KEB Hana Bank (D) Aktiengesellschaft Frankfurt am Main

Report on the audit of the annual financial statements as at December 31, 2023 and of the management report for the financial year 2023

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Please note that, for computational reasons, rounding differences of one unit (EUR, %, etc.) may occur in the tables.

List of attachments

List of abbreviations

AAB	General Engagement Terms for Auditors and Audit Firms in the version dated January 1, 2017
AE	Asset Encumbrance
GTC	General Terms and Conditions
German Stock Corporation Act	Stock Corporation Act
AML	Anti-money laundering (combating money laundering)
AMM	Additional Liquidity Monitoring Metrics (additional parameters for liquidity monitoring)
AnzV	Advertisement regulation
AO	Tax code
AT	General part of MaRisk
BaFin	Federal Financial Supervisory Authority, Bonn and Frankfurt am Main
BAIT	Banking supervisory requirements for IT
BFA	Banking Committee of the Institute of Public Auditors in Germany
BIA	Basic indicator approach
GDP	Gross domestic product
bp	Base point
BSI	Federal Office for Information Security
BT	Special section of MaRisk

BTO	Special section "Organization" of MaRisk
BTR	Special section "Risk" of MaRisk
COREP	Common Reporting Framework (Common Reporting Framework)
CpD	Conto pro Diverse
CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 646/2012
CVA	Credit Valuation Adjustment
CVaR	Credit value-at-risk
EAD	Exposure at default (default loan amount)
EBA	European Banking Authority
EDP	Electronic data processing
ESG	Environmental, Social and Governance
EU-APrVO	Regulation (EU) No. 537/2014 of April 16, 2014 on specific requirements regarding the statutory audit of public-interest entities
EU	European Union
EUR	Euro
ECB	European Central Bank
FAIT	Expert Committee for Information Technology of the Institute of Public Auditors in Germany
FATF	Financial Action Task Force

FinaRiskV	Ordinance on the Submission of Financial and Risk-bearing Capacity Information pursuant to the German Banking Act (Financial and Risk-bearing Capacity Information Ordinance)
FINREP	Obligation to report financial information
FIU	Financial Intelligence Unit (Central Office for Financial Transaction Investigations)
FX	Foreign Currency
GCO	Global Compliance Officer
GDW	Global Datawarehouse
GroMiKV	Large Loan and Million Loan Ordinance
P&L	Income statement
GW	Money laundering
ARC	Money Laundering Officer
MLA	Act on the Tracing of Profits from Serious Crimes (Money Laundering Act)
HGB	Commercial Code
ICAAP	Internal Capital Adequacy Assessment Process
IDV	Individual data processing
IDW	Institute of Public Auditors in Germany e.V., Düsseldorf
IFRS	International Financial Reporting Standards
IKS	Internal control system

ILAAP	Internal Liquidity Adequacy Assessment Process (internal process for assessing the adequacy of liquidity)
InstitutsVergV	Ordinance on the Supervisory Requirements for Remuneration Systems of Institutions (Remuneration Ordinance for Institutions)
ISAE	International Standard on Assurance Engagements
ISB/ISO	Information Security Officer
IT	Information technology
KDF	Ability to service debt
CEP	Capital conservation buffer
SMES	Small and medium-sized enterprises
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KSA	Credit risk standardized approach
KWG	Banking Act
KYC	Know-Your-Customer
LCR	Liquidity coverage ratio (liquidity coverage ratio)
LDW	Local Datawarehouse
LGD	Loss given default (loss in the event of default)
LR	Leverage ratio
MaRisk	Minimum requirements for risk management

MaSanV	Restructuring plan minimum requirements ordinance
million.	million
NSFR	Net stable funding ratio (structural liquidity ratio)
OECD	Organization for Economic Cooperation and Development
OF	Own Funds
PD	Probability of default
PeP	Politically exposed person
PrüfbV	Audit Report Ordinance
PS	Audit standard
PSP	Intermediary payment service provider
RCSA	Risk Control Self Assessment
RechKredV	Ordinance on the Accounting of Credit Institutions, Financial Services Institutions and Securities Institutions (Credit Institutions Accounting Ordinance)
RMC	Risk Management Committee
RTF	Risk-bearing capacity
RWA	Risk-weighted assets (risk-weighted assets)
RS	Accounting standard
SAG	Restructuring and Winding-up Act
SAR	Suspicious Activity Report
SH	Criminal acts

SIEM	Security Information and Event Management
SLA	Service Level Agreement
SolvV	Ordinance on the Capital Adequacy of Institutions, Groups of Institutions, Financial Holding Groups and Mixed Financial Holding Groups (Solvency Ordinance)
SREP	Supervisory Review and Evaluation Process
StGB	Criminal Code
KEUR	Thousand Euro
TF	Terrorist financing
USD	US dollar
VAB	Association of Foreign Banks in Germany e.V.
VaR	Value-at-risk
ZAG	Act on the Supervision of Payment Services (Payment Services Supervision Act)
ZKG	Act on the Comparability of Payment Account Fees, the Switching of Payment Accounts and Access to Payment Accounts with Basic Functions (Payment Accounts Act) set)

1. Audit assignment

1. Following our appointment as auditor by the Annual General Meeting on August 11, 2023, we were engaged by the Supervisory Board of

KEB Hana Bank (D) Aktiengesellschaft,
Frankfurt am Main
(hereinafter also referred to as "KEBHD" or "Company" or "Bank")

the annual financial statements of the company as at December 31, 2023, including the accounting records, and the management report for this financial year in accordance with
§ 340k i. in conjunction with §§ 316 ff. HGB must be examined.

2. KEBHD is a large corporation within the meaning of Section 267 (3) HGB in conjunction with Section 340a HGB and is obliged to prepare annual financial statements and a management report in accordance with Section 264 HGB.

3. We have also audited the report on relationships with affiliated companies for the financial year 2023 prepared by the company's Management Board in accordance with Section 312 AktG and have reported separately on the results of this audit.

4. The Bank notified BaFin and Deutsche Bundesbank of our appointment in a letter dated September 1, 2023 in accordance with Section 28 KWG.

5. We confirm in accordance with § 321 Abs. 4a HGB that we have complied with the applicable independence requirements in our audit.

6. In addition, in accordance with Article 6 (2) (a) of Regulation (EU) No 537/2014, we declare that the audit firm, audit partners and members of senior management and management personnel performing the statutory audit are independent of the audited entity.

7. We issue this report on the nature, scope and results of our audit in accordance with the principles of IDW PS 450 as amended and the Auditor's Report Ordinance (PrüfbV), to which the annual financial statements and the audited management report are attached as appendices. This report is addressed to the audited company.

8. The execution of our mandate and our responsibility, also in relation to third parties, are governed by the General Terms and Conditions of Contract attached to this report.

Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften in the version dated January 1, 2017 (AAB).

9. Contrary to the wording of the aforementioned AAB with regard to No. 10 (3), only the electronic audit report will be issued.

2. Basic findings

2.1. Statement on the assessment of the situation by the legal representatives

10. In our opinion, the management report and the annual financial statements of the company contain the following material aspects

on the course of business and the situation:

- The bank's total assets fell by EUR 27.8 million compared to the previous year to EUR 815.2 million.

- Bonds and other fixed-income securities decreased by EUR 34.7 million to EUR 276.1 million. The reason for this was that only a portion of the maturing bonds was replaced, while it was decided to retain the other portion as highly liquid assets.

- The legal reserve was increased by one twentieth of the annual result in accordance with Section 150 (2) AktG. This corresponds to an increase of EUR 380,758.11. Other revenue reserves increased to EUR 65.8 million (previous year: EUR 61.5 million), in particular due to the retention of the profit for the year. The Management Board will propose to the Annual General Meeting that the net retained profits be transferred in full to retained earnings, as in previous years. If the Annual General Meeting follows this proposal, the bank's balance sheet equity will amount to EUR 149.2 million.

- Net interest income in the amount of 15,483.3 kEUR increased by 7,911.3 kEUR compared to the previous year. The development of interest rate policy in the eurozone, which in 2023 continued the trend from 2022 with an increase from 2% to 4% for deposit facilities, had a positive effect on the development of net interest income.

- Risk provisions increased by EUR 52 thousand in the reporting period. The change is mainly due to the increase in general bad debt allowances on receivables from customers by EUR 38 thousand and on securities by EUR 23 thousand. The general bad debt allowances were calculated on the basis of IDW RS BFA 7 using the probability of default for the respective risk rating of the customer and the loss given default (LGD). [...] Contrary to IDW RS BFA 7, receivables from banks were not included in the calculation.

- The net profit for 2023 amounts to EUR 7,615,162.24.

on the expected development with its main opportunities and risks:

- There is a strategic opportunity to participate in the necessary expansion of local manufacturing capacities in Europe that are not dependent on global supply chains. For example, a number of Korean industrial companies that are already customers of the KEB Hana Group, including companies from the automotive industry and its suppliers, have set up their own production sites in the Central-East European region, particularly in Poland. KEB Hana Bank (D) AG sees this as an opportunity to expand its business model geographically and has decided to be one of the first banks with a Korean shareholder to open a branch in Warsaw and serve its customers there locally, which it is able to do thanks to its European passport. As the notification process is not expected to be completed until the second half of 2024, the planned positive impact on our sales and earnings figures will not be felt until 2025 at the earliest.

- The Executive Board also expects a very good result for the 2024 financial year, slightly above the previous year's level. The added equity, the lower SREP capital requirements and operational stabilization of the bank through a qualitatively and quantitatively growing workforce improve the framework conditions. The external credit rating assigned to KEB Hana Bank (D) AG (AA-) by Moody's in spring 2024 also contributes to this.

- The risk is covered by the available equity. The total capital ratio in accordance with CRR amounted to 37.58% at the end of the year (2021: 21.33%). A total of EUR 140,841 thousand (previous year: EUR 86,280 thousand) in equity was available to meet the total capital ratio. The increase in share capital by EUR 49,999,746.07 to EUR 73,007,881.51, which was already carried out in 2022 in accordance with commercial law, was allocated to common equity tier 1 capital from 16 February 2023.

11. The assessment of the company's position, in particular the assessment of its continued existence and the significant opportunities and risks of future development, is plausible. Based on the results of our audit and the findings of our audit, the management assessment of the company's legal representatives is appropriate in scope and realistic in content.

2.2. Summary of other audit findings Findings on the overall statement of the annual financial statements

12. Overall, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. In the annual financial statements for the financial year from January 1, 2023 to December 31, 2023, the statutory requirements, including the legal form and industry-specific regulations for credit institutions and generally accepted accounting principles, were observed overall.

13. The Bank's accounting meets the legal requirements.

14. The balance sheet and the income statement were properly derived from the accounting records and the other audited documents. The recognition, disclosure and measurement requirements under commercial law were complied with. The disclosures made in the notes to the financial statements comply with the legal requirements.

15. The management has assured us in a declaration of completeness that all assets and liabilities are included in these annual financial statements and that all identifiable risks have been taken into account.

16. According to our findings and the declaration of completeness provided to us by the Executive Board, the assets and liabilities are fully recognized in the annual financial statements as at December 31, 2023. Pursuant to Section 252 (1) No. 6 HGB, measurement and recognition are based on the same principles as in the previous year; we refer to the exceptions presented in the notes. The accounting policies and their changes are explained in the notes.

Statements on the net assets and results of operations

17. The Bank's business performance in the financial year was positive overall.

18. The consideration of foreseeable counterparty default risks in the lending business of credit institutions that have not yet been concretized for individual borrowers ("general value adjustment") in the annual and consolidated financial statements under commercial law is generally carried out properly in accordance with IDW RS BFA 7. Due to the adoption of the methodology used throughout the Group from IFRS 9, receivables from credit institutions were not included in the calculations in deviation from IDW RS BFA 7 if they arise in the course of the financial year.

level 1 or 2. There were no level 3 receivables as at the balance sheet date. This deviation did not result in any material deviations.

19. As part of our audit, we applied the procedure for testing the need to recognize a provision for an excess liability from transactions with interest-related financial instruments in the banking book in accordance with the requirements of the § Section 340a in conjunction with Section 249 (1) sentence 1 Alt. 2 HGB and the accounting standard IDW RS BFA 3 n.F. as well as the Bank's calculations. The procedure chosen by the Bank is not objectionable. According to the Bank's calculations, it was necessary to recognize a provision for a liability surplus from transactions with interest-related financial instruments in the banking book as at the balance sheet date.

20. According to our findings and the information provided to us, there are no other financial obligations as at the balance sheet date that do not appear in the balance sheet and do not have to be disclosed in accordance with Section 251 HGB that are of significance for the assessment of the financial position. There are no material legal disputes. According to the information provided to us, the bank has not issued any letters of comfort.

Findings on the liquidity situation

21. The bank's liquidity situation is in order. Solvency was ensured at all times on the balance sheet date and during the reporting year. The ratios prescribed for the assessment of sufficient liquidity in accordance with the CRR were always complied with in the reporting period according to the reports submitted by the Bank. The bank's liquidity management procedures are appropriate.

Findings on the risk situation

22. The risk-bearing capacity was ensured throughout the reporting year, both in the normal case and in the stress scenario.

23. Risk provisions in the lending business are adequate. The valuation allowances and provisions recognized are appropriate.

Findings on the regularity of the business organization and risk management

24. The procedures implemented by the Bank for the outsourcing of business areas comply with the material requirements of section 25b KWG and MaRisk, with the exception of our objections in section 7.3.2.

25. The organizational regulations for the adjustment processes correspond to the requirements of MaRisk.

26. The measures taken by the Bank to meet the risk management requirements pursuant to Section 25a (1) sentence 3 no. 1 KWG on risk strategy, risk-bearing capacity, risk management and risk monitoring and the further requirements for the business organization pursuant to Section 25a (1) sentence 6 no. 1 KWG comply with the requirements with the restrictions set out in Sections 8 and 9.

27. The structure of the risk controlling function corresponds to the requirements of AT 4.4.1 MaRisk.

28. The structure of the MaRisk compliance function corresponds to the requirements of AT 4.4.2 MaRisk with the restriction stated in section 9.7.2.

29. The structure of Internal Audit and its integration into the Bank's internal monitoring system comply with the requirements of AT 4.4.3 and BT 2 MaRisk with the restrictions described in section 9.7.3.

30. The organizational, personnel and technical precautions to ensure the integrity, confidentiality, authenticity and availability of data relevant to banking supervision as well as the compliance and security requirements in accordance with IDW RS FAIT 1 are adequate to a limited extent. BAIT were still not adequately implemented. We refer to our objections in section 9.9.

31. The bank's emergency management procedures, measures and controls in the areas we audited do not meet the requirements arising from section 25a (1) sentence 3 no. 5 KWG for the definition of an emergency plan (in particular for IT systems).

32. Our audit has shown that the bank has not fully taken the necessary organizational measures and implemented appropriate procedures to comply with the regulatory requirements for remuneration systems of institutions (Instituts- VergV). We refer to the objections presented in section 9.12.

33. The restructuring plan drawn up by the Executive Board as at December 31, 2022 meets the requirements of Section 12 (1) SAG and Section 13 (1) to (4) SAG.

34. Based on the documents and information provided to us and the results of our audit, there were no indications that the requirements of the German Commercial Code (HGB) were not met.

of Section 25c KWG to the Management Board are not complied with. Please refer to section 9.11 with regard to the objections we have made in relation to the requirements of section 25d KWG for the Supervisory Board.

Results from the audit of the lending business

35. In summary, we note that the overall organization in the lending business ensures proper processing and monitoring of the individual credit risks and provides for an appropriate separation of functions. The Bank's existing risks have been adequately taken into account in the organization of the lending business. The provisions of MaRisk have been complied with in the lending business, with the exception of the objections outlined in section 10.1.

36. The Bank's procedure for complying with the requirements of Section 18 KWG for disclosing the financial circumstances of borrowers is appropriate.

37. We selected the sample for our engagement audit as at the early reporting date of September 30, 2023 on a risk-oriented basis.

38. Country risks are taken into account when calculating impairment losses for significant receivables.

39. Based on current knowledge, we believe that the risk provisions recognized to cover acute and latent risks in the lending business are adequate. It was not necessary to recognize specific valuation allowances.

40. Our credit exposure audit revealed that the requirements of section 18 KWG are met, with the exception of our findings in section 11.2.

41. We consider the processes implemented by the bank at the institutional level to be suitable overall for complying with the large exposure notification requirements pursuant to Section 13 KWG in conjunction with Art. 387 to 403 CRR. We refer to our objections in section 11.6.2.

Results from the audit of the trading business

42. The processes set up by the Bank for the conclusion and recording of transactions, the settlement and control of trading transactions and the granting and monitoring of counterparty and issuer limits comply with the requirements of BTO 2 and BTR 1 of MaRisk, with the exception of the objections described in section 10.2.

Results from the audit of regulatory requirements

43. With the exception of our findings in sections 12.2 to 12.8, we consider the precautions taken by KEBHD in the context of regulatory reporting to be appropriate.

44. We conclude that the processes for the disclosure of information in accordance with Art. 431 to 455 CRR in conjunction with Section 26a (1) sentence 1 KWG and the process for determining the necessary information are appropriate. The disclosure requirements pursuant to Part 8 CRR and Section 26a (1) sentence 1 KWG were complied with by KEBHD in the Disclosure Report as of December 31, 2022.

45. We note that the internal arrangements made by the Bank comply with the requirements of Regulation (EU) No 260/2012 of the European Parliament and of the Council of March 14, 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009.

46. We consider the process for complying with the requirements of Regulation (EU) No. 648/2012 (EMIR Regulation) to be appropriately designed, with the exception of our findings presented in section 12.11.

47. The processes set up by the bank are suitable for fulfilling the reporting obligations and safeguards for securities financing transactions within the meaning of Art. 4 of Regulation (EU) 2015/2365.

48. Based on the results of our audit, the bank has complied with the requirements of Art. 4 (1) subparagraph 1 and Art. 5a (1) of Regulation (EC) No. 1060/2009 on credit rating agencies with the exception of our objection in section 12.13 in the reporting period.

Results of the audit of measures to prevent financial crimes

49. The details of our audit of the Bank's compliance with its obligations to prevent and combat money laundering, terrorist financing and other criminal acts are presented in Appendix 8 of this report. The annex includes Annex 5 in accordance with § 27 PrüfbV.

Result of the audit of the dependency report

50. There were no objections to the report of the Executive Board.

3. Reproduction of the audit opinion

51. We have audited the annual financial statements and the management report of KEB Hana Bank (D) Aktiengesellschaft, Frankfurt am Main, for the financial year from January 1, 2023 to December 31, 2023 in the version attached to this report as Annexes 1 to 3 (annual financial statements) and Annex 4 (management report) and signed on May 31, 2024 in Frankfurt am Main, which is reproduced here:

"REPORT OF THE INDEPENDENT AUDITOR

To KEB Hana Bank (D) Aktiengesellschaft, Frankfurt am Main

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

Audit assessments

We have audited the annual financial statements of KEB Hana Bank (D) Aktiengesellschaft, which comprise the balance sheet as at December 31, 2023, and the income statement for the financial year from January 1, 2023 to December 31, 2023, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of KEB Hana Bank (D) Aktiengesellschaft for the financial year from January 1, 2023 to December 31, 2023.

In our opinion, based on the findings of our audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2023 and of its financial performance for the financial year from January 1, 2023 to December 31, 2023 in compliance with German Legally Required Accounting Principles.
  1. January 1, 2023 to December 31, 2023 and

- the accompanying management report as a whole provides a suitable 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 § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (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 January 1, 2023 to December 31, 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our opinion, the following matters were of most significance in our audit:

- Recoverability of receivables from customers

We have structured our presentation of these key audit matters as follows:

1. Facts and problem definition
2. Auditing procedure
3. Reference to further information

The particularly important audit findings are presented below:

1. Facts and problem definition

The counterparty default risk of KEB Hana Bank (D) AG results primarily from the lending business with customers. At EUR 343 million (42% of total assets), the balance sheet item "Loans and advances to customers" is the bank's largest asset item.

As a result, the measurement of loans and advances to customers, taking into account the risk provisions recognized in the form of general allowances, is a key audit matter. This selection was made in particular for reasons of materiality and due to the use of estimated values in this balance sheet item.

2. Audit approach and findings

As part of the audit of the annual financial statements, we first assessed the effectiveness of the relevant internal control system of KEB Hana Bank (D) AG with regard to the valuation of receivables from customers. In addition, we audited the valuation of receivables on the basis of individual cases on the basis of a risk-oriented selection. Our audit procedures did not lead to any objections to the valuation of the receivables from customers.

3. Reference to further information

KEB Hana Bank (D) AG's disclosures on the recognition and measurement of receivables from customers are contained in the notes in the section "Accounting and measurement principles".

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

due to fraudulent acts (i.e. manipulation of accounting and damage to assets) or errors.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. Furthermore, they are responsible 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 unless there are factual or legal circumstances that prevent this.

Furthermore, management is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Reporting promulgated by the Institut der Wirtschaftsprüfer (IDW) will be carried out.

An audit conducted in accordance with German auditing standards always uncovers 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 management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. In addition

- 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values and related disclosures presented by the legal representatives.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our opinion.

modify our respective audit opinion. We draw our conclusions on the basis of 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 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 legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Other information pursuant to Article 10 EU-APrVO

We were elected as auditor by the annual general meeting on August 11, 2023. We were engaged by the chairman of the supervisory board on December 11, 2023. We have been the auditor of the KEB Hana Bank (D) Aktiengesellschaft since the financial year 2023.

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 (audit report).

RESPONSIBLE AUDITOR

The German Public Auditor responsible for the engagement is Mr. Ralph Hüsemann."

4. Subject, type and scope of the audit

52. The subject of our audit was the annual financial statements prepared in accordance with § 340a HGB and the provisions of German commercial law applicable to large corporations (§§ 242 to 256a HGB),
§§ HGB), the other provisions specific to the legal form and the sector-specific provisions for banks for the financial year from January 1, 2023 to December 31, 2023 - consisting of the balance sheet, income statement and notes - including the accounting and the management report prepared in accordance with Section 289 et seq. HGB for the financial year 2023.

53. The responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report as well as the auditor's responsibility for the audit of the annual financial statements and the management report are described in detail in the auditor's report. In this context, we draw attention to the fact that, in addition to the provisions and principles stated therein, we have complied with the requirements of the KWG, the PrüfbV and the regulations, announcements and letters issued by BaFin that are relevant to the audit. An audit of compliance with such legal requirements that do not relate to financial reporting is otherwise only part of the responsibility of the auditor to the extent that these other requirements usually have an impact on the audited annual financial statements or that experience has shown that non-compliance with such laws can result in risks that must be taken into account in the management report. Furthermore, our audit does not extend to whether the continued existence of the audited company or the effectiveness and efficiency of the management can be assured.

54. For the audit of the annual financial statements and the management report of the company for the financial year ended December 31, 2023, Mr. Ralph Hüsemann acted as the primarily responsible audit partner and Ms. Isabel Schiebel acted as the additional responsible audit partner.

55. Our audit was performed as follows in terms of content and timing:

Development of the audit strategy	
▶ Gaining an understanding of the company, its environment and its accounting system internal control system (ICS)	October to December 2023

▸ Definition of audit fields and "particularly important audit issues" and other key audit areas on the basis of our risk assessment: • Misstatements due to breaches at financial statement level and at the level of individual statements • Valuation of customer receivables from the lending business	
▸ Selection of the audit team and the use of specialists	
Selection and implementation of control-based audit procedures	
▸ Selection of control-based audit procedures based on risk assessments and knowledge of business processes and systems	November to December 2023
▸ Assessment of the design and effectiveness of the selected accounting-related control measures	
Case-by-case audits and analytical audits of financial statement items	
▸ Performing analytical audit procedures on items in the financial statements	January to May 2024
▸ Individual case audits in random samples and assessment of individual circumstances taking into account the accounting options and discretionary powers exercised, including • Obtaining lawyer and tax consultant confirmations • Obtaining confirmations from the banks • Obtaining confirmations from customers	

- Audit of the proper transfer of the opening balance sheet values from the previous year's financial statements

Overall assessment of the audit results and reports

Formation of the audit opinion	May 2024
Reporting in the audit report and audit opinion	
Oral explanations of the audit results to the management	

56. Please refer to the section "Key audit matters" in the auditor's report for information on our audit procedures in connection with the key audit matters.

57. The following table provides an overview of the system audits and/or statement-related audit procedures used for the audit of the individual balance sheet items or audit fields.

Test field resp. Year-end position	System check	Statement-related audit handling
Balance sheet		
Cash reserve		x
Receivables from banks		x
Receivables from customers	x	x
Bonds and other fixed-income securities		x
Liabilities to banks		x
Liabilities to customers		x
Provisions		x
Equity capital		x
Contingent liabilities	x	x

Test field or Year-end position	System check	Statement-related audit handling
Other obligations	x	x
Profit and loss account		
Interest income	x	x
Interest expenses	x	x
Commission income		x
General administrative expenses		x
Taxes on income and earnings		x
Appendix		x
Management report	x	x

58. In the financial year, the following audits were performed at the Bank by us or third parties, the results of which we used in determining our own audit procedures:

- Audit pursuant to Section 44 (1) KWG of compliance with the obligations to prevent money laundering, terrorist financing and criminal acts with regard to the requirements incumbent on the KEBHD pursuant to Section 5 GwG for the preparation and documentation of an institution-specific risk analysis, the functional and organizational requirements incumbent on the KEBHD pursuant to Section 6 (1) and (2) in conjunction with Section 7 GwG with regard to the position, powers and duties of the money laundering officers, in particular the design and implementation of the monitoring activities and the KEBHD pursuant to Section 5 GwG.
  § Section 25h (2) KWG on the creation and operation of the monitoring system (report dated March 27, 2023)

- Deposit protection audit (report dated January 11, 2024)

59. Our audit was based on a materiality for the financial statements as a whole of EUR 4.9 million, which was determined on the basis of equity and checked for plausibility using earnings before taxes. The qualitative factors considered in determining materiality were the shareholder structure, the level of indebtedness, the sustainability of the business model, the degree of regulation, the absolute size of the company and the industry in which the company under audit operates.

60. As part of our audit, the following communication took place with the supervisory body and the Management Board of the company:

Time	Organ	Kind	Topic
06.09.2023	Management Board	Date	Kick-off for the audit of the annual financial statements
06.11.2023	Supervisory Board	Written communication	Fraud survey
29.02.2024	Supervisory Board	Written communication	Presentation of our audit program approach and the prospective Key Audit Matters
27.05.2024	Management Board	Date	Fraud survey
June 2024 (planned)	Supervisory Board	Written communication	Presentation of our audit results

61. We were also in regular contact with the back office management in the form of weekly meetings to discuss the status of the audit of the annual financial statements.

62. The Management Board and the employees commissioned by it have provided all the information and evidence requested by us and have issued the customary written declaration of completeness. In particular, this declaration assures that the accounting records contain all transactions requiring recognition and that the annual financial statements contain all assets, obligations and deferrals requiring recognition, as well as all expenses and income, that all risks have been taken into account and that all necessary disclosures have been made.

5. Findings and notes to the financial statements

5.1. Regularity of the accounting

5.1.1. Accounting and other audited documents

63. In our opinion, the accounting is proper in all material respects and complies with the legal requirements. The information extracted from the other audited documents has been properly presented in the accounting records, the annual financial statements and the management report.

64. During our audit, we did not identify any matters that contradict the suitability of the organizational and technical measures taken by the company to ensure the security of accounting-related data and IT systems.

5.1.2. Annual financial statements

65. In our opinion, based on the findings of our audit, the annual financial statements of the company as of December 31, 2023 (Appendix 1 to 3) comply, in all material respects, with the requirements of the German Commercial Code (HGB) and the recognition and measurement principles specific to the legal form and the industry.

66. The annual financial statements were properly derived from the accounting records and the other audited documents. The statutory provisions on classification, accounting and valuation as well as the notes to the financial statements were complied with in all material respects.

67. The notes comply with the legal requirements. The information in the notes is complete and accurate in all material respects.

68. In the reporting in the notes to the financial statements, use was made of the safeguard clause in Section 286 (4) HGB and disclosures on the remuneration of the members of the Executive Board were omitted because only three members of the Executive Board were active in the reporting year (only two members of the Executive Board at any one time, see section 7.1) and the remuneration of one member of the Executive Board could therefore be determined on the basis of this information. Based on the results of our audit, the use of the safeguard clause is not objectionable.

5.1.3. Management report

69. In our opinion, based on the findings of our audit, the management report for the financial year 2023 (Annex 4) complies in all material respects with the legal requirements.

70. The management report contains the final declaration of the dependent company report in accordance with Section 312 AktG.

5.2. Overall statement of the annual financial statements

5.2.1. Findings on the overall statement of the annual financial statements

71. The annual financial statements as a whole, i.e. the combined balance sheet, income statement and notes, give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting.

72. To provide a better understanding of the overall statement in the annual financial statements, we are required to discuss the key measurement principles and the impact that changes in the measurement principles have on the overall statement in the annual financial statements below.

5.2.2. Significant measurement bases and their changes

Receivables from lending transactions

73. With the exception of the lump-sum value adjustment calculated for the first time in the reporting year in accordance with IDW RS BFA 7 (see section 10.1.6.), the valuation and accounting of the lending business in accordance with section 252 para. 1 no. 6 HGB is based on the same principles as in the previous year. When accounting for receivables from lending transactions, the Bank makes use of the option under Section 340e (2) HGB and recognizes them at their nominal amount. If there are differences of an interest nature, these are recognized in prepaid expenses and deferred income and reversed as scheduled. Please refer to section 10.1.6 for information on the procedures for setting up risk provisions in the lending business and the procedures for covering latent risks in the lending business. Please refer to section 6.5 for information on the amount of risk provisions set up by the Bank. According to our findings, the valuation and accounting of the Bank's lending business is in line with standard industry practice.

Bank book

74. The Bank examines the recognition of a provision for an excess liability from transactions with interest-related financial instruments in the banking book in accordance with the requirements of Section 340a in conjunction with Section 249 (1) sentence 1 Alt. 2 HGB and the IDW statement IDW RS BFA 3 n.F.

75. The Bank's procedure for loss-free valuation of the banking book is as follows:

- The measurement object is the banking book, which generally comprises all on-balance sheet and off-balance sheet interest-related financial instruments (including investment securities) that are already contractually agreed. For reasons of simplification, irrevocable loan commitments and some foreign currency accounts are not included, as the technical implementation is considered too complex and the amount insignificant. We consider this approach to be appropriate.

- To review the banking book within the meaning of IDW RS BFA 3 n. F. IDW RS BFA 3 as amended, KEBHD uses the corresponding POR-TAL application from msg for banking AG.

- The valuation of the bonds in foreign currency in the POR- TAL tool differs from the carrying amounts on the reporting date. However, the effect on the amount of the provision for onerous contracts is not material.

76. To determine whether a provision for onerous contracts in accordance with Section 340a in conjunction with Section 249 (1) sentence 1 Alt. 2 HGB, the Bank uses a present value approach.

