the discounted cash flow method) factor in market data relevant to the measurement (in particular yield curves and exchange rates) as at the reporting date, the counterparties' potential probability of default and any collateral. The excess obligations determined in this way are accounted for in the form of provisions for expected losses.

In the measurement of secured and unsecured derivatives, future cash flows are discounted on the basis of risk-free interest rates.



Securities holdings are measured based on the following measurement hierarchy, which is oriented above all on the availability of plausible external market data:

- ▶ If an (indicative) market price (quote) is available for a liquid market, it is used.
- ▶ If a market price is not available or the market is not sufficiently liquid, the measurement is converted to a proxy measurement based on the available market prices for similar securities.
- ▶ If an appropriate proxy security cannot be identified, the measurement is carried out using the benchmark spreads or estimated spreads determined by FMS-SG's experts.
- ▶ Securities not measured based on market prices, proxies, or spreads (e. g. structured inflation-linked bonds) are measured based on financial mathematical models.

The parameters for internal valuation models (e. g. interest rate curves, volatilities, spreads) are mostly derived from external sources and reviewed by Risk Controlling as to their plausibility and accuracy. The models used for measuring structured derivatives are initially calibrated on the basis of market data, with the subsequent valuation being based on the resulting model parameters.

Differences that stem from the reporting of securities classified as fixed assets above their fair value based on application of the moderate lower-of-cost-or-market principle are shown separately in the notes when presenting debt instruments.

FMS-WM holds positions in asset-backed securities. These structured financial instruments are not required to be separated; they are each carried as a single asset and in compliance with IDW RS HFA 22.

Securities repurchase agreements are recognised in accordance with the provisions of Section 340b HGB. The securities sold under genuine repurchase agreements are still reported in the balance sheet of FMS-WM. Depending on the transferee, the obligation to repurchase securities sold under repurchase agreements is presented under the balance sheet items, Liabilities to banks, or Liabilities to customers. If securities repurchase agreements were entered into (as buyer) to place excess liquidity on the money market, the resulting receivables are recognised under the balance sheet items, Loans and advances to banks, or Loans and advances to customers, depending on the transferor. The specific securities are not reported in FMS-WM's balance sheet due to the lack of beneficial ownership.

Shares in affiliated companies and other long-term equity investments are recognised at cost. If impairment is expected to be permanent, write-downs to the lower fair value are recognised.



Tangible fixed assets are recognised at cost less depreciation on a straight-line basis. The useful life is determined based on the expected wear and tear of the tangible fixed assets.

Intangible assets are recognised at cost less amortisation on a straight-line basis. The useful life is determined based on factors expected to limit the longevity of the intangible assets.

For the sake of simplicity and in compliance with the tax regulations, since 1 January 2019 assets costing EUR 800.00 or less before VAT have been written down in full in the year of acquisition.

Deferred tax assets and deferred tax liabilities are initially calculated as at 31 December 2023 on temporary differences between the book values of the assets or liabilities and their tax base and measured based on a combined income tax rate of 29.55%. The combined income tax rate comprises corporate income tax, trade tax and the solidarity surcharge. In a general overview, FMS-WM's deferred tax assets exceed its deferred tax liabilities. The surplus of deferred tax assets at 31 December 2023 mainly stems from temporary differences with respect to the balance sheet items, Loans and advances to banks, Loans and advances to customers, Debt instruments, as well as Provisions for expected losses. Tax loss carryforwards also exist. As in the previous year, FMS-WM does not make use of the option to recognise the surplus of deferred tax assets in the balance sheet in accordance with Section 274 (1) Sentence 2 HGB.

Based on the control and profit-and-loss transfer agreement dated 16 October 2012, there is a consolidated VAT, corporate income tax and trade tax group with FMS-SG. Consequently, the German tax obligations of FMS-SG are considered in FMS-WM's annual financial statements.

Prepaid expenses include:

- ▶ Expenditures prior to the reporting date where these concern expenses in a certain period of time after the reporting date
- ▶ Deferrals (discounts) in connection with the funding business
- ▶ Deferrals in connection with derivative products. This primarily concerns payments made by FMS-WM for entering into derivatives (positive market values)
- ▶ Payments made to compensate for the difference between ESTR and EONIA upon the change of interest rate on EUR-denominated cash collateral and the interest rate benchmarks for collateralised derivatives
- ▶ Deferrals of positive differences between the nominal value of receivables and the acquisition costs, which are similar in nature to interest

Prepaid expenses are generally amortised on a pro rata basis. To the extent that prepaid expenses were deferred for payments made in connection with the takeover of derivatives and there are serious doubts regarding the derivatives' validity or the recoverability of the payments from these derivatives, these components of prepaid expenses are derecognised through profit or loss.



Liabilities are carried at their settlement amount. Differences between the issue amount and the settlement amount of the liabilities are posted to deferred income or prepaid expenses and released through profit and loss on a pro rata basis.

Provisions for uncertain liabilities and provisions for expected losses from executory contracts are recognised at the settlement amount dictated by prudent business judgement. This includes factoring in expected losses from sufficiently concrete measures to unwind relevant exposures. Provisions with a remaining maturity of more than one year are generally discounted in accordance with Section 253 (2) HGB using the average market interest rate of the past seven fiscal years corresponding to their remaining maturity. The applicable interest rates are published by Deutsche Bundesbank. Provisions for expected losses from executory contracts (derivatives) were recognised in the amount of the existing excess of expected obligations over expected benefits. Financial mathematical valuation models are applied to determine the excess obligation especially with regard to derivatives that have a complex structure.

Regardless of future developments, if a fixed excess obligation exists in the relevant market risk factors for a derivative, this is not recognised as a provision for expected losses but instead in other liabilities.

Deferred income includes:

- ▶ Proceeds received prior to the reporting date where these concern income in a certain period of time after the reporting date
- ▶ Deferrals (premiums) in connection with the funding business
- ▶ Deferrals in connection with derivative products. This primarily concerns payments received by FMS-WM for entering into derivatives (negative market values)
- ▶ Payments received to compensate for the difference between ESTR and EONIA upon the change of interest rate on EUR-denominated cash collateral for collateralised derivatives
- ▶ Deferrals in connection with the lending business (discounts on receivables)

Deferred income is generally amortised on a pro rata basis.

