

Financial statement  
dated 31 December 2019  
and situation report

AUDIT OPINION

VÖB-ZVD Processing GmbH

Bonn

KPMG AG Wirtschaftsprüfungsgesellschaft

Annual balance sheet 31 December 2019  
of VÖB-ZVD Processing GmbH Bonn

Asset side	31/12/2019	12/31/2018
	Euro	Euro
1. Cash reserve	104,613,302.22	76,808,732.19
a) from payment services and the expenditure of electronic money	104,613,062.41	76,808,436.14
including:		
Credit balances at central banks	15,597,690.00	7,163,990.00
b) from other activities	239.81	296.05
2. Receivables	42,060,599.72	53,579,044.42
a) from payment services and the expenditure of electronic money	11,983,796.32	15,499,401.06
of that, balances in escrow accounts	11,561,341.40	15,021,310.79
b) from other activities	30,076,803.40	38,079,643.36
aa) due daily	24,968,754.89	32,244,417.21
bb) other receivables	5,108,048.51	5,835,226.15
3. Receivables from customers	547,008.12	438,246.00
a) from payment services and the expenditure of electronic money	388,515.68	343,971.63
of that: from commissions	0.00	0.00
b) from other activities	158,492.44	94,274.37
4. Receivables from institutes pursuant to §1(3) of the Zahlungsdiensteaufsichtsgesetz	10,656,422.23	13,789,348.89
a) from payment services and the expenditure of electronic money	10,412,410.00	13,433,930.00
b) from other activities	244,012.23	355,418.89
5. Shareholdings	251,000.00	251,000.00
a) from payment services and the expenditure of electronic money	26,000.00	26,000.00
including:		
aa) in institutes pursuant to §1(3) of the Payment Services Oversight Act	26,000.00	26,000.00
b) from other activities	225,000.00	225,000.00
6. Intangible assets	819,332.50	1,061,442.50
a) from payment services and the expenditure of electronic money	102,305.81	115,501.38
aa) purchased concessions, industrial property rights and similar rights and values and licenses to such rights and values	97,127.47	114,251.80
bb) advance payments	5,178.33	1,249.58
b) from other activities	717,026.69	945,941.12
aa) purchased concessions, industrial property rights and similar rights and values and licenses to such rights and values	680,733.53	935,707.20
bb) advance payments	36,293.17	10,233.92
7. Tangible assets	1,905,443.02	1,987,452.98
a) from payment services and the expenditure of electronic money	233,512.58	212,127.89

Asset side	31/12/2019	12/31/2018
	Euro	Euro
b) from other activities	1,671,930.44	1,775,325.09
8. Other assets	861,116.25	987.30
a) from payment services and the expenditure of electronic money	0.00	70.21
b) from other activities	861,116.25	917.09
9. Accruals and deferrals	2,058,951.81	1,626,236.52
a) from payment services and the expenditure of electronic money	246,250.95	168,197.66
b) from other activities	1,812,700.86	1,458,038.86
Total assets	163,773,175.87	149,542,490.80

Liabilities side	31/12/2019	12/31/2018
	Euro	Euro
1. Liabilities toward credit institutes	115,659,267.18	94,488,225.46
a) from payment services and the expenditure of electronic money	115,588,673.48	94,431,024.36
aa) due daily	115,580,291.22	90,799,079.17
bb) with contractual term or termination notice period	8,382.26	3,631,945.19
b) from other activities	70,593.70	57,201.10
aa) with contractual term or termination notice period	70,593.70	57,201.10
2. Liabilities toward customers	12,319,576.17	12,175,536.33
a) from payment services and the expenditure of electronic money thereof:	11,975,523.07	11,884,587.76
for the execution of payment transactions	11,584,947.91	11,407,602.99
including:		
in payment accounts	11,552,959.14	11,389,365.60
b) from other activities	344,053.10	290,948.57
3. Liabilities toward institutes pursuant to §1(3) of the Payment Services Oversight Act	680.00	680.00
a) from payment services and the expenditure of electronic money	680.00	680.00
b) from other activities	0.00	0.00
4. Other accounts payable	324,932.76	251,205.83
a) from payment services and the expenditure of electronic money	24,165.05	17,808.46
b) from other activities	300,767.71	233,397.37
5. Accruals and deferrals	349,396.00	89,071.50
a) from payment services and the expenditure of electronic money	0.00	0.00
b) from other activities	349,396.00	89,071.50
6. Provisions	4,039,169.76	9,379,748.31
a) Provisions for pensions and similar obligations	1,532,088.00	1,906,554.00
aa) from payment services and the expenditure of electronic money	125,107.00	135,713.70
bb) from other activities	1,406,981.00	1,770,840.30
b) Tax provisions	582,240.65	5,305,720.08
aa) from payment services and the expenditure of electronic money	45,600.96	742,460.14
bb) from other activities	536,639.69	4,563,259.94
C) Change in other provisions	1,924,841.11	2,167,474.23
aa) from payment services and the expenditure of electronic money	185,012.63	182,581.41
bb) from other activities	1,739,828.48	1,984,892.82
7. Equity capital	31,080,154.00	33,158,023.37
a) Subscribed capital	425,000.00	425,000.00
b) Capital reserve	10,847,476.28	10,847,476.28
c) Retained earnings	13,904,501.55	13,904,501.55

Liabilities side	31/12/2019	12/31/2018
	Euro	Euro
aa) other retained earnings	13,904,501.55	13,904,501.55
d) Net profit	5,903,176.17	7,981,045.54
Total liabilities	163,773,175.87	149,542,490.80

Profit and loss statement  
of VÖB-ZVD Processing GmbH Bonn for the period from 01.01. - 31.12.2019

	2019	2018
	Euro	Euro
1. Interest income	684,428.57	507,201.37
a) from payment services and the expenditure of electronic money	795,146.10	649,471.47
aa) from credit and money market transactions	795,146.10	649,471.47
b) from other activities	-110,717.53	-142,270.10
bb) from credit and money market transactions	-110,717.53	-142,270.10
2. Interest costs	1,000,392.85	889,086.81
a) from payment services and the expenditure of electronic money	813,078.10	682,005.94
b) from other activities	187,314.75	207,080.87
3. Current income	239,801.36	171,061.96
a) from payment services and the expenditure of electronic money	0.00	0.00
aa) Shareholdings	0.00	0.00
b) from other activities	239,801.36	171,061.96
bb) Shareholdings	239,801.36	171,061.96
4. Commission revenues	26,551,863.95	25,853,634.23
a) from payment services and the expenditure of electronic money	3,315,393.74	2,813,275.68
b) from other activities	23,236,470.21	23,040,358.55
5. Commission costs	5,714,779.19	3,740,411.84
a) from payment services and the expenditure of electronic money	1,797,954.88	1,399,680.66
b) from other activities	3,916,824.31	2,340,731.18
6. Other operating income	4,171,382.38	7,055,908.42
a) from payment services and the expenditure of electronic money	56,293.42	201,097.07
b) from other activities	4,115,088.96	6,854,811.35
7. General administrative costs	14,154,915.02	15,163,408.69
a) from payment services and the expenditure of electronic money	838,897.79	869,821.84
aa) Personnel expenses	560,881.47	536,936.12
aaa) Wages and salaries	462,661.25	445,169.81
bbb) Social contributions and expenses for of old-age pension and support	98,220.23	91,766.31
including: for old-age pension	20,946.57	22,688.80
bb) other administrative expenditures	278,016.32	332,885.72
b) from other activities	13,316,017.23	14,293,586.85
aa) Personnel expenses	6,307,797.12	7,006,132.20
aaa) Wages and salaries	5,203,190.69	5,808,732.99
bbb) Social contributions and expenses for of old-age pension and support	1,104,606.42	1,197,399.21
including: for old-age pension	235,569.82	296,051.50

	2019	2018
	Euro	Euro
bb) other administrative expenditures	7,008,220.11	7,287,454.65
8. Amortisation and value adjustment of intangible assets and tangible assets	1,623,856.63	1,878,954.14
a) from payment services and the expenditure of electronic money	2,147.05	2,384.24
b) from other activities	1,621,709.58	1,876,569.90
9. Other operating costs	33,220.17	40,359.50
a) from payment services and the expenditure of electronic money	454.51	72.88
b) from other activities	32,765.66	40,286.62
10. Earnings from normal business operations	9,120,312.40	11,875,585.00
a) from payment services and the expenditure of electronic money	714,300.93	709,878.66
b) from other activities	8,406,011.47	11,165,706.34
11. Taxes on income and profit	3,217,136.23	3,894,539.46
a) from payment services and the expenditure of electronic money	394,937.56	230,104.24
b) from other activities	2,822,198.67	3,664,435.22
12. Annual net profit	5,903,176.17	7,981,045.54
a) from payment services and the expenditure of electronic money	467,289.05	479,774.42
b) from other activities	5,435,887.12	7,501,271.12
13. Balance sheet profit	5,903,176.17	7,981,045.54

**VÖB-ZVD Processing GmbH  
Bonn**

**Attachment for the fiscal year  
from 1 January to 31 December 2019**

**I. General information**

VÖB-ZVD Processing GmbH (VÖB-ZVD Processing) is incorporated in Bonn and is registered in the District Court of Bonn commercial register under the register number HRB 23407.