77. According to the bank's calculations, a provision in accordance with Section 340a in conjunction with Section 249 (1) sentence 1 Alt. 2 HGB for an excess liability from transactions with interest-related financial instruments in the banking book for the annual financial statements in the amount of EUR 2,190 thousand.

78. As part of our audit, we reviewed the procedure and the Bank's calculations. The method selected by the Bank to assess whether the recognition of a provision in accordance with Section 340a in conjunction with Section 249 (1) sentence 1 Alt. 2 HGB for a liability surplus from transactions with interest-related financial instruments in the banking book is necessary for the annual financial statements is not objectionable, with the exception of the weaknesses described.

6. Financial statement-oriented reporting

6.1. Business development

79. In the following, we present some of the data from the last three annual financial statements that characterize the development of the bank:

Amounts in EUR million	2023	2022	2021
Balance sheet			
Balance sheet total	815	843	831
Total credit volume	873	890	915
Own funds within the meaning of Section 10 KWG	148	86	82
P&L			
Net interest income	15,5	7,6	5,7
Net commission income	5,8	6,7	6,9
Net income for the year	7,6	4,6	4,7
Financial performance indicators			
CRR Core capital	141	86	82
Total capital ratio	35,75%	21,33%	21,89 %
Common equity Tier 1 capital ratio	35,74%	21,31%	21,88 %
Leverage ratio	16,61 %	9,62 %	9,67 %
Liquidity coverage ratio	152,55 %	131,78 %	107,9 %
NSFR ratio	142,24 %	123,38 %	223 %
Cost-income ratio	38 %	43 %	44 %

6.2. Financial position

6.2.1. Development of the asset situation

80. The following overview shows the main asset and liability items compared with their previous year's values and the changes in these values:

Amounts in TEUR	31.12.2023	31.12.2022	Change
Assets			
Cash reserve	7.502	187.855	-96%
Receivables from banks	187.145	21.082	788%
Receivables from customers	343.383	322.199	7%
Debt securities/other Fixed-interest securities	276.083	310.794	-11%
Liabilities			
Liabilities to banks	179.447	256.523	-30%
Liabilities to customers	480.477	441.536	9%
Other liabilities	1.120	125	796%
Provisions	4.825	3.057	58%
Equity capital	149.230	141.614	5%
Balance sheet total	**815.146**	**842.928**	**-3%**
Contingent liabilities - liabilities Liabilities from guarantees and warranty agreements	1.298	25.190	-95%
Other obligations - Unwi- Callable loan commitments	3.539	7.030	-50%

81. We classify the bank's financial position as orderly.

6.2.2. Explanation of the main balance sheet items

82. The main items of the balance sheet as at December 31, 2023, including the notes to the balance sheet, are explained below.

83. The cash reserve fell by EUR 180 million to EUR 7 million. This is due to the fact that the excess balances under the deposit facility with the Deutsche Bundesbank in the previous year (EUR 185 million) were reported in the cash reserve contrary to Section 12 (2) sentence 2 RechKredV. This was reclassified to loans and advances to banks in the reporting year.

84. Loans and advances to customers are mainly loans to corporate customers. As in the previous year, no individual value adjustments were necessary.

85. The fixed-interest securities serve to generate interest income and, where applicable, price gains. In total, there are hidden reserves of EUR 8,906 thousand and hidden liabilities of EUR 6,414 thousand, which did not lead to write-downs due to the allocation to the investment portfolio and the intention to hold to maturity.

86. Liabilities to banks, which are mainly attributable to loro accounts, break down as follows as at the balance sheet date:

Amounts in TEUR	31.12.2023	31.12.2022
Due daily	33.240	65.055
With an agreed term or period of notice	146.207	191.468

87. Liabilities to customers consist of customer deposits. The maturities as at the balance sheet date are as follows:

Amounts in TEUR	31.12.2023	31.12.2022
Due daily	137.285	252.791
With an agreed term or period of notice	343.192	188.745

88. There is no special item for general banking risks in accordance with Section 340g HGB.

89. Other liabilities increased by EUR 995 thousand to EUR 1,120 thousand and mainly comprise liabilities from CpD payment transaction accounts in the amount of EUR 877 thousand (previous year: EUR 0 thousand) and tax liabilities for value added tax i. EUR 147 thousand (previous year: EUR 103 thousand).

90. The provisions are made up as follows:

Amounts in TEUR	31.12.2023	31.12.2022
Tax provisions	1.810	2.685
Other provisions	3.015	372

91. The other provisions are as follows:

Amounts in TEUR	31.12.2023	31.12.2022
Provision for onerous contracts in accordance with IDW RS BFA 3 n.F.	2.190	0
Audit costs	369	146
Consulting costs	238	38
Personnel (vacation costs)	91	53
Other	127	29

92. The increase in other provisions is mainly due to the recognition of a provision for onerous contracts in accordance with IDW RS BFA 3 n.F. in the amount of EUR 2,190 thousand. In addition, the provisions for audit and consulting costs as well as for vacation and other increased. The decrease in tax provisions by EUR 875 thousand from EUR 2,685 thousand to EUR 1,810 thousand had the opposite effect.

93. The balance sheet equity as at December 31, 2023 is composed as follows

Amounts in TEUR	31.12.2023	31.12.2022
Subscribed capital	73.008	73.008
Capital reserve	2.557	2.556
Retained earnings	66.431	61.690
of which legal reserve	610	229
thereof other retained earnings	65.820	61.461
Accumulated profit/loss	7.234	4.360

94. It will be proposed to the Annual General Meeting that the entire balance sheet profit of EUR 7,234 thousand be transferred to other revenue reserves.

95. Contingent liabilities consist of guarantees and warranty agreements (EUR 14,087 thousand). EUR 12,405 thousand of these are attributable to non-banks and EUR 1,681 thousand to banks. The main items are performance bonds in the amount of EUR 8,795 thousand, guarantees for bonds in the amount of EUR 1,481 thousand, rental guarantees in the amount of EUR 1,404 thousand and payment guarantees in the amount of EUR 1,307 thousand. This is offset by collateral in the amount of EUR 12,789 thousand and risk provisions in the form of provisions in the amount of EUR 9 thousand.

96. There are irrevocable loan commitments in the amount of EUR 3,539 thousand. Risk provisions in the form of provisions were recognized in the amount of EUR 38 thousand.

6.3. Earnings situation

6.3.1. Development of the earnings situation

97. The following income statement is based on the income statements for the last two financial years:

Amounts in TEUR	2023	2022	Change
Interest income	36.043	13.297	171%
Interest expenses	20.560	5.725	259%
Commission income	5.950	6.959	-14%
Commission expenses	139	229	-39%
General administrative expenses gen	8.451	6.660	27%
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	255	148	72%
Other operating income	1.709	778	120%
Other operating expenses	2.190	0	100%
Write-downs and value adjustments on receivables and certain securities as well as additions to provisions in the lending business. business	2.990	59	4968%
Income from write-ups to receivables and certain securities as well as from the reversal of impairment losses. Provisions in the lending business	2.939	35	8297%
Taxes on income and Yield	4.464	3.659	22%
Other taxes	23	0	100%
Net income for the year	**7.615**	**4.589**	**66%**

98. With regard to the possible effects of interest rate risks, please refer to our comments in section 9.6.2.

99. According to the documents submitted and our audit findings, the earnings situation was orderly in the reporting year and also secure at all times at the time of our audit.

6.3.2. Notes on the earnings position

100. In the following, we explain the main items of the income statement for the 2023 financial year, insofar as we consider explanations to be necessary at our discretion, taking into account the relative importance of the respective item. Where information on individual items can be found in the notes, we have refrained from repeating them.

101. Within interest income, interest from the lending business and money market transactions rose from EUR 6.1 million to EUR 24.6 million due to the change in interest rates, of which interest on balances with the Deutsche Bundesbank rose from EUR 0.7 million to EUR 8.8 million.

102. Interest expenses increased from EUR 5.7 million to EUR 20.6 million due to interest on liabilities to customers being linked to interest rates.

103. Personnel expenses break down as follows:

Amounts in TEUR	2023	2022	Change
Wages and salaries	2.874	2.485	16%
Special payment	922	0	100%
Social security contributions	561	372	51%

104. The increase results from the rise in the average headcount from 29.25 in 2022 to 36.25 in 2023.

105. Other administrative expenses are essentially made up as follows:

Amounts in TEUR	2023	2022	Change
Legal, consulting and audit costs	918	972	-54
Group contribution	860	789	71
Fees and contributions	265	430	-165

Room rental and other room costs	441	297	144
Services provided by affiliated companies	273	275	-2
Other IT costs	524	155	369
Rental and maintenance of IT equipment and office machines	60	107	-48
Other	78	64	14

106. Other operating income results in particular from the currency result in the amount of EUR 1.7 million (previous year: EUR 0.7 million). in the amount of EUR 1.7 million (previous year: EUR 0.7 million).

107. Other operating expenses consist of the addition to the provision for onerous contracts in accordance with IDW RS BFA 3 n.F. in the amount of EUR 2.2 million.

108. It was not necessary to recognize deferred tax assets or liabilities in the reporting year or the previous year. Taxes on income therefore consist of payments or refunds of corporation tax, solidarity surcharge and trade tax, as well as additions to tax provisions.

109. The reporting year closed with a net profit of EUR 7.6 million (previous year: EUR 4.6 million).

6.4. Liquidity position

110. Please refer to section 9.6.3 with regard to the management and monitoring of the Bank's liquidity risks and the determination and monitoring of liquidity ratios.

111. The Bank primarily uses funds from banks and customer deposits for refinancing. The Bank does not have any externally committed refinancing lines. According to our findings and the information provided to us, there were no securities deposited with the Deutsche Bundesbank on the balance sheet date.

112. According to our findings, the bank was solvent at all times during the reporting year. According to the documents submitted and our audit findings, the financial and liquidity position was orderly in the reporting year and was also secure at all times at the time of our audit.

6.5. Risk situation

113. Please refer to our comments in section 9 for information on the risk strategy, risk-bearing capacity, upper loss limits and risk limits and their utilization. Please refer to our comments in section 5.2.2 for a description and assessment of the procedure for determining risk provisioning.

114. The balance sheet risk provision developed as follows in the reporting period:

in TEUR	01.01.2023	FX effect	Consumption	Resolution	Feed	Rebooking	31.12.2023
deducted from assets							
Individual value adjustments	0	0	0	0	0	0	0
Flat-rate value adjustments	2.024	0	0	2	69	0	2.091
recognized under provisions meadows	63	0	0	16	0	0	47
Risk provisioning	**2.024**	**0**	**0**	**2**	**69**	**0**	**2.091**

115. According to the bank, no new significant risk provisioning requirements have become known for the period after the balance sheet date. We had no indications of any deviating findings.

116. No contingency reserves pursuant to Section 340f HGB or Section 340g HGB were formed in the reporting year.

117. As a result of our audit, we have come to the conclusion that the Bank has recognized adequate risk provisions overall.

7. Legal, economic and organizational basis

7.1. Legal basis

Corporate law principles

118. The bank has the legal form of a stock corporation and is entered in the commercial register of the Frankfurt am Main district court under HRB 36083. A current extract from the commercial register was available to us.

119. The company's Articles of Association were last amended on July 14, 2022. We did not identify any violations of the Articles of Association during our audit.

Capital and shareholder structure

120. The bank's share capital as at December 31, 2023 remains unchanged at EUR 73,007,881.51 and is divided into 142,791 no-par value registered shares.

121. The Bank's share register shows the following ownership structure as at the balance sheet date:

Shareholders	Number of shares	%
KEB Hana Bank, Seoul, Korea	142.791	100,0
Total	**142.791**	**100,0**

Management and executive bodies

122. The executive bodies of the Bank are the Management Board, the Supervisory Board and the Annual General Meeting.

123. The Management Board consists of at least two members. The number of Management Board members is determined by the Supervisory Board.

124. The Management Board consisted of two members in the 2023 financial year:

- Mr. Seagull Kim, Market, Chairman (until February 10, 2023),
- Mr. Tae Han Kim, Market, Chairman (from February 10, 2023) and
- Mr. Alexander Frey, Back Office.

125. Please refer to the organizational chart in Appendix 5 for the allocation of responsibilities of the Management Board.

126. The Executive Board has adopted rules of procedure for its activities in the version dated February 10, 2023.

127. The Supervisory Board consists of three members. They are elected for the period until the end of the Annual General Meeting that resolves on the discharge for the fourth financial year after the start of the term of office. The resolutions of the Supervisory Board are passed by a simple majority of the participating members. The Supervisory Board is only quorate if at least half of its members, including the Chairman or a Deputy Chairman, are present or participate in the resolution.

128. The members of the Supervisory Board in the reporting year were

- Mr. Ki Jin LeeChairman (until March 1, 2023)
- Mr. Haigoo JungChairman (from March 1, 2023)
- Mr. Chang Wook PaeDeputy Chairman
- Ms. Soo-Yeon Hong Employee representative.

129. The Supervisory Board has not formed any committees from among its members.

130. According to the minutes provided to us, four meetings of the Supervisory Board were held in the financial year on March 31, June 30, September 29 and December 29, 2023.

131. In the reporting year, an Extraordinary General Meeting was held on March 1, 2023 and an Ordinary General Meeting was held on August 11, 2023, at which the following resolutions were passed:

- Election of Mr. Haigoo Jung to the company's Supervisory Board for the remainder of the term of office of the retired Supervisory Board member, Mr. Ki Jin Lee, i.e. until the end of the Annual General Meeting that resolves on the discharge for the 2026 financial year

- Presentation and approval of the annual financial statements adopted by the Supervisory Board as at December 31, 2022 as well as the management report and the report of the Supervisory Board as at December 31, 2022

- Appropriation of net retained profits as at December 31, 2022: full allocation to retained earnings

- Discharges and elections:
  - Discharge of the members of the company's Management Board in office in the 2022 financial year
  - Discharge of the members of the company's Supervisory Board in office in the 2022 financial year
  - Appointment of Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft as auditors for the 2023 financial year

Permission to conduct banking business

132. The initial license pursuant to Section 32 KWG to conduct banking business in accordance with § Section 1 (1) sentence 2 no. 1-5 and no. 7-9 KWG was granted to the bank by BaFin (then the German Federal Banking Supervisory Office) in its decision dated December 3, 1992. The license extends to the following banking transactions as at December 31, 2023:

Permits	Date of issue
Brokerage (Section 1 (1a) sentence 2 no. 2 KWG)	01.01.1998
Investment advice (Section 1 (1a) sentence 2 no. 1a KWG)	01.11.2007
Investment brokerage (Section 1 (1a) sentence 2 no. 1 KWG)	01.01.1998
Investment management (Section 1 (1a) sentence 2 no. 11 KWG)	26.03.2009
Custody business (Section 1 (1) sentence 2 no. 5 KWG)	03.12.1992
Discount business (Section 1 (1) sentence 2 no. 3 KWG)	03.12.1992
Third-country deposit brokerage (section 1 (1a) sentence 2 no. 5 KWG)	01.01.1998
Proprietary business (Section 32 (1a) KWG)	31.12.2010
Proprietary trading (Section 1 (1a) sentence 2 no. 4 KWG old version)	01.01.1998
Deposit business (Section 1 (1) sentence 2 no. 1 KWG)	03.12.1992
Issuing business (Section 1 (1) sentence 2 no. 10 KWG)	01.01.1998
Factoring (Section 1 (1a) sentence 2 no. 9 KWG)	25.12.2008
Finance leases (section 1 (1a) sentence 2 no. 10 KWG)	25.12.2008
Financial commission business (Section 1 (1) sentence 2 no. 4 KWG)	03.12.1992
Financial portfolio management (Section 1 (1a) sentence 2 no. 3 KWG)	01.01.1998
Guarantee business (Section 1 (1) sentence 2 no. 8 KWG)	03.12.1992

Lending business (Section 1 (1) sentence 2 no. 2 KWG)	03.12.1992

Placement business (Section 1 (1a) sentence 2 no. 1c KWG)	01.11.2007
Revolving business, so-called (Section 1 (1) sentence 2 no. 7 KWG)	03.12.1992
Cheque and bill of exchange collection and traveler's cheque business (Section 1 (1) sentence 2 no. 9 KWG)	31.10.2009
Foreign exchange business (Section 1 (1a) sentence 2 no. 7 KWG)	01.01.1998

133. No BaFin requirements had to be observed in the reporting year.

134. According to our audit, there are no indications that the bank exceeded the authorization granted in the reporting year.

7.2. Economic fundamentals

7.2.1. Structure of banking transactions

135. The object of KEBHD is the operation of banking and banking-related business of all kinds with the exception of investment business within the meaning of Section 1 (1) sentence 2 no. 6 KWG.

136. The bank is particularly active in the area of foreign trade financing (Trade Finance) and in the lending business to support Korean subsidiaries in Germany and Central and Eastern Europe (Commercial Banking). It also grants interbank and acceptance loans and conducts foreign exchange transactions (Financial Institutions Business). The retail banking business is only conducted to a very limited extent.

7.2.2. Material contracts

137. Economically significant contracts exist exclusively with affiliated companies and not with companies outside the KEBH Group. Please refer to the overview of significant outsourcing arrangements in Appendix 7.

7.2.3. Legal and business relationships with associated persons and related parties

138. The material transactions with the Bank during the reporting period and as of the audit date within the meaning of IAS 39 were as follows
§ The companies affiliated with KEBH pursuant to Section 15 AktG and Section 271 (2) HGB, including significant business relationships, are listed in the bank's dependent company report. The business relationships include money trading, foreign exchange trading and lending transactions as well as current account relationships, payment transaction services, management services and IT services within the KEBH Group.

139. Please refer to section 7.3.2 for information on outsourcing within the KEBH Group.

140. The bank was unable to provide us with a complete list of related parties. For data protection reasons, we do not have information on the close relatives of the Korean Supervisory Board members. Due to the Bank's business model, which only involves transactions with private individuals to a very limited extent, we do not see any material risk for transactions with related parties that are not concluded at arm's length.

7.3. Organizational basics

7.3.1. Organizational structure

141. In the past, the Bank's organizational and operational structure was mapped in an organizational manual. In the reporting year, the Bank began converting the organizational manual to a wiki provided online on the intranet. This changeover had not yet been completed as at the reporting date. In some cases, the documents in the organizational manual that are still valid do not clearly document whether an update has been made and since when the corresponding version of the work instruction has been applicable. In some cases, the articles in the wiki also lack information about the persons responsible and the time of applicability.

142. The organizational structure is shown in the organizational chart in Appendix 5.

143. There were no significant changes to the organizational basis in the reporting year.

144. The findings made in the previous year were processed by the Bank as follows:

Determination	Measure	Status
The "Accounting" work instruction was valid until October 31, 2022 and was only updated and approved as part of our audit.	n/a	Not recovera ble

7.3.2. Outsourcing of activities and processes

145. Organizational regulations on the outsourcing of activities and processes were submitted to us in a PDF file "OSM_policies" (as at November 15, 2022). The requirements of the 7th MaRisk amendment dated June 29, 2023 were not implemented in the reporting year. Among other things, the MaRisk amendment requires ESG risks to be taken into account as part of the risk analysis. The working guideline and the respective risk analyses should be adjusted accordingly. With regard to the implementation status of the requirements of the 7th MaRisk amendment, please also refer to section 8.

146. The outsourced activities and processes classified as material by the Bank as at December 31, 2023 are listed in Annex 7. In total, as at

According to the outsourcing register, nine outsourcing arrangements were classified as material on the audit date. KEBHD's Internal Audit department was outsourced as a special function in accordance with AT 9 para. 5 MaRisk in the reporting year. The material outsourcing of the Central Accounts Records Office (Section 24c KWG) to Bank-Verlag GmbH listed in the outsourcing register was planned for the 2023 reporting year, but did not materialize.

147. In addition, there were five outsourcing arrangements classified as immaterial as at December 31, 2023 according to the outsourcing register.

148. A risk analysis to determine materiality within the meaning of section 25b (1) sentence 1 KWG must be carried out before any outsourcing is carried out. The classification must always be justified and documented.

149. In accordance with internal bank regulations, the risk analysis is to be carried out by the relevant department using a questionnaire in the "ForumOSM" tool. The questionnaire includes questions to assess the respective risk in question. It covers default risks, legal risks, reputational risks, process risks and security risks. Three categories from "low" to "high" are provided for the probabilities of occurrence, each of which is assigned a score. This results in a weighted overall risk value, which leads to a classification as significant or insignificant outsourcing. The outsourcing officer checks the plausibility of the analysis and submits it to the Management Board for approval. The involvement of the other relevant specialist departments and the Internal Audit department is planned for organizational purposes.

150. We were provided with the documentation "ForumOSM Risk Cockpit", which includes risk analyses for four outsourcing arrangements classified as material (IITR Datenschutz GmbH, two times msg for banking AG, Greis & Brosent GmbH Wirtschaftsprüfungsge- sellschaft) and two service providers classified as other outsourcing arrangements (EUKO Consulting GmbH, REISSWOLF Archivservice GmbH). We note that risk analyses for the remaining five outsourcing arrangements classified as material and all six outsourcing arrangements classified as immaterial are missing and that the classification of the outsourcing arrangements as material or immaterial was not comprehensible in terms of risk, type, scope and complexity.

151. Two new outsourcing arrangements classified as material were made in the reporting year:

- Data Protection Officer (IITR Datenschutz GmbH),
- Whistleblowing - Whistleblower Reporting Office (Annerton Rechtsanwaltsgesellschaft mbH).

152. The Management Board decides on the implementation of outsourcing. We have obtained the contracts signed by the Board of Directors for the new material outsourcing arrangements.

153. In accordance with Section 24 (1) No. 19 KWG, an institution must notify BaFin of the intention to make a material outsourcing and its implementation. We have submitted the corresponding notifications to BaFin, which were made via the MVP portal, for all material outsourcing identified as at the balance sheet date. The notification of material outsourcing to Annerton Rechtsanwaltsgesellschaft mbH could not be submitted to us.

154. In addition, we were provided with contracts for the main outsourcing agreements, which we reviewed on a sample basis. We note that the new material outsourcing agreement with Annerton Rechtsanwaltsgesellschaft mbH does not comply with the requirements of AT 9 para. 7 MaRisk. The bank should ensure in terms of process organization (e.g. using the checklist provided to us) that the contracts for the material outsourcing arrangements comply with the requirements of AT 9 para. 7 MaRisk.

155. Mr. Ali Saglam acted as Outsourcing Officer in the reporting year until 30 November 2023. Since then, the position has been vacant in the reporting year and was filled on an interim basis by the back office manager Mr. Alexander Frey in order to continue to ensure the central coordination of the implementation of outsourcing-related precautions. This also includes keeping the outsourcing register (Outsourcing Register) with the immaterial and material outsourcing arrangements.

156. The outsourcing register is structured in accordance with the minimum information required by the EBA (see EBA guidelines on outsourcing dated February 25, 2019, para. 54 et seq.). We note that the outsourcing register was incomplete as at December 31, 2023 (among other things, classifications were missing for "ForumCMS", "Payroll Services" and "Printing & King Services", which were newly listed in the reporting year). The outsourcing register should be revised or supplemented accordingly in the near future. At the time of the audit, the bank classified the aforementioned services as "other external procurement" of minor importance.

157. Ongoing monitoring of outsourcing (annually for material outsourcing and two to three times a year for immaterial outsourcing) is the responsibility of the individual departments. We were provided with documentation entitled "ForumOSM completed monitoring activities", which lists some monitoring activities. Monitoring activities are missing, particularly for material outsourcing. We note that no sufficient ongoing monitoring in accordance with AT 9 para. 9 was performed in the 2023 reporting year. In particular, there is a lack of evaluated KPI reports and evaluated audit reports, e.g. in accordance with PS 951 or ISAE 3402. The Bank plans to catch up on monitoring activities as part of the contractual agreements in 2024 and document them accordingly.

158. In accordance with AT 9 para. 6 MaRisk, the bank must take precautions to ensure the continuity and quality of the outsourced activities and processes in the event of the intended or expected termination of the outsourcing agreement. In the event of unintended or unexpected termination of these outsourcing arrangements, the institution must review the feasibility of any options for action and adopt them. The options for action must be reviewed regularly and on an ad hoc basis. KEBHD documents the options for action and exit processes in ForumOSM. The ForumOSM documentation "Exit strategies" submitted to us includes strategies for the main outsourcing to IITR Datenschutz GmbH, msg for banking AG and Greis & Brosent GmbH Wirtschaftsprüfungsgesellschaft. However, strategies for the outsourcing to KEB Hana Bank, Seoul and Annerton Rechtsanwaltsgesellschaft mbH, which are classified as material, are missing. The bank plans to supplement the documentation accordingly. We were not provided with event-driven documentation within the meaning of AT 9 para. 6 MaRisk.

159. The outsourcing officer reports to the Management Board at least once a year on the main outsourcings in accordance with work instructions. An annual report for the 2023 reporting period was not submitted to us. The new outsourcing officer, Ms. Lehnen, is to carry out an outsourcing inventory via ForumOSM after joining the company (April 2024) and prepare an ad hoc report based on this.

160. The findings made in the previous year were processed by the Bank as follows:

Findings	Measures	Status
The update of the risk analyses for the significant outsourcing arrangements for the 2022 financial year was not completed until March 2023 in accordance with our audit findings.	n/a	Not recoverable
However, according to our audit findings, KEBHD has not documented any monitoring measures for the management of the risks associated with the material outsourcings.	The control actions are to be entered in ForumOSM.	Not fixed
The new outsourcing framework agreement concluded with the parent company in the reporting year does not contain a service description or clearly defined performance targets. Furthermore, we were unable to obtain the service level agreements for the "e-banking" and "transaction monitoring and sanction screening" services listed separately as significant outsourcing.	According to the internal audit follow-up list, revised versions are available. We were unable to obtain any dated or signed contracts.	Not fixed
In accordance with MaRisk, central outsourcing management must prepare a report on material outsourcing arrangements at least once a year and make it available to the Executive Board. We were unable to obtain written reporting for	The bank refrains from preparing a report retrospectively. A report for 2023 was also not submitted to us and is no longer planned, as the outsourcing officer left the bank in fall 2023.	Not recoverable

Findings	Measures	Status
be presented for the 2022 financial year.		
In the reporting year, the outsourcing of "Credit Risk and PD Valuation", which is classified as material, was included in the newly concluded framework agreement with the parent company. However, no monitoring processes were defined.	A corresponding Service Level Agreement (SLA) was in place, in which KPIs and KRIs were defined.	Fixed

161. The requirements of Sections 25b, 25c (4a) No. 6 KWG were not fully met in the reporting year due to the existing deficiencies.

7.3.3. Use of contractually bound intermediaries

162. The Bank did not use any tied agents within the meaning of Section 25e KWG in the reporting year.

7.3.4. Customization processes New product process

163. In accordance with AT 8.1 MaRisk, KEBHD must implement a new product process. Furthermore, the bank must develop a concept for the commencement of business activities in new products or new markets.

164. The organizational guideline "Manual New-Product-Process" (as of 14 June 2023) provides a detailed process for identifying and commencing business activities in new products or new markets, which is summarized in the following diagram:

Process steps	Decision	Risk analysis	Concept	Test phase	Incorporation in current business	Documentation	Review
Involved dempartments or functions	Front office / trading and a department independent of front office/trading	Risk controlling function, among others	All organizational units subsequently involved in the work processes, Risk controlling function, Compliance function, Internal audit	All organizational units subsequently involved in the work processes, Risk controlling function, Compliance function, Internal audit	Front office / trading	All organizational units subsequently involved in the work processes	All organizational units subsequently involved in the work processes, Risk controlling function, Compliance function, Internal audit
Approval	None		Board of Directors		Board of Directors		

165. The process begins with the decision as to whether a new product exists. The general rule is that a new product exists if it cannot be handled appropriately within the existing organizational structures. The decision must be made by the market divisions and another department that is independent of the market.

166. Once a new product has been identified, the responsible department must prepare a risk analysis. The responsible specialist department must involve the Risk Management department in this process.

167. Based on the risk analysis, a concept is created in the next step if necessary. The basic concept structure is defined in the organizational guideline Manual New-Product-Process, which includes a description of the product, expected income and expenses as well as technical, organizational and regulatory aspects. The concept must be approved by the entire Management Board.

168. The scope and duration of any subsequent test phase depend on the complexity of the new product and the interim results of the test phase. Prior to the transition from the test phase to the productive phase, approval must be obtained from the entire Management Board.

169. Once the product has been introduced, the written regulations must be adapted or supplemented accordingly. In this context, all organizational guidelines are reviewed annually or on an ad hoc basis to ensure that they are up to date.

170. The product and service catalog was available to us in the current version (as of September 9, 2023). An annual review of the catalog is planned as part of the process. Products and services that are no longer provided by KEBHD are marked accordingly in the catalog. In the event of resumption, the responsible departments must provide confirmation for the marked products and services.

that no changes have been made. Otherwise, the NPP must be run through again.

171. As far as we are aware, no new product processes were completed in the reporting year.

172. KEBHD's regulations on the commencement of business activities in new products or new markets comply with the requirements of AT 8.1 MaRisk.

Changes to operational processes

173. In accordance with AT 8.2 MaRisk, KEBHD must analyse the effects of the planned changes on the control procedures and control intensity before making significant changes to the organizational and operational structure and IT systems. The organizational units subsequently involved in the work processes must be included in these analyses. The risk controlling function, the compliance function and the internal audit department must also be involved as part of their duties.

174. Regulations on this can be found in the organizational guideline "Manual Changes of operational processes or structures" (as at 6 June 2023). Accordingly, the Bank has implemented a process for analysing the impact of changes on control procedures and control intensity in the event of significant changes to the organizational and operational structure or IT systems.

175. In a first step, the responsible department carries out an impact analysis using a standardized template ("AT 8.2_template"). The impact analysis must be forwarded to the risk controlling and compliance function, the IT security and data protection officer and Internal Audit. Once the analysis has been completed, the Management Board is informed of the results.

176. In accordance with AT 8.2 MaRisk, the bank must analyze the effects of the planned changes on the control procedures and control intensity before making significant changes to the organizational and operational structure and IT systems.

177. No significant changes were made to the organizational and operational structure in the reporting year.

178. KEBHD's regulations on changes to operational processes or structures comply with the requirements of AT 8.2 MaRisk.

Takeovers and mergers

179. In the case of takeovers and mergers, KEBHD must prepare a concept in advance in accordance with the requirements of AT 8.3 MaRisk, which includes the main strategic objectives, the expected material consequences for risk management and the significant effects on the overall risk profile, the planned medium-term economic development and the corresponding adjustments to the risk management and controlling processes and the bank's IT systems.

180. Corresponding regulations are contained in the organizational guideline "Manual Changes of operational processes or structures".