Derivative financial instruments are entered into to hedge interest rate risk in individual hedged items, to manage general interest rate risk and to hedge inflation, credit and currency risks. The derivative financial instruments held in the portfolio are allocated to the non-trading portfolio.

- ▶ Derivative financial instruments serving to *hedge the market risks (basically interest rate risks) of individual hedged items* are designated into micro valuation units along with the hedged items in accordance with Section 254 HGB.
- ▶ Derivative financial instruments that are used to *manage the general interest rate risk* are aggregated into an offsetting item with the other transactions in the banking book (securities and loans) that are interest-based and regarded as non interest-induced as well as the interest-based financial instruments serving funding purposes. Prevailing opinion holds that this is not a valuation unit under Section 254 HGB but an accounting practice.



- ▶ Derivatives such as CDS are used to *hedge credit risks*. These derivatives are not aggregated with other hedged items in valuation units and are measured in accordance with the general principles of commercial law (in accordance with IDW RS BFA 1).
- ▶ Derivative financial instruments such as currency and cross currency interest rate swaps are used in connection with the *management of foreign currency positions* to close open risk positions.

Consistent with the specifications of risk management, documented hedging relationships are entered into at the transaction level (micro valuation units) to hedge market risks. The term of the hedged item is used as the time horizon. Hedged items may include acquired or issued securities, loan receivables or loan liabilities, and derivatives. FMS-WM recognises these hedging relationships using the net hedge presentation method (“Einfrierungsmethode”) in accordance with Section 254 HGB. Where the offsetting changes in value resulting from the hedged risk (especially interest rate risk) are compensated, the changes in value in the hedged item or in the hedge are not recognised. In an existing excess obligation, the ineffective portion of the hedging relationship’s hedged risk is recognised as an expense in accordance with the imparity principle pursuant to IDW RS HFA 35 through the recognition of a provision for expected losses. The ineffective portion is computed by comparing the change in value from the hedged risk of the hedged item with the change in value from the hedged risk of the hedging instrument. Excess obligations for unhedged risks are treated in accordance with general accounting policies, taking into account the item-by-item measurement principle. Expenses from additions to provisions for expected losses are shown in the net revaluation gain/loss for the lending and securities business.

All hedging relationships are tested for effectiveness. The prospective effectiveness of the hedging relationships is examined primarily on the basis of linear regression or using the critical terms match method.

Furthermore, FMS-WM holds credit derivatives (e. g. CDS) where it is the guarantor or the secured party. These credit derivatives are accounted for in accordance with the principles of IDW RS BFA 1.

In addition to the necessary and recognised provisions for expected losses for valuation units, the entire interest rate portfolio and/or banking book is evaluated for the existence of an excess obligation. All interest-based financial instruments (“Refinanzierungsverbund”) are included in this evaluation, including those that are designated as valuation units under Section 254 HGB. Additional provisions for expected losses for the excess obligation are only recognised in accordance with IDW RS BFA 3 if an excess obligation existed in this offsetting item. The loss compensation obligation of the Financial Market Stabilisation Fund (FMS) under Section 7 of FMS-WM’s Charter is included in the offsetting item.



In accordance with IDW RH FAB 1.020, a change in an interest rate benchmark due to the EU Benchmarks Regulation does not result in the derecognition of a floating rate financial instrument. A valuation unit continues to exist – as a single unit of account in accordance with IDW RS HFA 35 – despite the change in the interest rate benchmark. Compensation payments resulting from changes in interest rate benchmarks are recognised outside profit or loss as also prepaid expenses and deferred income.

FMS-WM holds financial instruments subject to USD-LIBOR benchmark interest rates that ceased to be quoted in mid-fiscal year 2023. No significant adjustments were made to the measurement of these financial instruments due to FMS-WM's assent to the supplementary agreements to national and international master agreements and the resulting contractually agreed successor regulation, which provides for an appropriate spread adjustment on benchmark interest rates.

Any transfers of derivatives positions from counterparties based in the United Kingdom to EU entities upon the United Kingdom's withdrawal from the EU are recognised outside profit or loss.

Contingent liabilities are disclosed at the amount of the maximum liability, which is generally calculated as the nominal amount less amortised cost and risk provisions. In duly justified individual cases, a value other than the nominal value may be used for the maximum risk of liability, depending on the reference exposure.

Foreign currency items in the balance sheet are translated into the reporting currency (EUR) in accordance with the provisions of Section 256a HGB in conjunction with Section 340a (1) and Section 340h HGB and pursuant to the provisions of IDW RS BFA 4. FMS-WM translated its assets and liabilities at the average spot rate prevailing at 29 December 2023 using the respective reference exchange rate of the ECB. Expenses and income arising from the currency translation of on-balance sheet and off-balance sheet transactions denominated in foreign currencies with special coverage in the same currency are presented net in other operating expenses or other operating income. If excess assets result from the translation of off-balance sheet transactions denominated in foreign currencies within the context of special coverage according to Section 340h HGB, these are recognised in other assets. If excess liabilities arise in this way, they are reported as other liabilities. If forward exchange transactions serve to hedge interest-bearing items, the forward rate is split into its two elements (spot rate and swap rate) in order to account for them separately for the purpose of determining the result.



To the extent that derivative financial instruments contain features for the exchange of principal (nominal exchange agreement), payments received or payments yet to be made are recognised in other liabilities. Payments made or payments yet to be received are reported in other assets.

Expenses and income were translated into euros at the exchange rate on the transaction date. Expenses and income arising from the currency translation are presented net under other operating expenses or other operating income.

Interest income and interest expense for derivative financial instruments entered into are presented gross, i. e. not netted, in the income statement.

Negative interest is shown in the income statement in accordance with the transaction underlying the agreement of negative interest: Negative interest contractually agreed for assets reduces interest income, whereas negative interest contractually agreed for liabilities reduces interest expense. For the negative interest thus deducted from interest income and interest expense, an "Of which" item was in each case added to Form 3 provided by the RechKredV and used for the presentation of the income statement ("Of which negative/positive interest deducted").

FMS-WM avails itself of the option under Section 340f (3) HGB. Accordingly, income and expenses from the measurement of loans, advances and securities allocated to the liquidity reserve may be shown in a single item after offsetting against income and expenses from the measurement and disposal of such transactions. This also includes additions to or releases of loan loss provisions.