VÖB-ZVD Processing's parent company is DB Privat- und Firmenkundenbank AG, Frankfurt am Main (DB PFK AG) which, in turn, is a subsidiary of Deutsche Bank AG, Frankfurt am Main. The companies in the DB Privat- und Firmenkundenbank Group are included in the Deutsche Bank AG consolidated financial statement. VÖB-ZVD Processing is included in DB Privat- und Firmenkundenbank AG's (smallest consolidation unit) partial consolidated financial statement and Deutsche Bank AG's (largest consolidation unit) consolidated financial statement. The DB Privat- und Firmenkundenbank AG and der Deutsche Bank AG consolidated financial statements are published in the Federal Gazette.

At the end of 2019, Deutsche Bank AG reported its intention to fully incorporate DB Privat- und Firmenkundenbank AG into Deutsche Bank AG to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)). After the merger of the two aforementioned institutes, VÖB-ZVD Processing GmbH shall become a direct subsidiary of Deutsche Bank AG, Frankfurt a.M.

The share capital amounts to €425,000. The shareholders are DB PFK AG, which holds 75%, and Bundesverband Öffentlicher Banken Deutschlands e.V., Berlin (VÖB e.V.), which holds 25%. The share held by VÖB e.V., in the amount of €100,000, shall hereby be held in escrow by VÖB e.V. (fiduciary) for DB PFK AG (trustor) in accordance with the escrow agreement concluded on 13 January 2017.

Since the conclusion of the agreement on 12 May 2014 and effective since 1 January 2014, a sales tax allocation agreement between Deutsche Bank AG (parent company) and VÖB-ZVD Processing (subsidiary) has applied on the basis of the sales tax entity.

**II. Accounting regulations**

In a letter from the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht-BaFin) dated 23 July 2018, VÖB-ZVD Processing was issued a permit to provide payment services pursuant to § 1(1) Sentence 2 Nos. 1, 2, 3, 3a, 3c, 5, 6 and Nos. 7 and 8 of the Payment Services Oversight Act (Zahlungsdienstleistungsaufsichtsgesetz-ZAG). BaFin issued the latter two permits to VÖB-ZVD Processing on 21 June 2019.

VÖB-ZVD Processing is subject to the legal standards in the Payment Service Oversight Act (Zahlungsdienstleistungsaufsichtsgesetz (ZAG) and shall be monitored accordingly under oversight laws, by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and the federal bank. The company compiles its annual financial statement for the fiscal year period from 1 January to 31 December 2019 in accordance with mandatory structure for payment institutes



(Forms 1 and 2) in the Payment Institutes Accounting Ordinance (Zahlungsinstituts-Rechnungslegungsverordnung (RechZahlIV). In addition, the regulations in §§ 340 et seq in conjunction with §§ 238 et seq. of the HGB (Commercial Code), compliance with which is required for payment institutes, were applied.

### **III. Accounting and assessment methods**

The cash reserve, receivables from credit institutes, receivables from customers, receivables from institutes pursuant to §1(3) of the Zahlungsdienstenaufsichtsgesetz (Payment Institutes) and the other assets have been recognised at the nominal value in compliance with the strict lowest value principle.

There are no foreign currency receivables on the balance sheet date.

Equity interests have been capitalised at amortized acquisition cost. In the event of continuous write-downs, unscheduled write-downs shall be applied. If value recovery is required, they shall be executed in accordance with § 253(5) of the HGB. The option granted in accordance with § 253(3) Sentence 6 of the HGB shall not be exercised.

Purchased intangible assets and tangible assets shall be capitalised at acquisition cost, reduced by scheduled, utilisation-dependent write-downs. The write-downs were determined linearly based on the expected normal operational duration of use. In the event of continuous write-downs, unscheduled write-downs shall be applied.

The option granted in accordance with § 248(2) of the HGB to include internally generated intangible assets in the capital assets as an asset item on the balance sheet was not exercised.

The fixed assets exclusively include the operational and business equipment. VÖB-ZVD Processing does not own any land or buildings designated for its own use.

Write-downs on low-value assets have been resumed since 2019 in compliance with tax regulations pursuant to 6(2a) of the EStG (Income Tax Act). The depreciation standard applied in the previous year in compliance with § 6(2) of the EStG (Income Tax Act) is no longer applied.

Advance payments shall be evaluated at the nominal amount.

An accounting of the deferred tax assets pursuant to § 274 (1) Sentence 2 of the HGB was waived on 31 December 2019.

Pursuant to § 253(2) of the HGB, the observation period to determine the average interest for old-age pension obligations was expanded from seven to ten fiscal years. The difference resulting from the assessment with the 10-year average and the assessment with the 7-year average is subject to a dividend payout block in accordance with the provisions in § 253(6) of the HGB (see Section VI. Other disclosures).

The recognised liabilities toward credit institutes, liabilities toward customers, liabilities toward payment institutes and other liabilities shall be recorded at the fulfilment amount.

There are no foreign currency liabilities on the balance sheet date.

The recognised pension provisions and similar obligations are based on actuarial assessments which determine the amount of the provisions based on the projected, unit credit method, while taking into account the "Modified Guideline Tables 2018 G" by Prof. Klaus Heubeck (previous year: "Guideline Tables 2018 G" by Prof. Dr. Klaus Heubeck). The difference from the initial application of new, biometric accounting principles is €1k (lowers the provisions).

When calculating the pension provisions, an actuarial interest rate based on the average market interest rate of the past ten fiscal years in the amount of 2.71% (31/12/2018 3.21%) was applied. The average market interest rate of the past seven fiscal years was 1.97% (31/12/2018 2.32%). The dynamic growth on creditable compensations was accounted for at 1.78% (31/12/2018 2.2%), the dynamic growth on the income threshold for the statutory pension insurance at 1.78% (31/12/2018 2.2%), and the dynamic growth of the adjustment of current pensions at 1.18% (31/12/2018 1.6%). Deferred compensations shall be adjusted at a fixed rate of 1.0%. In total, a remaining term of 15 years was assumed for the pension provisions.

The tax provisions and the other provisions took all identifiable risks and uncertain obligations into account. The provisions are recorded at the necessary fulfilment amount and, at a remaining term of more than one year pursuant to § 253(2) of the HGB, shall be discounted at the average market interest rate of the last seven years.

Accrued and deferred income was recognised in accordance with § 250 of the HGB.

The equity capital, in compliance with § 252 of the HGB includes the subscribed capital, the capital reserves, the other retained earnings and the net profit. The company's share capital has been fully paid up.

#### **IV. Notes on the balance sheet**

VÖB-ZVD Processing GmbH maintains business relationships with DB Privat- und Firmenkundenbank AG (DB PFK AG), Frankfurt am Main. The brands, "Deutsche Bank" and "Postbank", owned by DB PFK AG, established on the German banking market, were retained. Since VÖB-ZVD Processing is or was in a business relationship with both of the aforementioned companies, the interconnected relationships are differentiated into "DB PFK AG Postbank Brand" or "DB PFK AG Deutsche Bank Brand".

##### **Cash reserve**

The cash reserve in the amount of €104.613 million (31/12/2018 €76.809 million) resulted almost exclusively from the automatic teller machine business segment and, at €89.015 million, consists of the cash inventory in the ATMs (31/12/2018 €69.645 million) and at €15.598 million credit balances at the Deutsche Bundesbank (31/12/2018 €7,164 million).

##### **Receivables**

The receivables from credit institutes in the amount of €42.061 million (31/12/2018 €53.579 million), of that €42.013 million (31/12/2018 €53.545 million) toward affiliated companies, are largely comprised of credit balances in the payment transaction processing accounts as trust assets at DB PFK AG Postbank Brand in the amount of €11.561 million (31/12/2018 €15.021 million) and the internal business account credit balance at DB PFK AG Postbank Brand in the amount of €24.969 million (31/12/2018 €32.240 million). The remaining receivables toward DB PFK AG Postbank Brand at €2.195 million consists of trade receivables (31/12/2018 €1.347 million). Other

There are receivables from affiliated credit institutes in the amount of €2.602 million (31/12/2018 €3.916 million) from DB PFK AG Deutsche Bank Brand, €232,000 (31/12/2018 €277,000) from Konzernobergesellschaft Deutsche Bank AG, and €47,000 (31/12/2018 €272,000) from norisbank GmbH, Bonn, from trade receivables. The receivables from credit institutes have terms of up to three months.