181. There were no takeovers of other companies or mergers with other companies in the reporting period.

182. The findings made in the previous year were processed by the Bank as follows:

Findings	Measures	Status
A review of the catalog as part of the annual review of OHB is planned, but did not take place in the 2022 financial year. During our review of the product and service catalog, we noted that the Bank only lists the products and not the individual markets in accordance with AT 8.1 para. 2 MaRisk. We consider it necessary to revise the catalog of products and services.	The product catalog was revised in August 2023. A list of countries and sales channels was added. The completeness and accuracy have been confirmed by the front office.	Fixed
The effects of the changes on the control procedures and the control intensity were analyzed as part of the introduction of BAIS, but not documented.	Corresponding documentation was submitted.	Fixed
We assess the process for compliance with the requirements of AT 8	The documentation in the OHB has been revised. Accordingly	Fixed

Findings	Measures	Status
MaRisk to the changes in operational processes and structures against the backdrop of the very late implementation of analyses.	In future, the relevant steps must be taken in good time before processes and/or structures are changed. The topic was also addressed in the RMC on December 12, 2023.	

7.4. Foreign branches

183. The Bank does not have any foreign branches as at the reporting date.

184. There is only one representative office in Ostrava, Czech Republic, to support existing customers.

8. Status of implementation of the 7th MaRisk amendment

185. On June 29, 2023, the final version of the 7th amendment to the Minimum Requirements for the Risk Management of Institutions (MaRisk) was published. This transposes the comprehensive requirements of the EBA guidelines on lending and monitoring (EBA/GL/2020/06) into German supervisory law. Other significant changes also relate to requirements for dealing with sustainability risks, provisions for dealing with real estate risks and the management of model risks.

186. In addition to these innovations, the revised MaRisk also contains several clarifications that do not constitute new regulatory content, but merely reflect existing administrative practice.

187. While the amendments, which are merely of a clarifying nature, were to be applied immediately after publication, the institutions only have to comply with the new requirements from January 1, 2024.

188. To date, the Bank has taken/implemented the following measures in particular to adopt EBA Guideline EBA/GL/2020/06:

- As part of a gap analysis on ESG risks, the following was determined for BTO 1.2 para. 1 MaRisk
  i. in conjunction with section 4.3.6 EBA/GL/2020/06 (environmentally sustainable lending), it was first determined that no loans are currently defined as environmentally sustainable loans and that there is therefore no need for action. The relevant analysis had not yet been completed at the time of the audit.

- We did not have any documentation on the implementation of the following clarifying explanations with regard to EBA Guideline EBA/GL/2020/06:

  - AT 4.3.2 MaRisk i. in conjunction with Section 8.1 EBA/GL/2020/06 (General provisions on the framework for credit risk monitoring),
  - BTO 1.2 para. 3 MaRisk i. in conjunction with section 7.3 EBA/GL/2020/06 (criteria for experts),
  - BTO 1.2.1 para. 1 MaRisk i. in conjunction with section 5.2 EBA/GL/2020/06 (assessment of the borrower's creditworthiness),
  - BTO 1.2.1 para. 2 MaRisk i. In conjunction with Section 7.1.1 (Collateralization with real estate) and Section 7.1.2 (Collateralization with movable assets) EBA/GL/2020/06,

- BTO 1.2.2 para. 3 MaRisk i. In conjunction with Section 7.1.1 (Collateralization with real estate) and Section 7.1.2 (Collateralization with movable assets) EBA/GL/2020/06,
- BTO 1.3.1 para. 2 MaRisk i. in conjunction with section no. 274 EBA/GL/2020/06 (parameters as risk characteristics for early risk identification).

189. Measures to implement the new requirements for data quality, validation and explainability of models under Pillar II (AT 4.3.5 MaRisk) were implemented as part of the introduction of THINC. The data quality in THINC is checked monthly at several points. A dual control principle is mandatory for manual entries and adjustments. The models used are also validated on a regular basis.

190. To implement the new requirements for taking ESG risks into account, the Bank was supported by the external service provider msg for banking AG (msg), Frankfurt am Main, as part of a project. The status of implementation as at the reporting date of December 31, 2023 is as follows

Consideration of ESG risks	Measures/implementation status
Consideration as a risk (AT 2.2)	ESG risks have been identified on a qualitative basis as part of the ESG risk inventory. The focus here was on the e-component. The extent to which the parameters required to quantify the influence of ESG factors on risk-bearing capacity should be examined was not known at the time of the audit. still open.
Risk-bearing capacity (AT 4.1)	Currently, ESG risks are not yet taken into account as part of the risk-bearing capacity. The available data history is currently insufficient. to investigate ESG risks.
Stress tests (AT 4.3.3)	The stress tests do not currently include ESG risks. As part of the project, a meaningful integration of ESG risks into existing stress tests or separate stress tests or scenario analyses is to be developed. lyses are analyzed.

Consideration of ESG risks	Measures/implementation status
Processes in the lending business (BTO 1.2)	There is currently no separate credit risk strategy. As part of the project, the need to create a separate credit risk strategy will be examined. The project will also analyze the extent to which an ESG scoring can be sensibly introduced.
Risk reports (BT 3.1)	Currently, ESG risks are not yet included in the risk reporting to the Executive Board (so far there is only an indication that ESG risks are being addressed). The results of the analysis of the loan portfolio with regard to greenhouse gas-intensive sectors were presented for the first time in the risk report as at December 31, 2023. The project aims to further investigate the extent to which ESG risks can be meaningfully integrated into risk reporting. can be grasped.
Reports from the risk controlling function (BT 3.2)	To date, the impact of ESG risks has not been taken into account in the overall risk report. The project aims to analyze the extent to which meaningful, management-relevant KPIs can be anchored in the risk report. In addition, dependencies of the business model on ESG risks are to be analyzed in more detail. and taken into account appropriately if necessary.

191. With regard to the implementation of the clarifications from the MaRisk amendment, we also refer to the presentation in the individual sections on the MaRisk-relevant topics.

9. Risk management and business organization

9.1. Fundamentals of risk management

192. The Bank has summarized the regulations for implementing the requirements of Section 25a (1) KWG and MaRisk - including the business and risk strategy - in organizational guidelines and work instructions, which are accessible to all employees at all times on the Bank's intranet.

193. The Management Board bears overall responsibility for risk management. It sets risk policy guidelines and is responsible for their implementation.

194. The Bank has set up a Risk Management Committee, which meets in accordance with the "Rules of Procedure for the Risk Management Committee" (as at May 15, 2023) is composed in particular of the Chief Market Officer, the Chief Risk Officer, the Compliance Officer, the Head of Risk Management, the Head of Accounting, the Head of Treasury and the Head of Credit and performs the following key tasks:

- Implementation of business and risk strategies,
- Supervision of the bank's risk management system; this includes the structure, risk profile, complexity of business activities, as well as the principles and procedures for risk management governance, risk management processes and the risk control infrastructure,
- Monitoring the effectiveness of the risk management system,
- Review of material risks and procedures for risk quantification, and
- Monitoring and assessment of risk-bearing capacity.

195. The Risk Management Committee meets regularly, but at least quarterly.

196. Risk management and risk controlling are implemented in the Bank by the following matrix organization as at 31 December 2023

Type of risk	Risk manager	Risk controlling
Counterparty default risks	Various market departments	Risk management
Market price risk	Treasury	Risk management
Liquidity risk	Treasury	Risk management

Operational risks	Decentralized management in the individual departments	Risk management
Other Significant risks	Treasury / Overall Management Board	Risk management

197. The Bank uses the THINC risk management system. The functionalities and modules within this system enable the risk controlling function to carry out the methods for quantifying individual risk types as well as the overarching components of risk-bearing capacity, portfolio and scenario analyses and the planning of the ad- verse scenario.

198. KEBHD is supported by the parent company as part of risk management, particularly in the assessment of credit risks and probabilities of default (see section 7.3.2).

199. With regard to the implementation status of the 7th MaRisk amendment, please also refer to section 8.

9.2. Business and risk strategy

200. The Bank's strategy and planning process comprises the preparation of the business and risk strategy as well as capital planning and is defined in the "Strategy Process and Capital Planning Process" organizational guideline (as at 31 March 2023). The Management Board is responsible for defining and adjusting these guidelines.

201. The Bank's annual strategy process is divided into the steps "planning", "implementation", "assessment" and "adjustment" and is closely integrated into the Group-wide strategy process. As part of the planning process, which takes place in the first half of the year, the bank's financial targets are discussed and defined with the parent company, taking into account (Group) internal and external influencing factors, and new business activities are evaluated. The Management Board, supported by the business and risk departments, then defines targets and measures for the main business activities on the basis of the business plan. Implementation and target achievement are assessed on an ongoing basis. In the event of significant deviations and/or major changes in internal or external influencing factors, an extraordinary adjustment of the strategy is planned. The risk strategy is generally adjusted in parallel.

202. According to the findings of the Bundesbank's special audit on compliance with the minimum requirements for risk management, both the

business and risk strategy were fundamentally revised. In addition, a risk appetite framework was defined in which the objectives of the risk strategy are operationalized via the specifically defined risk appetite. The underlying risk appetite framework has been communicated to all employees.

203. The current business strategy was approved by the Board of Directors on June 20, 2023 in accordance with internal bank regulations in the reporting year. The current risk strategy was approved by the Board of Directors on October 18, 2023.

204. According to our findings, the risk strategy is consistent with the business strategy and includes the definition of the risk appetite for the material risks (e.g. for the lending business).

205. The level of detail of the strategy(ies) is appropriate in terms of the scope, complexity and risk content of the business activities. In our opinion, the objectives set out in the strategies are formulated in such a way that it is possible to review the achievement of objectives.

206. Capital planning is based on the business and risk strategy and the requirements in the "Normative perspective of the RBC" manual (as at February 1, 2023). It is geared towards the planned business and reflects negative developments in the adverse scenario. The planning horizon covers a period of three years.

207. According to the minutes available to us, the business and risk strategies, including the necessary adjustments, were not presented to and discussed by the Supervisory Board. In this respect, the requirements of AT 4.2 para. 6 MaRisk were not met.

208. As part of the 7th MaRisk amendment, the requirements for the business model analysis were amended to clarify that institutions should assess whether their own business model can be maintained over a reasonably long period of several years or whether there is a need to adjust the business model and take strategic management measures. Such an assessment was not included in the present business strategy.

209. According to this gap analysis, the bank plans to anchor ESG issues in its business strategy with corresponding KPIs in the future and to derive possible derivations for the risk strategy from this.

210. Our audit did not lead to any findings that the Institute's strategies are not geared towards its sustainable development.

9.3. Risk inventory

211. In order to identify the main risks, the risk controlling function carries out a risk inventory once a year and on an ad hoc basis, taking into account the specific circumstances of the institution.

212. In the organizational guidelines "Process: Execution of Risk Inventory" and "Risk Inventory" (both as at 24 July 2023), the Bank has set out in writing the procedure for carrying out the inventory and the requirements for carrying it out on an ad hoc basis.

213. The Bank carried out a risk inventory on this basis, which was approved by the Executive Board on July 24, 2023. A distinction was made between material and non-material risks on the basis of materiality thresholds and risk concentrations were taken into account.

214. According to the risk inventory dated July 24, 2023, the main risks and significant risk subtypes are as follows

Significant types of risk	Significant risk subtypes
Counterparty default risk	Default risk incl. migration risk (credit portfolio)
	Country risk (sovereign risk)
	Concentration risk (counterparty risk)
	Country transfer and conversion risk
Market price risk	Interest rate risk
	Credit spread risk
Liquidity risk	Risk of insolvency
	Concentration risk
Operational risk	Risk from internal fraudulent activities
	Risk from external fraudulent activities
	Risks from employees
	Risks from execution, delivery and process management
	Risks in systems (IT) incl. cyber risks
	Project risks
	Model risk
	Regulatory risk
	Outsourcing risk
Other risks	Business risk: earnings risks
	Business risk: Cost risks

215. ESG risks were identified for the first time as part of the risk inventory with regard to counterparty default risks and operational risks. In future, ESG risks are to be quantified as part of scenario analyses based on an appropriately long period of time (see also section 8).

9.4. Risk-bearing capacity concept

9.4.1. Presentation of the risk-bearing capacity concept

216. In order to map risk-bearing capacity and integrate it into overall bank management, the Bank has regulations and procedures with which it assesses and monitors the adequacy of its capital resources from both a normative and an economic perspective (Internal Capital Adequacy Assessment Process - "ICAAP").

217. On the basis of the overall risk profile, it must be ensured that the institution's material risks are covered by the risk coverage potential at all times and that the risk-bearing capacity is therefore ensured.

218. The Bank calculates the risk potential on a quarterly basis and compares this with the risk coverage potential. The ongoing safeguarding of risk-bearing capacity is ensured via the unallocated risk coverage potential within the risk-bearing capacity calculation and the operational limitation of material risks.

219. The risk controlling function is responsible for determining the risk cover amount and economic capital on a quarterly basis and monitoring compliance with the risk limits.

220. The Bank manages according to two complementary perspectives - an economic and a normative perspective - with the objectives of future-oriented continuation of the institution and protection of creditors.

9.4.2. Economic perspective

221. In the first half of 2023, the aggregate risk cover in the economic perspective was still calculated using value-oriented adjustments to the regulatory core capital. Up to and including June 30, 2023, the Bank took into account Tier 1 and Tier 2 capital, hidden losses and reserves for securities, a risk premium on the expected loss from counterparty default risk and the management buffer for a portion of the material operational risks and for immaterial risks.

222. As at June 30, 2023, the aggregate risk cover from an economic perspective was as follows

Risk bearing capacity	30.06.2023 in TEUR
tier 1 capital	136.302
tier 2 capital	49
capital increase	
hidden losses - risk-free valuation of the interest book	
hidden reserves - risk-free valuation of the interest book	7.410
hidden losses - market valuation of bonds/securities	-8.600
Risk premium Counterparty Risk = EL	-8.426
Risk coverage potential	**126.734**
management buffer for (non-)material risks	-11.300
Risk coverage amount	**115.434**

223. Since the second half of 2023, the Bank has calculated the aggregate risk cover in the economic perspective using the present value approach. In accordance with the organizational guideline
"Process: Calculate the present value for the economic perspective" (as at July 24, 2023), the present value of the banking book (interest book), the liquidity contribution, the present values of administrative and risk costs and the present value of commission income (existing business) are calculated using the THINC/ sDIS+ application. In addition, prepaid expenses and deferred income are taken into account.

224. As at 30 September and 31 December 2023, the aggregate risk cover, the limits derived from it and the limit utilizations were as follows

Risk bearing capacity	Base case 30.09.2023 in TEUR	Base case 31.12.2023 in TEUR
present value of customer & own business	150.818	154.603
liquidity contribution	-0	-2
administrative expenses	-2.098	-4.079
expected loss	-2.521	-2.452
fee & commision income	2.881	2.205
Prepaid expenses and other assets (active)	301	2
Prepaid expenses and other assets (liabilities)	-62	-2
Risk coverage potential	**149.318**	**150.275**
management buffer	-11.200	-11.200
Risk coverage amount	**138.118**	**139.075**
Total limit	**110.700**	**110.700**
total utilization rcp	66.815	63.909
Utilization in %	**60,4%**	**57,7%**

	Limit in TEUR	Risk values in TEUR	Limit utilization	Risk values in TEUR	Limit utilization
Counterparty Risk	**65.000**	**47.464**	**73,0%**	**47.049**	**72,4%**
Counterparty default risk incl. migration risk, concentration risk and transfer & convertibility risk	65.000	47.464	73,0%	47.049	72,4%
Market Price Risk	**35.000**	**10.583**	**30,2%**	**8.093**	**23,1%**
Interest rate risk in the banking book	15.000	1.223	8,2%	0	0,0%
Credit spread risk	20.000	9.360	46,8%	8.093	40,5%
Operational risk	**2.700**	**2.274**	**84,2%**	**2.274**	**84,2%**
Business risk	**8.000**	**6.494**	**81,2%**	**6.494**	**81,2%**
Total	**110.700**	**66.815**	**60,4%**	**63.909**	**57,7%**

225. The responsibilities and guidelines for monitoring compliance with the risk appetite were defined in the "Risk Appetite Framework" (as at October 16, 2023). All material risks were included, taking into account risk concentrations. By establishing the risk appetite, the Management Board consciously decides to what extent it is prepared to take risks.

226. The risk appetite is reviewed at least once a year or on an ad-hoc basis.

227. The Risk Management department monitors ongoing compliance with the risk appetite and reports on this to the Risk Management Committee on a quarterly basis.

228. The Bank does not take into account any risk-reducing diversification effects between the risk types when determining the risk potential.

229. The limits were adhered to at all times during the reporting year.

9.4.3. Normative perspective

230. In the normative perspective, the normative risk coverage potential (regulatory own funds) is compared with the regulatory risk potential (RWA). The normative perspective essentially comprises a multi-year assessment of the ability to continuously meet the regulatory capital requirements. The calculation of own funds and RWA is based on the procedures applied by the bank in accordance with the CRR (see section 12.4).

231. The risk-weighted assets (RWA) and the regulatory total capital ratio amounted to EUR 393,942 thousand or 35.8% as at December 31, 2023 according to the own funds report.

232. In accordance with the SREP decision of February 2, 2023, the SREP surcharge was reduced to 4.5% (previously: 7.5%) and the net own funds target ratio to 0.0% (previously: 0.70%). Against this backdrop, the regulatory total capital requirement as at December 31, 2023 decreased year-on-year to 15.53% (December 31, 2022: 18,88 %).

233. Based on KEBHD's business and risk strategy and risk appetite, the regulatory total capital requirement plus one percentage point was set as the internal limit. Accordingly, a limit of 16.53% was set as at December 31, 2023, which the bank intends to comply with at all times in the base scenario.

234. KEBHD calculates the normative perspective as part of capital planning in both the base scenario and the adverse scenario. In the adverse scenario, a European or global recession is simulated, which has a particularly negative impact on net interest and commission income, counterparty default risks and operational risks.

235. The risk-bearing capacity was met in the normative perspective as at the audit date of December 31, 2023 for both the baseline and adverse scenarios. This also applies to capital planning up to 2026.

9.4.4. Summarized assessment

236. The procedures established to determine the institution's risk-bearing capacity ensure that risks and risk coverage potential are determined prudently.

237. With regard to the planned future inclusion of ESG risks in the risk-bearing capacity concept, please refer to section 8.

9.5. Stress tests

238. In accordance with Section 25c (4a) No. 3 KWG, the Bank carries out regular and ad hoc stress tests for the material risks and the overall risk profile based on a confidence level of 99.9% and reviews the results with regard to any need for action. Regulations are defined in the organizational guideline "Manual ICAAP RBC Stress Tests" (as at 13 October 2023).

239. The following stress scenarios were defined as at the reporting date of December 31, 2023:

Stress test	Individual scenarios	Frequency
Macroeconomic stress test	Severe economic downturn, decline in GDP, rise in unemployment rate and inflation, disruptions in global trade, deterioration in creditworthiness	quarterly
Historic stress test	The impact of the 2008/2009 financial crisis on credit risk and credit spread risk, period of rising interest rates on interest rate risk, period of the last five years on business risk	quarterly
Inverse stress test	Individual risks are stressed until the total risk amount exceeds the risk coverage potential	yearly
Adverse stress test	Severe economic downturn, decline in GDP, increase in unemployment rate and inflation, disruptions in global trade, increase in insolvencies, deterioration in the creditworthiness of both customers and the bank	yearly
Types of risk Specific stress tests	Individual stress scenarios and factors for specific risk types	quarterly
Ad-hoc stress test	Severe economic downturn in Germany, Europe, Asia and worldwide, pandemics, Wars, political elections, other factors	ad-hoc

240. As part of the stress scenarios, the THINC application is used to stress default risks, interest rate risks, credit spread risks, operational risks, business risks and concentration risks in particular.

241. The Bank carries out stress tests on an ad hoc basis if the political or macroeconomic conditions change significantly. In the reporting period, the Bank did not observe any developments that would trigger ad hoc stress tests.

242. The results of the stress tests are critically reflected in the quarterly risk reports as part of the presentation of risk-bearing capacity.

243. The appropriateness of the stress tests and their underlying assumptions are reviewed and, if necessary, modified as part of the regular update of the "Manual ICAAP RBC Stress Tests" organizational guideline.

244. In our opinion, the stress tests performed by the Bank are appropriate and sufficient for the scope of the Bank's business.

245. With regard to the planned future inclusion of ESG risks in the stress tests, please refer to section 8.

246. The findings made in the previous year were processed by the Bank as follows:

Determination	Measure	Status
With regard to the presentation of the stress test results for operational risks, the Internal Audit department has recommended that these be included in more detail in the next risk report with regard to AT 4.3.3 points 1 and 2 MaRisk.	The presentation was included in the risk report as at March 31, 2023 (presentation once a year).	fixed

9.6. Risk management of individual risk areas

247. The Bank has established rules for identifying, assessing and managing the individual risk areas in the risk strategy (as at October 18, 2023) and in the organizational guidelines "Economic perspective of the RBC" (as at October 12, 2023) and "Manual Operational Risks" (as at April 11, 2023).

248. With regard to limit utilization as at 31 December 2023, please refer to section 9.4.2.

9.6.1. Counterparty default risks

249. The Risk Management department is responsible for assessing and monitoring risks.

250. The Bank defines counterparty default risk as the potential loss from the default of a business partner (borrower, counterparty, issuer or other contractual partner) or the potential deterioration in the value of an original transaction that would result from non-performance by the respective business partner if contractually agreed services were not rendered.

251. Within counterparty default risk, the risk inventory classifies default risk including migration risk, concentration risk, country risk and country transfer and conversion risk as material (see section 9.3).

252. The economic capital for default risks is quantified in accordance with the "Risk Appetite Framework" using the credit value-at-risk in the CreditMetrics portfolio model with a confidence level of 99.9%. The capital requirement is determined on the basis of the modeled CVaR value.

253. Counterparty default risks are included in the stress scenarios by means of increased default rates (see section 9.5).

254. In accordance with the requirements of AT 5 MaRisk, the Bank has set out in writing the positions included, the parameters used and their sources for quantifying the counterparty default risk.

255. When quantifying the economic capital for counterparty default risk, the Bank takes into account the correlations between borrowers within a sector (intra-correlations) and correlations between borrowers in different sectors (inter-correlations).

256. The validation of the probabilities of default in the sense of backtesting is carried out by the parent company at least once a year. We were provided with the corresponding documentation "Validation Report on 2023 PD". KEBHD performs a review and assessment against the background of the institution-specific circumstances. Corresponding documentation was submitted to us dated February 21, 2023.

257. A key component in managing and limiting counterparty default risks is the assessment of risks at individual borrower level on the basis of an analysis of financial circumstances and the regular determination of a rating as part of the internal risk classification process (rating) used by the Bank. The Bank uses the rating system of the parent company.

258. The Bank has also set limits at country level (with the exception of South Korea and Germany) and for two industry sectors (automotive suppliers and tire manufacturers).

259. The quarterly risk reports to the Executive Board contain the components on counterparty default risks required in BT 3.2 para. 3 MaRisk.

260. As part of the 7th MaRisk amendment, it was clarified that the effects of ESG risks must be appropriately taken into account in measures to limit counterparty default risks (BTR 1 para. 1 MaRisk). This had not yet been implemented as at the audit date (see section 9.3).

261. We consider the methods and procedures used by the Bank to manage and monitor counterparty default risks to be appropriate and effective, with the exception of our findings.

9.6.2. Market price risks

262. The Risk Management department is responsible for assessing and monitoring market price risks. They are managed by the Treasury department.

263. KEBHD is classified as a non-trading book institution.

264. The Bank defines market price risk as the potential loss from the negative performance of positions or portfolios due to fluctuations in market value.

265. Within market price risks, the Bank classifies interest rate risk and credit spread risk as significant.

266. The present value interest rate risk in the banking book is quantified in the economic approach using VaR based on historical market data (modern historical simulation). For the calculation of credit spread risks, the VaR is determined using market data for securities at a confidence level of 99.9%, whereby the holding period and time horizon for the economic approach are 250 days and 1 day respectively.

267. A review of the procedures used and the underlying parameters for interest rate risks was carried out in the reporting year as part of the appropriateness tests with regard to economic risk-bearing capacity. As a result, the procedures/parameters were assessed as appropriate.

268. In its risk strategy, the Bank has stipulated that it only enters into interest rate risks to the extent that this is absolutely necessary to support its lending business. In order to minimize its interest rate risks, it pursues refinancing with matching maturities wherever possible.

269. The effects of various parallel shifts as well as twists and bends in the yield curve are considered as part of scenario analyses (interest rate shock indicator in accordance with Section 25a (2) sentence 1 KWG and additional early warning indicators). According to the risk report as at December 31, 2023, the interest rate scenarios had the following effects on the valuation of the items in the banking book

Interest rate change scenario	Change in present value (TEUR)	Change in present value in Ratio to own funds (%)
200 bps upwards	3.171	2,25
200 bps down	-3.112	-2,21
Parallel shift upwards	3.171	2,25
Parallel shift downwards	-3.112	-2,21
Distribution	-2.796	-1,99
Flattening	3.305	2,35
Short-term upward shock	4.046	2,87
Short-term downward shock	-4.240	-3,01

270. Market price risks are included in the stress scenarios (see section 9.5) by means of increased interest rate risks and credit spread risks.

271. Furthermore, the Bank calculates the potential loss from all interest-bearing components of the banking book annually as part of the loss-free valuation of the banking book. The Bank calculates the present value of the expected cash flows from the interest-bearing items by discounting them using the relevant yield curve at the time.

272. The Bank's credit spread risks result from debt securities held. To measure the credit spread risk, the Bank uses Bloomberg data to take into account the market-wide fluctuations in credit spreads for the bonds in the portfolio depending on the sector (financial institutions, companies, countries), credit rating, residual term and currency.

273. Historical credit spread curves for the currencies EUR and USD from Bloomberg are used to determine the credit spread risk. The credit spread scenario is determined from these historical time series in accordance with the interest rate and currency risk with a confidence level of 99.9%.

274. As part of the 7th MaRisk amendment, it was clarified that the effects of ESG risks must be taken into account in the limit system for limiting market price risks (BTR 2.1 para. 1 MaRisk). According to the current risk inventory, the Bank has not identified any ESG risks in this regard (see section 9.3).

275. We consider the methods and procedures used by the Bank to manage and monitor market price risks to be appropriate and effective.

9.6.3. Liquidity risks

276. The Risk Management department is responsible for assessing and monitoring liquidity risks. They are managed by the Treasury department.

277. Liquidity is mainly provided to the Bank through customer deposits and money market transactions on the interbank market or with Group companies.

278. The Bank defines liquidity risks as the risk of not being able to meet expected and unexpected payment obligations in the future or only being able to meet them to a limited extent and only being able to procure future refinancing funds at higher market interest rates. Concentration risks for refinancing sources are also taken into account.

279. Within the liquidity risks, the Bank classifies insolvency risk and concentration risk as significant.

280. The bank monitors compliance with the LCR on a daily basis. The ratio is mainly managed via the cash position at the Bundesbank. Treasury is responsible for maintaining sufficient liquid funds.

281. In addition, an internal NSFR limit of currently 110% is defined, which was not exceeded in the reporting period.

282. In order to record cash flow-related refinancing risks, THINC prepares liquidity maturity statements within the meaning of BTR 3.1 para. 3 MaRisk in EUR.

283. The Bank has defined general rules for liquidity stress tests in the "Manual ILAAP stress tests" guideline (as at July 25, 2023) and regularly reviews the degree of liquidity of assets and access to refinancing sources, at least as part of the quarterly RMC meetings.

284. With the support of the external consulting firm PPI AG, Hamburg, the bank has drawn up a recovery plan that also includes liquidity risks and a liquidity contingency plan. Liquidity is essentially ensured by a high risk buffer (i.e. correspondingly high cash reserves), also in connection with pledged deposits of the parent company in the amount of EUR 50.0 million.

285. The Bank has made arrangements for the allocation of liquidity costs in accordance with BTR 3.1 points 5 and 6 MaRisk and has set these out in writing.

286. The bank takes its individual refinancing costs into account when calculating prices for individual transactions. An Excel-based solution ("Liquidity Price Si- mulator") is used to allocate liquidity costs between the individual business areas in accordance with BTR 3.1 para. 5 MaRisk.

287. As part of the 7th MaRisk amendment, it was clarified that ESG risks must also be adequately taken into account in the context of liquidity risks. According to the current risk inventory, the bank has not identified any ESG risks in this regard (see section 9.3).

288. We consider the methods and procedures used by the Bank to manage and monitor liquidity risks to be appropriate and effective.

289. The findings made in the previous year were processed by the Bank as follows:

Determination	Measure	Status
As in the previous year, we were able to implement an internal refinancing plan for the reporting period with a multi-year perspective as defined by the German Corporate Governance Code. BTR 3.1 para. 12 not submitted	A refinancing plan with a multi-year perspective was drawn up.	Fixed

Determination	Measure	Status
become. We consider it necessary to draw up a corresponding report.		

9.6.4. Operational risks

290. The Risk Management department is responsible for assessing and monitoring operational risks. Responsibility for the management of operational risks is assumed by all employees.

291. The Bank has defined the strategic principles regarding the identification, assessment and management of operational risks in the risk strategy (as at October 18, 2023) and in the "Manual Operational Risks" (as at April 11, 2023).

292. The Bank defines operational risk as the risk of losses resulting from the inadequacy or failure of internal processes, people and systems as well as from external events.

293. The Bank quantifies operational risks on the basis of the CRR standardized approach using the average profit of the last three financial years. Profits from the interest and commission business and other operating income per business segment are multiplied by a beta factor for each individual business segment. Due to the low number of quantifiable historical loss events, the Bank uses the beta factors specified by the regulator. Due to the low number of loss events, the Bank considers the use of the regulatory beta factors to be more conservative, as its own calculation based on historical loss events would not provide any significant data.

294. The operational risk value is calculated on an annual basis.

295. In accordance with the "Manual Operational Risks", operational risks and loss events above a certain risk class ("important") are immediately reported to the Management Board and taken into account in the quarterly risk reporting. In addition, the events that occur are recorded in an Excel file in the Risk Management department. Accordingly, 22 events were classified as at least "important" in the reporting year. Of these, an actual loss was recorded for two events in the reporting year (net loss after consideration of reimbursements totaling EUR 42 thousand).

296. In addition, an annual Risk Control Self Assessment (RCSA) is carried out on an annual basis, in which all departments of the Bank assess their inherent risks, implemented controls and residual risk. The results are consolidated and evaluated by the Risk Management department and presented to the Risk Management Committee. In this context, model risks were defined as a significant operational risk for the first time in the reporting year.

297. As part of the 7th MaRisk amendment, it was clarified that the effects of ESG risks must be adequately taken into account when identifying and assessing operational risks (BTR 1 para. 1 MaRisk). ESG risks were queried as part of a risk control self-assessment (RCSA) for operational risks carried out in February 2023. No further assessment has been carried out to date. To this extent, the requirements had been partially implemented as at the audit date (see section 9.3).

298. We consider the methods and procedures used by the Bank to manage and monitor operational risks to be appropriate and effective, with the exception of our findings.