FMS-WM avails itself of the option under Section 340c (2) HGB. Accordingly, expenses from write-downs on long-term equity investments, shares in affiliated companies and securities classified as fixed assets may be offset against the income from additions to such assets and shown in a single expense and income item. Under Section 340c HGB, the expenses and income from transactions involving such assets may also be included. FMS-WM also reports the profit/loss from the sale of securities as well as the profit/loss from the termination of related derivatives transactions in this item.



NOTES TO THE BALANCE SHEET

The figures shown in the description of the following balance sheet items also include any accrued interest.

Assets

Cash reserve

The cash reserve had a zero balance as at 31 December 2023 (31 December 2022: EUR 8,761 million). This drop was precipitated by the adjustment of the interest rate on the government balances held with the Bundesbank to 0% p.a. as at 1 October 2023. As a consequence, the liquid assets of FMS-WM were invested in the form of securities repurchase agreements and current bank accounts in the fourth quarter of the fiscal year.

Loans and advances to banks

	31.12.2023 in EUR million	31.12.2022 in EUR million
a) Payable on demand	18,294	15,876
b) Other loans and advances	3,069	2,093
Total	21,363	17,969
Including: to affiliated companies	0	0
Including: to other long-term equity investments	0	0

Receivables payable on demand mainly comprise receivables from cash collateral required to be provided for financial derivatives and, to a lesser extent, receivables from current bank accounts. The rise in loans and advances to banks payable on demand is attributable to the increase in the fair value of cash collateral required to be provided for financial derivatives, in addition to the above-mentioned increase in receivables from current bank accounts.

Other receivables comprise receivables from completed repo transactions of EUR 1,452 million (FMS-WM as buyer) (31 December 2022: zero balance) and receivables from public-sector loans of EUR 675 million (31 December 2022: EUR 671 million).

The remaining maturities of the other loans and advances to banks are as follows:

	31.12.2023 in EUR million	31.12.2022 in EUR million
Up to three months	1,450	600
More than three months and up to one year	760	652
More than one year and up to five years	669	0
More than five years	190	841
Total	3,069	2,093



Other loans and advances to banks with a remaining maturity of up to three months resulted from the new repo transactions concluded in the fiscal year; in the previous year, this maturity range had still contained time deposits that were reversed during the fiscal year. Receivables from public-sector loans reported in the previous year in the “more than five years” maturity range will become due within the next five years as at the reporting date of 31 December 2023, which is why they have been moved up to the “more than one year and up to five years” maturity range.

Loans and advances to customers

	31.12.2023 in EUR million	31.12.2022 in EUR million
Total	11,828	14,636
Including: to affiliated companies	0	0
Including: to other long-term equity investments	0	0

The decrease in loans and advances to customers mainly results from the decrease in cash collateral payable on demand that was required to be provided for financial derivatives as a result of derivatives clearing with the Federal Republic of Germany, represented by Bundesrepublik Deutschland – Finanzagentur GmbH, Frankfurt am Main. Loans and advances to customers as at 31 December 2023 amount to EUR 5,417 million (31 December 2022: EUR 6,836 million).

In addition, scheduled repayments and sales of loans in the portfolio to be wound down had the effect of reducing this balance sheet item.

The remaining maturities of the loans and advances to customers are as follows:

	31.12.2023 in EUR million	31.12.2022 in EUR million
Payable on demand	5,418	6,836
Up to three months	17	152
More than three months and up to one year	898	599
More than one year and up to five years	673	1,194
More than five years	4,822	5,855
Total	11,828	14,636

The reduction in loans in the portfolio is mainly responsible for the decline in maturity ranges with a remaining term of more than one year.

As previously, there are no loans and advances with indefinite maturity.



Debt instruments

The Debt instruments item in the balance sheet is broken down as follows:

	31.12.2023 in EUR million	31.12.2022 in EUR million
Book value	52,070	52,005
Of which: public-sector issuers	17,729	19,606
Of which: other issuers	25,329	27,396
Of which: own debt instruments	9,012	5,003
Marketable securities	52,070	52,005
Of which: listed	46,016	45,236
Of which: not listed	6,054	6,769
Securities due in the following year	5,315	3,449
Securities issued by affiliated companies	0	0

Of the marketable securities, securities with a book value of EUR 43,058 million (31 December 2022: EUR 47,002 million) are held as fixed assets. The decline in the reporting period is due to the scheduled repayment, maturity and sale of securities from the portfolio being wound up as well as to portfolio-reducing currency effects.

In addition, the marketable securities include own debt instruments with a book value of EUR 9,012 million (31 December 2022: EUR 5,003 million), which are measured using the strict lower-of-cost-or-market principle because they are treated as current assets. The increase is attributable to the buy-back of own debt instruments in fiscal year 2023 to replace the scheduled expiry of own debt instruments at the beginning of fiscal year 2024 in the amount of EUR 4.0 billion.

The deferred write-downs on debt instruments total EUR 1,950 million based on their fair values as at 31 December 2023 (31 December 2022: EUR 2,744 million). This comprises debt instruments with book values of EUR 25,152 million (31 December 2022: EUR 32,570 million) and fair values of EUR 23,202 million (31 December 2022: EUR 29,826 million). Where securities carry hidden losses as at the reporting date, FMS-WM assumes that, due to its mostly long-term wind-up strategy and the securities' expected performance, their fair value will be temporarily less than their book value. Corresponding write-downs were taken if there were any doubts as to collectability.



The book values and the fair values of the securities contained in the banking book, broken down by issuer group, follow from the overview below. The book values include interest to be accrued.

in EUR million	Of which: public- sector issuers	Other issuers		Total 31.12.2023	Total 31.12.2022
		Of which: banks	Of which: other issuers		
Book value	17,729	1,106	24,223	43,058	47,002
Fair value	18,621	1,161	25,701	45,483	47,705
Hidden reserves	1,698	97	2,580	4,375	3,447
Hidden losses (deferred write-downs)	806	42	1,102	1,950	2,744

The hidden losses and reserves from debt instruments are exposed in some cases to countervailing effects on derivatives (particularly interest-based derivatives). For more information, please refer to the section on *Derivative financial instruments*.

Shares in affiliated companies and other long-term equity investments

None of the other long-term equity investments and shares in affiliated companies held by FMS-WM are marketable. The shares in affiliated companies shown relate to FMS-SG. FMS-SG implemented a capital reduction of EUR 20 million in fiscal year 2023.