**Receivables from customers**

Receivables from customers in the amount of €547,000 (31/12/2018 €438,000) are the result of trade payables from the automatic teller machine business.

There are receivables from affiliated companies in the amount of €5,000 (31/12/2018 €7,000). The receivables from customers have terms of up to three months.

**Receivables from institutes in accordance with § 1(3) of the ZAG (Payment Services Oversight Act)**

The receivables from institutes in accordance with § 1(3) of the ZAG amount to €10.656 million (31/12/2018 €13.789 million), are payable within 3 months and, at €10.412 million (31/12/2018 €13.434 million), result almost exclusively from offsetting credit card revenue from the operated ATMs.

The receivables from credit institutes, customers and institutes in accordance with §1(3) of the ZAG are fully non-securitised.

## Capital assets

VÖB-ZVD Processing owns the following shareholdings:

<b>Name and place of incorporation:</b>	<b>Share of the capital</b>	<b>Equity capital as of 12/31/2018</b>	<b>Profit and loss 2018</b>	<b>Balance sheet value</b>
	%	€ millions	€ millions	€ thousands
EURO Kartensysteme GmbH, Frankfurt am Main (EKS)	1.0	12.036	0.792	26
SRC Security Research & Consulting GmbH, Bonn (SRC)	22.5	5.699	1.199	225

The development of the capital assets is presented in the assets analysis (attachment to the Appendix). The operating and business equipment amounts to €1.360 million (31/12/2018 €1.849 million) on the balance sheet date. VÖB-ZVD Processing does not own any land or buildings designated for its own use.

The major provisions of the fiscal year, at €380,000, consists of hardware components (firewall, network and server systems), no transfers from advance payments were executed this fiscal year. €214,000 consist of software and result largely from expansions of the client-capable authorisation system. Additional provisions in the amount of €283,000 consist of operating and business equipment (€268,000) and low-value assets (€15,000). In addition €426,000 was spent on advance payments for hardware and software projects in progress on the balance sheet date.

### **Other assets**

Other assets amount to €361,000 (31/12/2018 €1000). These consist largely of receivables from profit taxes from excess advance payments.

### **Deferred charges**

On 31 December 2019, the deferred charges amount to €2.059 million (31/12/2018 €1.626 million) and are the result of payments made in advance for software and hardware maintenance, licenses, support services and salaries paid in advance.

### **Liabilities toward credit institutes**

The liabilities toward credit institutes in the amount of €115.659 million (31/12/2018 €94.488 million) are largely the liabilities toward DB PFK AG Postbank Brand from the operating loan for the purpose of filling the ATMs with cash in the amount of €115.563 million (31/12/2018 €90.792 million). In total, there are liabilities toward affiliated companies in the amount of €115.652 million (31/12/2018 €94.488 million). The liabilities toward credit institutes have terms of up to three months.

### **Liabilities toward customers**

This item in the amount of €12.320 million (31/12/2018 €12.176 million) is fully non-securitised, payable within three months and is largely comprised of the asset and offsetting account kept as trust liabilities from charging processes in the money card central database ("stock market offsetting accounts) business segment in the amount of €10.316 million (31/12/2018 €10.326 million). In total, the trust liabilities amount to €11.553 million (31/12/2018 €11.389 million). There are no liabilities toward companies in which a participating interest is held.

### **Liabilities toward institutes in accordance with § 1(3) of the ZAG (Payment Services Oversight Act)**

Liabilities toward payment institutes in the amount of €1000 (31/12/2018 €1000) are the result of trade payables. The liabilities toward payment institutes have terms of up to three months.

### **Other liabilities**

The other liabilities in the amount of €325,000 (31/12/2018 €251,000) largely consist of pending payroll taxes and social insurance contributions. The other liabilities have terms of up to three months.

All reported liabilities are non-securitised and unsecured.

### **Deferred income**

The deferred income in the amount of €349,000 (31/12/2018 €89,000) includes deferrals from fees collected in advance.

### **Provisions**

The pension liabilities on 31 December 2019 in the amount of €1.532 million (31/12/2018 €1.907 million) are the result of six direct commitments, of which three commitments in the amount of €1.209 million were issued in the form of compensation conversions for operational old-age benefits (deferred compensation). All commitments were assessed in an actuarial assessment performed by Willis Towers Watson GmbH, Reutlingen.

There are tax provisions totalling €582,000 (31/12/2018 €5.306 million) in the amount of €204,000 for commercial tax for the previous year and in the amount of €378,000 for corporate taxes/solidarity surcharge for the current year. In the previous year, commercial taxes amounted to €1.857 million and corporate taxes/solidarity surcharges amounted to €3.449 million.

Other provisions in the amount of €1.925 million (31/12/2018 €2.167 million) include personnel-related provisions in the amount of €332,000 (31/12/2018 €657,000) which are largely comprised of provisions for early retirement, bonus payments and claims from residual holiday time.

Other provisions not related to personnel in the amount of €1.593 million (31/12/2018 €1.511 million) are largely comprised of €489,000 from provisions for dismantling measures (31/12/2018 €479,000), €210,000 (31/12/2018 €180,000) from annual financial statement costs, €747,000 (31/12/2018

€703,000) provisions from pending invoices, €56,000 (31/12/2018 €58,000) for tax consulting services €67,000 (31/12/2018 €66,000) provisions from archiving expenses. Discounts over the corresponding remaining terms were executed (2019: €2000; 2018: €3000)

### **Equity capital**

The company's subscribed capital amounts to €425,000 (31/12/2018 €425,000), the capital reserves €10.847 million (31/12/2018 €10.847 million) and the retained earnings €13.905 million (31/12/2018 €13.905 million).

In total, VÖB-ZVD Processing's net profit in the 2019 fiscal year amounts to €5.903 million (previous year €7.981 million).

## **V. Information about the profit and loss statement**

The interest earnings in the amount of €684,000 (2018 €507,000) are offset by interest expenses in the amount of €1 million (2018 €889,000). The accrued interest on existing provisions amounts to €204,000 (2018 €223,000). There are interest expenses toward affiliated companies in the amount of €796,000 (2018 €666,000). The interest income includes custodian fees in terms of negative interest in the amount of €111,000 (2018 €142,000).

The current earnings in the amount of €240,000 (2018 €171,000) consist of the payout of the shares in SRC.

The commission revenues amount to €26.552 million (2018 €25.854 million). A total of €20.710 million (2018 €19.905 million) resulted from transactions with affiliated companies.

The commission expenses amounted to €5.715 million (2018 €3.740 million). A total of €17,000 (2018 €6,000) resulted from transactions with affiliated companies.

The other operational earnings in the amount of €4.171 Million (2018 €7.056 Million) are largely comprised of €3.416 million in earnings from reimbursed turnover tax. The reimbursement resulted from the objection of the parent company Deutsche Bank AG in 2017 to the turnover tax it paid at the time from the earnings of the sale of the Frankfurt business operations (Project Felix). The tax office sustained the objection in September 2019. In addition €311,000 resulted from the turnover tax reimbursement from the previous year, €197,000 from the dissolution of provisions, €147,000 from the collection of positive differences from the ATM segment and €81,000 from contribution reimbursements from BaFin.

Personnel expenses amounted to €6.869 million (2018 €7.543 million). In 2019, all executives received their compensation directly from DB PFK AG. For more information about the evolution of the personnel numbers, please refer to the information provided under 'Other disclosures'.

The other administrative expenses amount to €7.286 million (2018 €7.620 million). The following amounts due from affiliated companies were disclosed: €995,000 (2018 €954,000), of that €603,000 (2018 €603,000) from Postbank Systems AG, Bonn, €335,000 (2018 €273,000) from DB PFK AG Postbank Brand, €23,000 from Betriebscenter für Banken AG, Frankfurt am Main, (BCB AG) and €33,000 from PB Immobilien und Baumanagement GmbH & Co Objekt Leipzig KG.

The write-downs on intangible and tangible assets amount to €1.624 million (2018 €1.879 million) and consist of €486,000 (2018: €680,000) on intangible assets, €1.133 million (2018: €1.188 million) on hardware/data processing systems and workplace systems and €5,000 (2018: €11,000) on low-value assets. There were no unscheduled write-downs this fiscal year.

Other operating expenses amount to €33,000 (2018 €40,000). There are no expenses owed to affiliated companies.

The profit taxes in the amount of €3.217 million (2018 €3.895 million) are largely from the 2019 fiscal year. In total €1.830 million (2018: €2.006 million) are allocated toward commercial taxes and €1.324 million (2018: €1.847 million) toward corporate taxes and the solidarity surcharge. The earnings were generated almost exclusively on the domestic market.