299. The findings made in the previous year were processed by the Bank as follows:

Determination	Measure	Status
In view of the fact that THINC is standard software from an external provider, we consider it necessary for the bank to ensure that it obtains sufficient evidence of the fundamental appropriateness of the methods and procedures used. These must then be supplemented by ongoing analyses by the bank, which in particular take into account the specific risk profile, the business model and the portfolio structure. In addition to the ongoing analyses, this also includes the possibility of especially in the case of anomalies in	In the reporting year, appropriateness tests were carried out on the methods and procedures used with regard to economic risk-bearing capacity.	Fixed

Determination	Measure	Status
to react on an ad-hoc basis and initiate appropriate measures with the external provider.		

9.6.5. Other risks

300. The Bank currently defines business risk as a significant other risk.

301. Business risk comprises the income and cost risk arising from the Bank's business activities and is defined as unexpected negative fluctuations in income due to changes in the economic environment or at the Bank itself. In addition, lower income than assumed in the planning or declining financial results due to a negative deviation in actual new business compared to the planned volume of new business can have an impact.

302. To monitor business risks, the Bank's planning and management processes include, in particular, a plan/actual comparison and the presentation of value drivers.

9.6.6. Risk communication and monitoring

303. The risk reporting process is defined in the organizational guidelines "Manual Risk Reporting" (as at 31 January 2023) and "Process: Creation of Overall Risk Report" (as at 31 January 2023).

304. The THINC risk management system ensures that risk values and relevant information for the overall risk report can be made available promptly. All modules of the THINC software are scenario-capable and can perform ad hoc analyses and simulations on the original portfolio or modified data sets at any time.

305. The Management Board receives the necessary information on the Bank's risk situation from the quarterly overall risk report, which essentially contains the following information:

- Business situation (planned/actual comparison),
- Risk-bearing capacity (normative and economic perspective),
- Results of the stress tests,

- Risk concentrations,
- Risk early warning indicators,
- Information on the main types of risk.

306. In addition to the figures, the report also contains explanations of the significant changes and an assessment of the risk situation - including proposals for risk reduction where appropriate.

307. In addition, there was ad hoc reporting on operational risks/losses in the reporting year (see section 9.6.4). There was no other ad hoc reporting in the reporting year.

308. According to the minutes available to us, the overall risk reports were not discussed at the quarterly Supervisory Board meetings. In this respect, the requirements of AT 4.2 para. 6 MaRisk were not met.

309. The findings made in the previous year were processed by the Bank as follows:

Determination	Measure	Status
As part of our audit, we note that the risk report for the third quarter of 2022 was prepared approximately eight weeks after the reporting date. This was due to the quantitative equipment in the risk controlling function at the time the report was prepared.	n/a	Not recoverable

310. In our opinion, the reporting contains all the information required in BT 3.1 para. 5 MaRisk. In addition, the requirements of Section 25c (4a) No. 3e KWG are also implemented.

9.7. Special functions

9.7.1. Risk controlling function

311. The independent risk controlling function in accordance with AT 4.4.1 MaRisk is responsible for monitoring and communicating risks and is structurally separated from the areas responsible for initiating and concluding transactions up to and including the level of the Executive Board. The management of the

The risk controlling function has been performed by Ms. Kirdorf since February 2022. The head of risk controlling has appropriate qualifications.

312. The Bank has defined the organization, rights and duties as well as tasks of the risk controlling function in the risk strategy (as at 18 October 2023).

313. In addition to Ms. Kirdorf, another full-time position was filled in the risk controlling function in spring 2023. A third full-time position was filled in December 2023.

314. In accordance with the provisions of the organizational manual, all tasks required by AT 4.4.1 para. 2 MaRisk are performed by the risk controlling function. By inspecting the business and risk strategy, risk inventory and quarterly reporting, among other things, we satisfied ourselves that the aforementioned tasks are actually performed.

315. According to our findings, the bank has an appropriate and effective risk controlling function, taking into account the increase in personnel in the reporting year.

316. The findings made in the previous year were processed by the Bank as follows:

Determination	Measure	Status
Even though the Risk Controlling function will no longer perform the function of IT Security Officer and Reporting Officer from February 2022, we still consider the personnel situation to be critical in order to ensure that the tasks are performed properly and in full. Particularly in the event of unforeseen and/or prolonged absences of the head of the risk controlling function, this may result in restrictions in ongoing risk monitoring, internal com communication of the risks and the	Following an internal analysis, personnel cost planning was adjusted as part of the business plan. Two additional qualified full-time employees were hired in the reporting year.	Fixed

Determination	Measure	Status
risk profile of the Bank or in the reporting to the Management Board. Now that the extensive project work in 2022 has been completed, we therefore consider it necessary for the Bank to continuously analyze and assess the extent to which the risk management process proves to be robust and flexible in light of the personnel situation in order to ensure that both regular and unforeseen tasks can be fulfilled.		

9.7.2. Compliance function

Organization

317. In accordance with Section 25a (1) sentence 3 no. 3 lit. c) KWG in conjunction with AT 4.4.2 Ma- risk, KEBHD must have a compliance function to counteract the risks that may arise from non-compliance with legal regulations and requirements.

318. The main rules governing the compliance function are set out in the "Compliance" organizational guidelines (as at 24 April 2023).

319. KEBHD has implemented an organizationally independent compliance function within the meaning of AT 4.4.2 MaRisk. The Compliance Officer in the reporting period until November 1, 2023 was Dr. Patrick Benjamin Kuehl. Since November 2, 2023, the function has been performed by Ms. Natalie Schnick.

320. The deputy function was vacant in the reporting year and was held by Mr. Alexander Frey (back office director) until 1 November 2023. Since 2 November 2023, the deputy function has been performed by the new Money Laundering Officer, Mr. Tobias Lindenmeyer. The Supervisory Board has been informed in advance of the appointment of the current Compliance Officer and her deputy.

321. The compliance function has been granted sufficient authority and unrestricted access to all information required to fulfill its duties. In this context, the compliance function also draws on the risk controlling function and the work results of the money laundering officer, the central office and the data protection officer. In addition, the Management Board and the specialist departments must inform the compliance function of any significant changes in order to ensure compliance with key legal regulations.

Monitoring of legal changes and innovations and risk analysis

322. KEBHD uses the "VAB Compliance Update" provided monthly in Excel format by the Association of Foreign Banks in Germany (VAB) to monitor relevant legal regulations and innovations. This helps KEBHD to identify relevant legal changes and innovations.

323. A standardized form ("NRAF 1 / 2") is used to document the forwarding to the assigned department, the assessment of the relevance of the legal change and the monitoring of its implementation.

324. The assessments from ongoing monitoring are included in the risk analyses to be prepared on a regular basis in accordance with AT 4.4.2 para. 4 MaRisk. The current risk analysis for 2023 was submitted to us in January 2024. In addition, the results of previous audits by the compliance function, Internal Audit, external auditors and other relevant sources of information must be included.

325. Within this framework, criteria and risk categories are defined to identify significant legal regulations (e.g. risk of non-compliance with regulatory requirements). The following points in particular are taken into account:

- Assignment of responsibilities and functions,
- Impact on processes and controls and their effectiveness,
- Risk of non-compliance,
- Risk class,
- Probability of occurrence,
- Degree of implementation.

326. Changes/innovations identified as significant are included in the risk analysis. The risk analysis is carried out annually by the compliance function or updated during the year as required.

327. The compliance function discusses the results of the risk analysis with the responsible departments and points out any deficits identified. An implementation plan is defined together with the department and its implementation is monitored. In the event of non-compliance or repeated unsuccessful reminders, an escalation to the Management Board is planned.

Audit plan and reporting

328. The standards for compliance management are set by the parent company and implemented in accordance with European and national regulations. A detailed compliance plan is drawn up annually by the Global Compliance Officer (GCO) together with KEBHD's compliance officer and reviewed every six months. In addition, there are compliance checklists that are filled in by the compliance function and sent to the GCO.

329. Regular reports are submitted to the parent company in Korea. The reports are uploaded and structured via the internal "Overseas Compliance Support System". In addition to relevant recipients in Seoul, the local Management Board and Supervisory Board are the main recipients of the reports.

330. The regular reporting is listed below:

- Compliance Weekly Checklist,
- Compliance Monthly Report,
- Check Item Report (monthly),
- Local Compliance Check List (semi-annual),
- Self Assessment Report (quarterly).

331. In addition, the compliance function reports on its activities to the full Management Board at least once a year and as required by AT 4.4.2 para. 6 MaRisk.

332. The annual report submitted to us for the year 2023 is dated January 22, 2024 and was made available to the internal audit department in addition to the management. We note that it was not forwarded to the supervisory body in accordance with AT 4.4.2 para. 7 MaRisk. This should be ensured in the future. It contains the serious deficiencies identified in the course of the year and the significant deficiencies that have not yet been remedied, the measures resolved and the status of these measures.

333. According to our findings, the bank had an overall appropriate and effective compliance function in the reporting year following the appointment of a new deputy compliance officer.

334. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
Some of the internal principles relevant to the compliance function were not updated during the reporting period.	The compliance guideline was revised and updated on April 24, 2023. An addendum to the personnel acts was prepared and introduced in November 2023. A local review and evaluation of the Group's Code of Conduct was carried out in November 2023. The whistleblowing policy and procedure were also updated and published in the In- tranet in November 2023. The AML guideline was published on September 15 and November 29, 2023 and revised and updated.	Fixed
The appointment of the member of the Management Board responsible for the compliance function as deputy compliance officer is not appropriate in view of the nature, scope, complexity, risk content, business activities and size of the institution. measured.	Mr. Frey took over the deputy function with effect from November 1, 2023.	Fixed
The procedure for the materiality and risk analysis as well as the	The compliance management system tool "ForumCMS",	Fixed

Findings	Measures	Status
The risk classification methodology does not comply with the regulations in the "Compliance" organizational guideline. In addition, the definition of the gross risk class above which a risk is classified as material is not documented.	of the company Forum IS was implemented. Corresponding rules and definitions are recorded in this tool. A corresponding risk analysis for 2023 was presented.	
The level of detail in the presentation of measures to cover implementation gaps identified in the risk analysis is not sufficient to understand the risk-minimizing effect of the measures.	The compliance management system tool "ForumCMS" from Forum IS was implemented. Corresponding rules and definitions are recorded in this tool. A corresponding risk analysis for the year 2023 was presented.	Fixed
We found that the transfer of regulations and requirements from the monitoring during the year to the annual risk analysis was not comprehensible. Requirements must be defined for the transfer of regulations and requirements from the monitoring during the year to the annual risk analysis. The performance of the analysis must be clearly documented in the risk analysis. lysis.	The compliance management system tool "ForumCMS" from Forum IS was implemented. Corresponding rules and definitions are recorded in this tool. A corresponding risk analysis for 2023 was presented.	Fixed
The Supervisory Board was informed in advance about the dismissal (Mr. Lutz Bretschneider) and the obligation (Dr. Patrick Benjamin	In future, information will be provided in advance.	Not recovera ble

Findings	Measures	Status
Kuehl) of the Compliance Officer did not take place.		
The Supervisory Board was informed in advance about the appointment of the Deputy Compliance Officer (Mr. Alexander Frey). not.	In future, information will be provided in advance.	Not recovera ble

9.7.3. Internal audit

Organizational structure

335. Internal auditing was outsourced to Greis & Brosent GmbH Wirtschafts-prüfungsgesellschaft (Greis & Brosent for short), Darmstadt, during the reporting period.

336. Without prejudice to the overall responsibility of the Executive Board for the establishment and functioning of Internal Audit, the Internal Audit department is assigned directly to the Chief Risk Officer, Mr. Alexander Frey, on the basis of the Executive Board's business allocation plan.

337. Mr. Frey acts as audit officer in accordance with AT 9 para. 10 MaRisk and as such has the necessary expertise and independence. Mr. Frey ensures that instructions and resolutions of the Management Board that may be of significance for the internal audit are communicated to it.

338. Responsibility for the outsourced auditing activities remains with the auditing agent.

Principles of internal audit activities

339. The Bank has laid down rules on internal auditing in the "Audit Guideline" work instruction (as at October 31, 2023).

340. Accordingly, Internal Audit performs the tasks assigned to it autonomously and independently, without being authorized to issue instructions to other departments, and monitors operating and business processes, risk management and controlling as well as the internal control system on behalf of the Management Board. The reporting and evaluation of the audit results are not subject to any instructions.

341. We have not identified any activities that are incompatible with auditing. Employees from other organizational areas of the Bank have not been entrusted with internal audit tasks.

342. The Bank has enshrined a complete and unrestricted right to information for Internal Audit in the Audit Guideline.

343. The auditing activities of Internal Audit cover all of the Bank's operating and business processes, taking into account the scope and risk content of the operating and business activities.

344. Furthermore, Internal Audit can also provide audit support and advice on significant projects and adjustment processes at the bank within the framework of regulatory requirements.

345. In addition, the activities of Internal Audit also include carrying out special audits at the request of the Management Board.

346. According to our findings, Internal Audit was not entrusted with any incompatible activities during the reporting period. Employees from other areas of the Bank were not employed in Internal Audit.

347. According to the information provided, the qualification and further training of Internal Audit was ensured in the reporting period by attending internal and external seminars as part of the mandatory training (40 hours per year) for auditing companies.

Audit planning and execution

348. The audit activities are based on a comprehensive, risk-oriented audit plan that is updated annually and, in accordance with BT 2.3 para. 1 MaRisk, must include all operating and business processes as well as the outsourced areas. The multi-year audit plan for the financial years 2023 to 2025 was approved by the Management Board on March 31, 2023. The internal audit budget was set at 50 auditor days per year.

349. The audit areas are based on the processes implemented in the bank. As part of the multi-year planning, all audit areas are distributed in such a way that they are audited at least every three years. The results of the risk-oriented audit planning are decisive for the audit frequency.

350. As a result of the risk-oriented audit planning, 17 audits were planned in the following areas in the reporting year:

- Organizational guidelines, documentation and human resources in accordance with AT 5-7 Ma- Risk (audited within the scope of the respective audit areas),
- Adjustment processes in accordance with AT 8 MaRisk,
- Outsourcing in accordance with AT 9 MaRisk,
- Compliance function in accordance with AT 4.4.2 MaRisk,
- Lending business in accordance with BTO 1 MaRisk,
- Trading business in accordance with BTO 2 MaRisk,
- Risk management in accordance with AT 4 and BTR MaRisk,
- Prevention of money laundering, terrorist financing and other criminal acts within the meaning of Section 25 h KWG,
- regulatory reporting,
- Disclosure report in accordance with Art. 431-455 CRR,
- Bundesbank payment transactions,
- Current account transactions,
- ESG,
- Sale of receivables,
- IT audit in accordance with BAIT,
- Accounting,
- Balance confirmation action.

351. The audit plan for 2023 could not be adhered to. Nevertheless, the planned auditor days were performed. According to the annual report, two audits (lending business, disclosure report) and one unscheduled special audit (calculation of operational risks) were completed as planned in the reporting year. Two further audits (regulatory reporting, money laundering) were started in December 2023 and completed in the first quarter of 2024.

352. The audit plan was amended after consultation with the Management Board to the effect that the planned auditor hours for audit areas related to MaRisk are to be used in particular for the follow-up audit of the MaRisk follow-up audit of the Section 44 KWG audit and the deposit protection audit carried out in 2023. The follow-up audit was completed on March 31, 2024.

353. Six audit areas (outsourcing management in accordance with AT 8 MaRisk, IT audit in accordance with BAIT and accounting incl. payment transactions and sale of receivables), which were planned for 2023 and were not completed due to personnel changes at the bank.

and missing documents were not carried out are scheduled for 2024 in accordance with the updated audit plan.

354. In addition to project-related activities, Internal Audit conducts unscheduled special audits on special request, when deficiencies become apparent or specific information is required; these are usually initiated by the Management Board and the corresponding capacities are provided for in the audit planning. In the reporting year, the calculation of operational risks was assessed in accordance with the standardized approach as part of an audit review.

355. No project-related activities were carried out by Internal Audit in the reporting year.

356. According to our findings, Internal Audit did not perform any tasks that are not consistent with its auditing activities.

357. The findings and objections of Internal Audit are classified into four categories according to their risk content:

Priorität	Bewertung
0	Keine Feststellung.
1	Keine Feststellung, aber Empfehlungen zur Verbesserung, u. a. der Organisation, sinnvoll.
2	Eine Feststellung, die keinen materiellen Effekt auf das Eigentum oder den Geschäftsprozess hat, die aber einfach abgestellt werden kann. Die Prüfungsfeststellung hat keinen signifikanten Einfluss auf das Vermögen und das Geschäftsergebnis der Gesellschaft.
3	Eine Feststellung, die im Augenblick keinen materiellen Effekt auf das Eigentum oder den Geschäftsprozess darstellt, aber aufgrund von deren Wichtigkeit für die Gesellschaft oder ihres Risikopotenzials nur als mittlere Priorität angesehen werden kann. Vermögen und Geschäftsergebnis können bzw. werden mittelfristig beeinflusst. Seitens der BaFin bzw. Deutsche Bundesbank kann ein bedeutsames Interesse bestehen.
4	Eine Prüfungsfeststellung, die sofort bearbeitet und abgestellt werden muss, da • materielle Effekte sich auf das Vermögen bzw. den Geschäftsprozess auswirken oder • eine direkte und schwerwiegende Auswirkung auf Bilanzpositionen bzw. das Ergebnis besteht oder • ein besonderes Interesse im Rahmen der Aufsicht durch die BaFin bzw. Deutsche Bundesbank besteht.

358. No deficiencies with the highest rating (priority 4) were identified during the reporting period.

359. We note that the classification of the audit findings does not clearly indicate the extent to which there are material, serious and particularly serious deficiencies within the meaning of BT 2.4 para. 1 MaRisk. Due to the associated obligations (special highlighting of material deficiencies, immediate reporting to the Management Board in the event of serious deficiencies), the classification of deficiencies was clarified with the update of the audit guideline (as of May 15, 2024).

Reporting

360. Internal Audit must provide the Executive Board and the Supervisory Board with an overall report on all audits it conducted in the 2023 financial year. The annual report for the 2022 financial year was brought to the attention of the Executive Board and the Supervisory Board by email on March 16, 2023.

361. Internal Audit also prepared quarterly reports in accordance with Section 25c para. 4a no. 3g of the German Banking Act (KWG) on the audits carried out over the last three months. These were submitted to the Management Board and the Supervisory Board by email shortly after the end of the reporting period.

362. Internal Audit monitors the timely elimination of deficiencies identified during the audit and the implementation of recommendations by means of follow-up reviews. The Management Board is regularly informed about the development and status of the elimination of deficiencies. Internal Audit also ensures that audit findings from external audits are monitored and processed accordingly.

363. We consider the staffing of the Internal Audit department (outsourcing officer) to be generally appropriate in light of the complete outsourcing.

364. The findings made in the previous year were processed by the Bank as follows:

Determination	Measure	Status
The update of the organizational guidelines required in the course of the change of outsourcing company was not carried out until 28 February 2023 and was therefore delayed.	n/a	Not recovera ble
The audit plan for the general audit for the 2022 financial year was not fully complied with.	n/a	Not recovera ble
We were unable to obtain proof of dispatch to the supervisory body for the first quarterly report. The report for the third quarter was finalized on 29 February 2022, but was not sent to the supervisory body by Internal Audit until 20 February 2023. The bank defines "timely" in the organizational guideline with a deadline of two months. We do not consider this deadline to be appropriate to ensure that the Supervisory Board is informed in a timely manner.	Internal Audit sends the quarterly reports to the supervisory body immediately after they have been prepared in order to avoid time differences.	Fixed
In principle, the processing of the findings made in the course of an audit should be followed up in the next regular audit of the audit area. However, we consider an annual inspection to be necessary in order to monitor the timely rectification of the defects identified.	none	Not fixed

365. In summary, we conclude that the structure of Internal Audit and its integration into the Bank's internal monitoring system is generally appropriate. In the reporting year, the effectiveness of the internal audit function within the meaning of Section 11 (2) No. 4 PrüfbV was limited. In this context, we also refer to our findings in the area of money laundering (see section 13.2.6).

9.7.4. Whistleblowing system

366. KEBHD has outsourced the whistleblower system to Annerton Rechtsanwaltsgesellschaft mbH, Frankfurt am Main. Employees were previously made aware of the possibility of using the whistleblower system set up by BaFin. In addition, KEBHD employees also have the option of reporting money laundering and other criminal acts to the parent company's global ombudsman.

367. The person responsible for processing incoming reports is the Money Laundering Officer or the AML/Compliance department. After receiving a tip-off, this person determines the further course of action and, if necessary, may also use other departments (e.g. Internal Audit, Human Resources, Management Board) to investigate the matter. In 2023, the Money Laundering Officer was appointed as the reporting office for information pursuant to Section 25a KWG. We consider this procedure to be justifiable.

368. According to the information provided and our findings, no reports were submitted via the whistleblower system in the reporting year. This was confirmed to the bank by an outsourced department.

369. The Bank has taken appropriate measures to set up a whistleblower system.

9.8. Resources

370. Among other things, appropriate quantitative and qualitative staffing levels are ensured through job descriptions - including requirement profiles - for all specialist positions in the bank.

371. Employees are generally recruited by the specialist departments with the support of the HR department. With the exception of the Information Security Officer, who according to the job description is also the Disclosure Officer, there were no long-term vacancies as at the balance sheet date. The position was filled in April 2024. Please refer to the respective reporting sections for information on staffing levels in the Bank's individual departments.

372. In order to ensure that employees maintain appropriate professional knowledge, they should also participate in sufficient professional development measures/training. The individual measures are determined by the department heads in consultation with the Management Board.

373. With regard to the implementation of the requirements for technical and organizational equipment and the emergency concept, please refer to our comments in section 9.9.

374. The findings made in the previous year were processed by the Bank as follows:

Determination	Measure	Status
In the previous year, we found that, as in previous years, there were significant delays in the audit of the accounting, regulatory reporting and IT areas as part of our audit of the financial statements. We therefore assessed the qualitative staffing in these areas in the previous year as inadequate. Delays occurred again in these areas during this year's audit. Based on this and taking into account the results of further external audits, we still consider the number of employees working locally in these areas to be insufficient and therefore inadequate, despite the measures taken by the bank in the meantime.	In the year under review, the Bank expanded its staffing levels in the areas mentioned. A new head of accounting (including regulatory reporting) was appointed to the department. To the An additional employee was hired on January 1, 2024. During the year, an employee also transferred internally to the department and an additional employee was also hired in the IT area. discontinued on January 1, 2024. Delays also arose in the course of our audit, which is due, among other things, to the personnel fluctuation existing in the reporting year and up to the conclusion of our audit.	Partially fixed

9.9. IT systems

375. As part of the audit of the annual financial statements as at December 31, 2023, we performed an audit of the compliance and security of selected areas of electronic data processing. This includes in particular the organizational, personnel and technical precautions to ensure the integrity, availability, authenticity and confidentiality of data relevant to banking supervision in accordance with AT 7.2 MaRisk. We have gained an understanding of the compliance and security requirements in accordance with IDW RS FAIT 1 Principles of proper accounting when using information technology. In addition, we have analyzed the requirements of MaRisk i. in conjunction with BAIT (Circular 10/2017 in the version dated August 16, 2021).

376. The implementation status of the findings from the IT audit as part of the annual audit as at December 31, 2022 is as follows

Findings	Measures	Status
The Institute's IT department works closely with the Management Board to manage and monitor all IT-relevant issues and has also established a reporting system to the Management Board based on requirements. In this context, we found that reporting does not take place at least quarterly.	An IT Board was introduced from June 2023, which was to meet regularly to ensure needs-based reporting and IT management. These meetings were already discontinued in October 2023.	Partially fixed
We note that the working status of various documents is not documented in a comprehensible manner.	Document maintenance should take place entirely in the internal wiki and replace the paper-based specifications. This process has not been completed.	Not fixed
Evidence for the implementation of checks and reconciliation procedures at the time of productive Migration could not be provided	During the previous year's audit, in May 2023, the Bank provided evidence for the Implementation of corresponding	Fixed

Findings	Measures	Status
be made. According to the bank, this was carried out but not documented.	controls and reconciliations were prepared and made available. The preliminary auditors were able to verify that both the balance sheet total and the income statement did not show any significant differences between the old and new systems.	
According to the organizational structure, the ISO function is located under the Management Board. However, we found that specific reporting lines have not been defined.	None	Not fixed
There is no evidence of the implementation of the activities defined in information risk management for the reporting period. A process was carried out and documented for the first time in April 2023. Evidence of the structural analysis, protection needs analysis, mitigation analysis and risk assessment is available. However, the target measures had not yet been assigned to all relevant information values at the time of the audit.	None	Not fixed
With regard to information risk management and IT security management, we were able to continue to improve on the previous year's results. final examinations the following	None	Not fixed

Findings	Measures	Status
documents were not submitted as part of the audit: • A risk-oriented multi-year audit plan for compliance with the target specifications as well as evidence of audits carried out by ISO. • Evidence of the involvement of outsourcing service providers in the information security incident handling process. • Guidelines for the evaluation of projects with regard to information security risks.		
However, we found that security information and event management (SIEM) policies and procedures are not defined or documented.	None	Not fixed
With regard to operational information security, we found, unchanged from the previous year-end audit, that the following procedures are not regulated in the written rules: • Vulnerability management, • Checking the security of IT systems, • Server hardening.	None	Not fixed
We determined that a review or update of the IDV-	None	Not fixed

Findings	Measures	Status
inventory did not take place during the audit period.		
The audit of the implementation of the protective measures showed, unchanged from the previous year-end audits, that no evidence of the implementation of protective measures (including technical documentation, versioning, password protection) could be provided for the IDV applications.	None	Not fixed
A procedure for checking program changes after production is not defined.	None	Not fixed
We checked the creation, modification and deletion of user authorizations. We found that the corresponding date of application, release and implementation was missing in several user applications.	The process was carried out. We did not identify any incomplete applications.	Fixed

9.9.1. IT organization and IT environment

377. In terms of organizational structure, the IT department is assigned to the back office management board. The IT organization is documented and takes into account the necessary separation of functions between the individual service areas within the IT organization and the specialist departments.

378. In the reporting period, data relevant to accounting and banking supervision was processed primarily with the help of the core application listed below:

Designation	Application area	Manufacturer	Operator
BankHive	Central core banking system	KEB Hana Bank (Seoul), Korea	KEB Hana Bank, Global Development Department

379. Process documentation exists for the Bank's core application, consisting primarily of user documentation, technical system documentation and operational documentation.

380. In the reporting year, we received a clearance memo from Deloitte Korea for the functional tests of the general computer controls of the BankHive application. In addition, we performed additional functional tests for the application.

381. The IT audits are carried out by the (outsourced) Internal Audit department. Internal Audit did not carry out any audit activities relating to the Bank's IT systems during the audit period. These were postponed to 2024 by resolution. We assess the effectiveness of Internal Audit as limited in the reporting period (see section 9.7.3).

9.9.2. IT strategy

382. The institute last defined its IT strategy on October 2, 2023. The IT strategy primarily comprises statements on the current situation, the role/positioning of IT, IT governance, IT security and IT risk management as well as the operationalization of the strategy. The IT strategy does not meet all the requirements for the IT strategy in accordance with para. 1.2 BAIT. For example, the topics of assignment of common standards (para. 1.2 b) BAIT) and statements on IT systems operated in the specialist departments themselves, in particular IDVs (para. 1.2 f) BAIT), are not adequately acknowledged.

383. According to our audit, the purchased external services were all covered by the IT strategy in the reporting year.

9.9.3. IT governance

384. The Bank has appropriate IT governance in place to manage and monitor IT operations and the further development of IT systems, including the associated IT-supported business processes based on the IT strategy. The IT environment and the existing structures for managing the IT systems enable the appropriate implementation of the concepts derived from the IT strategy.

385. Within the IT department, the main tasks and processes are regulated and documented in work instructions, user manuals or procedural documentation. They take into account the necessary controls. However, we note that numerous key guidelines and procedural instructions were only valid until October 2023 and no valid follow-up guidelines had been adopted by the time the audit was completed.

386. The IT organization is appropriately structured and includes a functional separation both within the IT area and to the operational functional areas. We note that there are no appropriate role definitions or job descriptions for IT.

387. The bank has set up an overarching coordination and decision-making committee for IT management and IT investment decisions, which is primarily made up of representatives of the Management Board and the Head of IT. IT-related measures are coordinated at regular meetings of the committee. It also decides on project initiations and approvals and provides information on the status of projects. The committee has not met since October 2023.

9.9.4. Information risk management

388. The Bank has not adequately identified the material risks arising from the use of IT. Some of the existing protection requirements, business impact and risk analyses are incomplete and we were unable to understand how they were prepared, as there are also no appropriate process descriptions (in accordance with paragraphs 3.2, 3.4, 3.5 and 3.9 BAIT) for carrying out such analyses. An appropriate presentation of the information network in accordance with para. 3.3 BAIT is also not available.

389. The bank does not have a catalog of target measures within the meaning of point 3.6 BAIT. Accordingly, no controls could be traced with regard to points 3.7 or 3.8 BAIT.

390. There is no adequate description of the process for ongoing information about threats to the information network in accordance with para. 3.10 BAIT.

391. The Bank has drawn attention to current risks arising from the use of IT and offers regular IT training on the subject of IT risks and IT security.

392. There was no regular reporting to the Executive Board on the status of information risk management in accordance with point 3.11 BAIT on at least a quarterly basis in 2023.

9.9.5. Information security management

393. The Bank does not have an IT security guideline within the meaning of point 4.2 BAIT.

394. However, there is a company-wide security concept that contains principles and procedures for information security and is based on the IT baseline protection approach of the German Federal Office for Information Security (BSI) and the international security standard ISO/IEC 2700X of the International Organization for Standardization.

395. The bank had appointed Mr. Saglam as Information Security Officer (ISO) until November 2023. The position was vacant from December 2023 to March 2024. Ms. Lehnen has held this position since April 2024. The ISB organizes the implementation and creation of a security concept and provides support on technical issues relating to information security. However, there is no appropriate job/task description for the ISB in accordance with point 4.4 BAIT. There is also no definition of the resources of the ISB in the sense of para. 4.5 BAIT.

396. Employees were trained and made aware of existing IT risks and IT security in 2023. However, there is no general and structured training plan for training and sensitizing employees.

397. There is no guideline on testing and reviewing the measures to protect information security in accordance with para. 4.8 BAIT.

398. There is a lack of appropriate requirements governing the reporting of anomalies and security incidents within the meaning of point 4.8 BAIT. In particular, taking into account the cooperation with service providers, no corresponding reporting channels and responsibilities are regulated. The process for aftercare is also not adequately described.

399. There was no regular reporting to the management on the status of information security in accordance with point 4.10 BAIT on at least a quarterly basis in 2023.

9.9.6. Operational information security

400. During our review of the associated organizational guidelines, we found that no appropriate regulations for operational information security in accordance with Section 5 BAIT are documented. A Security Information and Event Management (SIEM) has been set up for KEB Hana Bank (D) AG, which is operated by the central IT in Korea. However, the processes between IT in Korea and the German ISB are not adequately defined and traceable.