Statement of changes in fixed assets

in EUR million	Cost			Depreciation / amortisation / write-downs				Book value	
	Balance 01.01.2023	Additions 2023	Disposals 2023	Cumulative 01.01.2023	Current year 2023	Disposals 2023	Cumulative 31.12.2023	Balance 31.12.2023	Balance 31.12.2022
Intangible fixed assets	4.8	0.0	0.0	4.5	0.1	0.0	4.6	0.2	0.3
Tangible fixed assets	1.6	0.0	0.0	1.6	0.0	0.0	1.6	0.0	0.0
Shares in affiliated companies and other long-term equity investments	30				-20 ¹			10	30
Bonds and notes	47,002				-3,944 ¹			43,058	47,002

¹ The option to combine items in accordance with Section 34 (3) RechKredV was used

The intangible assets solely concern software licenses purchased for consideration.

The tangible fixed assets solely comprise operating and office equipment.

Regarding shares in affiliated companies and other long-term equity investments, and bonds and notes, please refer to the two sections above.



Other assets

Other assets in the amount of EUR 530 million (31 December 2022: EUR 1,030 million) mainly include currency translation adjustments of EUR 467 million from off-balance sheet transactions denominated in foreign currencies (31 December 2022: EUR 968 million), which are recognised in the context of special coverage under Section 340h HGB, as well as receivables from derivatives in the amount of EUR 52 million (31 December 2022: EUR 54 million).

Prepaid expenses

Prepaid expenses are comprised of the following items:

	31.12.2023 in EUR million	31.12.2022 in EUR million
Unamortised payments made for derivatives	1,567	3,371
Lending business (premium from receivables)	913	1,074
Issuing business/loans taken out (discount, liabilities)	84	81
Other	7	7
Total	2,571	4,533

The unamortised payments made for derivatives mainly include the unamortised payments that FMS-WM made for the acquisition of interest rate hedging derivatives as part of its funding activities and the wind-up mandate, and when the portfolio was acquired on 1 October 2010. The decline in unamortised payments for derivatives in the fiscal year is due to a reduction of derivatives (EUR 1.2 billion) and ongoing amortisation of deferrals.

Prepaid expenses from lending business result mainly from unamortised payments made by FMS-WM at the transfer date in 2010 for hedge adjustments of the hedged items (receivables) taken over from the transferors. The item also includes unamortised payments made by FMS-WM for loan receivables acquired in connection with the wind-up mandate. The decline in this item in the reporting period is attributable to portfolio wind-up and ongoing amortisation of deferrals.

The increase in prepaid expenses from issuing business/loans taken out is due mainly to discounts associated with the funding obtained through the FMS in the reporting period. Ongoing amortisation of deferrals partially compensated for this.

Subordinated assets

The following item on the assets side of the balance sheet contains subordinated assets:

	31.12.2023 in EUR million	31.12.2022 in EUR million
Debt instruments (book value)	36	39



Equity and liabilities

Liabilities to banks

	31.12.2023 in EUR million	31.12.2022 in EUR million
a) Payable on demand	357	342
b) With agreed maturity or notice period	1,310	1,302
Total	1,667	1,644
Including: to affiliated companies	0	0
Including: to other long-term equity investments	0	0

Liabilities payable on demand consist of cash collateral received for financial derivatives.

Liabilities with an agreed maturity or notice period consist mainly of liabilities from accrued interest on derivatives in the amount of EUR 1,265 million (31 December 2022: EUR 1,257 million).

The remaining maturities of the liabilities with agreed maturity or notice period are as follows:

	31.12.2023 in EUR million	31.12.2022 in EUR million
Up to three months	0	0
More than three months and up to one year	1,265	1,257
More than one year and up to five years	45	45
More than five years	0	0
Total	1,310	1,302

Liabilities to customers

	31.12.2023 in EUR million	31.12.2022 in EUR million
a) Payable on demand	44	48
b) With agreed maturity or notice period	57,993	60,904
Total	58,037	60,952
Including: to affiliated companies	0	0
Including: to other long-term equity investments	0	0

Liabilities with an agreed maturity or notice period consist mainly of funds obtained via the FMS in the amount of EUR 55,508 million (31 December 2022: EUR 59,410 million).



The remaining maturities of the liabilities with agreed maturity or notice period are as follows:

	31.12.2023 in EUR million	31.12.2022 in EUR million
Up to three months	500	3,500
More than three months and up to one year	11,482	6,865
More than one year and up to five years	22,955	25,440
More than five years	23,056	25,099
Total	57,993	60,904

In fiscal year 2023, a total of EUR 6.0 billion in additional funding was obtained through the FMS, of which EUR 3.0 billion fell within the maturity range More than one year and up to five years and EUR 3.0 billion within the maturity range More than five years. In the fiscal year, funds of EUR 10.0 billion obtained through the FMS expired on schedule. In addition, the changes in the presentation of the maturity ranges were mainly due to movements of existing funding obtained through the FMS to other maturity ranges.

Securitised liabilities

	31.12.2023 in EUR million	31.12.2022 in EUR million
a) Debt instruments issued	12,890	14,407
b) Other securitised liabilities	4,668	8,931
Total	17,558	23,338
Including: to affiliated companies	0	0
Including: to other long-term equity investments	0	0
Amounts due in the following year	11,425	15,406
Including: debt instruments issued	6,757	6,475

Securitized liabilities comprise debt instruments issued in the amount of EUR 12,890 million (31 December 2022: EUR 14,407 million), European commercial paper issued in the amount of EUR 1,969 million (31 December 2022: EUR 8,444 million) and US commercial paper issued in the amount of EUR 2,699 million (31 December 2022: EUR 487 million).

The remaining maturities of the other securitized liabilities are as follows:

	31.12.2023 in EUR million	31.12.2022 in EUR million
Up to three months	3,638	6,026
More than three months and up to one year	1,030	2,905
More than one year and up to five years	0	0
More than five years	0	0
Total	4,668	8,931



Other liabilities

Other liabilities mainly include liabilities of EUR 276 million from derivatives (31 December 2022: EUR 267 million) and currency translation adjustments of EUR 8 million from executory contracts in foreign currencies (31 December 2022: EUR 7 million), which are recognised in the context of special coverage under Section 340h HGB.