## VI. Other information

### Employees

The average number of employees decreased by 5 to 79 during the fiscal year. The reason for the decrease is employee turnover in connection with more complicated hiring processes. Using the internal corporate Full-Time Employee method, the 79 staff members employed at the end of the year correspond to a total of 76.2 FTEs.

	31/03/2019	30/06/2019	30/09/2019	31/12/2019	average	
					2019	2018
Number of employees	77	80	80	79	79	84
of which work in Bonn	69	72	71	71	71	75
of which work in Leipzig	8	8	9	8	8	9
of which work full-time	67	70	68	68	68	69
of which work part-time	10	10	12	11	11	15

(Figures do not include members of the senior management team)

### Audit fee

With respect to the financial auditor's fees pursuant to §285 No. 17 of the HGB for the 2019 fiscal year, please refer to the information in the DB PFK AG consolidated financial statement which includes the amounts for VÖB-ZVD Processing.

### Payout block

The difference, which is subject to a payout block in accordance with § 253(6) Sentence 1 of the HGB amounts to €272,000. Due to the adequate freely available equity components which correspond to at least the amounts subject to a payout block, the limitations of the payout block do not apply during the fiscal year.

### **Payment transactions and payment volumes**

During the fiscal year, 9,711,978 (2018: 8,299,255) payment transactions were executed with a payment volume in the amount of €1,190.7 million (2018: €960.3 million). The increase is the result of an increase in business volume.

### **Off-balance-sheet transactions / contingent liabilities**

There are no off-balance-sheet transactions or contingent liabilities in accordance with §251 of the HGB.

### **Report on Events after the Balance Sheet Date**

The coronavirus has been spreading throughout the world since January 2020 (coronavirus epidemic). According to the estimates of the ifo Institute, there are different scenarios with respect to the economic impacts. According to these scenarios, in the "V scenario", there will be a decrease in economic development of 1.5% and in the "U scenario", economic development may even decrease by between 7.2% and 20%. How deep this recession will be and how long it will last, depend primarily on how long large parts of the economy are shut down to combat the spread of the virus. In addition, not all economic sectors are equally impacted by the corona crisis.

In particular, in light of the business model VÖB-ZVD Processing follows (payment transaction services), the executive board has come to the conclusion that no significant developments have been determined that will have a major impact on VÖB-ZVD Processing's current and future business situation.

### **Profit and loss (profit) utilisation**

The executive board recommends paying out the balance sheet profit for 2019 in the amount of €5.903 million (2018: €7.981 million) to the shareholders.

### **Executives / managing directors**

The following persons were hired in the past fiscal year:

Hermann Beckers, Bad Münstereifel,  
Executive board spokesperson for VÖB-ZVD Processing GmbH Bonn  
Division Manager at DB Privat- und Firmenkundenbank AG, Frankfurt am Main

Ingo Faerber, Cologne,  
Chief Executive of VÖB-ZVD Processing GmbH Bonn  
Department Head at DB Privat- und Firmenkundenbank AG, Frankfurt am Main

Markus Schierack, Bonn  
Chief Executive of VÖB-ZVD Processing GmbH Bonn  
Department Head at DB Privat- und Firmenkundenbank AG, Frankfurt am Main

The executives received their compensation from DB PFK AG in the reporting year. The disclosure of the executives' compensation was waived in accordance with §286(4) of the HGB.

In compliance with §8(3) of the VÖB-ZVD Processing articles of association, a supervisory body (advisory board) was established. The following men and women were or are members of the advisory board:

Susanne Klöß-Braekler (from 01/03/2020)  
Board of directors product/process management DB Privat- und Firmenkundenbank AG,



Bonn (chair of the advisory board)

Ole Matthiessen (from 01/03/2020)

Head of Global Cash Management at Corporate Bank Deutsche Bank AG  
Frankfurt am Main (deputy chair of the advisory board)

Britta Lehfeldt

COO technology, data and innovation -TDI- Deutsche Bank AG,  
Frankfurt am Main

Dr. Thomas Mangel

Board of directors Postbank Systems AG, Bonn  
(chair of the advisory board; until 29/02/2020)

Dr. Andreas Steininger (until 29/02/2020)

Sales Support Division Manager at DB Privat- und Firmenkundenbank AG, Frankfurt am Main  
Frankfurt am Main (deputy chair)

Achim Lebeau (until 29/02/2020)

Division Manager at DB Privat- und Firmenkundenbank AG, Cologne

The members of the advisory board do not receive compensation.

The members of the executive and the advisory board received neither advances nor loans from the company during the reporting year, as in the previous years.

Bonn 29 April 2020

The management

Hermann Beckers

Ingo Faerber

Markus Schierack

**Situation report  
for the fiscal year from 1 January to 31 December 2019**

**VÖB-ZVD Processing GmbH Bonn**

**1. Basic information and business model**

**1.1 Basic information**

VÖB-ZVD Processing GmbH, Bonn, (hereinafter referred to as VÖB-ZVD Processing) is a subsidiary of DB Privat- und Firmenkundenbank AG, Frankfurt am Main (hereinafter referred to as DB PFK AG). VÖB-ZVD Processing does business at its locations in Bonn (company headquarters) and Leipzig. The company belongs to the consolidated companies of Deutsche Bank AG, Frankfurt a. M. Moreover, VÖB-ZVD Processing is a consolidated company in the DB PFK AG subgroup.

In addition to being a subsidiary of the DB PFK AG Group, VÖB-ZVD Processing is also an institution of the Bundesverbandes öffentlicher Banken Deutschlands e.V., VÖB, Berlin. In its position as one of four banking head offices which handle what are commonly referred to as “sovereign tasks” in card-supported payment transactions on behalf of the associations represented in the Deutsche Kreditwirtschaft (DK), the company operates in the following business sectors on behalf of VÖB :

- Card production

- Debit cards (electronic cash cards and customer cards)

- Merchant cards (money card system)

- Services in the card production segment (e.g. creation of PIN letters)

- Key management

- Generation of cryptographic keys in accordance with the requirements of the Deutsche Kreditwirtschaft (e.g. PAC/MAC, PIN and chip keys)

- Routing/authorisation of national and international automated teller machines (debit and credit cards), electronic cash transactions, money card charging and online as well as batch blocking transactions

- Credit industry central database for the processing of money card revenues

- Online personalisation of terminals (OPT)

- Functional tests on money card and electronic cash systems on behalf of the four major credit associations.

VÖB-ZVD Processing is almost exclusively active on the domestic sales market for payment transaction services in Germany.

During the fiscal year, VÖB-ZVD Processing was subject to the legal standards of the ZAG and was monitored accordingly by BaFin and the Federal Bank in accordance with oversight laws.

In addition, VÖB-ZVD Processing is one of approximately 20 electronic cash network operators certified in Germany and acts as a ZAG service provider in the field of ATM operation for third-party location operators.

**1.2 Business model**

VÖB-ZVD Processing's main areas of activity include the provision of infrastructure and payment transaction services via data and internet networks in the stationary and mobile point of sale segment, in the e-commerce segment and in similar segments. This includes the sale of the corresponding goods and services to providers, in particular, to commercial network operators and the transaction business, the acquisition and sale of licenses and other rights in the field of payment transactions and the execution of joint tasks of the Deutsche Kreditwirtschaft in the framework of payment transactions and the card system.

VÖB-ZVD Processing owns the following permits in accordance with the Payment Services Oversight Act (Zahlungsdiensteaufsichtsgesetz (ZAG)):

- Deposit transactions (§1(1) Sentence 2 No. 1 of the ZAG)
- Payout transactions (§1(1) Sentence 2 No. 2 of the ZAG)
- Payment transactions (§1(1) Sentence 2 No. 3 of the ZAG) in the form of the direct debit transaction (§1(1) Sentence 2 No. 3a of the ZAG) and transfer transactions (§1(1) Sentence 2 No. 3c of the ZAG)
- Acquisition transactions (§1(1) Sentence 2 No. 5 of the ZAG)
- Financial transfer transactions (§1(1) Sentence 2 No. 6 of the ZAG)
- Payment-triggering services (§1(1) Sentence 2 No. 7 of the ZAG)
- Account information services (§1(1) Sentence 2 No. 8 of the ZAG)

BaFin issued the latter two permits to on 21 June 2019.

The services provided by VÖB-ZVD Processing are largely offered to internal group customers. In addition, existing services or IT structures are also offered in the third-party customer segment.