9.9.7. Identity and rights management

401. The creation and deletion of user accounts, the assignment and deletion of authorizations and the regular monitoring of assigned authorizations are not regulated in a measured manner. Furthermore, the process was not adhered to for all new installations. For example, in four out of 12 cases, access to the system was set up and authorization was only granted retrospectively. In three out of 12 cases, the application was not available.

402. The design of the roles is the responsibility of the system owner. An appropriate authorization concept for BankHive was not available. The user administration procedure in conjunction with the authorization concept is designed in such a way that each employee only has the rights they need for their work. The Bank has carried out an analysis and identified critical IT authorizations.

403. The bank conducts user reviews to regularly check user accounts and authorizations and to ensure compliance with the separation of functions. The line managers of the individual departments are obliged to check all authorizations of the employees in their department. User accounts and authorizations are reviewed at least once a year, while critical authorizations are reviewed at least every six months. The last review took place on December 29, 2023 and did not result in any objections.

404. Specifications for the security settings of the IT systems are regulated in the security concept. The security concept includes requirements for the length, complexity and frequency of change of passwords that ensure adequate protection against unauthorized access and is implemented by measures implemented by the institute to secure and monitor the IT systems and networks.

405. The Bank operates its own server room on the Bank's premises in Frankfurt am Main. Access to the server room is physically secured by adequate measures. Access is only permitted to IT employees.

9.9.8. IT projects and application development

406. The procedure for creating, adapting and changing IT systems is set out in the "Configuration Management Policy" (status: unknown). The process of development, testing, release and implementation in the production processes provides for acceptance by the employees with functional and technical responsibility. The release procedure also takes into account emergency situations. These are unplanned changes that need to be implemented as quickly as possible because, for example, IT operating processes are acutely impaired. The

policy is not adequately designed in our view, as in particular the delimitation of responsibilities within the process steps and the scope of the requirements definition, the documentation of development and testing are not sufficiently detailed.

407. The institution has not adequately defined the materiality of changes to IT systems in accordance with AT 8.2 para. 1 MaRisk. In the case of material changes to IT systems, it is not adequately regulated how the institution analyses the effects of the planned changes on the control procedures and the control intensity with the involvement of the organizational units subsequently involved in the work processes, the risk controlling and compliance function and the internal audit department.

408. In the reporting year, we randomly checked the conformity of changes to the reporting, in particular the testing and approval process. The changes to the IT systems were tested and approved by the employees with functional and technical responsibility. The separation of production and test environments required in this context in accordance with AT 7.2 para. 3 MaRisk was ensured.

409. IT projects are managed and monitored. The respective procedure is determined on a project-specific basis. However, the process is not set out in writing. There is also no appropriate process for managing the IT project portfolio and no standardized reporting on the progress of key projects to the management.

9.9.9. IT operations and control of regular operations

410. The servers relevant to the institute are operated in Seoul in the data centers of KEB Hana Bank, Seoul, Korea.

411. The operation of the IT systems is regularly monitored using IT monitoring. This involves monitoring numerous server properties, known as services.

412. The bank's incident and problem management procedure is governed by the "Incident and Problem Management" policy (as at February 20, 2023). The help desk function is performed by KEB Hana Bank, Seoul, Korea. The bank uses the iTop ticket tool to document incidents.

413. The patch management of the service provider KEB Hana Bank, Seoul, Korea, ensures that security-relevant software updates and necessary configuration changes are made to BankHive. However, there is no appropriate written definition of the patch management process.

414. The data backup and archiving procedure for fulfilling retention obligations is not adequately regulated in writing. The backup of data and programs is ensured by daily incremental backups and weekly full backups.

9.9.10. External IT resources

415. The Bank did not employ any external staff for projects, regular operations or special issues in the reporting year.

416. The Bank has not carried out a risk assessment in advance for every external procurement of IT services.

417. The Bank has outsourced significant parts of its IT on the basis of an outsourcing agreement dated July 21, 2022 to KEB Hana Bank, Seoul, Korea. The scope of the outsourcing includes, among other things

- Operation of the BankHive core banking system
- Operation of the IT infrastructure

418. In addition, the following IT-related outsourcing arrangements exist, which the Bank classifies as immaterial:

- Account record center (KWG24c) to Bank-Verlag GmbH
- Account record center (KWG24c) and Navision maintenance, software maintenance and transfer to PASS MULTIBANK Solutions AG
- THINC and BAIS to msg GillardonBSM AG
- Information security to FORUM Gesellschaft für Informationssicherheit mbH
- External DPO to IITR Datenschutz GmbH

419. The KEBHD outsourcing officer is responsible for IT service provider management. The basis for the provision of IT services is an outsourcing contract, which is specified by annexes and service level agreements (SLA) with regard to the services to be provided. There is no adequately defined process for service provider management. By utilizing a clearance measure in accordance with IDW PS 331, we satisfied ourselves that sufficiently appropriate and effective general computer controls were in place to mitigate the risks from the use of IT relevant to the audit of the annual financial statements. However, the clearance does not allow any conclusions to be drawn as to the extent to which the regulatory requirements for IT were implemented by the service provider.

9.9.11. IT emergency management

420. The procedures for emergency management and emergency operation of the IT systems are based on the Institute's organizational and technical measures.

421. The bank has defined emergency management objectives and, as part of business impact analyses, has prepared an overview of all relevant business processes and a loss analysis indicating the amount of loss in the event of failure of individual business processes. It is not clear how restart parameters and the sequence of business processes for the restart and the criticality of the processes were determined. Furthermore, the institution did not carry out a survey of resources for normal and emergency operations.

422. The Bank has defined measures for the restart or emergency operation of time-critical activities, processes and IT systems in the emergency manual (as at April 11, 2023). The Bank's overall emergency planning includes business continuation and restart plans. The Bank has defined communication channels in the emergency manual and in its organizational guidelines in order to ensure appropriate process organization in the event of an emergency. The restart parameters determined as part of the business impact analysis were incorporated into the technical procedures for restoring IT after an emergency. There were no specific emergency concepts agreed with the service provider for time-critical IT systems. The operation of the relevant application servers is designed to be redundant and takes place in the data centers in Seoul, Korea. No failover procedure has been implemented in the event of a malfunction.

423. The appropriateness and effectiveness of the emergency concept is regularly reviewed by means of emergency tests. In this context, an emergency test concept was created to validate the measures defined in the emergency concept; this was not measured. The bank carried out various emergency tests in the reporting year; the course of the emergency tests and their results were not documented in a comprehensible manner. The results of the emergency tests were not analyzed in a comprehensible manner with regard to necessary improvements and communicated to the respective responsible parties in writing.

424. There was no regular reporting to the Management Board on the status of emergency management in accordance with AT 7.3 para. 1 MaRisk during the reporting period.

425. We do not consider the emergency concept for the IT systems to be appropriate and effective.

9.9.12. Management of relationships with payment service users

426. The risk mitigation measures required under Section 53 ZAG to control operational and security-related risks also include measures to

payment service users for the reduction of fraud risks in particular. To this end, appropriate management of relationships with payment service users must be established.

427. The Bank uses the following communication processes to improve payment service users' awareness of security-related risks in relation to payment services:

- Getting started with online banking
- electronic mailbox

428. General security tips and information on security procedures are provided by the service provider via the central online banking website.

429. As part of our audit, we inspected the online banking website and checked how "security tips" are communicated there. The bank ensures that the security information provided is up to date. For example, current warning messages are published on the homepage for online banking, whereby the last message was from March 2023. We consider the presentation to be appropriate. However, we recommend that information is also provided in German; currently only English, Japanese and Korean are offered as languages.

430. Online banking and the option of setting up an approval line provide options for deactivating payment functions and changing limits for individual functions/users.

431. Current contact options for the Bank for customer inquiries, including the options for reporting cases of fraud and blocking online access, are communicated via the Bank's homepage and online banking. The corresponding blocking options are also listed there.

9.9.13. Summarized audit result

432. We consider the organizational, personnel and technical precautions to ensure the integrity, confidentiality, authenticity and availability of data relevant to banking supervision as well as the compliance and security requirements in accordance with IDW RS FAIT 1 to be appropriate to a limited extent, taking into account the findings made. The BAIT were still not adequately implemented.

433. We note that the IT processes are not adequately set out in writing. During our audit, the Bank started a project to reorganize IT governance and to structure it in accordance with the requirements of BAIT.

9.10. Presentation and assessment of the regulations adopted to implement the requirements of section 25c (2) to (4b) KWG (managing directors)

434. The Bank has not correctly identified itself as an institution of major importance within the meaning of the German Banking Act.
§ Section 25c (2) sentence 6 KWG.

435. The bank does not have any institution-specific guidelines from the banking supervisory authority for limiting management and supervisory board mandates for managing directors.

436. According to the documents submitted to us and the information provided, the maximum limits pursuant to Section 25c (2) KWG with regard to management or supervisory mandates were complied with.

437. We report on the strategies adopted by the Executive Board with regard to risks, in particular counterparty default risks, market risks and operational risks, as part of our comments on the risk management system according to
§ Section 25a KWG in section 9.6.

438. Information on the corporate structure can be found in our reporting on the organizational principles and the risk management system in section 7.

439. The accuracy of the accounting and financial reporting is the subject of the overall statement on the annual financial statements, the processes with regard to disclosure and communication were the subject of our audit of compliance with the relevant legal requirements.

440. Overall, in the course of our audit of the requirements pursuant to Section 25c (3) Nos. 1 and 2 KWG, we did not obtain any indications that the management has not adopted appropriate principles of proper management, is not reviewing the effectiveness of these principles and is not initiating any measures to remedy deficiencies.

441. On the basis of the documents made available to us and the verbal and written statements and explanations provided regarding the time availability of the managing directors, we have no indications that the managing directors are not able to fulfill their duties in accordance with Section 25c (1) KWG, in particular the following, due to the time required for existing mandates and activities

to devote sufficient time to defining the strategy and risks in accordance with Section 25c (3) KWG.

442. For further information on Section 25c (3) Nos. 3 to 6 KWG, please refer to our comments on risk management in Section 9.

443. Our audit of the requirements pursuant to Section 25c (4) KWG did not reveal any indications that the Bank has not used sufficient funds for the relevant purposes. The management participated in several training events/seminars in the reporting year.

444. The management has ensured that the institution has the strategies, processes, procedures, functions and concepts specified in Section 25c (4a) and (4b) KWG. In this regard, we also refer to our findings in the audit of the regularity of the business organization in accordance with section 25a KWG in section 2.2.

445. The findings made in previous years were processed by the Bank as follows:

Determination	Measure	Status
The requirements of Section 25c (4) KWG were not fully met in the reporting year. No training certificates were available for one member of the Management Board.	For the 2023 reporting year, we were able to submit proof of further training for both members of the Executive Board.	Fixed

9.11. Presentation and assessment of the regulations adopted to implement the requirements of section 25d (2) to (12) KWG (supervisory body)

446. As already described in the previous section, the Bank has correctly not classified itself as a significant institution within the meaning of Section 25d (3) sentence 8 KWG. For this reason, the Bank has waived the establishment of committees in accordance with Section 25d (8) to (12) KWG.

447. The bank does not have any institution-specific guidelines from the banking supervisory authority for limiting management and supervisory board mandates.

448. According to the information provided to us and the documents submitted, the members of the Supervisory Board do not hold any other mandates.

449. No corresponding regulations have yet been made with regard to the implementation of the requirements of Section 25d (4) KWG.

450. Our audit of the requirements pursuant to Section 25d (4) KWG did not reveal any indications that the Bank has not used sufficient funds for the corresponding purpose.

451. With regard to the effective performance of the supervisory body's monitoring function, our audit of the requirements pursuant to Section 25d (5) KWG did not bring to our attention any indications that the structure of the remuneration systems for the members of the Supervisory Board has led to conflicts of interest.

452. Rules of procedure (as at June 30, 2023) and meeting minutes are available for the Supervisory Board. We note that the rules of procedure do not contain any statements regarding the duties of the Supervisory Board pursuant to Section 25d (11) No. 2 KWG and Section 25d (12) Nos. 1 and 2 KWG. With the exception of the previous year's finding that has not yet been processed (see note 455), there are no indications that the tasks described in
§ Section 25d (6) and (8) to (12) KWG were not processed by the Supervisory Board in the reporting year.

453. Furthermore, we have no indications that the members of the Supervisory Board were prevented from devoting sufficient time to the discussion of strategies, risks and remuneration systems for managers and employees in accordance with Section 25d (6) KWG.

454. There are no meetings of the Supervisory Board within the meaning of Section 100 (3) AktG. The three members of the Supervisory Board receive various quarterly reports and review them. This appraisal is recorded in minutes by means of a circular resolution. We consider regular meetings, possibly using a video conference due to the physical distance, to be necessary in order to ensure effective monitoring of KEBHD. In addition, these meetings must be recorded in detail. For example, the adoption of the annual financial statements by the Supervisory Board for the reporting period from January 1 to December 31, 2022 is not recorded in minutes.

455. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
The requirements of § 25d (3a) to (6) KWG were complied with as at the reporting date, with the exception of the requirements of Section 25d (4) KWG. We were unable to obtain training certificates for the members of the Supervisory Board.	For the 2023 reporting year, we were able to submit proof of further training for all Supervisory Board members.	Fixed
A regular assessment of the structure, size, composition and performance of the Management Board and Supervisory Board in line with the § Section 25d para. 11 no. 3 KWG is not documented. Likewise, the knowledge, skills and experience of the individual managing directors and Supervisory Board members within the meaning of Section 25d (11) No. 4 KWG are not demonstrably assessed on a regular basis.	Corresponding documentation is still not available.	Not fixed

9.12. Regulatory requirements for remuneration systems

456. The bank is not a significant institution pursuant to Section 1 (3c) KWG, as the specified balance sheet total threshold of EUR 15 billion on average has not been reached in the last four completed financial years. Consequently, the institution is exempt from the extended requirements of Sections 18 to 26 of the Remuneration Ordinance for Significant Institutions.

457. The Bank is not considered a superordinate company of a group. Accordingly, the provisions of Section 27 InstitutsVergV do not apply.

Remuneration strategy

458. The Bank has defined the guidelines for its remuneration systems in the organizational guideline "Remuneration System" (as at 29 September 2023). The General Administration department is responsible for updating these instructions. In accordance with the established guidelines, the Bank's remuneration system is reviewed annually and adjusted if necessary.

459. The guideline applies to all employees of the bank i. The guideline applies to all employees of the Bank within the meaning of Section 2 (7) InstitutsVergV and therefore also to members of the Management Board and temporarily seconded employees. Employees are informed by the General Administration department about the structure of the remuneration systems relevant to them via the intranet. In addition, the disclosure report is made available to employees on an annual basis.

460. In accordance with Section 2 (7) no. 2 InstitutsVergV, the user group also explicitly includes employees who are directly involved in services for the operation of the banking business for the institution as part of an outsourcing agreement. According to the information provided, no employees were covered by this outsourcing situation in 2023.

461. The Bank's remuneration strategy and systems are geared towards achieving the targets set out in the Bank's strategies and are included in the annual strategy review process. The corporate culture is taken into account in this process.

462. In accordance with Section 3 para. 1 sentence 2 InstitutsVergV, the Management Board must inform the Supervisory Board at least once a year about the structure of the remuneration systems. This was last done on December 18, 2023.

463. In accordance with the organizational guideline "Remuneration System", employees are divided into three categories: local staff, employees temporarily seconded by the parent company ("home staff") and the Management Board. The remuneration and incentive system for local staff is determined by the management of KEBHD. For the Management Board and temporarily seconded employees, the system is determined by the Supervisory Board of the bank. The Bank's Executive Board has no influence on this Group-wide system.

Remuneration of local employees

464. Employees in the "Local Staff" category only receive fixed remuneration amounting to twelve monthly salaries and no variable bonus payments. Remuneration is determined in accordance with the written employment contracts. The bank does not set fixed

components of the fixed remuneration and refers to the definition pursuant to Section 2 (6) InstitutsVergV.

Remuneration of temporarily seconded employees

465. The remuneration of employees in the "Home Staff" category is determined in consultation with the parent company and is as follows:

- At the beginning of the year, employees receive a notification form from the parent company with details of the new adjusted annual salary.
- 73% of the annual salary is paid in the form of monthly payments that meet all the criteria for fixed remuneration within the meaning of the InstitutsVergV.
- Employees receive bonus payments amounting to 18% of their annual salary. These bonus payments are paid out in seven installments. Employees receive six fixed payments, each amounting to 10% of the total amount. As these payments are predetermined and do not depend on any other factors, they also meet the criteria of the InstitutsVergV and are regarded by the Bank as fixed remuneration. The remaining 40% is paid out as a one-off payment and depends on the bank's KPIs. The parent company decides whether the targets for the reporting period have been achieved based on the degree to which the subsidiary's KPIs have been met and adjusts the bonus payments accordingly. The amount of the adjustments is then communicated to the bank.
- Twice a year, employees receive a fixed payment for travel and vacation expenses amounting to 9% of their annual salary.

466. During the audit, we found that temporarily seconded employees are also entitled to profit sharing payments, with which a portion of the parent company's profit for the previous year is paid out to its employees. The amount of these payments is determined by the parent company, taking into account the employees' length of service with the bank and other factors. The list of such factors included in the valuation was not provided during the audit period. However, it was confirmed that the individual KPIs are not taken into account in the assessment, meaning that newly hired employees are also entitled to these payments. The total profit sharing payments result from an agreement between the parent company and the bank. The bank does not review the amount of these payments.

Management Board remuneration

467. The remuneration models for Executive Board members vary depending on whether they are a German Executive Board member or a seconded Executive Board member from Korea. The German Executive Board member does not receive any variable bonus payments in addition to his fixed remuneration. The remuneration of the Korean Executive Board member is based on the remuneration of the temporarily seconded employees. The remuneration of the members of the Management Board is finally set out in a written employment contract. No severance payments were made to a former member of the Executive Board in the 2023 financial year.

468. The Supervisory Board does not receive any remuneration for its activities.

Summarized assessment

469. In accordance with Section 7 InstitutsVergV, the total amount of variable remuneration within the meaning of Section 45 para. 2 no. 10 KWG must be determined in a formalized, transparent and traceable process involving the control units. When determining the total amount, sufficient consideration must be given to the institution's risk-bearing capacity, multi-year capital planning and earnings situation. It must also be ensured that the institution is in a position to maintain an adequate level of own funds and liquidity as well as the combined capital buffer requirements in accordance with § Section 10i KWG on a permanent basis or to restore it.

470. As part of our audit, we found that the Management Board informs the Supervisory Board annually about the structure of the bank's remuneration systems. In the annual report, the bank argues that the bonus payments and the profit sharing payments to temporarily seconded employees do not qualify as variable remuneration within the meaning of the Remuneration Ordinance for Institutions. In the reporting year, four employees and one member of the Management Board received variable remuneration totaling EUR 127,975. This assessment means that the requirements for variable remuneration for risk takers in accordance with section 25a (5b) KWG were not met. We do not share the bank's view and consider the KPI-dependent part of the bonus payment and the profit-sharing payment to be variable remuneration within the meaning of the InstitutsVergV.

471. As the bank states in its annual report that no variable remuneration was paid out, no upper limit was set for the ratio between fixed and variable remuneration. We do not consider the bank's approach to be appropriate.

472. In the 2023 financial year, no consideration of risk-bearing capacity, multi-year capital planning and the earnings situation could be demonstrated. It was also

Before the variable remuneration is paid out, it is not checked whether an adequate equity and liquidity base and the combined capital buffer requirements pursuant to Section 10i KWG can be permanently maintained or restored.

473. The findings made in the previous year were processed by the Bank as follows:

Determination	Measures	Status
The Bank does not meet the requirements of Section 7 InstitutsVergV when determining the total amount of variable remuneration.	None	Not fixed
The variable remuneration of the Managing Director does not include an assessment period of at least three years and does not take into account a positive or negative adjustment of the variable remuneration in the event of extraordinary developments (Section 10 para. 2 of the Remuneration Ordinance for Institutions).	None	Not fixed
The Bank has not set an absolute upper limit for the ratio between fixed and variable remuneration.	None	Not fixed
Lack of identification of risk takers in accordance with Section 25a (5b) KWG.	None	Not fixed

474. Our audit revealed that the Bank did not fully comply with the applicable requirements of the Instituts- VergV in conjunction with Section 25a (1) sentence 3 no. 6 KWG and Section 25a (5) KWG.

9.13. Restructuring plan

475. On October 28, 2021, the bank uploaded a restructuring plan for the first time via BaFin's MVP portal with a key date of June 30, 2021 and thus submitted it to BaFin and Deutsche Bundesbank. The restructuring plan was submitted in accordance with § 12 in conjunction with § 19 SAG in accordance with simplified requirements.

476. BaFin reviewed the restructuring plan submitted by the bank in consultation with Deutsche Bundesbank and assessed it in accordance with Section 15 (2) SAG. A corresponding evaluation letter from BaFin was received on December 19, 2022. According to this, no deficiencies pursuant to Section 16 SAG were identified. Nevertheless, significant findings were made regarding the recovery indicators and options for action and a need for action was derived from this (see table at the end of the report section).

477. By email dated December 23, 2022, BaFin requested the bank to rectify the findings before the next regular update, at the latest by June 30, 2023.

478. Accordingly, as part of our audit, we were presented with a revised restructuring plan with a cut-off date of December 31, 2022, which was approved by the Executive Board on June 12, 2023 and submitted to the supervisory authority via the MVP portal on June 13, 2023.

479. It is not the subject of our audit to make a statement as to whether the options for action will actually achieve the effects described in the restructuring plan in the future. Our audit does not cover scenarios other than those listed in the restructuring plan or scenarios for serious burdens that could trigger a crisis at a different point in time. In particular, no acute scenario or a specific restructuring concept in accordance with the IDW Standard: Requirements for the Preparation of Restructuring Concepts (IDW S 6) is assessed.

480. We have retraced the process of preparing the restructuring plan in order to be able to assess and review the relevant aspects for factual accuracy and appropriateness, taking into account the simplified requirements. The objective was also to check the plausibility and traceability of assumptions, evaluations and conclusions. The basis for this was the printed web form, which represents the bank's restructuring plan.

481. When completing the web form, information on the corporate structure and the main and critical activities must be provided on the basis of the business model.

including options for action. The form contains the following sections in particular:

- Strategic analysis (including the definition of key business activities),
- Corporate governance (including defining responsibilities when a threshold value of a restructuring indicator is reached),
- Recovery indicators (definition of indicators together with suitable threshold values that allow suitable measures to be initiated in good time in the event of a crisis in order to restore financial solidity in the long term),
- Options for action (analysis of options for action that could have an impact on the business model and presentation of the effects in an impact and feasibility analysis).

482. In our opinion, the presentation of the corporate structure and business model, the defined restructuring indicators from the bank's perspective and the early warning thresholds are appropriate in light of the business model. The assumptions made in the crisis scenarios are also plausible and appropriate.

483. The plausibility of the eight options for action in the crisis scenarios was also checked, i.e. random samples were taken to determine whether the assumptions regarding implementation and impact were plausible. The explanations were found to be comprehensible and appropriate. The preparatory measures for implementing the options for action, i.e. implementation planning including communication measures, were comprehensible and appropriate.

484. Further options for action were analyzed but not included in the restructuring plan (see table at the end of the report section).

485. In our opinion, the restructuring plan fulfills the requirements of the SAG, taking into account the simplifying requirements pursuant to Section 19 SAG and the parameters specified by the web form. The assumptions, valuations and conclusions made were factually correct and appropriate and plausible and comprehensible.

486. Without affecting the results of our audit procedures, we draw attention to the fact that the restructuring plan contains forward-looking information that is subject to inherent uncertainties. The preparation of forward-looking information requires to a large extent estimates and the consideration of empirical values. Even if the underlying assumptions are to a large extent

actual results may deviate from the restructuring plan, as other foreseen events often do not occur as expected or other unanticipated events may influence the results. In particular, we make no statement as to whether the options for action will actually achieve the effect described in the restructuring plan in the future.

487. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
BaFin has made an important statement regarding the restructuring indicators. According to Section 7 (4) MaSanV, the indicators and their threshold value must be selected in such a way that the business model and business strategy, the risk profile and the size and complexity of the institution are adequately reflected. In order to fully meet these requirements, the bank should examine the inclusion of further restructuring indicators, in particular to cover the country risk specific to the business model with regard to South Korea and the close links to the parent company.	The restructuring plan was amended accordingly with regard to the restructuring indicators.	fixed
BaFin has made a further key finding regarding the options for action. In order to comply with the requirements of Article 9 (1) of Delegated Regulation (EU) 2016/1075, further options for action should be considered which e.g. to a voluntary restructuring the reduction of liabilities.	Further options for action were examined, but were not included in the consolidated financial statements due to the significant increase in capital and taking into account the effectiveness of the previous options for action.	fixed

Findings	Measures	Status
Furthermore, the bank should examine whether other external, possibly also extraordinary, courses of action are suitable and can be implemented in order to generate equity in the event of a crisis.	reorganization plan.	

10. Business organization of major types of business

10.1. Organization of the lending business

10.1.1. Organizational basics

488. The organization of the lending business is based on the functional separation of the front office from the back office. Credit decisions in the risk-relevant lending business are generally subject to a vote by both the front office and the back office. In the case of pure prolongations, only the back office votes.

489. In accordance with the "Lending business - General" work instruction (as of November 1, 2022), the Korean CEO (market board member) has individual lending authority for certain loans, but in practice all loans - including those defined as "non-risk-relevant" - are signed by both board members.

490. In accordance with the current credit and credit risk strategy, the focus of banking activities is on short-term lending, particularly in the form of export and import financing for trade transactions with South Korea and documentary foreign business. KEBHD also participates in commercial real estate financing in Europe in particular. Contingent liabilities are mainly letters of credit and guarantees. Borrowers are predominantly domestic subsidiaries of South Korean parent companies and South Korean banks.

491. The "Loan - General" work instruction stipulates that loans to domestic subsidiaries of South Korean companies may only be granted by the Executive Board "in agreement with the parent company" (KEBH). According to the "Loan Policy" work instruction (as at November 1, 2022), the loan amount above which the approval of KEBH is mandatory depends on the loan amount and the net income.

492. According to our audit findings, the Bank's organizational structure in the lending business meets the requirements of MaRisk.

10.1.2. Granting of credit

493. The principles for voting on credit exposures are set out in the working instructions "Lending business - general" and "Lending business - granting of loans" (as at November 1, 2022).

494. When granting a loan, the account manager (front office) is responsible for initiating the transaction and for obtaining all necessary information and evidence from the customer.

495. The front office is responsible for acquiring new customers and supporting and renewing existing private and corporate customer business.

496. The back office division is primarily responsible for analyzing the economic situation of borrowers and managing collateral. The back office division is responsible for the central creation and maintenance of organizational guidelines for the lending business and the development and maintenance of systems for measuring and monitoring counterparty default risks. The IT/Reporting department is responsible for credit reporting (million and large loans).

497. The loan documents are prepared with IT support (MS Word) by the loan officer (back office). The loan documents provided to us as part of the exposure audit generally contained the information and decision-making basis necessary for proper decision-making and compliance with legal requirements. Nevertheless, as part of our engagement audit, we found that, although capital service calculations based on the annual financial statements were regularly available for property financing, there were no meaningful capital service calculations based on the earning power of the financed properties (see also the previous year's findings by the auditor). In addition, no (at least brief) analysis of the financial situation was performed for anchor tenants. We recommend that the loan documents be supplemented accordingly.

498. For all exposures, the back office department uses a checklist to verify the material and formal accuracy of the loan documents.

499. The competencies for credit decisions are regulated in the "Loan Policy" work instruction. There are no powers below the KEBHD Executive Board.

500. In accordance with the Bank's current authority regulations, KEBHD obtains the approval of the parent company in the interests of Group-wide risk management and to avoid cluster risks within the Group. Approval takes place in the BankHive system. The final credit decision remains with KEBHD.

501. Our engagement audit did not reveal any indications of insufficient qualifications on the part of the employees. In all cases, the approval of the Management Board was obtained in accordance with the relevant competencies.

502. For loan agreements and security agreements, KEBHD uses in-house templates, forms and sample contracts as well as forms obtained from Bank-Verlag for rental agreements. The credit department itself is responsible for maintaining the forms stored in the system.

503. Loans granted to German subsidiaries of Korean companies are generally secured by guarantees from the Korean parent company. In addition, KEBHD accepts the following loan collateral in particular:

- Pledging of deposits,
- Assignment by way of security (cession),
- Assignment of life insurance policies,
- Transfer by way of security,
- collateralization by way of mortgage.

504. With regard to sustainability risks, a portfolio analysis of the customer lending business was carried out using an "ESG risk traffic light" questionnaire. ESG risks were assessed qualitatively, with a sector differentiation also being made.

505. The findings made in the previous year were processed by the Bank as follows:

Determination	Measures	Status
In accordance with the bank's instructions (Disclosure of financial circumstances pursuant to Section 18 KWG - Section 5.4), the KDF calculation and the customer's ability to repay must be clearly presented in the credit report.	The KDF calculations are to be performed using a separate Excel spreadsheet and attached to the credit file. As part of our engagement audit, KDF calculations were submitted to us late in some cases.	Partially remedied (see also findings in section 11.2)

506. With the exception of our findings, we consider the procedures established for granting loans within the meaning of BTO 1.2.1 MaRisk to be appropriate in light of the nature and scope of the business activities.

10.1.3. Credit processing and credit monitoring

507. The BankHive system is used throughout the Group to record, process and settle credit transactions. For credit applications, all customer and credit transaction master data is entered into the system. Data is entered using the four-eyes principle.

508. Before disbursing all loans, the back office department checks compliance with the approval powers, the fulfilment of the terms and conditions set out in the credit decision, the proper provision of collateral, the use of the current sample contracts and the existence and accuracy of the signatures on the contracts as part of the dual control principle. The verification activities should be documented in detail (e.g. in a checklist).

509. The final release of the payment is carried out in the BankHive system, taking into account the six-eyes principle (administrator/head of department/board member).

510. The processing of an existing limit as part of the resubmission (change, prolongation) is also carried out according to the six-eyes principle (clerk/department head/board member). Approval for the granting of credit from Korea is given electronically via BankHive, together with information on who approved the credit and when.

511. Commitments are reviewed at least once a year or more frequently if necessary.

512. The back office is responsible for managing and monitoring collateral.

513. The lending and valuation of real estate collateral are governed by the "Lending business - loan processing" working instructions (as at November 1, 2022). The mortgage lending values are determined by the loan officers (back office). In addition to the lending principles, the cross-divisional working instruction "Lending business - collateral" (as at November 1, 2022) on the valuation of land and equivalent rights is used to determine the mortgage lending values in the real estate lending business.

514. In the case of real estate, an appraisal by an external expert commissioned by KEBHD must be obtained in accordance with the work instructions.

515. The collateral values must also be reviewed as part of the annual exposure presentation. With regard to the valuation of commercial properties, the organizational guidelines did not contain any specific guidelines or specifications. The written regulations were amended in May 2024, according to the information provided. An assessment will be carried out as part of the next audit.