Deferred income

	31.12.2023 in EUR million	31.12.2022 in EUR million
Unamortised payments received for derivatives	7,733	9,614
Issuing business/loans taken out	737	993
Lending business (discount on receivables)	12	31
Other	4	4
Total	8,486	10,642

The unamortised payments received for derivatives result mainly from payments received by FMS-WM for the market values of derivatives recognised by the transferors as at the transfer date in 2010. The item also contains unamortised payments received by FMS-WM to acquire interest rate derivatives in connection with the wind-up task. The decline in unamortised payments received for derivatives in the fiscal year is due to a reduction of derivatives (EUR 1.1 billion) and ongoing amortisation of deferrals.

The decrease in deferred income from issuing business/loans taken out is due mainly to the ongoing amortisation of premiums associated with the funding obtained through the FMS.

Deferred income from the lending business mainly results from unamortised payments received by FMS-WM at the transfer date in 2010 for hedge adjustments of the hedged items (receivables) taken over from the transferring legal entities. The decrease in the reporting period is mainly attributable to the portfolio wind-up.

Provisions

	31.12.2023 in EUR million	31.12.2022 in EUR million
Provision for taxes	5	9
Other provisions	169	204
Including provisions for expected losses	154	183
Total	174	213

Provisions for expected losses consist mainly of provisions for expected losses for stand-alone derivatives of EUR 76 million (31 December 2022: EUR 84 million) and for valuation unit ineffectiveness under Section 254 HGB of EUR 51 million (31 December 2022: EUR 72 million).



Fund for general banking risks

In the reporting period, EUR 250 million was added to the fund for general banking risks in accordance with Section 340g HGB (31 December 2022: EUR 0 million).

Equity

Please see the section entitled *Statement of changes in equity* for notes on the changes in and composition of equity.

Contingent liabilities

FMS-WM discloses potential liabilities under guarantees in the amount of EUR 235 million (31 December 2022: EUR 239 million). This includes obligations arising from CDS (with third parties as counterparties) in the amount of EUR 168 million which are accounted for as financial guarantees (31 December 2022: EUR 168 million).

The exposure to contingent liabilities is measured using the parameters applied in credit risk management (risk analysis and assessment).

Other obligations

Irrevocable loan commitments of EUR 52 million (31 December 2022: EUR 46 million) consist mainly of a partially utilised liquidity facility of EUR 31 million (31 December 2022: EUR 20 million).

Other financial obligations

Some of the outsourced services (inter alia FMS-SG, Fujitsu Technology, IBM Deutschland and CGI Deutschland) are subject to long-term agreements, giving rise to other financial obligations on the part of FMS-WM. These agreements have fixed and variable performance components. An average annual contractual volume of around EUR 60 million is expected for the years 2024 to 2026, of which an average of around 70% is attributable to FMS-SG.

Assets pledged as collateral

As at 31 December 2023, there are no assets pledged as collateral for liabilities or contingent liabilities of FMS-WM. Loans and advances to banks include an amount of EUR 191 million (31 December 2022: EUR 172 million) that has been pledged to a customer as contractually agreed.



Derivative financial instruments

The market values of the unlisted OTC derivatives are determined by means of standard measurement models based on the measurement parameters available in the market.

The tables below show the breakdown of FMS-WM's interest-based and currency-based derivatives and the total return swaps (TRS):

in EUR million	Nominal values				
	Remaining maturities, 31.12.2023			Total	Total
	< 1 year	1 – 5 years	> 5 years	31.12.2023	31.12.2022
Interest-based transactions	26,108	43,514	62,471	132,093	177,454
TRs	0	3	4,453	4,456	4,624
Currency-based transactions	5,494	7,278	21,068	33,840	36,300
Of which: forward exchange transactions	3,501	0	0	3,501	7,840
Of which: cross currency swaps	1,993	7,278	21,068	30,339	28,460
Total	31,602	50,795	87,992	170,389	218,378

in EUR million	Fair values			
	31.12.2023		31.12.2022	
	Positive	Negative	Positive	Negative
Interest-based transactions	1,311	-22,757	1,652	-24,631
TRs	835	-688	926	-737
Currency-based transactions	635	-551	1,208	-627
Of which: forward exchange transactions	7	-20	211	-55
Of which: cross currency swaps	628	-531	997	-572
Total	2,781	-23,996	3,786	-25,995

The book value of these derivatives reported in the prepaid expenses/deferred income item (net amount of the book values recognised in assets and liabilities) totalled EUR -6,174 million as at 31 December 2023 (31 December 2022: EUR -6,254 million). In the other assets/other liabilities item, the net book value of these derivatives in the amount of EUR 234 million is reported (31 December 2022: EUR 748 million).

The portfolio of FMS-WM credit derivatives vis-à-vis third parties is as follows:

in EUR million	31.12.2023		31.12.2022	
	Nominal values	Fair values	Nominal values	Fair values
Secured party CDS	209	13	1,556	15
Guarantor CDS	259	-1	268	-5
Total	468	12	1,824	10



Accrued payments for CDS are recognised in prepaid expenses and deferred income. As at 31 December 2023, these prepaid expenses and deferred income netted to EUR 8 million (31 December 2022: EUR 11 million).

CDSs held by FMS-WM as the secured party with a nominal volume of USD 1.5 billion expired as planned in the reporting period. The CDS where FMS-WM is the guarantor are reported under contingent liabilities in the amount of EUR 168 million (31 December 2022: EUR 168 million).

Valuation units

In accordance with Section 254 HGB, FMS-WM aggregates hedged items and hedging instruments into valuation units. FMS-WM utilises the net valuation unit presentation method to account for the valuation units. In particular, the hedged risk concerns the interest rate-induced risk of changes in value (interest rate risk).

Overall, the nominal value of these hedged items is comprised as follows:

Nominal values of the hedged items	31.12.2023 in EUR million	31.12.2022 in EUR million
Assets	25,318	27,714
Liabilities	60,418	69,176
Derivatives	1,128	2,906
Total	86,864	99,796

As at 31 December 2023, hedged items with a nominal value of EUR 4,482 million (31 December 2022: EUR 4,652 million) were combined with TRS and hedged items with a nominal value of EUR 17 million (31 December 2022: EUR 1,168 million) were combined with CDS pursuant to IDW RS BFA 1. The decline in CDS is due to the scheduled expiry of a credit derivatives position (FMS-WM as the secured party) in the reporting period.