## **2. Economic report**

### **2.1 Overall economic framework conditions in 2019<sup>1</sup>**

Despite the fact that VÖB-ZVD Processing appears to be relatively unaffected by economic cycles or fluctuations as a result of the segments in which it operates, significant macroeconomic changes may impact VÖB-ZVD Processing's earnings situation. The focus is, however, on the conditions on the national market. In particular, changes in the overall economic demand in the private sector are relevant here. In addition, there are dependencies with respect to economic developments in the financial services sector, in particular, in the retail business segment.

In 2019, the German economy grew for the 10th year in a row. The growth rate decreased, however, from 1.4% in 2018 to 0.6% in 2019. The annual average inflation rate decreased in 2019 to 1.4% in comparison to 1.9% the previous year. The German labour market remained stable in 2019, the average unemployment rate decreased to 5.0% (previous year 5.2%). The low-interest policy of the European Central Bank (ECB) was continued in 2019. The main refinancing rate remained at 0.00%, the savings rate at -0.50% and the peak refinancing rate at 0.25%.

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<sup>1</sup>Source: Internet: [statista.com](https://www.statista.com); [destatis.de](https://www.destatis.de) (Federal Office of Statistics); [bundesbank.de](https://www.bundesbank.de)

## **2.2 Branch and market development / economic environment<sup>2</sup>**

At VÖB-ZVD Processing there are significant economic dependencies to branches and market developments in the banking sector. In particular, as a service provider for the group companies in the Deutsche Bank Group, VÖB-ZVD Processing is impacted more by market-based and product-specific changes in the retail segment.

The economic growth in the Euro zone decreased from 1.8% (2018) to 1.2% in 2019. Trade tensions and the prolonged Brexit process as well as regional political uncertainties strained the Euro zone economy. The domestic demand was the most important driver of growth. Nonetheless, there were initial indications of negative transferred effects of the weakness of the industrial sector caused by external factors. The European Central Bank (ECB) once again initiated the acquisition of assets and thus further relaxed the monetary conditions.

The growth rate in Germany decreased from 1.4% (2018) to 0.6% in 2019. The processing industry in Germany entered a recession. The slowdown in global trade and idiosyncratic factors (automotive sector) resulted in a slowdown in production and a decrease in incoming orders. In contrast, increases were recorded in the construction sector and in the more domestic market-oriented service industry. Private consumption was supported by the stable situation on the labour market.

In the banking industry environment, stable credit growth and accelerated deposit growth was recorded in the Euro zone. Overall, the highest growth recorded since the financial crisis. Thanks to the record lows and partially negative interest rates, Germany also saw the strongest credit growth since the financial crisis. This also applies to the increases in deposits. In detail, the growth is itemised as follows: 5.7% on loans to companies, 4.5% on loans to households, 4.2% on deposits from companies, 4.8% on deposits from households.

## **2.3 Business development**

Earnings from commissions in the amount of €26.552 million (previous year €25.854 million) were generated in the 2019 fiscal year.

The company's major business segments have developed as follows from a non-monetary perspective:

### **Technical issuing**

In the fields of routing, clearing and authorisation of electronic payment transactions, the transaction volume processed via VÖB-ZVD Processing's systems demonstrated positive development. 714 million transactions were processed in the 2019 fiscal year. This corresponds to a growth of 8.7% in comparison to the previous year (656 million transactions). The positive development is connected to decreasing costs for the Giro card system and the resulting change from electronic direct debit procedures (electronisches Lastschriftverfahren (ELV)) to Giro card. In addition, the distribution of contactless cards results in increased use, in particular, for payments of less than €25.

### **Technical acquiring/end device operation**

A total of 325 million transactions were processed in the 2019 fiscal year. This corresponds to a reduction of 3.0% in comparison to the 335 million transactions in the previous year. This is partly due to the increased use of the cash withdrawal option at the POS (cash back in the framework of the POS payment) and, on the other hand, the fact that a greater number of branch offices in the overall banking environment were closed in 2019.

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<sup>2</sup>Source: Deutsche Bank Research Forecasts

### **Automatic teller machine operation**

The number of operated automatic teller machines and cash recyclers for third-party location operators amounts to 1,754 as of December 2019 (31/12/2018: 1,566; + 12%) devices.

### **Cash management / cash forecast**

As of the end of December 2019 the cash forecast was performed for a total of 9,597 end devices. This included both the automatic teller machines/cash recyclers belonging to third-party location operators as well as the group's devices. Thus, the number increased by approx. 1.5% in comparison to the end of 2018 (9,461 devices).

### **Internet payment transactions**

The number of connected merchants in the third-party segment increased by 18.4% to 12,612 in the fiscal year (2018: 10,652). The transaction volume developed in a positive direction and stood at 34.2 million transactions at the end of 2019 (2018: 30.9 million; + 10.6%). The decreasing trend of the previous years continued in the corporate transaction segment. The number of transactions dropped to 1.58 million (2018: 1.7 million).

### **Card production**

A total of 3.5 million bank cards were produced during the reporting period (2018: 3.1 million). The growth was the result of the cycle-related fluctuations in the respective card generations that needed to be replaced. In addition, 3.2 million PIN letters were produced in the Giro card, savings card and credit card segments. (2018: 1.6 million). The increase was largely the result of the migration to online banking to Postbank ID implemented by the Postbank which has now largely been completed.

### **Other important transactions in the fiscal year**

Important transactions in the fiscal year from the company's perspective include:

- The conclusion of a publishing agreement (12/17. December 2018) with the Verband öffentlicher Banken (VÖB) has governed the credit-related publishing function since 1 January 2019 and also opens up new business opportunities in the Giro card issuing segment.
- Signing of a contract with Deutsche Bank AG to handle the KWG 24c reports on the VÖB-ZVD Processing GmbH reporting platform in the future.
- Expansion of the ZAG licenses by BaFin (account information services (§1(1) Sentence 2 No. 8 of the ZAG) and payment-triggering services (§1(1) Sentence 2 No. 7 of the ZAG) in June 2019
- Deutsche Bank AG's decision to migrate the chip data generation and debit card authorisation to the company's systems.

In addition, regulatory requirements have an increasing impact on the operative business of the company. Thus, in 2019, on the basis of the new application for the ZAG licenses and their requirements, the necessary documentation was adapted or expanded accordingly. The MATs platform and the clearing system were certified for the first time in 2019 in accordance with the then current PCI-DSS standard to be able to meet the needs of continuously increasing IT security requirements.

## **3. Earnings, assets and financial position**

### **3.1 Profit situation**

First, please take note the following information: The following discussion of the profit situation, in particular, the presentation of the actual budget deviations, pertains to the numbers from the "updated budget figures". These budget figures are not, or are only partially, comparable to the numbers from the forecast report from last year's 2018 situation report. The reason for this being, that the 2019 plan

was not finalised until April 2019. At the advisory board meeting in May 2019, these budget figures were then reported to the advisory board as “updated budget figures” and resulted in a corresponding binding effect from then onward. At the time the annual financial statement for 2018 was drafted, only the budget figures as they stood in November 2018 existed, which were obsolete after the advisory board meeting in May 2019.

VÖB-ZVD Processing's profit situation was positive, as expected, during the fiscal year from 1 January to 31 December 2019 and closed overall with a gross profit amounting to €9.120 million (2018 €11.876 million). This includes a special effect in the amount of €3.416 million from reimbursed turnover tax which resulted from the sale of the business operations in Frankfurt (Project Felix). The parent company, Deutsche Bank AG, objected, at the time, to the payment of the turnover tax, which the tax office sustained in September 2019. The actual earnings without the special effect, in the amount of €5.704 million were offset against expected profits for the 2019 fiscal year in the amount of €5.649 million. The projections were therefore met. Please refer to our itemisations in the following paragraphs.

The interest earnings amount to -€316,000 (previous year -€382,000) and, at -€211,000, is above the expected negative target profit. The negative interest earnings are particularly due to interest accrual expenses for pension provisions (€202,000; previous year €220,000). The low interest rates also have an impact on the capital markets. The custody costs (0.4%) charged by DB PFK AG on VÖB-ZVD Processing's credit balances amounted to -€111,000 (previous year -€142,000). The interest expenses to be paid from the automatic teller machine segment from DB PFK AG's operating loan are offset against interest earnings from the cost allocation to the third-party location operators in nearly the same amount.

The current earnings in the amount of €240,000 (2018 €171,000) pertain to the payout of the shares in SRC. The earnings on shares were €69,000 above the projections.

The commission profits were €20.837 million during the fiscal year (previous year €22.113 million) and, ultimately, were below the projections at €927,000 (-4.3%). Please refer to the following statements regarding commission revenues. The commission revenues in the amount of €26.552 million (previous year €25.854 million) are offset against commission expenses in the amount of €5.715 million (previous year €3.740 million).

The Technical Issuing segment developed positively. Earnings in the amount of €10.017 million (previous year €9.208 million) were generated during the fiscal year.