516. Collateral (pledges and guarantees) is kept in the safe. For all German subsidiaries of Korean companies, copies of the guarantees of the respective Korean parent companies serving as collateral are available in English or Korean. The guarantees are not limited in time and are confirmed annually by the Korean parent companies. The original guarantee declarations are kept at the parent company of KEBHD in Korea in accordance with the information provided.

517. The management and safekeeping of credit files are governed in particular by the "Credit Business - General" working instructions. According to our findings, the credit files are clearly organized. They provide a sufficient insight into the current status of credit exposures within a reasonable period of time.

518. As a tool for monitoring lending transactions, the Bank has drawn up the "Checklist for reviewing individual exposures", which must be completed by employees for each individual exposure and filed in the credit file. The checklist is available to employees with IT support and provides information on legal relationships, KWG regulations, CRR regulations, collateral, loan submissions and loan agreements.

519. The ongoing monitoring of exposures, in particular with regard to the creditworthiness of borrowers and the value of loan collateral, is carried out by the credit department and the Management Board. Monitoring also includes requesting and evaluating borrowers' creditworthiness documents.

520. KEBHD analyzes the economic situation of borrowers directly. The evaluation module in BankHive is available to the bank for the analyses.

521. The assessment of the creditworthiness of the Korean parent companies of the borrowers, which generally assume guarantees for their German or European subsidiaries, has been outsourced to KEBH. The analyses are forwarded to KEBHD in electronic form. In addition, KEBHD carries out creditworthiness analyses of Korean parent companies before new loans are granted or extended.

522. In the case of loans to Korean banks, the financial circumstances are also analyzed by KEBH and checked for plausibility by KEBHD. The assessment is carried out in Korean and English. Documentation that the analyses by KEBH were acknowledged and checked for plausibility was available in the cases we audited.

523. With regard to further requirements concerning compliance with Section 18 KWG, please refer to Section 11.5.

524. The maturity of loans to corporate and private customers is monitored daily online by means of IT queries by employees in the credit department. We have reviewed the monitoring on a random basis. No objections were raised.

525. Overdrafts are generally not permitted in BankHive. An exception is made for the quarterly interest charge on the current account and in the money trading area through manual releases in the event of overlaps. An overdraft list is therefore not kept at the bank. The contractually agreed loan commitments are entered in BankHive.

526. The employee from the credit department responsible for the respective credit exposure is responsible for the dunning process, whereby the reminders must be created manually. Due loans are automatically displayed by BankHive. If no agreement can be reached with the borrower on the repayment of a non-performing exposure or if the credit department is of the opinion that the borrower is not in a position to repay the exposure, the Management Board is involved in further processing. The Management Board is responsible for initiating the implementation of enforcement measures. If the value of the collateral does not cover the exposure, the risk provisioning requirement is determined and submitted to the Management Board for approval.

527. With the exception of our findings, we consider the established procedures for credit processing and credit monitoring within the meaning of BTO 1.2.2 to 1.2.3 MaRisk to be appropriate.

10.1.4. Intensive support and problem loan monitoring

528. Special graduated monitoring and competence regulations apply to exposures in intensive support and problem loan processing, which are set out in the "Lending business - general" and "Lending business - problem loans" work instructions (as at November 1, 2022). Both intensive support and problem loan processing are the responsibility of the back office.

529. It is defined when an exposure is to be subject to intensive management or is to be assigned to problem loan processing. This also takes into account loan exposures where concessions regarding repayment terms have been made in favor of the borrower due to their emerging financial difficulties ("forbearance"). In addition to mandatory criteria, the working instruction also defines inclusion criteria that provide for a commitment check with a subsequent allocation decision.

530. The responsible department head must promptly inform the members of the Risk Management Committee of the classification as intensive care as part of the reporting process. This report must also state how the existing "credit exposures in intensive management" will be handled (e.g. further intensive management, return to normal management, transfer to problem loan processing or workout).

531. If a loan has been reclassified from intensive management to problem loans, the back office must immediately review whether the exposure is worthy of restructuring and can be restructured. Documentation of this review must be prepared and submitted to the Management Board.

532. If the Management Board has decided not to restructure, a wind-up plan must be drawn up without delay and the winding-up of the loan exposure must be initiated. If necessary, external specialists must be used for the restructuring and workout.

533. If it is determined that the loan is uncollectible, the Management Board must decide whether the loan should be written off in full. For this purpose, the back office must provide the Executive Board with the relevant decision-making basis.

534. At the time of our credit review, no exposures were in the process of being restructured or wound up, as in the previous year.

535. In summary, we consider the procedures established by the Bank for the intensive management and treatment of problem loans to be appropriate.

10.1.5. Risk classification procedure

536. The internal rating procedure was developed by KEBHD with the involvement of the back office in accordance with the "Internal Credit Analysis" work instruction (as at November 1, 2022). KEBH bears methodological responsibility for the procedure. The quality was tested by the back office.

537. An internal rating is generally required for loans of USD 100,000 and more. An internal rating is not required for loans that are secured by fixed-term deposits or a bank guarantee. No rating is required for embassy loans (usually rental guarantees) and loans to governments.

538. To assess the counterparty default risk, the Bank determines a credit rating for each borrower unit within the meaning of Section 19 (2) KWG and Article 4 (1) No. 39 CRR as part of the annual credit assessment. The Bank uses the BankHive rating module "Overseas Credit Grading Evaluation" for corporate borrowers.

539. An IT-supported "Credit Grading Evaluation Sheet" is available in English to manage and assess counterparty default risks. The "borrower rating" or "credit rating" assesses the business, sector and financial risks, liquidity development and future debt servicing capacity. The rating process is outsourced to KEBH.

540. In addition to calculating the internal ratings in accordance with the "Overseas Corporate Credit Rating" documentation (as at December 2021), the bank also uses ratings from external rating agencies. These external ratings are converted into an internal rating class using a conversion table.

541. In accordance with the "Internal credit analysis" work instruction, the following conversion table is used:

	Externe Ratings				
Internes Rating	Moody´s	Korea Investors Service, Seoul	S&P	Fitch	OECD
A1	Aaa, Aa1, Aa2	AAA	AAA, AA+, AA	AAA, AA+, AA	0
A2	Aa3, A1	AA+	AA-, A+	AA-, A+	1
A3	A2, A3	AA, AA-	A, A-	A, A-	2
A4	Baa1	A+	BBB+	BBB+	
A5	Baa2, Baa3	A, A-	BBB, BBB-	BBB, BBB-	3
A6	Ba1	BBB+, BBB	BB+	BB+	4
A7	Ba2	BBB+, BBB	BB	BB	5
B1	Ba3		BB-	BB-	
B2	B1	BBB-	B+	B+	
B3		BB+			
B4	B2	BB	B	B	
B5					
B6	B3	BB-	B-	B-	6
C1	Caa1, Caa2	B+	CCC+, CCC	CCC+, CCC	
C2	Caa3	B – below CCC	CCC-	CCC-	
C3	Ca, C	B – below CCC	CC, C	CC, C	7
D	D	D	D	D	D
0	B3	BB-	B-	B-	6

542. The external ratings are only used as additional information. A separate rating is always required.

543. The head of the credit department is responsible for the development, quality and monitoring of the application of the risk classification procedures used at the bank. The risk classification procedure is validated on an annual basis in cooperation with KEBH. We have received the review of the validation performed by KEBHD dated February 21, 2023. The result confirms the appropriateness of the risk classification procedure.

544. ESG risks have so far been included in the risk classification via the "ESG risk traffic light" (see section 10.1.2). One of the aims of a project is to analyze the extent to which ESG scoring can be usefully introduced (see section 8).

545. We consider KEBHD's risk classification procedure to be appropriate.

10.1.6. Risk provisioning and country risks

546. The Bank's principles for determining risk provisions in the lending business are set out in the "Lending business - risk provisions" work instruction (as at November 1, 2022).

547. A distinction is made in risk provisioning between specific risk provisions for certain borrowers at risk of default and general loan loss provisions and country risks.

Individual risk provisions

548. If a loan exposure is at risk of default, the collateral is reassessed as part of a review and, if necessary, additional collateral is requested from the borrower. This is based on the current realization possibilities. If the value of the collateral does not cover the exposure, the risk provisioning requirement is determined and submitted to the Management Board for a decision.

549. KEBHD writes off non-performing receivables once it has been established that they are irrecoverable. The debtor's ability to pay continues to be monitored.

550. There were no specific valuation allowances on receivables as at December 31, 2023, unchanged from the previous year. The bank has recognized provisions for guarantees in the EUR 8 thousand (previous year: EUR 14 thousand) for guarantees.

General valuation allowances

551. General valuation allowances are recognized to account for the latent default risk. The calculation was carried out for the first time in the reporting year on the basis of the IFRS 9 methodology used throughout the Group. For this purpose, the parameters exposure at default (EAD), loss given default (LGD) and probability of default (PD) are multiplied together. Contrary to IDW RS BFA 7, loans and advances to banks are not included in the calculations if they are in stage 1 or 2. There were no receivables in stage 3 as at the balance sheet date. This appears justifiable due to the low volume.

Country risks

552. KEBHD has not set up an explicit country risk system to limit country risks. The basis for the assessment of country risks is the classification of countries by the OECD and the rating agencies.

553. Since the introduction of the THINC risk management system at the end of September 2022, country risks have been calculated using the CreditMetric calculation method. The procedure and the measures to be taken if limits are exceeded are not set out in writing in the organizational instructions. The organizational manual should be supplemented in this regard.

554. Country limits are reviewed annually as part of a Management Board resolution and adjusted if necessary.

555. The following overview prepared by the Bank shows the country limits approved by the Executive Board and their utilization as at 31 December 2023:

Country	31.12.2023 exposure in TEUR	limit in TEUR	utilization in %
AUSTRIA	6.500	20.000	33%
CANADA	244	1.000	24%
CHILE	17.643	20.000	88%
CHINA-PEOPLE'S REP.	0	60.000	0%
CZECH REPUBLIC	25.439	90.000	28%
DENMARK	5.365	30.000	18%
FINLAND		20.000	0%
FRANCE		20.000	0%
GERMANY	122.658	unlimited	
HUNGARY	50.995	100.000	51%
ISRAEL	17.774	20.000	89%
ITALY	38.800	60.000	65%
KOREA REP. OF	226.867	unlimited	
LUXEMBOURG	61.420	100.000	61%
NETHERLANDS	10.237	25.000	41%
NORWAY	0	1.000	0%
POLAND	27.938	100.000	28%
ROMANIA	3.500	20.000	18%
SAUDI ARABIA	18.372	20.000	92%
SLOVAKIA	800	20.000	4%
SLOVENIA	500	20.000	3%
SWITZERLAND	34	10.000	0%
USA	909	10.000	9%
UZBEKISTAN	8.357	15.000	56%
Others	1.247	100.000	1%
Total	645.599		
without Korea & Germany	296.074	882.000	34%

556. By resolution dated February 20, 2024, a country limit of EUR 400 million was set for South Korea. The Head of Money Market Trading reports to the Executive Board on the monitoring and utilization of the country limits on a quarterly basis as part of the preparation of the risk report.

557. Transactions are allocated to a specific country according to the risk domicile principle (borrower's country of domicile). If the transfer risk according to the parent country principle (domicile of the parent company) is worse than according to the country of domicile principle, an allocation is made to the parent country due to the higher country risk. At country level, loan commitments and utilizations by foreign borrowers, domestic and third-country collateral for these loans and loans to residents based on foreign collateral are recorded.

558. As in the previous year, there were no country risk provisions as at December 31, 2023, which we consider to be justifiable.

559. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
Based on the current Management Board resolution of September 30, 2022, the Bank has not set a country limit for South Korea. We consider it necessary to define a country limit for all countries in order to be able to develop appropriate management effects.	A country limit was set for South Korea by resolution of 20 Feb- ruary 2024.	Fixed
The lump-sum value adjustments were calculated in the 2021 financial year based on regulatory models that took into account factors such as rating classifications, median probabilities of default per product group (median PDs) and loss given default (LGDs). A new model calculation has the Bank in the 2022 financial year	The calculation is based on the methodology used throughout the Group in accordance with IFRS 9 and IDW RS BFA 7.	Fixed

Findings	Measures	Status
The risk management is waived due to insignificant changes in the risk structure of the portfolio. We consider an annual model calculation to be necessary.		

560. The organizational precautions for risk provisioning and country risks are appropriate, with the exception of our finding regarding the lack of a description of procedures for exceeding country limits.

10.1.7. Early risk identification and risk reporting

561. In order to identify risks at an early stage and initiate countermeasures when early warning indicators arise, the credit divisions (front office) review and initiate the inclusion of at-risk exposures in intensive management.

562. The early warning indicators are based on qualitative and quantitative risk characteristics and relate both to individual exposures or borrowers and to an entire group of borrowers.

563. The Bank uses indicators such as returned cheques and direct debits, arrears in loan repayments and a significant deterioration in financial circumstances to identify potential risks at an early stage.

564. The bank has defined qualitative early warning indicators and published corresponding regulations. Accordingly, if an early warning indicator occurs, an event-driven risk analysis must be carried out, which includes a check for the existence of other indicators.

565. If a risk is identified, a draft resolution must be drawn up, the borrower's rating must be reviewed and the borrower's admission to intensive care must be checked. The review must be documented in the credit file.

566. In summary, we consider the procedures established by the Bank for the early identification of risks to be appropriate.

10.1.8. Treatment of forbearance

567. At the time of our early credit review, the details in the written regulations on forbearance in the "Credit business - general" work instruction were limited to the statement that loan exposures for which the bank had made concessions with regard to repayment terms in favor of the borrower due to the borrower's emerging financial difficulties should also be taken into account as part of the classification into intensive supervision.

568. In this respect, the requirements for the treatment of forbearance resulting from the 2021 MaRisk amendment (BTO 1.3.2 MaRisk) were not fully implemented in the reporting year. In particular, no forbearance guideline (BTO 1.3.2 para. 2 MaRisk) was im- plemented in which the requirements of BTO 1.3.2 para. 3 et seq. MaRisk are to be addressed. The working guideline "Lending business - Credit processing control - Borrowers in crisis" (as of December 28, 2023) was supplemented in this regard. A final assessment is planned as part of next year's credit review.

10.1.9. Findings of the internal audit department and third party auditors

569. In the 2023 financial year, the Bank's Internal Audit department carried out the following audits of the credit business:

- Loan Review as of June 30, 2023,
- Loan Review as of December 31, 2023.

570. This did not result in any serious findings.

10.1.10. Assessment of the organization of the lending business

571. In summary, we note that the overall organization in the lending business, with the exception of the outstanding Bundesbank findings (see section 10.1.9), ensures proper processing, monitoring and management of counterparty default risks and provides for sufficient segregation of duties.

572. With regard to the implementation of the requirements of BTO 1 MaRisk resulting from the 7th MaRisk amendment, please refer to section 8.

10.2. Organization of the trading business

573. The organization of the trading business is based on the relevant provisions of the Articles of Association, the rules of procedure for the Management Board and Supervisory Board, the allocation of responsibilities of the Management Board as well as the procedural and structural organizational rules for the trading business in the overarching organizational guideline "Minimum requirements Treasury Backoffice" (as at 8 January 2024) and the business-specific organizational guidelines "Minimum requirements money market transactions" (as at 8 January 2024), "Minimum requirements Securities Trading" (as at January 2024) and the organizational guidelines for specific types of business "Minimum requirements money market transactions" (as at: 8 January 2024), "Minimum requirements Securities Trading" (as at: 8 January 2024), "Minimum requirements Treasury Backoffice" (as at: 8 January 2024) and "Minimum requirements FX Trading" (as at: 8 January 2024).

574. KEBHD has a license from BaFin for proprietary trading in accordance with Section 32 (1a) sentence 1 KWG.

575. The Bank does not engage in complex trading activities and does not maintain a trading book as at the balance sheet date.

10.2.1. Organizational structure basics

576. The Bank's organizational chart provides for a division of the trading business into different areas at Management Board level, which is intended to ensure a proper organizational separation of the trading area from the risk controlling, settlement and control functions up to and including Management Board level.

577. In the current organizational chart, the Treasury (Front) division is assigned to the Chief Market Officer and the Treasury (Back) and Risk Management divisions to the Chief Risk Officer.

578. In the business allocation plan (as at 1 September 2023), Mr. Navarro is assigned to the front office in the Money Market and Foreign Exchange Trading division and to the back office in the Treasury division. In the organizational chart (as at 30 September 2023), Mr Navarro is assigned to the front office in the Treasury division (front) and Mr Cha to the back office in the Treasury division (back). There was therefore an inconsistency between the organizational chart and the business allocation plan. According to the business allocation plan, there was no separation of functions at the management level of the respective divisions.

579. With an update of the business allocation plan (as at 1 November 2023), the business allocation plan was adapted to the organizational chart. In the current version, Mr.

Navarro is assigned to the front office in the Money Market and Foreign Exchange Trading division and Mr. Cha to the back office in the Treasury division.

580. The findings made in the previous year were processed by the Bank as follows:

Determination	Measure	Status
The adjustments required as part of the migration of the core banking system to BankHive have not yet been made.	The organizational guidelines were adapted to the changed processes in the trading business as a result of the migration. With regard to the implementation of the requirements of MaRisk, we refer to the following explanations.	Fixed

581. In accordance with AT 8.1 para. 3 MaRisk, the conclusion of trading transactions in new products or on new markets must be based on correspondingly clear decisions and may only be carried out after the successful completion of test runs and the existence of suitable risk management and controlling measures, whereby the scope of transactions in the test phase is precisely limited. The requirements are set out in writing in the "Manual_New-Product-Process" work guideline (as at June 14, 2023). With the exception of the working guideline "Minimum requirements Treasury Backoffice" (as of January 8, 2024), reference is made to the working guideline "Manual_New-Product-Process" (as of June 14, 2023).

10.2.2. Conclusion and recording of transactions

582. KEBHD engages in trading transactions within the meaning of MaRisk. The types of transactions, trading strategies and significant products of the trading transactions are shown in the following overview:

Business type	Trading strategy	Significant products
Money market transactions	Liquidity management, coverage of financing requirements, interest arbitrage and maturity transformation to a limited extent	Active and passive overnight and term deposits with banks, passive term deposits with non-banks
Securities transactions	Liquidity management	Fixed-interest bonds

Business type	Trading strategy	Significant products
Foreign exchange transactions	Payment of bank transactions in different currencies, collateralization of balance sheet items	Spot and forward exchange transactions

583. BankHive is the bank's main IT system used to record, process and settle trading transactions. BankHive is therefore both a front and back office system and also represents the central accounting system. As a core banking system, BankHive is also used for position management and ensures the updating of holdings to determine the respective positions. The recording of trading transactions in accordance with BTO 2.2.2 para. 4 MaRisk is set out in writing.

584. Payment transactions are processed using BankHive. For the processing of payments and the exchange of other messages, BankHive is used.
S.W.I.F.T. is used.

585. Trading is mainly carried out electronically via Bloomberg and occasionally by telephone. The relevant transaction data is recorded by the trader in BankHive. A trader note is created from BankHive, which represents the "deal ticket". The back office receives the deal ticket and compares the recorded data with the data stored in BankHive. During an on-site inspection, we convinced ourselves of the effectiveness of the four-eyes principle. Finally, the Head of Division issues the final approval after carrying out a further check of the transaction and the deal data.

586. Transactions are only carried out by traders in exceptional cases and only in customer trading after the close of settlement. These transactions are marked as late transactions within the meaning of BTO 2.2.1 para. 1 MaRisk with a corresponding stamp on the trader's note in accordance with the organization guideline. KEBHD defines transactions that take place after 5 p.m. (closing time for settlement) as late transactions. In accordance with organizational instructions, late transactions are only executed in exceptional cases and only for foreign exchange products. No late transactions were concluded in the 2023 financial year. The requirements for late transactions in accordance with BTO 2.2.1 para. 7 Ma- risk are set out in the organizational guideline "Minimum requirements FX Trading", "Minimum requirements Treasury Backoffice", "Minimum requirements Securities Trading" and

"Minimum requirements money market transactions" (as at January 8, 2024).

587. Contrary to BTO 2.2.1 para. 9 MaRisk, some employees from the trading area had individual signing authority for payment transaction accounts. The signing authorization was adjusted to a joint signing authorization as part of the audit.

588. Treasury (Back) is responsible for monitoring the market conformity of transactions and is the responsibility of the Head of Trading. Internal transactions are also included in the checks. As part of the market conformity check, KEBHD uses a printout from Bloomberg immediately after the transaction is concluded to check whether the trading price or the price of a trading transaction corresponds to the market conditions prevailing at the time the transaction was concluded. For this purpose, KEBHD has defined the following test procedures in the respective product-specific organizational guidelines:

- Comparison of the agreed price/trading price with a reference value independent of trading (for standard transactions, the check is carried out on a random basis)
- If no comparative price/rate is available, the system checks whether the price/trading rate is within the bandwidths defined by KEBHD.

589. The member of the Executive Board responsible for market conformity and the Compliance Officer shall be informed immediately if, in deviation from BTO 2.2.1 para. 2, trading transactions have been concluded at non-market conditions.

590. After the close of business, all documents relating to the annual financial statements are submitted to the Executive Board for information. In this context, an additional plausibility check of market conformity is carried out by the Management Board member responsible for back office. The two members of the Management Board approve each concluded trading transaction by a show of hands on the deal ticket.

591. We examined on a test basis whether the market conformity check was performed for 45 money market transactions and spot and forward foreign exchange transactions. No objections were raised.

592. In accordance with BTO 2.2.1 para. 10 MaRisk, it must be ensured that the position responsibility of traders is transferred annually to another employee for an uninterrupted period of at least ten trading days. It must be ensured that during this period an absent trader does not have access to the data held by him.

responsible positions. The ten-day substitution rule was only partially complied with in the 2023 reporting year. The requirements for employees are set out in writing in the job descriptions. This information in the job descriptions corresponds in part to the requirements in the trading area in accordance with BTO 2.2.1 para. 10 MaRisk.

593. An overview of the legal and internal retention obligations can be found in the bank's organizational manual. In accordance with the organizational guidelines specific to the type of business, traders' telephone calls are recorded centrally using a keypad combination. The recordings are kept for at least three months in accordance with BTO 2.2.1 para. 4 MaRisk. Transactions concluded via Bloomberg are automatically recorded and archived by Bloomberg. The recording obligations and documentation processes in accordance with BTO 2.2.1 para. 4 MaRisk are set out in writing.

594. The requirements for off-premises transactions in accordance with BTO 2.2.1 para. 3 MaRisk are set out in writing in the organizational guidelines "Minimum requirements Treasury FX Trading" and "Minimum requirements Treasury money market transactions". The requirements are not set out in writing in the organizational guidelines "Minimum requirements Treasury Back- office" and "Minimum requirements Treasury Securities Trading". There were no out-of-house transactions in the 2023 reporting year.

595. The requirement pursuant to BTO 2.2.1 para. 8 MaRisk that framework agreements, net agreements or collateral agreements relating to trading transactions must be reviewed for legal enforceability by an independent body is set out in the organizational guideline "Minimum requirements Treasury FX Trading". The organizational guidelines "Minimum requirements Treasury Backoffice" "Minimum requirements Treasury Securities Trading" and "Minimum requirements Treasury money market transactions" do not set out the requirements in writing.

10.2.3. Processing and control

596. The settlement control activities include, in particular, checking the transaction documents for completeness and their timely submission as well as checking the data entered by the traders in BankHive and the accuracy of the data on the trader slips. Furthermore, compliance with the corresponding broker confirmations and counter-confirmations is checked.

597. Discrepancies and anomalies identified during inspection activities must be clarified immediately in accordance with the organizational guidelines or in accordance with the installed escalation procedures.

598. The transaction confirmations are created immediately for all products by the processing department. The trade confirmations are sent to the respective counterparties via S.W.I.F.T. via BankHive on the same day - usually directly after the transaction has been approved.

599. The monitoring of the immediate receipt of counter-confirmations and the reconciliation with the company's own transaction documents is generally carried out by comparing the dealer slips manually stored in a resubmission file by the settlement department. There were no discrepancies between the confirmation and counterconfirmation of a transaction in the financial year and all transactions were mutually confirmed.

600. Based on a sample of 45 money market transactions, foreign exchange spot transactions and foreign exchange forward transactions, we checked whether counterconfirmations for the transactions were available. We compared the data on the counter-confirmations with the information on the dealer slips. No objections were raised. In addition, for 45 money market transactions, spot exchange transactions and forward exchange transactions, we examined whether the transaction was confirmed immediately and whether a corresponding counterconfirmation was received promptly. No objections were raised.

601. Other settlement tasks include, in particular, the monitoring of terms with regard to due dates and payments associated with the transactions, unless this is done automatically in BankHive, or the verification of these. Furthermore, settlement reconciles the securities holdings with the holdings of the respective custodian on an annual basis. In view of the extremely small size of the Bank's securities portfolio, we consider the annual cycle to be appropriate.

602. Appropriate processes are in place to reconcile the positions determined in trading with the positions managed in the downstream processes and functions (e.g. settlement, accounting). All processes are managed in the BankHive system.

603. No suspense or suspense accounts are maintained for trading positions. We did not identify any counterparties during the audit.

10.2.4. Granting and monitoring of counterparty and issuer limits

604. Issuer and counterparty limits are set individually, i.e. exclusively in relation to the respective issuer or counterparty. For each issuer or

Counterparties must submit a corresponding application to KEBH before the first transaction is concluded, stating the desired limit amount. KEBH may approve the limit in full or in a lower amount than requested or reject it. Its decision is generally based on an aggregated view of the issuer and counterparty limits at Group level. Once the issuer or counterparty limit has been approved by KEBH, a corresponding limit approval or limit decision is also made at the level of KEBHD by its Executive Board.

605. Trading ensures that the above-mentioned limits for counterparty default and market price risks are complied with. To this end, before executing a transaction, Trading checks whether corresponding limits exist for the transaction and whether these limits are complied with when the transaction is concluded. In addition, BankHive does not allow a transaction to be recorded if no limit has been stored in the system for the relevant issuer or counterparty. Issuer or counterparty limits are stored in BankHive by the settlement department.

606. If only trading transactions are carried out with a counterparty, counterparty and issuer limits for the conclusion of trading transactions are set at the market's request by a vote of the back office.

607. Organizational regulations and global limits for the short-term granting of issuer limits are in force, but are rarely used according to the findings of our audit.

608. The requirements of BTR 1 para. 3 and 4 MaRisk are therefore adequately met.

10.2.5. Short sales

609. According to the information and our knowledge obtained during the audit, the Bank does not engage in short selling or other transactions covered by Regulation (EU) No. 236/2012.

11. Information on the lending business

11.1. Structure of the lending business

610. The total credit volume by **loan type** is as follows:

	31.12.2023		31.12.2022		Veränderung	
	TEUR	%	TEUR	%	TEUR	%
Forderungen an Kreditinstitute	187.025	21,4	198.488	22,3	-11.463,5	-6,1
Forderungen an Kunden	342.349	39,2	330.629	37,2	11.719,4	3,4
Guthaben bei Zentralnotenbanken	7.502	0,9	2.855	0,3	4.646,6	61,9
Schuldverschreibungen	275.593	31,6	309.177	34,7	-33.583,5	-12,2
Avalkredite, Akkreditive	14.087	1,6	27.067	3,0	-12.979,7	-92,1
Gesamtkreditinanspruchnahme	826.555	94,7	868.216	97,6	-41.660,8	-5,0
Devisentermingeschäfte und Swaps	1.895	0,2	1.118	0,1	776,9	41,0
Unwiderrufliche Kreditzusagen	3.539	0,4	7.030	0,8	-3.491,1	-98,7
Widerrufliche Kreditzusagen	41.076	4,7	13.432	1,5	27.644,5	67,3
Gesamtkreditvolumen	873.065	100,0	889.796	100,0	-16.730,4	-1,9

611. The decrease in total drawdowns of EUR 33.6 million is mainly due to a reduction in bonds. This was offset in particular by an increase in revocable loan commitments of EUR 27.6 million.

612. The **breakdown of** the total loan volume **by size category** prepared by the Bank as at December 31, 2023 is as follows:

Größenklassen	Kreditnehmer*		Kreditvolumen	
TEUR	Anzahl	%	TEUR	%
über TEUR 14.080**	20	14,1	556.748	63,8
über TEUR 1.533 bis TEUR 14.080	62	43,7	295.933	33,9
über TEUR 100 bis TEUR 1.533	28	19,7	19.533	2,2
über TEUR 10 bis TEUR 100	20	14,1	798	0,1
unter TEUR 10	12	8,5	54	0,0
Insgesamt	142	100,0	873.065	100,0

* Einzelkreditnehmer
** Großkreditgrenze

613. It can be seen that 20 borrowers with a loan volume of EUR 553.7 million or 63.8% represent large loans. In this respect, the portfolio structure shows a concentration of risk.

614. The total lending volume by **sector** as at December 31, 2023 is broken down as follows

	31.12.2023 TEUR	%	31.12.2022 TEUR	%
Kreditinstitute				
Ausländisches Kreditinstitut	34.212	3,9	29.015	3,3
Inländisches Kreditinstitut	184.879	21,2	189.314	21,3
	219.091	25,1	218.329	24,5
Inländische Kunden				
Unternehmen				
Handel mit Kraftfahrzeugen, Groß- und Einzelhandel	41.082	4,7	21.123	2,4
Herstellung von Bekleidung, Herstellung von Holz-, Flecht-, Korb- und Korkwaren	3.800	0,4	600	0,1
Herstellung von chemischen Erzeugnissen	20.022	2,3	20.130	2,3
Lagerei sowie Erbringung von sonstigen Dienstleistungen für den Verkehr	6.133	0,7	6.121	0,7
Metallerzeugung und -bearbeitung, Herstellung von Metallerzeugnissen	7.915	0,9	7.915	0,9
Maschinenbau, Herstellung von Kraftwagen und Kraftwagenteilen	22.499	2,6	13.669	1,5
Telekommunikation	36.000	4,1	21.000	2,4
Sonstige Dienstleistungen	8.389	1,0	9.896	1,1
	145.840	16,7	100.454	11,3
Organisation ohne Erwerbscharakter	3	0,0	3	0,0
Sonstige Privatpersonen	2	0,0	4	0,0
	5	0,0	7	0,0
Ausländische Kunden				
Unternehmen	453.759	52,0	498.406	56,0
Finanzinstitute	110	0,0	17.590	2,0
Öffentliche Haushalte	53.869	6,2	54.505	6,1
Ausländische Privatperson	393	0,0	505	0,1
	508.130	58,2	571.006	64,2
	873.066	100,0	889.796	100,0

615. The total credit volume by **rating class** (by guarantor rating, if available) is distributed as follows as at December 31, 2023

Ratingklassen	31.12.2023 EUR Mio	31.12.2022 EUR Mio	Veränderung EUR Mio
A1	419,6	431,3	-11,7
A2	40,9	28,0	12,9
A3	92,0	89,9	2,1
A4	49,7	59,7	-10,0
A5	61,7	52,5	9,2
A6	99,2	85,4	13,8
A7	75,8	63,3	12,5
B1	7,2	31,8	-24,6
B2	0,0	22,5	-22,5
B3	0,0	10,0	-10,0
B4	3,5	0,0	3,5
B5	0,0	4,9	-4,9
B6	0,0	0,0	0,0
C1	17,0	0,0	17,0
C2	0,0	0,0	0,0
C3	0,0	0,0	0,0
D	0,0	0,0	0,0
Nicht geratetes Volumen	6,5	10,5	-4,0
Insgesamt	873,1	889,8	-16,7

616. The following table shows the **collateral structure** of the total loan volume as at December 31, 2023

	31.12.2023 EUR Mio.	31.12.2022 EUR Mio.
Gesamtkreditvolumen	873,1	889,8
Sicherheiten		
Garantien vom Mutterunternehmen	160,1	99,3
Garantien von Kreditinstituten	223,8	271,5
Bürgschaft Dritter	30,8	33,5
Grundpfandrechte	37,8	38,3
Verpfändungen von Termingeldeinlagen	1,6	2,6
Forderungsabtretung	62,4	62,4
harte Patronatserklärung	9,0	4,0
	525,6	511,6
Ungesichertes Kreditvolumen	347,5	378,2

617. There is a significant concentration risk with regard to the guarantees provided by the parent company.

618. Overall, our audit revealed that there are significant concentrations of risk in the large loan volume and in the guarantees provided by the parent company. The structure of the lending business is consistent with the Bank's risk strategy for borrower-related counterparty default risk and is monitored as part of the Bank's risk management.