The following overviews contain the nominal values, broken down by their maturities, of assets, liabilities and derivatives that are designated as hedged items in valuation units as at 31 December 2023 and whose countervailing changes in value or cash flows can be expected to balance in the future.

Assets	31.12.2023 in EUR million	31.12.2022 in EUR million
Up to three months	195	77
More than three months and up to one year	348	1,476
More than one year and up to five years	1,923	2,354
More than five years	22,852	23,807
Total	25,318	27,714

Liabilities	31.12.2023 in EUR million	31.12.2022 in EUR million
Up to three months	2,310	5,784
More than three months and up to one year	10,920	8,876
More than one year and up to five years	23,633	28,918
More than five years	23,555	25,598
Total	60,418	69,176

Derivatives	31.12.2023 in EUR million	31.12.2022 in EUR million
Up to three months	90	0
More than three months and up to one year	251	598
More than one year and up to five years	510	888
More than five years	277	1,420
Total	1,128	2,906



The net valuation presentation method does not require presentation of positive and negative changes in value of the hedged risk in micro valuation units. Were the gross hedge presentation method to be applied, effects increasing this item both on the assets and the equity and liabilities side of EUR 16,665 million would arise in each case as at the 31 December 2023 reporting date (31 December 2022: EUR 18,871 million).

The interest rate risk-related changes in the value of the hedged items and hedging instruments arising from valuation units with ineffectiveness pursuant to Section 254 HGB (interest rate risk hedge) are as follows:

31.12.2023 in EUR million	Negative change in value (absolute figure)	Positive change in value (absolute figure)
Hedged items	295	8,184
Hedging instruments	8,218	278
Total	8,513	8,462
Of which: not recognised	8,462	0
Of which: recognised as a provision for expected losses	51	0

Foreign-currency items

Total assets in foreign currencies as at 31 December 2023 amount to EUR 37,684 million (31 December 2022: EUR 41,452 million). Liabilities in foreign currencies as at 31 December 2023 amount to EUR 12,808 million (31 December 2022: EUR 22,667 million).



NOTES TO THE INCOME STATEMENT

Net interest income

	01.01. – 31.12.2023 in EUR million	01.01. – 31.12.2022 in EUR million
Interest income	9,662	5,418
Lending and money market transactions Including: negative interest deducted EUR 0 million (previous year: EUR 250 million)	7,698	3,919
Fixed income securities and registered government debt	1,964	1,499
Interest expenses	9,134	5,027
Lending and money market transactions Including: positive interest deducted EUR 1 million (previous year: EUR 220 million)	7,987	4,289
Securitised liabilities	572	354
Loans taken out	-122	-256
Other	697	640
Total	528	391

The increase in net interest income is attributable both to the rise in interest rate levels and to the improved funding terms as a result of raising FMS funding. The terms of the funding available through the FMS are more advantageous and therefore more favourable for FMS-WM than the terms of funding available through the capital market. Even though FMS's average funding volume remained roughly the same, the average volume of capital market funding in fiscal year 2023 was much lower than in fiscal year 2022. The unwinding of the portfolio eroded the positive effects of the increase in interest rates to some extent.

Interest income includes EUR 6,012 million (previous year: EUR 3,486 million) in interest from derivative financial instruments and EUR 0 million (previous year: EUR 250 million) in negative interest on assets (reduction of interest income). As last year, Western Europe and the United States account for most of the interest income. Derivative financial instruments account for EUR 7,977 million (previous year: EUR 4,508 million) and negative interest on liabilities for EUR 1 million (previous year: EUR 220 million) of interest expense (reduction of interest expense). The interest expenses from loans taken out also include the amortisation of premiums in relation to the funding obtained via the FMS, which has reduced interest expenses. These effects are offset by effects from interest rate derivatives in roughly the same amount.

The Other item under interest expenses mainly includes amortisation of differences in cases where the acquisition costs of risk positions exceeds their nominal value.



A change in the procedure for taking certain components of book values into account in the disposal of individual interest-bearing risk positions led to the amount presented for both interest income and interest expense for fiscal year 2022 being EUR 123.8 million too low in each case. The discrepancy in the disclosure corresponds to 2.3% of interest income for fiscal year 2022 and 2.5% of interest expense for fiscal year 2022. The amount of net interest income disclosed in fiscal year 2022 was not affected. The procedure was revised in the course of 2023. The prior-year comparatives disclosed in the annual financial statements for the year ended 31 December 2023 (in the above table relating to lending and money market transactions in each case) were adjusted accordingly.

Income from profit transfer

In fiscal year 2023, FMS-WM collected the annual result of FMS-SG in the amount of EUR 72 thousand (previous year: EUR 3 million) due to the existing profit transfer agreement with FMS-SG.

Net commission income

Net commission income in the amount of EUR –12 million (previous year: EUR –14 million) mainly reflects income and expenses in connection with credit derivatives, which net to EUR –11 million (previous year: EUR –15 million net). The year-on-year improvement is mainly due to the scheduled expiry of a credit derivatives position (FMS-WM as the secured party) in the third quarter of 2023.

Income from derivatives business is mainly attributable to Western Europe.

Other operating income and expenses

Other operating income of EUR 7 million (previous year: EUR 9 million) consists mainly of prior-period income from the reversal of provisions and income from the onward charging of services provided to FMS-SG.

Other operating expenses of EUR 3 million (previous year: EUR 1 million) mainly include portfolio-related costs and transaction costs.

General and administrative expenses

Personnel expenses for the staff employed by FMS-WM in the reporting period amount to EUR 18 million (previous year: EUR 16 million).

Other administrative expenses of EUR 84 million (previous year: EUR 113 million) mainly include expenses of EUR 68 million (previous year: EUR 100 million) incurred in the context of service outsourcing (portfolio servicing, administrative and back office activities, IT services and accounting services). In the previous year, other administrative expenses included one-off effects of EUR 15 million in connection with the IT transition initiated in fiscal year 2021



and completed in fiscal year 2022. After adjusting for these one-off effects, expenses in connection with outsourcing were once again significantly lower than in the previous year. This is mainly attributable to the decrease in expenses in connection with FMS-SG, due among other things to the cessation of operations at FMS-SG's New York branch at the end of 2022.

***Depreciation, amortisation and write-downs of intangible
and tangible fixed assets***

Depreciation and amortisation of intangible and tangible fixed assets amounts to EUR 34 thousand (previous year: EUR 39 thousand).