A slight decrease in earnings was recorded in the Technical Acquiring segment (in the true sense of the phrase, literally meaning without end device operation). This segment contributed a total of €5.150 million (previous year €5.691 million) in commission revenues. Overall, it can be stated that the two aforementioned segments slightly exceeded the projections overall.

The earnings from the operation of automatic teller machines/cash forecasts amount to €3.349 million during the fiscal year (previous year €3.157 million). The increase was the result of the increased number of connected and managed end devices. The projections were exceeded here.

The earnings from the card production/private customer (€4.462 million; previous year €3.313 million) and electronic payment (€1.574 million; previous year €1.595 million) sectors increased overall in comparison to the previous year and were, overall, above the aggregated projections. The increase in earnings from card production are the result of increased card replacement campaigns of the DB PFK AG which were necessary as a result of the revision of the Payment Services Directive (PSD) II.

The earnings development from the other business segments varied and were, overall, below the previous year. However, this is almost exclusively the result of the loss of earnings from the transitional service agreements from the sale of the Frankfurt business operations during the fiscal year. The projections also fell short because the profit targets were only partly reached and several projected earnings from projects could not be realised or were not realised in the projected amount.

The commission expenses on the balance sheet date amounted to €5.715 million (previous year €3.740 million). The increase was the result of, among other things, increased material costs in card production due to the aforementioned card replacement campaign, increased expenses in the automatic teller machine segment due to the expansion of the business and price increases in this segment as well as higher product-specific costs in the issuing and acquiring segments (among other things, increased expenses due to expanded PCI DSS certification and the implementation of additional functions in the existing systems required due to regulations). Overall, the commission expenses significantly exceeded the budget figures projected for the fiscal year by €1.266 million which, however, was partially compensated by increased commission revenues.

The personnel expenses decreased by €674,000 to €6.869 million in comparison to the 2018 calendar year which is the result of being unable to fill some open planned positions as well as the elimination of the executive salaries (change to the payroll of DB PFK AG). Overall, at €970,000, the budget figure was not reached by quite a bit. The company staff (without management) was 79 employees at the end of the fiscal year in December 2019 (31/12/2018 81 employees). In accordance with the corporate calculation method, this corresponds to a total of 76.18 full-time employees (FTE) (31/12/2018 76.28 FTE), taking full-time and part-time employees into account. Please refer to our diagram in the Appendix.

The other administrative expenses amount to €7.286 million (previous year €7.620 million) and are thus 4.4% below the previous year. The underlying projections (€6.840 million) were, however, exceeded. The very ambitious cost objectives for the 2019 fiscal year, which were in part, but not fully achieved, were the primary reason for the exceedance.

Other operational earnings during the fiscal year amounts to €4.138 million (previous year €7.016 million) and, at €3.873 million, is above the projections. The other operational earnings, which exceed the budget figure, are largely the result of the aforementioned special effect from an increased turnover tax return for the previous year and a variety of personnel-related reversals of provisions.

The write-downs on intangible and tangible assets amount to €1.624 million (previous year €1.879 million). Please refer to our statements in the Appendix as well as in the assets analysis in the attachment to the Appendix. Overall, the write-downs during the fiscal year, at €112,000, are below the budget figure, which is the result of the fact that the capitalisation of fixed assets on the basis of the operationally ready status not achieved until later in the reporting year was also postponed.

### **3.2 Assets and liabilities**

The company's balance sheet total increased by €14.231 million to €163.773 million during the 2019 fiscal year (31/12/2018 €149.542 million). The major changes are as follows:

On the asset side, primarily, the increase in the cash reserve by €27.805 million is offset against the decreases in receivables from credit institutes by €11.518 million and the receivables from institutes in accordance with §1(3) of the ZAG by €3.133 million. The liabilities side is largely characterised by the increase in liabilities toward credit institutes by €21.171 million which is offset by a decrease in equity capital by €5.494 million and the provisions by €1.925 million.



Three major items on the VÖB-ZVD Processing balance sheet are the asset items, cash reserve and receivables from institutes in accordance with §1(2a) of the ZAG which, in total, are offset against the liabilities item, liabilities toward credit institutes. These balance sheet items correspond largely. The reason for this is the automated teller machine segment operated by the company. The operating loan utilised by DB PFK AG in the amount of €115.563 million (31/12/2018 €90.792 million) serves almost exclusively to stock the automatic teller machines with cash. The balances are reported under cash reserves. In addition, the receivables from institutes include the payment transaction files from credit card revenues at automatic teller machines that have been submitted but not yet cleared.

The significantly decreased receivables from credit institutes are primarily the result of the reduced business account balances which, in turn, are related to the dividend payout executed in 2019.

Several components of the balance sheet item, receivables from credit institutes, must be held in escrow accounts in accordance with §13 of the ZAG. These escrow conditions are the result of, among other things, the money card segment, in which the credit on the debit cards from the institutes that issue the cards and are managed by VÖB-ZVD Processing are managed in escrow accounts (€10.316 million; 31/12/2018 €10.326 million). The trust balance is offset by corresponding liabilities toward customers. VÖB-ZVD Processing does not possess any call money or time deposits in 2019 due to the current low-interest phase. DB PFK AG continued to charge the custody costs for the credit balances in own business accounts in 2019.

The company holds a 22.5% share in SRC Security Research & Consulting GmbH (SRC) which is incorporated in Bonn. SRC's share capital amounts to €1 million. The other shareholders are Bank-Verlag GmbH, Cologne, der Deutsche Genossenschafts-Verlag eG, Wiesbaden, and Deutsche Sparkassen Verlag GmbH, Stuttgart-Vaihingen, (each 22.5%). 10% are held by Mitarbeiterbeteiligungs-GbR. In the 2019 fiscal year, a gross profit of €240,000 (2018: €171,000) was earned on the shareholding.

On the balance sheet date, the company held a share of 1% in EURO Kartensysteme GmbH (EKS) which is incorporated in Frankfurt am Main. No profit on shareholdings were earned on the shareholding during the reported year.

Regarding the development of the capital assets, please refer to our statements in the Appendix and the attachment to the Appendix (asset analysis).

The other assets (€861,000, 31/12/2018 €1,000) are largely comprised of tax reimbursement claim from excess advance payments made to the tax office or municipalities.

The deferred charges (€2.059 million; 31/12/2018 €1.626 million) are the result of, in particular, It-specific licensing models and advance payments for future maintenance and support services as well as prepaid salaries.

The provisions amount to €4.039 Million (31/12/2018 €9.380 million) and include provisions for pensions and similar obligations (€1.532 million; 31/12/2018 €1.907 million), tax provisions (€582,000; 31/12/2018 €5.306 million) and other provisions (€1.925 million; 31/12/2018 €2.167 million). The other provisions are comprised of items related to personnel compensation amounting to €332,000 (31/12/2018 €657,000) and €1.593 million (31/12/2018 €1.510 million) for other items which are primarily allocated to dismantling obligations amounting to €489,000, outstanding invoices amounting to €747,000 and annual financial statement costs, tax consultation and archiving costs amounting to €333,000.

### **3.3 Financial situation**

The balance sheet equity decreased by €2.078 million to €31.080 million (previous year €33.158 million), which corresponds to an equity capital rate of 19.0% 31/12/2018 22.2%). The equity capital, determined according to supervisory provisions and in accordance with §15 of the ZAG in conjunction with the ordinance governing the capital adequacy and required liability coverage of institutes in accordance with the Payment Services Oversight Act (Zahlungsdiensteaufsichtsgesetz (ZIEV)) amounts to €22.847 million on 31 December 2019 31/12/2018 €21.245 million) after taking into account the relevant deductions and without taking the net profit into account.

The equity capital is comprised of the share capital amounting to €425,000 31/12/2018 €425,000), the capital reserve amounting to €10.847 million 31/12/2018 €10.847 million), the retained earnings amounting to €13.905 million 31/12/2018 €3.905 million) and the net profit amounting to €5.903 million 31/12/2018 €7.981 million).

During the fiscal year, it was ensured at all times, that the company was able to fully meet its financial obligations using its own resources. All financial obligations were met. On the balance sheet date, VÖB-ZVD had available credit balances in the amount of €24.877 million 31/12/2018 €32.168 million) in its own current accounts. In addition, the company has a line of credit with DB PFK AG for a potential peak demand.

During the fiscal year, investments in the amount of €1.303 million were executed. These investments include €244,000 for intangible assets and €1.059 million for tangible assets, in particular, hardware components. The procurement costs for intangible assets largely consist of licenses and upgrades for the MATs-systems. The accruals in the tangible assets largely consist of new and replacement acquisitions from the IT segment (server architecture, storage systems and network and security systems).

The investments in the 2019 fiscal year were all financed from liquidity inflows from the current business activities and existing credit balances.