***Write-downs of and valuation allowances on receivables and certain securities,
and additions to loan loss provisions***

This item contains income and expenses in connection with the lending business amounting to a net EUR –409 million (previous year: EUR –214 million) and resulting mainly from the allocation of EUR 250 million (previous year: EUR 0 million) to the fund for general banking risks in accordance with Section 340g HGB, as well as from the measurement of loans from the portfolio.

***Income from reversals of write-downs of shares in affiliated companies,
other long-term equity investments and securities classified as fixed assets***

This item contains income and expenses amounting to a net EUR 87 million (previous year: EUR 32 million) and mainly reflected termination effects on derivatives of EUR 25 million as well as the measurement of bonds from the portfolio.

The item includes a net revaluation gain on derivatives of EUR 21 million (previous year: EUR 26 million), which is mainly attributable to reversals of provisions for expected losses for valuation unit ineffectiveness under Section 254 HGB.

Taxes on income

The expenses of EUR 60 million (previous year: EUR 27 million) reported under this item are comprised of current income taxes of EUR 55 million and prior-period taxes of EUR 5 million and are almost entirely attributable to income taxes relating to the German parent company.



OTHER DISCLOSURES

Auditor's fee

The auditor's fee recognised during the fiscal year in the amount of EUR 2 million (previous year: EUR 2 million) is comprised as follows:

	01.01. – 31.12.2023 in EUR million	01.01. – 31.12.2022 in EUR million
Audit services	2	2
Other assurance services	0	0
Tax advisory services	0	0
Total	2	2

The expenses shown in the table are gross amounts.

Auditing services relate to the audit of the annual financial statements for fiscal year 2023 and the review of the half-yearly financial statements for the period ended 30 June 2023.

Other assurance services in the amount of EUR 31 thousand (previous year: EUR 30 thousand) were incurred in connection with FMS-WM's issuance activities.

Proposal for the appropriation of net income /loss

In accordance with Section 13 of the Charter, the Executive Board proposes to the Supervisory Board that the net income for fiscal year 2023 be allocated to retained earnings.

Annual average number of employees

At 31 December 2023, FMS-WM had 99 employees (31 December 2022: 95). The average number of employees in fiscal year 2023 was:

	Women	Men	Total
Employees	35	62	97



Shareholdings

The following overview shows the shares in affiliated companies of FMS-WM as at 31 December 2023.

Name and registered office	Share in capital	Equity in thousand	Result in thousand	Currency ¹
FMS Wertmanagement Service GmbH, Unterschleißheim	100.00 %	10.000 ²	0 ^{3,4}	EUR
Hypo Real Estate Capital Corp., New York ⁵	100.00 %	453 ⁶	-196 ⁷	USD
WH-Erste Grundstücks Verwaltungs GmbH, Munich ⁵	100.00 %	11 ⁸	-16 ⁹	EUR

¹ Exchange rates as at 29 December 2023: 1 EUR = 1.105 USD

² 31 December 2023

³ 2023

⁴ After profit transfer

⁵ In liquidation

⁶ Closing balance sheet as at 28 October 2021

⁷ 1 January 2021 to 28 October 2021

⁸ Closing balance sheet as at 14 September 2021

⁹ 1 January 2021 to 14 September 2021



Corporate bodies of FMS Wertmanagement

Members of the Executive Board

Christoph Müller, CEO, Spokesman of the Executive Board

Carola Falkner, Asset Management & Treasury

Members of the Supervisory Board

Dr. Michael Kemmer – Chairman of the Supervisory Board
Diplom-Kaufmann (business administration degree)

Dr. Tammo Diemer – Deputy Chairman of the Supervisory Board
Managing Director of Bundesrepublik Deutschland – Finanzagentur GmbH

Dr. Axel Berger
Auditor and tax adviser

Dr. Frank Czichowski (since 1 February 2023)
Diplom-Volkswirt (economics degree)

Birgit Dietl-Benzin
Member of the Board of Management of DekaBank Deutsche Girozentrale AöR

Sandra Gransberger (since 2 January 2023)
Managing Director of ATHELIOS Vermögenssatelier SE

Dr. Holger Horn (until 31 January 2023)
Chairman of the Board of Management of Münchener Hypothekenbank eG

Dr. Diana Kapsa
Head of Corporate Credit Risk Models of UBS Group

Loans to members of the corporate bodies

At the reporting date, there were no claims in respect of members of the corporate bodies arising from loans or advances.

Remuneration of the corporate bodies

The members of FMS-WM's Executive Board were paid remuneration of EUR 988 thousand for fiscal year 2023 (previous year: EUR 963 thousand). As in the previous year, no benefits in kind were paid to the Executive Board in fiscal year 2023. A total of EUR 100 thousand (previous year: EUR 100 thousand) was expended in the reporting period for the pension plans applicable to the members of the Executive Board.

Total remuneration of EUR 183 thousand was paid to the members of FMS-WM's Supervisory Board for fiscal year 2023 (previous year: EUR 145 thousand).

Seats held by Executive Board members

In fiscal year 2023, the members of the Executive Board of FMS-WM held no seats on a statutory supervisory body of large corporations in accordance with Section 340a (4) No. 1 HGB in conjunction with Section 267 (3) HGB.



REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no reportable events after the balance sheet date.



RESPONSIBILITY STATEMENT

**IN ACCORDANCE WITH SECTION 264 (2) SENTENCE 3 HGB
AND SECTION 289 (1) SENTENCE 5 HGB**

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of FMS-WM, and the management report includes a fair review of the development and performance of the business and the position of FMS-WM, together with a description of the material opportunities and risks associated with the expected development of FMS-WM.

Munich, 12 March 2024

FMS Wertmanagement
The Executive Board

Handwritten signature of Christoph Müller in blue ink.

Christoph Müller

Handwritten signature of Carola Falkner in blue ink.

Carola Falkner



INDEPENDENT AUDITOR'S REPORT

To FMS Wertmanagement AöR, Munich

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of FMS Wertmanagement AöR, Munich, which comprise the balance sheet as at 31 December 2023, the statement of profit and loss, cash flow statement and statement of changes in equity for the financial year from 1 January to 31 December 2023 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of FMS Wertmanagement AöR for the financial year from 1 January to 31 December 2023.