### **3.4. Overall statement on the 2019 business situation**

The 2019 fiscal year closed with gross earnings in the amount of €9.120 million (previous year €11.876 million). On the financial statement date, VÖB-ZVD Processing's financial and economic situation are in order and it has solid capital resources. Overall, the senior management has come to the conclusion that the overall development progressed as expected in the 2019 fiscal year.

### **3.5 Financial and non-financial performance indicators**

The senior management team defined the key financial performance indicators of the company as the development of the personnel segment (personnel expenses and FTE development), the commission revenues, the administrative expenses and the gross profit. This information is illustrated via an internal reporting system. All key performance indicators flow into the corporate control.

On the company level, the senior management defined the fulfilment of the concluded Service Level Agreements (SLA) as the non-financial performance indicators for VÖB-ZVD Processing. These pertain to the high availability of the data centre and the technical availability of the client-capable authorisation systems, MATs Issuing and MATs Acquiring. What is not explicitly defined as a non-financial performance indicator on the company level is the fact that VÖB-ZVD Processing is integrated into the process for measuring employee satisfaction because it belongs to the Deutsche Bank Group. This process is conducted on an annual basis using an electronic survey. The motivation and loyalty of the company's staff was determined, in particular, by means of a variety of questions.

#### **4. Opportunities report**

After terminating the majority of transitional services provided by SIX Payment Services (Europe) S. A., which were provided in the framework of the sale of the Frankfurt POS third-party customer network operations, VÖB-ZVD Processing has strongly shifted its focus back to handling services in the Deutsche Bank Group to support the consolidation of the Postbank Brand and Deutsche Bank Brand processes. The decision to transfer the chip data generation and authorisation of debit cards from Deutsche Bank AG to a standardised process at VÖB-ZVD Processing opens up new business opportunities to better support the group's retail brands with respect to innovative and regulatory matters (e.g. mobile payment and EU pricing regulations). Additional opportunities also arise from bundling the initiatives into account information and payment-triggering services on the private and corporate customer side in the group. In conjunction with the Deutsche Bank AG's announced focus on the e-commerce sector for key accounts, a variety of new points of contact for further business development arise. The company sees huge opportunities to accompany the new developments for the group from a technical perspective and in the role of a service provider and thus provide the group companies as well as third-party customer's added value for the future. To proactively accompany these changes, the company started designing a new Digital Payment Management System ("DPMS") which will support the management of digital payment tokens and required life cycle processes for mobile payment services in the future.

In the framework of the merger of Deutsche Bank Privat- und Firmenkundenbank AG and Deutsche Bank AG planned for 2020, a series of measures were announced to combine the IT/back office processes and the central functions in the private and corporate customer segments. The senior management sees this step as a positive one since it results in additional potential for the expansion of VÖB-ZVD Processing's business activities in conjunction with the classic business segments. This can, in part, already be derived from decisions that have already been made (e.g. taking over the chip data generation and authorisation of debit card transactions, etc.).

Based on the statements above, VÖB-ZVD Processing's senior management assumes that all of the business segments will continue to succeed. The developments in the payment branch, however, are a bit concerning, in particular in light of the framework conditions which changed in 2019 and the first weeks of 2020 (among other things, the takeover of B&SPayone by Worldline). This forecast pertains to the coming 2020 fiscal year as well as the four subsequent years up to and including 2024 based on the assumption of a slightly reduced gross profit from the operative business operations in comparison to 2019, taking known individual contract-related inflation or tariff-related cost increases into account. The basis of the planning assumptions, in particular the revenue development, was selected conservatively. Potential additional earnings opportunities from the reintegration into Deutsche Bank are not reflected in detail.

Overall, the described opportunities in their totality, will be slightly greater, taking potential and existing risks into consideration, and will continue to make a positive contribution toward the positive development of the company. The senior management team sees additional earning potential with respect to the medium-term development while simultaneously maintaining a high level of cost discipline.

#### **5. Risk report**

As a payment institute, VÖB-ZVD Processing is required to have adequate business organisation pursuant to § 27(1) of the ZAG. Proper business organisation includes, in particular, adequate corporate control measures, control mechanisms and procedures that ensure the institute meets its obligations. Moreover, the operation and maintenance of a loss database and complete

documentation of the business activities which ensures seamless monitoring by BaFin for its area of responsibility, is required. An adequate emergency concept for the IT systems is also required.

The senior management team defined a business strategy and risk strategy which was acknowledged by VÖB-ZVD Processing's advisory board. The objectives and specification for the major business activities set forth in the business strategy were taken into account in the development of the risk strategy. In addition, the risk strategy must adequately take the limitation of risk concentrations into account. A consistent IT strategy, based on the statements in the business and risk strategy was developed and adopted. The specifications of the individual strategies must be reviewed and, if needed, updated at least once a year.

Central principles are formulated in the risk strategy on which the detailed risk management processes are based. Thus, the risk management processes are based on regulatory requirements, but also take operational matters into account. In addition, Deutsche Bank Group risk management system regulations that apply throughout the entire group must be implemented and complied with. Each individual employee is responsible for target-oriented and effective risk management, though the senior management bears the overall responsibility and it cannot be delegated.

The senior management team has derived three superordinate business segments for VÖB-ZVD Processing:

- Handling what are commonly referred to as "sovereign tasks" on behalf of the Deutsche Kreditwirtschaft
- Provision of services for the VÖB member institutes and the Deutsche Bank Group companies (in this case, in particular, DB PFK AG, Deutsche Bank AG norisbank AG)
- Provision of payment services in accordance with §1(1) Sentence 2 of the ZAG and a variety of additional payment service-related services for third-party customers

The principle risk avoidance or risk transfer as major components of VÖB-ZVD Processing's risk strategy differ in these three business segments. The first two business segments primarily include operational risks. A conscious risk avoidance (e.g. not concluding risky transactions) is only possible to a highly limited extent here due to the particularities and objectives (sovereign tasks and internal group services). In the third business segment (third-party-oriented), there are also marginal counterparty default risks. As a result of the identified market conditions and particularities, there is a conscious acceptance of these risks which are minimised by means of a variety of controls.

In principle, the following requirements with respect to the risk management system have been derived for VÖB-ZVD Processing:

- Recording, analysing and assessment of existing risks (e.g. in the form of a risk inventory)
- Implementation of a risk-bearing capability model, taking the risks at VÖB-ZVD Processing identified as major risks
- Implementation of an adequate risk control and monitoring process for all major risks
- Integration into VÖB-ZVD Processing's organisational and process structure
- Regular transmission of risk-related information as regular (risk) reports to the decision makers or ad-hoc if defined threshold or risk values are reached

- Implementation of appropriate escalation procedures in the framework of risk monitoring and risk reporting in the event of identified risks
- In the event of existential risks, immediate transmission to the senior management and the advisory board and initiation of appropriate countermeasures
- Creation of a monitoring system to control compliance with implemented measures

In principle, VÖB-ZVD Processing includes all defined types of risks (counterparty default, market price, liquidity risks as well as operational risks) in its risk management processes. In light of the particularities of the business segments operated by VÖB-ZVD Processing, only the operational risks are classified as major risks by the senior management in the framework of a risk inventory. Due to the particularities of VÖB-ZVD Processing's business activities and the creditworthiness of the debtors (primarily subsidiary of the Deutsche Bank Group and domestic credit institutes) and the implemented monitoring and safeguards, the counterparty default risks in the short-term segment are considered to be of lesser significance. The probability of the occurrence of a relevant counterparty default is considered very low. No market price risks arise from the largely interest independent business of VÖB-ZVD Processing. Moreover, the company is highly restrictive with respect to financial investments. The liquidity risks are also insignificant due to the capital resources and own cash and cash equivalents on hand. On this basis, the counterparty default, market price and liquidity risks are considered to be of lesser importance and are therefore not major risks.

On the balance sheet date, the equity capital requirements according to supervisory regulations, in accordance with ZAG in conjunction with ZIEV, amount to €1.025 million. In addition VÖB-ZVD Processing reserves a lump sum of the equity capital for the (theoretical) counterparty default risk totalling €300,000 and €2.250 million for operational risks in the framework of the risk-bearing capability for potential claims for damages. After taking into account the aforementioned risk potential of the various risk types,

VÖB-ZVD Processing is left with a free risk coverage amount for unexpected losses in the amount of €20.297 million. The risk-bearing capability as defined is therefore met.

In the framework of the risk-bearing capability model, conservative assumptions were made when determining risk potential with respect to the operational risk classified by the senior management team as a major risk. An analysis of the actual defaults in the past, however, resulted in a significantly lower risk. The Financial Department can present a corresponding default history in this context. Moreover, past losses are recorded in a database of losses.

There were no major losses from counterparty defaults (value adjustments or write-off's) in the 2019 fiscal year as in the previous years.

An operational risk, based on the company's understanding, is the risk of losses resulting from the inadequacy or failure of internal procedures and systems, people or as the result of external events. The objective of OpRisk controlling is to systematically and promptly identify operational risks with their causes and interdependencies. The need for ad-hoc management of crisis situations should not be limited to an influenceable residual risk. Ad-hoc management in particular is often associated with high costs and should therefore remain the exception.

In addition to the regular, generally monthly, examination of the company's risk situation by the executive board and the heads of department in the jour fixes, an annual risk inventory is also conducted as an instrument to identify the major risk areas. This qualitative measure to identify and control the risks is used, in particular, to manage the operational risks. A review of all organisational

units of VÖB-ZVD Processing will be conducted based on standardised surveys to determine which risks they bear and the significance or loss potential they represent. The results of the risk inventory are then prepared, transmitted to the senior management and, if needed, measures are taken.

To avoid losses in the area of operational risks, VÖB-ZVD Processing possess an emergency strategy in the framework of a company-wide emergency management system and dedicated business continuity plans (BCP's), alongside catalogues of measures which are defined in writing in the various department-specific emergency manuals and the emergency planning concept (framework). The normative environment, roles and responsibilities as well as the conduct and measures in the event of an emergency, amongst other things, are examined in these documents. In addition, the documentation requirements, measures for the prevention and avoidance of emergencies as well as the necessity and obligation to conduct emergency tests are also defined in writing.

In total, there were no losses during the 2019 fiscal year (2018: one case of loss) from the area of operational risks. It was recorded in the central database of losses in accordance with the written directive.

Concentrations/cluster risks in the area of counterparty default risks arise for VÖB-ZVD Processing due to its involvement in the Deutsche Bank Group. With respect to the market price, liquidity or operational risks, the senior management did not identify any relevant concentrations of risks that require corresponding steering or control. There were also no indications of risk concentrations from the expense-side perspective (procurement, suppliers, etc.).

Overall, the senior management team believes the company risks will remain moderate to low in the future. No significant monetary risks have been determined for the future. On the level of the determined individual risks, currently no existential risks have been identified.

VÖB-ZVD Processing, as a subsidiary of the Deutsche Bank Group, is integrated into appropriate risk management processes on the group level. The manuals, frameworks and strategies adopted and communicated within the Group are also binding for VÖB-ZVD Processing. For this reason, a local OpRisk Manager (ORM) has been appointed who manages the corresponding, superordinate management processes for VÖB-ZVD Processing. This includes, in particular, the recording of losses of more than €1,000 in a central database of losses and monthly risk indicator reports.

The financial department drafts a risk report in the framework of the quarterly risk reporting process which is reported to the VÖB-ZVD Processing advisory board. The risk report includes the relevant information on the areas of general management information, key performance indicators and the equity base, risk-bearing capability, money laundering, outsourcing management, losses during the reporting period and projects and other information.

The internal audit is a major component of VÖB-ZVD Processing's corporate and process-dependent monitoring systems. The internal audit assignment has been almost completely outsourced to DB PFK AG's corporate auditing department in the framework of an internal group outsourcing agreement. The communication and monitoring of the outsourced service between VÖB-ZVD Processing and the audit department is secured by an audit officer or is conducted directly via the senior management. As part of the corporate monitoring system, DB PFK AG's auditing department reviews all of VÖB-ZVD Processing's activities and processes. The audit planning and the audit frequency is defined on the basis of a risk-oriented auditing method and is supplemented by the specifications and standards of the Deutsche Bank Group. To maintain the independence of the auditor in a multi-client business (e-payment segment, §24c of the KWG (Banking Act) central account database, paydirekt), an external financial auditing firm has been tasked with auditing these business segments since 2013. The processing of any potential complaints determined in the framework of internal or external audits is

monitored centrally. Responsibilities and deadlines for their rectification must be clearly assigned. After the notification that the processing has been completed, the results are reviewed again by the auditing department.

At this point, due the global spread of the coronavirus (Sars Cov 2), the following supplemental statements shall be made:

Since the implementation of national lockdown measures, alongside private restrictions, the economic conditions in particular have changed drastically in the short-term. The executive board is staying abreast of these changes by holding monthly jour fixes with the team and department heads on at least a weekly basis in as closely-knit a fashion as possible to analyse the impacts on the company level. Overall, it has been determined that the pandemic is currently not having any impact on the classic risk types, counterparty default, market price and liquidity risks. The operational risks, in particular risks from the personnel situation or the safeguarding of the current payment transaction business, will be closely observed. The rapid transfer of the appropriate hardware to VÖB-ZVD Processing employees for the purpose of working at home must be mentioned here as one of the implemented risk-reduction measures. There were no interruptions or losses when the audit was completed by the financial auditor.

## **6. Prognosis Report**

An analysis of the deviations between the projections reported last year and the actual values on 31 December 2019 was performed in the chapter "Earnings, assets and financial situation". The senior management team defined the key financial performance indicators of the company as personnel development (personnel expenses and FTE development), commission revenues, administrative expenses and gross profit. The high availability of the data centre and, in particular, the availability of the client-capable authorisation systems, MATs Issuing und MATs Acquiring, were defined as non-financial performance indicators. They must be reported monthly as risk indicators and are contractually defined in Service Level Agreements. The availability of MATs Issuing must be 99.7% (actual 2019: 99.99%) and MATs Acquiring must be 99.5% (actual 2019: 99.99%).

The forecast for the commission revenues for the 2020 fiscal year is €20.293 million. Thus, the projections are nearly identical in comparison to the actual commission revenues in 2019 (€20.837 million). Senior management generally assumes the earnings in the core business segments will remain almost constant. In addition, the executive board, in principle, has determined additional opportunities to further earnings, including potential projects implementations for 2020, but these have not yet been taken into account in the budget figures.

The personnel expenses are budgeted at €7.153 million. The budget increase in comparison to the actual budget in 2019 is based on the assumption that the staff numbers will increase slightly by the end of 2019 as a result of open positions being filled. VÖB-ZVD Processing's target staff number is 83, 77 FTEs. If these positions are not filled quickly, the actual personnel expenses will be below the budget figure as in the 2019 fiscal year.

The administrative expenses should amount to €7.524 million as per the original projections. Thus, the budget figure is slightly above the actual figure for 2019, which is primarily due to the expansion and extension of the technical facilities (e.g. data lines and IT systems) as well as increased, internal group cost reimbursements (internal auditing, etc.). The cost discipline will also have a significant impact on the expenditures in 2020 as well.

A total gross result of €4.392 million is expected for VÖB-ZVD Processing's business segments in 2020. This earnings expectation includes the normal business operations and does not reflect the additional earnings opportunities described in the opportunities report. The expected savings resulting

from retroactive cost-related ambitions, in so far as they are realistic and feasible, are not yet reflected in the projected value. This value is therefore a very conservative assumption and should be regarded as the lower end of the profit forecast.

Though, as already explained in the opportunities report, the senior management sees opportunities in being able to accompany the new developments for the group from a technical perspective and in the role of a service provider, these opportunities have not yet been incorporated into the budget. In addition to the future handling of services for the Deutsche Bank Group, this also includes the option of participating in the implementation or establishment of technical innovations and standardisation processes.

In November 2019, the company's advisory board approved new-, replacement- and expansion-investments totalling €2.390 million for 2020, of which €1.305 million are allocated to intangible assets and €1.085 million to hardware components and other operational and business equipment. The investments are largely life cycle-related new and replacement acquisitions for the MATs-systems and the planned modernisation of the network architecture.

At this point too, we would like to note that, as a result of the global coronavirus pandemic, the executive board, in cooperation with the financial department, regularly analyses business developments.

Currently, no serious effects on the asset, financial and earnings situation in 2020 have been identified. Whether more severe future impacts will arise, particularly on the company's earnings situation, depends on the duration of the measures to combat the pandemic (lockdown measures, business closures, etc.). At the moment, the executive board assumes there will be a "V scenario" (ifo Institute), and thus that the measures taken will be effective and will be gradually reduced over the course of 2020, which will result in a short-term recovery of the economy.

#### **Statement from the senior management team**

We ensure, to the best of our knowledge and in accordance with the applicable accounting principles, that the annual financial statement provides a true and fair view of VÖB-ZVD Processing GmbH's assets, financial situation and earnings. In addition, we ensure, to the best of our knowledge and in accordance with the applicable accounting principles, that the course of business, including the business performance as well as the position of the group, in the situation report are described in such a way that they provide a true and fair view of the principal opportunities and risks associated with the development of the group.

Bonn 29 April 2020

Hermann Beckers

Ingo Faerber

Markus Schierack