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

- ▶ the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with German Legally Required Accounting Principles and
- ▶ the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual



Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- 1 Appropriateness of loan loss provisions in the lending business
- 2 Mark-to-model financial instruments (securities and derivatives)

Our presentation of these key audit matters has been structured in each case as follows:

- 1 Matter and issue
- 2 Audit approach and findings
- 3 Reference to further information

Hereinafter we present the key audit matters:

- 1 Appropriateness of loan loss provisions in the lending business
 - 1 The lending business at FMS-WM comprises loans and advances to customers, liabilities from guarantees and indemnity agreements as well as irrevocable loan commitments. In its annual financial statements, FMS-WM reports loans and advances to customers of EUR 11.8 billion, liabilities from guarantees and indemnity agreements of EUR 0.2 billion and irrevocable loan commitments of EUR 0.1 billion. In fiscal year 2023, the risk provisioning result was negative due to a loss of EUR 409.3 million from cross-compensation. The measurement of risk provisions for the lending business is determined in particular by the executive directors’ estimates with respect to the future loan defaults, the structure and quality of the loan portfolio, general economic factors and, if applicable, the effects of expected selling prices on the lending business. The amount of the specific valuation allowances for loans and advances to customers corresponds to the difference between the loan amounts outstanding and the lower value assigned to them as of the balance sheet date. The amount of the individual provisions for contingent liabilities is calculated



based on the risk of utilization. Collateral is taken into consideration. For latent default risk, global valuation allowances and provisions are generally recognised pursuant to IDW RS BFA 7 based on the expected loss over the risk remaining exposure, which is determined using statistical data. Their purpose is to cover foreseeable but not yet individually specified counterparty default risks, and negative counterparty-related developments in the lending business that have already occurred but that FMS-WM is not yet aware of. The amounts of impairments in the lending business are highly significant for the assets, liabilities and financial performance of FMS-WM, and they involve considerable judgement on the part of the executive directors. Furthermore, the valuation parameters applied, which are subject to material uncertainties, have a significant impact on the recognition and the amount of any required impairments. Against this background, this matter was of particular significance in the context of our audit.

- ② As part of our audit, we initially assessed the appropriateness of the design of the controls in FMS-WM's relevant internal control system and tested the controls' effectiveness. In doing so, we considered the business organisation, the IT systems and the relevant measurement models. Moreover, we evaluated the valuation in the lending business, including the appropriateness of estimated values, on the basis of sample testing of credit exposures. We also took off-balance-sheet exposures into consideration when selecting which credit exposures to examine. For this purpose, we assessed, among other things, the available documentation of FMS-WM with respect to the economic circumstances as well as the recoverability of the related collateral, and in this context also took into account the executive directors' assessment regarding the effects of the macroeconomic environment and the Ukraine conflict. For real estate as collateral, we obtained an understanding of and critically assessed the source data, valuation parameters applied and assumptions made on which the expert valuations provided to us by FMS-WM were based, and evaluated whether they lay within an acceptable range. In addition, for the purpose of assessing the calculated risk provisions, we evaluated the calculation methods applied by FMS-WM as well as the underlying assumptions and parameters. Based on our audit procedures, we were overall satisfied that the assumptions made by the executive directors for the purpose of testing the recoverability of the loan portfolio are appropriate, and that the processes implemented by FMS-WM are appropriate and effective.
- ③ FMS-WM's disclosures relating to the lending business are contained in the sections entitled "Accounting policies" and "Notes to the balance sheet" of the notes to the annual financial statements.
- ② Mark-to-model financial instruments (securities and derivatives)
- ① FMS-WM determines the fair value for its financial instruments for the purposes of recognition and to present them in the notes. If no active market or observable prices for comparable instruments are available, the fair value is determined using internal valuation models. Bonds and other fixed-income securities held by third parties amounted to a book value of EUR 43.1 billion as of the balance sheet date. Of this amount, EUR 6.1 billion relates to unlisted bonds and other fixed-income securities for which no observable market prices are available and whose fair values are measured using internal models. As of the balance sheet date, derivatives with a notional value of EUR 170.4 billion were held with a positive fair value of EUR 2.8 billion and a negative fair value of EUR 24.0 billion.



These consist exclusively of unlisted OTC derivatives whose fair value is determined using internal valuation models. The key input parameters of the valuation models applied by FMS-WM are based on estimates that involve uncertainties and judgement. That leads to increased valuation uncertainties and valuation ranges for the fair values of these financial instruments. This applies in particular to complex financial instruments and the use of unobservable valuation parameters. Against this background and due to the potential effects of existing valuation uncertainties on the annual financial statements, the calculation of the fair value of mark-to-model securities and derivatives was of particular significance in the context of our audit.

- ② As part of our audit, we analysed in particular the mark-to-model securities and derivatives with a focus on exposures that were subject to increased valuation uncertainties. Together with our internal valuation specialists, we assessed the appropriateness of the valuation models applied, the appropriateness of the data capture procedures and the appropriateness and effectiveness of the relevant controls within FMS-WM's internal control system for the valuation of the securities and derivatives in question. These controls relate to independent verification of the price sources and valuation parameters applied, and independent validation of the valuation models. In addition, we carried out our own independent and risk-based revaluation for selected non-liquid financial instruments as of the balance sheet date, and compared these results with the values determined by the Company. The fair values of securities and derivatives calculated based on the valuation techniques and assumptions applied by the executive directors are within reasonable ranges in our opinion.
- ③ FMS-WM's disclosures concerning mark-to-model of financial instruments (securities and derivatives) are contained in the sections entitled "Accounting Policies" and "Notes to the Balance Sheet" of the notes to the annual financial statements.

Other information

The executive directors are responsible for the other information.

The other information comprises the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

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

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

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



Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are 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, the executive directors are 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, the executive directors are 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, the executive directors are 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 audit opinions on the annual financial statements and on the management report.

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

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

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



- ▶ Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- ▶ Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- ▶ Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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.

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

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



OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Supervisory Board on 27 March 2023. We were engaged by the Supervisory Board on 24 September 2023. We have been the auditor of the FMS Wertmanagement AöR, Munich, without interruption since the financial year 2018.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Michael Maifarth.

Munich, 13 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Maifarth
Wirtschaftsprüfer
(German Public Auditor)

ppa. Joachim Zierau
Wirtschaftsprüfer
(German Public Auditor)