11.2. Credit check

619. As part of our audit, we performed a detailed case-by-case examination of a total of 15 loan exposures with 23 individual borrowers and a volume of EUR 369.4 million. In particular, we included the regularity of the borrower units formed, the economic conditions including the ability to service the debt and the valuation of collateral in our audit.

620. We highlight the following findings from our engagement audit:

- In the case of three exposures (Cividate, CS Manzoni, Maple Project), only capital service calculations based on the available annual financial statements of the borrowers were available, each of which has no significant own credit rating. Meaningful

Capital service calculations (KDF calculations) based on the earning power of the financed properties were not available, although the bank bases its commitments on this.

- For five exposures (Cividate, Epsilon, Manzoni, Kugelblitz, Maple Project), we did not have a comprehensible derivation of the bank's collateral valuation. Corresponding documentation was subsequently submitted to us for all exposures.
- In the case of one investment (Messeturm Frankfurt), the economic circumstances were not disclosed in accordance with Section 18 KWG. The bank demonstrably requested documents from the lead bank, most recently during our audit.

621. We gained a comprehensive insight into the lending business and its organization, the associated risks and the Bank's internal control systems and procedures in order to be able to assess the appropriateness and effectiveness of the processes and procedures.

622. We determined the scope of the audit depending on the nature and extent of the counterparty default risks, the operational risks associated with the lending business and the appropriateness and effectiveness of the internal control system, including the internal control procedures for counterparty default risks. We determined the type, scope and timing of individual case audits by applying the risk-oriented audit approach on the basis of our assessment of the internal control system.

623. The population for our selection was the bank's total exposure list as at
In addition, we used the following documents in particular for the selection of the loans to be audited:

- Overview of exposures in intensive and problem loan processing per September 30, 2023,
- EWB list as at September 30, 2023,
- Quarterly report credit risk 1st to 3rd quarter 2023.

624. We drew the sample for the individual case audit using the procedure of informed selection according to risk characteristics as follows:

- Exposures with the largest credit volume,
- Exposures with the largest credit volume and a rating of A6 or worse,
- Unsecured exposures with a rating of A6 or worse,
- Organ credit.

625. The reporting date for the credit review and the presentation of the loans was September 30, 2023. In our audit of the loans, we also took into account changes that had occurred up to the balance sheet date or up to the preparation of this report, insofar as they were material for the assessment of the exposures.

626. The engagement audit was conducted in our office with interruptions in the months of October to December 2023.

627. We have categorized the loans we have examined into three risk groups, taking into account the economic circumstances of the borrower and any collateral available.

628. The risk groups are defined as follows:

Loans without identifiable risks (risk group I)

629. This includes all loans which, based on the economic circumstances of the borrower and taking into account the collateral available at the time of our audit, did not indicate any increased latent risks.

Loans with increased latent risks (risk group II)

630. This risk group includes all loan exposures where the economic circumstances of the borrower show initial negative characteristics, so that there are initial doubts about the future ability to service the debt. In addition, the collateral available does not fully cover the credit risk in all cases. An acute default risk has not yet been identified for these loan exposures as at the reporting date.

Impaired and non-performing loans (risk group III)

631. This risk group includes all loan exposures for which there is considerable doubt about the future ability to service the debt and the available collateral does not fully cover the credit risk, meaning that there is an acute risk of default. This group also includes all loans for which a sustainable ability to service the debt is not guaranteed as at the reporting date and for which risk provisioning is required, taking into account the available collateral.

632. Overall, we did not audit two of the credit exposures we audited - the largest exposure (Hana Fin. Group Inc. Group) and the largest exposure of the

Risk Group II (MesseTurm PropCo S.à.r.l.) - classified as noteworthy. Please refer to Appendix 10.

633. According to the results of our audit, the valuation of the collateral was generally proper. We have reported on the individual findings in this section.

634. The audit of the appropriateness of the valuation of loans and advances to customers led to the conclusion that the Bank takes sufficient account of the risks in the exposures. According to the results of our audit, the existing specific valuation allowances adequately cover the acute default risks in the lending business.

635. We assessed the appropriateness of the valuation of the other loans within the meaning of Section 19 (1) KWG - in particular the securities portfolio - as part of the audit of the balance sheet items. Here, too, no objections were raised with regard to the valuation of the assets.

636. The structure of the lending business shows risk concentrations with regard to country risks (South Korea) and the share of large loans in the total lending volume. The loan portfolio is in line with the Bank's risk strategy and is monitored as part of the Bank's risk management.

637. In summary, with the exception of our findings, the credit exposures are processed properly.

638. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
In accordance with the working instructions (Disclosure of economic circumstances in accordance with Section 18 KWG section 5.6.3), the financial statements must be analyzed within four weeks of receipt. In two out of 16 cases, we observed a delay in the analysis of nine and 14 days. At	n/a	Not recoverable

Findings	Measures	Status
one case results in a violation of KWG 18.		
In accordance with the working instructions (Disclosure of economic circumstances in accordance with Section 18 KWG section 5.8) and MaRisk BTO 1.2. no. 11, the efforts made when requesting documents (e.g. te- telephone reminders with a note in the file or written reminders) must be traceable in the credit file. In one case, these measures were not documented.	n/a	Not recovera ble
In accordance with the Bank's working instructions (Lending business - Credit approval - Section 2.3.7.3), the rating analysis must be carried out at least once a year as part of the credit review. For eight borrowers (concerning 7 GvKs), we note a delay in the rating analysis.	n/a	Not recovera ble
In accordance with the Bank's working instructions (Lending business - Collateral - Section 10.8), the collateral value must be reviewed at least every three years. In this context, an appraisal may not be older than three years. In one case, we note a delay in updating the appraisal.	n/a	Not recovera ble
The creditworthiness check or credit evaluation must be carried out in accordance with the	n/a	Not recovera ble

Findings	Measures	Status
The bank's work instructions (Credit business - General - Section 4.3 & Credit business - Credit processing - Section 3) must be carried out once a year. In one case, we determine a delayed creditworthiness check. In another case, there is a violation of Section 18 KWG, as the 2022 credit report is missing.		

11.3. Consumer loans and financial assistance against payment (Section 18a KWG)

639. KEBHD has issued regulations on the consumer credit business in the organizational guideline "Lending business - granting loans" (as of 1 November 2022). Accordingly, to protect consumers from inadequate information and undue disadvantage, the statutory provisions of Sections 491 et seq. BGB must be observed. No reference is made to the provisions of Section 18a KWG in the organizational guideline. During our audit, the organizational guideline (as of December 28, 2023) was supplemented in this regard.

640. As part of our exposure review as at the reporting date of September 30, 2023, we found four consumer loans with a total drawdown of EUR 389 thousand. The current business strategy does not contain any comments on the consumer credit business. We recommend an addition in this regard.

11.4. Due diligence obligations in relation to securitization positions

641. Due to its business model, KEBHD does not hold any securitization positions in accordance with Article 2 No. 1 of Regulation (EU) No. 2017/2402.

11.5. Compliance with the disclosure requirements of Section 18 KWG

642. The Bank has laid down rules on disclosure in the organizational guideline "Disclosure of financial circumstances in accordance with Section 18 KWG" (as at 25 October 2022).

643. According to the results of our audit, the provisions of Section 18 KWG were observed by the Bank with the exception of our findings in Section 11.2. The bank's internal

We consider the precautions and procedures to be appropriately designed to meet the requirements of Section 18 KWG.

11.6. Credit reporting

11.6.1. Formation of groups of affiliated customers and borrower units

644. OHB's organizational guideline "Lending business - borrower risk units" (as at October 25, 2022) contains information on the consideration and formation of groups of affiliated customers in accordance with Article 4 (1) No. 39 CRR and borrower units in accordance with Section 19 (2) KWG.

645. The monitoring of a possible classification of a group of connected clients in accordance with Art. 4 (1) No. 39 CRR is carried out by the Credit Risk Management department.

646. When gathering information and investigating unilateral dependencies within the meaning of Section 19 para. 2 sentence 6 KWG and Art. 4 para. 1 no. 39 CRR, the Bank builds on its existing process for fulfilling the requirements of Section 18 KWG. In this respect, it is generally at the discretion of the responsible employees which documents are used in individual cases to assess economic dependencies within the meaning of Section 19 (2) KWG and Art. 4 (1) No. 39 CRR.

647. Borrower units pursuant to Section 19 (2) KWG are formed for million-euro loan purposes.

648. With regard to the proper aggregation of groups of affiliated customers in accordance with Art. 4 (1) No. 39 CRR, no objections were raised as part of the exposure test (see section 11.2).

649. Based on the results of our audit, the precautions taken by the Bank for the proper formation of the group of connected clients in accordance with Art. 4 (1) No. 39 CRR and the borrower unit in accordance with Section 19 (2) KWG are appropriate.

11.6.2. Compliance with the large exposure provisions pursuant to Section 13 KWG in conjunction with Art. 387 to 403 CRR

650. As a CRR credit institution, the Bank is subject to the requirements of Part 4 CRR and Section 13 KWG
i. in conjunction with Part 1 GroMiKV applicable to large exposures.

651. We have audited the large exposure report as at September 30, 2023 on a sample basis. The audit of timely submission was performed on all reporting dates of the reporting period. Our audit did not lead to any reservations.

652. As at December 31, 2023, the following relevant limits existed for large exposures

	KEUR
Core capital	140.803,14
Large loan definition limit (10 % of core capital)	14.080,31
Individual large exposure limit for non-institutions (25 % of core capital)	35.200,79
Individual large exposure limit for institutions (the higher of 25% of core capital and EUR 150 million, but no more than 100% of core capital)	140.803,14

653. The bank's Reporting / Accounting department is responsible for compliance with the requirements of Art. 394 CRR. The reporting process was started for the first time on February 26, 2024 in the "Large Exposure Monitoring and notification" work instruction. The Bank uses the BAIS software to prepare the reports.

654. Credit risk mitigation techniques within the meaning of Art. 399 et seq. CRR are utilized by the bank.

655. Due to the transactions carried out, the Bank is classified as an institution with a small trading book ("non-trading book institution").

656. During our audit, we did not identify any violations of the disclosure requirements pursuant to Art. 394 (1) and (2) CRR.

657. A prolongation resolution for 2023 was not available for the large loan to the "Hana Fin. Group Inc. Group" was not available. In this respect, the resolution requirements pursuant to Section 13 (2) KWG were not met for the 2023 reporting year.

658. The precautions taken at institution level to comply with the large exposure requirements of Section 13 KWG in conjunction with Art. 387 to 403 CRR are appropriate, with the exception of the lack of a written record of the reconciliation and review routines as part of the reporting process.

659. According to our findings and the information provided to us, there were no breaches of the large exposure limits of the individual institution in accordance with Art. 395 CRR during the assessment period.

660. According to our findings, the disclosure and reporting obligations pursuant to Art. 394 CRR in conjunction with the GroMiKV were complied with in the reporting year.

661. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
In order to implement and comply with the guidelines published by the EBA in accordance with Article 395 (2) CRR on upper limits for risk exposures to shadow banking entities (GL/2015/20), KEBHD has not laid down any rules in the written regulations.	Shadow banks were excluded when determining the risk appetite.	Fixed
The large loan overdraft was not recognized by the bank from 30 June 2021 to 19 May 2022 and was therefore not reported.	Major loans are monitored on a daily basis and submitted to the Management Board for approval.	Not recoverable. We did not identify any major credit overdrafts in the reporting period.
The bank was unable to provide proof of transmission to the Deutsche Bundesbank for two correction reports. We note that the reasons for the correction reports are not documented in an audit-proof manner and are therefore not comprehensible.	In the course of the reporting year, appropriate documentation of the corrections and their causes, including measures to prevent further corrections, was implemented.	Not recoverable. During the reporting period, there were no

Findings	Measures	Status
		Correct reporting of large loans.
We note that the large exposure report was submitted one day late as at the reporting date of March 31, 2022.	n/a	Not recoverable. The notifications were submitted on time in the reporting year.
The substitution amount is determined daily by an employee in the Reporting department using data from BankHive and BAIS. There is a schematic process description for this, but it is not versioned and has not been approved by the Management Board. We consider it necessary to update the process description. "daily manual" with a version, update it regularly and have it approved by the Management Board.	n/a	Not fixed. The bank has on February 27 2024 published the new work instruction "Large exposure monitoring and notifica-tion". This contains the process for determining the risk positions incl.

Findings	Measures	Status
		Risk minimization and versioning including approval by the Management Board. The fixed date was set in 2024.
According to the information provided, the overview of all transactions eligible for credit substitution is quality assured at regular intervals. We were unable to obtain documentation of the control. The updating and quality assurance of the overview is not regulated in any written work instructions. We consider it necessary to record the processes for updating and quality assurance of the overview of all transactions eligible for loan substitution in a written work instruction.	none	Not fixed.
The processes that would enable prompt notification in the event of a large loan overrun are not regulated in any written work instructions. We consider it necessary to define the processes, which in the case of a	none	Not fixed. On February 27, 2024, the bank

Findings	Measures	Status
The procedures for determining the criteria that would enable a prompt report of a major credit overrun and to record them in a written work instruction.		published a new guideline entitled "Large exposure monitoring and notification". This includes the notification obligation in the event of a large exposure overrun. The finding was handled in 2024.
We note that KEBHD has not documented in writing the new processes for determining the million loans, including the necessary manual corrections and the preparation of reports.	n/a	Not fixed
The bank was requested by Deutsche Bundesbank to submit a correction report for the reporting date of March 31, 2022. The bank was unable to provide any evidence to justify the correction report.	In the course of the reporting year, appropriate documentation of the corrections and their causes, including measures to prevent further corrections, was implemented.	Not recoverable. During the reporting period, there were no

Findings	Measures	Status
		Correct reporting of large loans.
We note that KEBHD has not documented in writing the new processes for determining large exposures, including the necessary manual corrections and the preparation of reports.	none	Not fixed. The Bank published the new "Large exposure monitoring and notification" work instruction on February 27, 2024. The notification process is listed within this. The finding was handled in 2024.
The Bank was unable to provide evidence of the submission of master data disclosures for large loans in the reporting year.	Master data reports were submitted in the 2023 reporting year.	Not removable. In the year under review, the

Findings	Measures	Status
		Master data presented.

11.6.3. Compliance with § 15 KWG

662. The Bank has laid down rules on loans to members of governing bodies in the organizational guideline "Lending business - loans to members of governing bodies" (as at 25 October 2022).

663. Accordingly, resolutions on loans to governing bodies must be passed unanimously by all managing directors before the loan is granted. The Supervisory Board must also give its approval. The only exception within the meaning of Section 15 para. 3 no. 3 are loans that are not increased by more than 10% of the amount resolved by the last resolution on loans to governing bodies.

664. In the reporting year, there was only one loan relationship with KEBH. A presentation of the early reporting date for the credit review (September 30, 2023) is included in Annex 10.

665. Resolutions of the Executive Board together with the approval of the Supervisory Board pursuant to Section 15 (4) KWG were available on December 30, 2021 for the year 2022 and on
December 28, 2023 for the year 2024. The resolutions limit the amount of the loan to the single large exposure limit in accordance with Art. 395 CRR. We note that we were unable to obtain a valid resolution for the 2023 reporting year.

666. According to our findings, there were no indications that the existing loans to members of the governing bodies in the reporting year were not granted at market conditions.

667. According to our findings, the Bank complied with the requirements of Section 15 KWG in the reporting year, with the exception of our finding.

12. Regulatory requirements

12.1. Compliance with the requirements for the trading book

668. The institution does not carry out any trading book activities within the scope of its business activities in accordance with Art. 103 CRR. As a result, it is not considered a trading book institution within the meaning of Art. 4 (1) No. 86 in conjunction with Art. 94 (1) CRR. Corresponding explanations are contained in the organizational guideline "Minimum requirements Treasury Backoffice" (as at 5 January 2024).

12.2. Organization of the reporting system and reporting process

669. The responsibilities for the entire external reporting system are set out in the bank's business distribution plan. The Finance department is responsible for fulfilling statutory reporting obligations in accordance with CRR and KWG. In addition to the Head of Finance, the department comprises two other employees. As Head of Finance, Mr. Rüdiger Müller has been responsible for reporting since 1 July 2023.

670. The general requirements and the reporting process are set out in several work instructions. These are available to every employee of the bank via the "Wiki" platform in the browser. We reviewed the following work instructions:

Designation	Contents	Stand
Framework Instruction: Regulatory / Statutory Re- porting (valid from October 4, 2023)	General information, AMM, AE, Fi- naV, LE, LCR, OF, LR	04.10.2023
Reporting (excluding notifications pursuant to sections 2c, 10 and 24 KWG) (valid until October 3, 2023)	General information, COREP, Fina- RisikoV, FinRep, liquidity reporting, EMIR	28.12.2021
Additional reporting (up to November 30, 2023 "Reporting II")	Notification pursuant to sections 2a, 2c, 12a, 23a, 24, 24a, 26, 28, 29, 32 and 46 KWG and the AnzV, disclosure obligations according to § Section 325 HGB and Part 8 of the CRR	30.11.2023

Designation	Contents	Stand
Large Exposure Monitoring and Notification	Large loan notification	27.02.2024
Process: Creation of the RBC reporting according to §§ 10, 11 FinaRisikoV	FinaRisikoV (RTF notification)	15.02.2024
FinaV	Reconciliation and check routines FinaV report	09.02.2024
FinRep	Reconciliation and check routines FinRep report	07.02.2024
Assets Encumbrance	Reconciliation and check routines AE notification	09.02.2024
Own Funds	Reconciliation and checking routines Self-reporting	19.03.2024

671. The reports are created in the BAIS system. The data basis is the core banking system BankHive. The interface files are manually downloaded from BankHive and fed into BAIS. The interface file is created automatically.

672. When Mr. Müller joined the company on 1 July 2023, the reconciliation and audit routines were successively revised. These reconciliation and audit routines have been gradually set out in writing in individual work instructions since February 2024. The implementation of the routines is documented using reconciliation sheets. At the time of our audit, we had the individual work instructions for the reconciliation and testing routines for four reports relevant to the audit.

673. For reconciliation purposes, the bank creates reconciliation files from the data in BankHive in accordance with the framework and compares the expected values with the reporting items provided.

674. For reasons of efficiency and economy, the Bank does not correct all identified deviations from several items within a report or

between different messages. The Bank has defined the following materiality limits:

1. Between BAIS and reconciliation with BankHive, on/off balance positions: EUR 100,000
2. Between BAIS and the reconciliation with BankHive, P&L items: EUR 50,000
3. Between different parts of the same declaration: EUR 5,000
4. Between various notifications: EUR 50,000

675. Differences that exceed the materiality threshold must be investigated and corrected by the controller. If such a correction is not possible within the reporting deadline, the report is submitted. If the review of the deviation leads to a need for correction, a correction report is submitted.

676. According to the Head of Accounting, the materiality thresholds were determined as part of an internal discussion based on the experience of employees at other institutions. Differences below the thresholds are corrected if this is provided for by the reconciliation and checking routines of the individual reports or as part of the validation rules.

677. Incorrect representations within an item of a report are always corrected. The materiality threshold for differences between different parts of the same declaration relates to differences in totals items that arise, for example, due to rounding within the individual items.

678. The validation check of the notification is carried out automatically in BAIS. Validation errors are corrected by the processor.

679. We conclude that the work instructions in the reporting period were adequate to a limited extent to ensure the correct implementation of the reporting. With the exception of the work instruction for RTF reporting, the work instructions were outdated and incomplete until November 2023 and only reflected the current legal situation to a limited extent. The reconciliation and audit routines were not set out in writing in the reporting year, with the exception of the work instruction for the RTF report. At the time of our audit, we only had an outdated work instruction for NSFR reporting, which is based on the previous reporting software and does not contain any information on the reconciliation and testing routines. The NSFR report was inadvertently omitted from the framework instruction submitted to us. According to the information provided, it should have been included. The bank therefore adjusted the work instruction during the course of our audit. At the time of our audit

we have the individual work instructions for five audit-relevant reports. We did not review the content of the new work instructions. Based on the findings, the organization of the notification and reporting system is appropriate to a limited extent.

680. All reports are approved in accordance with the framework by the Executive Board or the Head of Accounting using the dual control principle. Approval is documented by means of approval e-mails. We verified compliance with the dual control principle in a sample of nine reports in the reporting year. Our audit did not lead to any objections.

12.3. Correction reports and compliance with deadlines

681. There were several correction reports in the reporting year, which are shown in the following table:

Message	Deadline	Quantity	Reason for the correction	What measures have been taken to remedy the deficiencies in the future? avoid?
Own medium	31.03.2023	1	The error was corrected by the Bank is not documented.	Not known.
Own funds	30.09.2023	7	1. validation notes. During the manual adjustment of equity in C.22, line 100 item 300 was forgotten to be adjusted.	1. the error in The error in the data delivery was placed on a list of interface adaptations to be investigated. Until the interface is adjusted will be a manual correction.
			2. request from the Bundesbank due to a difference of EUR 0.04 in equity between various reports.	2. the error arose due to the application of the materiality thresholds in the reconciliation and testing routines.
			3.-7. According to Mr. Müller, the German Bundesbank in November started to validate	3.-7. Manual adjustments required for compliance with validation requirements rules are provided

			errors transmitted to them by the ECB. These validation errors have not yet led to a rejection of the report on the Deutsche Bundesbank extranet. In the course of processing these error reports, the bank was requested to submit corresponding correction reports for the LR, FinRep and OF reports, among others. According to the information provided to us, all of these corrections were not corrections of content, but related exclusively to the delivery of empty fields instead of a zero, or the non-delivery of empty reporting forms for which the ECB expects a reporting form with at least a zero. When correcting the own funds report, problems arose with regard to determining the cause of the error messages, with the result that the report was submitted a total of seven times by the time the ECB received it. this was completely correct.	taken. The validation rules are to be adopted in BAIS with the next hotfix.
Own funds	31.12.2023	1	When calculating the capital requirements, the new SREP surcharge was inadvertently applied as at December 31, 2023 is included. However, this is only applicable from January 9, 2024 valid.	The Bank has included a manual calculation of the capital requirements in the reconciliation and audit routines.

NSFR	31.03.2023	1	A reduction in the other assets of the required stable refinancing (RSF) was required.	Not known.
AMM	28.02.2023	1	Error in C66.01 and C69.00	The adjustments were made in the reconciliation and checking routine of the notification recorded.
AMM	30.06.2023	2	1. Notification form C70.00 was not submitted. 2. Missing removable Central bank reserves in sheet C61.00.	The adjustments were included in the reconciliation and checking routine of the notification.
AMM	31.07.2023	1	Notification form C70.00 was not submitted.	See above.
AMM	31.08.2023	1	Notification form C70.00 was not submitted.	See above.
AMM	31.12.2023	1	Recognition of internal FX swap accounts as liabilities in the AMM.	The adjustments were made in the reconciliation and checking routine of the notification recorded.

682. We note that the reasons for correction reports in the first quarter were not adequately documented. We are unable to assess whether appropriate measures have been taken to avoid future correction reports for the first quarter of 2023. During the reporting year, appropriate documentation of the corrections and their causes, including measures to avoid further corrections, was implemented.

683. We identified late submissions of the NSFR, AMM, FINREP and AE for the reporting date March 31, 2023. The bank has submitted the corresponding AMM report on April 17, 2023 requested an extension of the deadline due to technical problems. By approval dated April 19, 2023, the deadline was extended to April 23, 2023. A further deadline extension was requested for the NSFR, FinRep and AE on May 12, 2023. The request was not answered by the Deutsche Bundesbank. The Bundesbank has not criticized the late submission. The reports were submitted in full by May 16, 2023 (three days late). The review of compliance with the deadline did not lead to any further objections.

12.4. Own funds

12.4.1. Arrangements for determining own funds

684. Responsibility for the proper determination of regulatory capital and the appropriate design of the reporting processes lies with the bank's Finance department and is set out in the "Framework Instruction: Regulatory / Statutory Reporting" work instruction (as at October 4, 2023). The reconciliation and review routines for reporting own funds were set out in writing for the first time in March 2024.

685. The data basis for the calculation of own funds is the values stored in BankHive. The Bank uses the BAIS system to calculate own funds. Own funds are calculated automatically; manual adjustments are made if necessary. The reports are submitted by an employee via the Deutsche Bundesbank extranet.

686. The Bank has implemented quality assurance controls to ensure the timely, complete and correct determination and reporting of own funds and their components.

687. The notifications were submitted on time in the reporting year.

688. The precautions taken by the Bank for the proper determination of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital as part of the regulatory reports in accordance with CRR are appropriate, with the exception of the lack of a written order for the reconciliation and audit routines in the reporting year and the correction reports presented in section 12.3.

689. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
We note that, following the introduction of the new software (BAIS), KEBHD has implemented the new processes for determining own funds, including the necessary manual corrections and the process of	In 2024, the Bank will gradually create new work instructions for the individual reports, which represent the reconciliation and checking routines.	Not fixed. The reporting process, including manual corrections, was completed on March 19, 2024. in the working

has not fixed this in writing.		Instruction "Own Funds" fully set out in writing for the first time.
We note that the justification of the correction reports for the reporting dates March 31, 2022, June 30, 2022 and September 30, 2022 is not documented in an audit-proof manner due to the personnel change in the reporting period and is therefore not traceable in the context of the audit.	In the course of the reporting year, appropriate documentation of the corrections and their causes, including the measures to avoidance further corrections implemented.	Partially fixed. The reasons for the correction report as at March 31, 2023 were not documented.
We note that the reports for the reporting dates March 31, 2022 and December 31, 2022 were submitted with a delay of between one and three days.	n/a	Not recoverable. The reports were submitted on time in the reporting year.
We note that the releases of the reporting forms as at the reporting date of March 31, 2022 were not documented in an audit-proof manner.	Approval is granted in the reporting year on the basis of approval mails.	Not recoverable. All approvals were submitted to us as part of our sample for the 2023 reporting year.

12.4.2. Composition of own funds

691. The Bank's own funds in accordance with Art. 72 in conjunction with Art. 25 CRR are as follows:

	Assuming the Determination	According to COREP	According to COREP
	31.12.2023	31.12.2023	31.12.2022
	KEUR	KEUR	KEUR
Items of the hard core capital tals	**148.620**	**141.614**	**87.025**
thereof: Paid-in capital valley (share capital)	73.008	73.008	23.008
thereof: Retained earnings win	73.055	66.050	61.461
thereof: Capital reserve	2.557	2.557	2.556
Deductions from hard Core capital	**-756**	**-811**	**-794**
thereof: Intangible assets assets	-756	-811	-794
Common Equity Tier 1 capital (Art. 50 CRR)	**147.864**	**140.803**	**86.232**
Items of the additional core capital	-	-	-
Deductions from the additional equity	-	-	-
Additional Tier 1 capital (Art. 61 CRR)	-	-	-
Core capital (Art. 25 CRR)	**147.864**	**140.803**	**86.232**
Items of the supplementary capital tals	**-**	**38**	**49**
including: General cre- dit risk adjustment	-	38	49
Deductions from the supplementary capital	-	-	
Supplementary capital (Art. 71 CRR)	**-**	**38**	**49**
Own funds (Art. 72 CRR)	**147.864**	**140.841**	**86.280**

692. Own funds in accordance with COREP increased by EUR 54,561 thousand compared to the previous year. This was mainly due to the development of common equity tier 1 capital, which increased by EUR 54,571 thousand to EUR 140,803 thousand. The increase is mainly due to the capital increase of EUR 50,000 thousand, the inclusion of which in common equity Tier 1 capital was approved by the supervisory authority on February 13, 2023 with effect from February 16, 2023.

693. We have reviewed the Common Equity Tier 1 capital instruments within the meaning of Art. 26 (1) sentence 1 letter a) CRR in the amount of EUR 141,614 thousand with regard to their compliance with the eligibility criteria of Art. 28 CRR. This did not result in any findings. The Common Equity Tier 1 capital components, retained earnings and other reserves are available to the institution without restriction and directly to immediately cover risks and losses. They therefore fulfill the requirements of Art. 26 para. 1 sentence 1 lit. c) to f) CRR in conjunction with Art. 26 (1) sentence 2 CRR.

694. Common equity tier 1 capital is reduced by intangible assets before amortization. There is no additional core capital.

695. The Bank has allocated general credit risk adjustments within the meaning of Art. 62 lit. c) CRR to the supplementary capital. General credit risk adjustments are items that are freely available in full and without restriction at all times to cover losses from credit risks that have not yet materialized. In the reporting year, the Bank allocated a provision for unused credit lines to the contingency reserves in accordance with Section 340f HGB and thus to supplementary capital. We note that this allocation is incorrect and therefore may not be recognized as supplementary capital. We consider a corresponding correction report as at the balance sheet date to be necessary.

12.5. Capital ratio and capital buffer

12.5.1. Arrangements for determining the capital ratios

696. Please refer to section 12.4.1 for information on responsibilities and the calculation of own funds.

697. The quotas are calculated daily in BAIS. The calculated quotas are sent to the Management Board for approval by an employee from the Finance department on a daily basis as part of a reporting process. We have opted for the reporting date September 29, 2023 to submit the reporting including approval.

698. According to our findings, the precautions taken by the bank are adequate and suitable to a limited extent to properly calculate and report the capital ratios, to properly determine the combined capital buffer requirements and to monitor compliance with the ratios due to the lack of a written system of reconciliation and audit routines, the correction reports and our findings with regard to supplementary capital.

699. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
We note that KEBHD has not set out in writing the new processes for determining equity requirements and the capital buffer following the software changeover, including the necessary manual corrections and the updated process for preparing reports.	The Bank has prepared the "Framework Instruction: Regulatory / Statutory Reporting".	Fixed
The Bank submitted correction reports on all reporting dates in the reporting period.	In the case of correction reports based on procedural errors, the bank adjusts the necessary reconciliation and checking routines of the corresponding report in order to avoid the error in the future.	Not recoverable

12.5.2. Determination and development of the capital ratio

700. In accordance with Art. 92 (1) CRR, institutions must maintain a Common Equity Tier 1 capital ratio of 4.5%, a capital ratio of 6% and a total capital ratio of 8% at all times in order to meet the capital adequacy requirements.

701. The capital ratios were as follows in the reporting year:

In %	2023		
	Hard core capital ratio	Core capital ratio	Total capital ratio
March	34,03	34,03	34,04
June	33,27	33,27	33,28
September	34,99	34,99	35,00
December	35,74	35,74	35,75

702. The institution's total risk exposure according to the own funds report as at the balance sheet date is as follows:

	31.12.2023 KEUR
Counterparty default risk (CRSA)	364.561
Operational risks (BIA)	28.419
Credit valuation adjustment risk (CVA)	963
Total amount at risk	**393.942**

703. In accordance with Art. 107 (1) CRR, the Bank applies the Credit Risk Standardized Approach (CRSA) pursuant to Art. 111 et seq. CRR to determine the risk-weighted exposure amounts in accordance with Art. 92 (3) (a) CRR.

704. In accordance with Art. 126 (1a) CRR, the Bank assigns a risk weight of 50% to exposures fully collateralized by commercial real estate. We are unable to assess the extent to which the risk positions fulfill the conditions of Art. 126 (2) on the basis of the documents submitted to us for review. The Bank's procedural precautions in this regard are appropriate to a limited extent in the reporting year in order to ensure compliance with the conditions pursuant to Art. 126 (2) CRR. The Bank made appropriate adjustments to the work instructions during our audit.

705. The risk-weighted exposure amounts of non-defaulted exposures to small and medium-sized enterprises (SMEs) within the meaning of EC Recommendation 2003/361/EC are only adjusted in accordance with Art. 501 CRR if the corresponding exposure serves a commercial financing purpose. In contrast, this SME privilege does not apply to financing for private purposes in accordance with the EBA's Q&A 2021_6301.

706. As at the balance sheet date, the privileged risk volume of EUR 223,950 thousand comprised 172 exposures. We obtained evidence of SME status and the commercial financing purpose from a random sample of 19 exposures. Our audit did not lead to any objections.

707. The CVA risk in accordance with Art. 92 (3) (d) CRR is calculated by the Bank using the standardized approach in accordance with Art. 384 CRR.

708. To determine the exposure amount for operational risk, the Bank uses the basic indicator approach in accordance with Art. 315 CRR.

709. Risk mitigation techniques within the meaning of Art. 192 et seq. CRR are used by the Bank in the form of financial collateral and guarantees.

710. The own funds requirements of the CRR were complied with at all times during the reporting year.

711. The findings made in previous years were processed by the Bank as follows:

Determination	Measures	Status
In the report as at the reporting date of December 31, 2022, the country-specific countercyclical capital buffer for Denmark was 1% instead of 2%, as specified by the Systemic Risk Council on December 14, 2021 for reports from December 31, 2022 onwards. As at the reporting date of June 30, 2022, the country-specific countercyclical capital buffer for the Czech Republic was 0% instead of 0.5%, as specified by the Czech National Bank on August 27, 2020 and reconfirmed on March 4, 2021 for reporting from April 1, 2022.	The bank has implemented a monthly routine according to which the countercyclical capital buffer is checked before the end of each month and adjusted if necessary. This is documented using a checklist.	Fixed

12.5.3. Capital buffer and SREP requirements

712. The Bank must comply with the requirements of Section 10c KWG regarding the capital conservation buffer and the requirements of Section 10d KWG in conjunction with Sections 33 et seq. SolvV on the countercyclical capital conservation buffer, taking into account the transitional provisions pursuant to Section 64r (5) KWG.

713. In accordance with Section 10 (3) sentences 1, 2 no. 1 KWG in conjunction with Section 6b (1) sentence 1 no. 1 KWG, BaFin issued an SREP notice on August 31, 2021 ordering the bank to hold own funds of

requirements that exceed the own funds requirements pursuant to Art. 92 CRR by 2.5 percentage points.

714. In its decision dated February 2, 2023, BaFin increased the SREP requirement to be met by the bank to 4.5%.

715. In a letter dated June 8, 2020, BaFin ordered an institution-specific regulatory capital recommendation of 3.2% for the bank. In a decision dated January 24, 2023, BaFin reduced the capital recommendation to 2.1%. The amount of own funds resulting from the own funds recommendation is to be held in addition to the own funds requirements stipulated in the SREP decision in accordance with Section 10 (3) sentences 1 and 2 no. 1 KWG in order to be able to counteract any risk to the assets entrusted to the institution as far as possible, even in stress situations. However, the regulatory capital recommendation is in addition to the requirement of a capital conservation buffer of 2.5% in accordance with Section 10c KWG, which is therefore offset against the regulatory capital recommendation. Accordingly, the net own funds recommendation after offsetting the capital conservation buffer is 0.0%.

716. In the calculation, the Bank has taken into account a countercyclical capital buffer for domestic risk positions of 0.75% in accordance with BaFin's general ruling.

717. As at December 31, 2023, the Bank's capital buffer requirements are as follows

	in %
Common equity tier 1 capital	4,50 %
Capital conservation buffer (CEP)	2,50 %
Proportion of the equity recommendation that exceeds the CEP (net equity recommendation)	0,00 %
Countercyclical capital buffer (CCyB)	0,54 %
SREP surcharge	4,50 %
Core capital (Tier 1)	6,00 %
Liable equity	8,00 %
Liable equity + CEP + net equity recommendation + CCYB + SREP surcharge	15,54 %

718. This means that the requirement of Section 10i (1) KWG is met both during the year on the reporting dates and on the balance sheet date.

719. During the reporting year, the Bank did not make any distributions from Common Equity Tier 1 capital or to the Common Equity Tier 1 capital instrument in accordance with Section 10i (5) KWG that would reduce its Common Equity Tier 1 capital to such an extent that the combined capital buffer requirement would no longer be met. Such a distribution is also not planned until the end of our audit.

720. The combined capital buffer requirements were complied with (Section 10i (2) and (3) KWG).

12.6. Liquidity ratios

721. The Bank has defined general rules for the proper calculation and reporting of the liquidity coverage ratio (LCR) in accordance with Art. 415 et seq. CRR in conjunction with the delegated regulations issued in this regard, in particular Delegated Regulation (EU) No. 2015/61, in the "Framework Instruction: Regulatory/Statutory Reporting" (as of October 4, 2023). At the time of our audit, the process for preparing the report is only set out in writing within an outdated work instruction, which is based on the previous reporting software and does not contain any information on the reconciliation and testing routines.

722. The liquidity ratios are calculated daily in BAIS. The calculated ratios are sent to the Management Board for approval by an employee in the Reporting / Accounting department on a daily basis as part of a reporting process. We had the reporting, including approval, submitted to us for the reporting date of September 29, 2023.

723. The Bank has allocated cash and central bank balances and highly liquid debt securities, among other things, to the portfolio of liquid assets. The Bank recognizes liquid assets at their market value.

724. To determine the liquidity outflows, the Bank has partially implemented the requirements of Art. 421 to 424 CRR and the delegated regulations issued in this regard. The Bank has separated the outstanding amount for retail deposits from the outstanding amount for other liabilities with the help of IT technical support and determined the outflow factors in accordance with the requirements of Art. 421 CRR and the Delegated Regulations issued in this regard. The Bank uses a corresponding mapping in the core banking system for this purpose. This mapping is transferred to BAIS and thus an allocation is made on the system side. As the Bank only conducts retail banking to a limited extent, it carries out a review of the customers provided in the retail customer deposits on the system side in accordance with the information provided.

725. We note that, contrary to Art. 23 of Delegated Regulation (EU) 2015/61 in conjunction with BaFin Circular 12/2021, liquidity outflows in connection with other products and services pursuant to Art. 23 of Delegated Regulation (EU) 2015/61 were not recognized in the reporting year. in conjunction with BaFin Circular 12/2021 was not carried out in the reporting year. According to the Head of Accounting, the effects on the LCR ratio are not material for the entire reporting year. According to the bank's new calculation, the ratio deviated by just 0.14 percentage points from the report submitted as at the balance sheet date. Organizational and procedural precautions have not yet been set out in writing. The Bank has calculated its liquidity inflows in accordance with Art. 425 CRR and the relevant Delegated Regulations.

726. The LCR determined by the bank and reported on time is shown in the following overview:

Deadline	LCR in %
January	142,96
february	149,38
March	134,20
April	142,29
May	260,50
June	175,17
July	196,63
august	198,18
September	230,17
october	125,89
november	128,07
December	152,55

727. For the implementation of the requirements regarding the net stable funding ratio (NSFR), at the time of our audit the Bank had only defined organizational measures and processes in writing within an outdated work instruction, which is based on the previous reporting software and does not contain any information on the reconciliation and audit routines. Please refer to section 12.2.

728. The NSFR determined by the Bank is shown in the following overview:

Quarter	NSFR in %
March	137,53
June	144,25
September	143,33
December	142,24

729. Please refer to section 12.3 for information on compliance with the NSFR and AMM reporting deadlines in the reporting year.

730. According to our findings, the institution complied with the requirements for reporting additional liquidity monitoring metrics (AMM) in accordance with Art. 415 (3) (b) CRR in conjunction with the relevant Delegated Regulations, in particular Delegated Regulation (EU) No. 2016/313, during the financial year. However, at the time of our audit, the reporting process is only set out in writing within an outdated work instruction that is based on the previous reporting software and does not contain any information on the reconciliation and testing routines.

731. The precautions taken by the institution to properly determine the liquidity ratio are appropriate, with the exception of the findings made above, and the regulatory requirements for reporting on liquidity in accordance with Part 6 of Regulation (EU) No. 575/2013 have been met, with the exception of the findings made above.

732. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
LCR		
We note that the data used for reporting date of June 30, 2022 newly introduced. processes and the organizational and organization with the changeover to the BankHive banking system and the BAIS standard reporting software and	The bank creates in 2024 gradually new Work instructions to the individual mel- dations, which the	Not fixed

the necessary manual corrections are not set out in writing.	reconciliation and testing routines.	
In accordance with the Bank's internal regulations, an ad hoc report must be submitted to the Management Board on three consecutive business days if the ratio falls below the minimum threshold of 110%. As at the reporting date of July 31, 2022, the LCR ratio was 108.79%. According to the information provided by the bank, no ad hoc reports were submitted to the Management Board. During the audit, it was not possible to determine whether the ratio fell below the minimum threshold on three consecutive business days, which would require an ad hoc report, due to the lack of comprehensive documentation of the daily monitoring of key figures.	n/a	Fixed According to the documents submitted to us the threshold of 110 % was in the reporting year not fallen below. The monitoring of the quotas was presented to us on request for the desired reporting date. date requested.
If more than 5% of the institution's liabilities are denominated in a currency other than the euro, separate LCR reports must be submitted for each of these currencies in accordance with Art. 415 (2) CRR. During the entire reporting period, KEBHD exceeded the 5% threshold for liabilities in US dollars and euros and had to submit supplementary reports in addition to the overall report on all reporting dates. We note that for the reporting reporting dates January 31, 2022 to May 31, 2022 no additional reporting forms	The Bank has implemented a corresponding process to monitor the minimum thresholds.	Fixed The documentation of the audit was submitted to us for the reporting date September 30 2023 presented.

were prepared and submitted. The bank was unable to provide any documentation to verify that the minimum threshold of 5 % had been exceeded, meaning that it was not possible for us to determine during the audit whether it would have been necessary to submit reporting forms in other foreign currencies.		
As part of the LCR reporting process, BaFin Circular 12/2021 requires a review of whether there are additional liquidity outflows in connection with other products and services in accordance with Art. 23 of Regulation (EU) 2015/61. The bank was unable to provide us with documentation of the audit as at September 30, 2022. In addition, we note that no outflows from the guarantees were reported in sheet C73 in item 870 for the reporting dates August 31, 2022 to December 31, 2022. The reasons for this are not documented in an audit-proof manner and are therefore not comprehensible.	none	Not fixed
The bank was unable to provide proof of transmission to the Deutsche Bundesbank for the correction report as at March 31, 2022. In addition, the reasons for the correction reports are not documented in an audit-proof manner and are therefore not comprehensible during the audit.	see above.	Partially fixed We were provided with all proofs of shipment. The reasons for the correction of the NSFR as at March 31 2023 were not

		documented in an audit-proof manner.
The bank was unable to submit a proof of sen- dence to Deutsche Bundesbank for the report as at the reporting date of February 28, 2022. In addition, we note that the report was submitted two days late as at the reporting date of November 30, 2022.	n/a	Not recoverable Us were able to in the reporting year all proofs of shipment made available to us were made available to us. With regard to the deadlines, please refer to section 12.3.
The bank was unable to provide evidence of approvals in accordance with the dual control principle for the reports on the reporting dates. February 28, 2022 and May 31, 2022.	n/a	Not recoverable Within the scope of our sample audit of the dual control principle, there were none Complaints.
NSFR		
We note that the new processes introduced as at the reporting date of 30 June 2022 and the organizational structure and workflow with the changeover to the BankHive banking system and the BAIS standard reporting software as well as the necessary manual corrections have not been set out in writing.	see above.	Not fixed
We note that the daily control of the minimum NSFR ratio was not documented in the reporting period.	The daily calculation of liquidity ratios is carried out in BAIS. The calculated quo are characterized by	Fixed

	The reports are sent daily by e-mail to the Management Board for approval by an employee in the Reporting / Accounting department as part of a reporting process.	
In accordance with the bank's internal regulations, an ad hoc report must be submitted to the Management Board on three consecutive business days if the ratio falls below a minimum threshold of 110%. As at the reporting date of June 30, 2022, the NSFR ratio was 105.44%. According to the information provided by the bank, no ad hoc reports were submitted to the Management Board. Due to the lack of documentation of the daily monitoring of key figures, it was not possible for us to determine during the audit whether the ratio fell below a minimum threshold on three consecutive business days, which would have required an ad hoc report.	n/a	Fixed According to the documents submitted to us the threshold of 110 % was in the reporting year not fallen below. The monitoring of the quotas was presented to us on request for the desired reporting date. date requested.
As in the case of the LCR, the bank must submit the NSFR reports in addition to the overall report both in its home currency, the euro, and in significant foreign currencies if more than 5% of liabilities are denominated in a currency other than the home currency. We note that for the reporting March 31, 2022, no additional reporting forms were prepared and no additional	The Bank has established a corresponding process for Monitoring of the minimum thresholds.	Fixed The Bank has for all reporting dates in the reporting year submitted a USD currency report of the NSFR for all reporting dates in the reporting year.

were submitted. The bank was unable to provide any documentation to verify that the minimum threshold of 5% was exceeded. It was not possible for us It is therefore not possible to verify whether it would have been necessary to submit declaration forms in other foreign currencies.		
We note that the NSFR reports for the reporting dates March 31, 2022 and December 31, 2022 were submitted one and four days late, respectively.	n/a	Not recoverable. With regard to the deadline, please refer to section 12.3.
AMM		
We note that the new processes introduced as at the reporting date of 30 June 2022 and the organizational structure and workflow with the changeover to the BankHive banking system and the BAIS standard reporting software as well as the necessary manual corrections have not been set out in writing.	see above.	Not fixed
We note that no additional reporting forms were prepared and submitted for the reporting dates January 31, 2022 to May 31, 2022. The bank was unable to provide any documentation for the audit of minimum thresholds of 5%. It was therefore not possible for us to determine during the audit whether the Submission of registration forms in further	see above.	Fixed

foreign currencies would have been necessary.		
The bank was unable to provide proof of transmission to the Deutsche Bundesbank for the correction report as at March 31, 2022. In addition, the reasons for the correction reports are not documented in an audit-proof manner and are therefore not comprehensible during the audit.	see above.	Partially fixed All proofs of shipment were made available to us. The reasons for the correction of the NSFR as at March 31, 2023 were not documented in an audit-proof manner.
As part of our audit, we verified the timely submission of the AMM reports using the submission confirmations from Deutsche Bundesbank. The Bank was unable to provide proof of submission to Deutsche Bundesbank for the report as at the reporting date. February 28, 2022. In addition, we note that the report was submitted two days late for the reporting date of November 30, 2022.	see above.	Fixed The AMM message for the key date March 31 2023 was submitted late. However, the extension of the deadline was subsequently subsequentl y approved by the Bundesbank.
The bank was unable to provide evidence of approvals in accordance with the dual control principle for the reports on the reporting dates. February 28, 2022 and May 31, 2022.	see above.	Not recoverable Within the scope of our sample audit of the dual control principle, there were none Complaints.

12.7. Debt ratio

733. In accordance with Art. 429 CRR, the bank must calculate a leverage ratio as a ratio of the capital measure and the total risk position measure as a percentage. Tier 1 capital serves as the capital measure. The total risk exposure measure is the sum of the risk position values of all assets and off-balance sheet items that are not deducted from core capital when determining the capital measure.

734. In accordance with Art. 430 CRR in conjunction with Art. 14 of the Implementing Regulation (EU) No. 680/2014, the bank must submit quarterly reports on the leverage ratio to the Deutsche Bundesbank as the competent authority.

735. The Bank has issued general regulations on the leverage ratio in the "Framework Instruction: Regulatory/Statutory Reporting" (as of October 4, 2023). However, at the time of our audit, the process for preparing the report is only set out in writing within an outdated work instruction that is based on the previous reporting software and does not contain any information on the reconciliation and review routines.

736. The report is prepared using BAIS. The relevant capital measurement and overall risk position metrics are determined as part of the preparation of the COREP report.

737. The report was submitted on time in the reporting year.

738. According to our audit, the bank has taken appropriate precautions to ensure the completeness and accuracy of the reports with regard to the leverage ratio, with the exception of the lack of written documentation of the reporting process.

739. The Bank submitted the following quarterly reports for the leverage ratio in the reporting period:

Quarter	LR in %
March	16,34
June	14,47
September	14,22
December	16,61

740. According to the results of our audit, the Bank has calculated the leverage ratio in accordance with regulatory requirements and reported it in a timely manner.

741. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
As part of our audit, we examined the timely submission of the leverage ratio reports (own funds and own funds requirements) on the basis of submission confirmations from the Deutsche Bundesbank. We refer to our findings in Section J.I (see Note 560).	n/a	Not recoverable. The report was submitted on time in the reporting year.
We note that the approvals of the reporting forms for checking the dual control principle as of the reporting date March 31, 2022 were not documented in an audit-proof manner.	n/a	Not recoverable. In thewithin the our sample audit of the dual control principle, there were revealed no objections were raised.
The Bank has issued correction notifications for the reporting dates June 30, 2022 and September 30, 2022 was submitted. We note that the reasons for the correction notifications on both reporting dates are not documented in an audit-proof manner and are therefore not comprehensible.	n/a	Not recoverable. According to the documents submitted to us, there were no events in the reporting period. none Correction reports of the leverage ratio.
We note that the reports as at the reporting dates of March 31, 2022 and December 31, 2022 with a delay of between one and three days.	n/a	Not recoverable. The reports were submitted on time in the reporting year.

12.8. Reporting and notification system

742. The disclosure and reporting obligations covered in the context of our audit are the disclosures and reports pursuant to Sections 2c and 24 et seq. KWG and AnzV, the quarterly financial information as well as the annual risk-bearing capacity information in accordance with FinaRisikoV and the asset encumbrance report.

743. The organizational arrangements and processes for fulfilling the reporting obligations in relation to the AE, FinRep and FinaV were set out in writing for the first time in February 2024. The "Additional Reporting" work instruction relating to other reporting was created on November 30, 2023 and replaces the previous "Reporting II" work instruction, which was outdated by the time the new work instruction was published. The Finance department is responsible for FinaV, FinRep and AE reports, while the bank's Risk Management department is responsible for FinaRisikoV reports. The Back Office Management Board is responsible for reporting in accordance with the KWG and AnzV.

744. As part of our audit, we verified on a test basis whether the notifications and reports were submitted completely, correctly and in a timely manner. We note that a notification in accordance with Section 15 (4) sentence 5 KWG regarding the lack of a subsequent resolution on the loan to KEBH in 2023 was not made. Please refer to section 11.6.3.

745. In addition, we note that the notification of the adoption of the annual financial statements in accordance with section 26 KWG was made to BaFin and the Bundesbank two months after adoption. According to our findings, this does not correspond to immediate notification.

746. Our audit has shown that the legal representatives took the measures necessary for an orderly notification and reporting system, in particular compliance with the dual control principle, taking into account the missing or outdated written regulations, the missing notification in accordance with Section 15 (4) sentence 5 KWG and the late notification in accordance with Section 26 KWG in the reporting year in a manner that was suitable to a limited extent.

747. Please refer to section 12.3 for information on compliance with deadlines and correction reports in the reporting year.

748. For further information on the organization of and compliance with the disclosure and reporting obligations, please refer to the relevant sections of the report.

749. The findings made in previous years were processed by the Bank as follows:

Findings	Measures	Status
We note that KEBHD has not set out in writing the new processes for determining financial information (FinaRisikoV).	The work instructions have been updated.	Fixed In the within the scope of our audit us a corresponding updated set of work instructions with status dated February 15, 2024 made available.
We note that the justification of the correction reports due to the change in personnel in the reporting period was not documented in an audit-proof manner and is therefore not comprehensible.	In the course of the reporting year, appropriate documentation of the corrections and their causes, including the measures to avoidance further corrections implemented.	Fixed The reasons for the AE correction report were documented in an audit-proof manner in the reporting year. docu mented.
We note that the notifications for the reporting dates March 31, 2022 and December 31, 2022 were made one and two days late, respectively.	n/a	Not recoverable With regard to the deadline, please refer to section 12.3.
We note that KEBHD has implemented the new processes for the determination of the financial information (FinRep), the necessary manual corrections	In 2024, the Bank will gradually create new work instructions for the individual reports, which the	Not fixed The report creation process, including manual corrections, was

and the the preparation of the report in writing.	coordination and testing routines.	on7 . Feburary 2024 in the *FinRep* work instruction in writing for the first time.
We note that the FinRep report was submitted one day late as at the reporting date of March 31, 2022. The bank was unable to provide evidence of the submission of the COVID reporting forms (forms F90 and F91) as of June 30, 2022.	n/a	Not recoverable Us could for our all requested proofs of shipment for our audit. provided were made available to us. With regard to the deadline, please refer to section 12.3.
The bank was unable to provide evidence of the release of the COVID reporting forms (forms F90 and F91) as of June 30, 2022.	n/a	Not recoverable COVID notification in the not relevant in the reporting year.
We note that KEBHD has not set out in writing the new processes for determining the encumbered assets, including the necessary manual corrections and the preparation of reports.	see above.	Not fixed The reporting process, including manual corrections, was completed on February 9 . 2024 in the work instruction AE in writing for the first time.

We note that the asset encumbrance report as at the reporting dates of March 31, 2022 and December 31, 2022 with a delay of one or three days.	n/a	Not recoverable. With regard to the deadline, please refer to section 12.3.
We note that the organizational guideline was not updated during the reporting period, contrary to internal requirements.	The framework and the work instruction "Additional Reporting" was redesigned.	Fixed
The bank was unable to provide us with evidence of the notification of the adopted annual financial statements 2021 as of December 31, 2021 to BaFin in accordance with Section 26 KWG.	n/a	Not recoverable The adoption of the annual financial statements as at December 31 2022 was reported to BaFin. However, the notification was delayed.
The notification of the approved annual financial statements as at December 31, 2021 to the Deutsche Bundesbank in accordance with Section 26 KWG was delayed.	n/a	Not recoverable The display is made for the Annual financial statements 2022 delay ed again.

12.9. Review of disclosure requirements

750. Within the Bank, the Back Office Management Board is responsible for fulfilling the disclosure requirements. The preparation of the disclosure report in accordance with Part 8 of the CRR for 2022 was outsourced to Mazars with the order confirmation dated May 24, 2023.

751. The Bank uses its own website as the disclosure medium for the information pursuant to Art. 431 et seq. (Part 8) CRR. The Disclosure Report for 2022 was published on October 27, 2023.

752. The bank is another institution pursuant to Art. 433c (2) of the CRR.

753. Based on the results of our audit, we consider the processes established at the Bank to determine and disclose the information in accordance with Part 8 of the CRR at individual institution level to be appropriate. The Bank has complied with the disclosure requirements set out in Part 8 of the CRR, Section 25d (5) KWG and Section 26a KWG.

12.10. Presentation and assessment of the precautions taken to comply with the obligations under Regulations (EC) No. 924/2009, (EU) No. 260/2012, (EU) 2015/751, the Payment Accounts Act and the Payment Services Supervision Act

12.10.1. Compliance with the obligations under Regulations (EC) No. 924/2009, (EU) No. 260/2012 and (EU) 2015/751

754. In accordance with Art. 3 (1) of Regulation (EC) No. 924/2009, a payment service user may only charge fees for cross-border payments up to an amount of EUR 50 (correspondingly) for comparable domestic payments. To this end, the Bank has stipulated in its fee schedule (as of January 2022) that no significantly different fees will be charged for domestic and cross-border payments.

755. There is currently no regulation regarding additional fees in the event that the payment service user does not provide the IBAN and BIC. In this context, it should be noted that the bank is not permitted to charge any fees for conversion services in accordance with Art. 16 (1) Regulation (EU) No. 260/2012 or Section 7b ZAG. In the course of our audit, we have not identified any indications for a different assessment.

756. There are no agreements on multilateral interchange fees for domestic direct debits that could be collected by the Bank in accordance with Article 7 (1) of Regulation (EC) No. 924/2009.

757. Payment cards do not exist at the Bank. Accordingly, no charges are levied for the readout process when a payment card is used by the payer or, if applicable, the payment recipient.

758. So-called standard interchange fees depending on the number of direct debits are not charged by the bank.

759. No charges are levied for returned direct debits (R transactions).

760. The Bank does not issue debit or credit cards to consumers. The requirements of Art. 3 (1) and Art. 4 (1) of Regulation (EU) 2015/751 are therefore not applicable.

12.10.2. Compliance with the obligations arising from the Payment Accounts Act

761. Pursuant to Section 29b PrüfbV, the auditor must assess whether the internal arrangements made by the credit institution comply with the requirements of the Payment Accounts Act. Pursuant to Section 1 ZKG, the Payment Accounts Act applies to all consumers and payment service providers that offer payment accounts for consumers on the market.

762. As a provider of payment accounts for consumers, the Bank offers the conclusion of basic account agreements to authorized persons pursuant to Section 31 (1) ZKG. According to the explanations in the bank's work instructions, it is not apparent that the conclusion and content of the basic account agreements and the actual use of the range of services covered by them are made dependent on the use or agreement of additional services.

763. The management of these accounts enables the account holders to use at least the payment services specified in Section 38 ZKG (deposit and withdrawal transactions, direct debit transactions, transfer transactions, payment card transactions). These are made available to holders of basic accounts to the same extent as they are generally offered to holders of payment accounts with the Bank. The number of payment services is not limited; account holders are able to place orders for the provision of payment services at the Bank's business premises and via all other forms of communication provided by the Bank for this purpose.

764. As a provider of payment accounts for consumers, the Bank has adapted its General Terms and Conditions (GTC) and other customer information to the information specified in Section 14 ZKG. This information should be easily accessible to the Bank's customers at all times on the Bank's website. The Bank has included provisional information on its website and refers customers to its customer department for further information. In view of the fact that, as in the previous year, no applications to open a basic account were submitted by potential customers, we consider this approach to be reasonable.

765. The Bank has set out the legal requirements of the Payment Accounts Act (ZKG) in writing in its organizational instruction "Implementation of the Payment Accounts Act" (as of 15 September 2022). The instruction contains all the necessary information for employees. If an authorized person informs the bank that they wish to conclude a basic account agreement with it, the work instructions stipulate that the bank will send them a form free of charge that corresponds to the form in Annex 3 of the ZKG.

766. On the basis of the documents submitted to us and the information received, the organizational and procedural arrangements made by the bank comply with the obligations under the Payment Accounts Act.

12.10.3. Requirements from the Payment Services Supervision Act

767. An institution has to fulfill the following requirements - graded according to the various payment services:

Account-holding payment service provider

- Obligation to issue a confirmation in accordance with Section 45 ZAG as to whether the amount of money required to execute a card-based payment transaction is on the payment card.
  The payment instrument is available on the payer's card account. at the request of a payment service provider that issues card-based payment instruments
- Compliance with the requirements defined in Section 48 ZAG after the issuance of the payer's express consent when cooperating with payment initiators.
  service providers for the execution of a payment.
- Compliance with the obligations defined in Section 50 ZAG when working with account information service providers
- Obligation to notify BaFin immediately in accordance with Section 52 ZAG if access to a payment account is denied for account information service providers or payment initiation service providers in accordance with Section 52 (1) ZAG

card-issuing payment service provider

- Right to request confirmation from the account-holding payment service provider pursuant to Section 45 ZAG in compliance with the requirements set out in Section 46 ZAG

Payment initiation service provider
▸ bligation to comply with the requirements set out in Section 49 ZAG when providing the services

Account information service provider
▸ bligation to obtain the payment service user's express consent to the provision of its services and compliance with the other requirements set out in Section 51 ZAG gen

Other requirements
▸ Establish appropriate risk mitigation measures and control mechanisms to manage operational and security-related risks, annually assess the risks and submit this assessment to BaFin (Section 53 ZAG)
▸ Immediate notification of BaFin of a serious operational or security incident and compliance with further requirements (Section 54 ZAG)
▸ Requirement of strong customer authentication for certain fraud-prone transactions (Section 55 ZAG)

768. The requirements for account-holding payment service providers are applicable to KEBHD.

769. According to information, KEBHD has implemented the requirements as part of the PSD2 introduction via an API interface. Implementation in the operational instruction system has not yet taken place.

12.11. Requirements and notification obligations arising from derivative transactions and for central counterparties in accordance with Regulation (EU) No. 648/2012 (EMIR)

770. On July 4, 2012, the European Parliament and the Council of the European Union (EU) adopted Regulation (EU) No. 648/2012 on OTC derivatives, central counterparties and trade repositories, the European Market Infrastructure Regulation (EMIR). EMIR regulates the following areas in particular:

- Clearing obligation for over-the-counter derivatives (OTC derivatives; Art. 4 EMIR),
- Obligation to report all derivatives to trade repositories (Art. 9 EMIR),
- Risk mitigation techniques for OTC derivatives (Art. 11 EMIR).

- As a CRR credit institution, the Bank is a financial counterparty within the meaning of Art. 2 No. 8 EMIR and is therefore subject to the corresponding EMIR regulations applicable to financial counterparties.

771. In the reporting period, KEBHD only traded OTC derivatives in the form of forward exchange transactions. No transactions in exchange-traded derivatives were concluded in the reporting period.

772. The guidelines "Minimum requirements Treasury Backoffice" (as of January 8, 2024) and "Minimum requirements FX Trading" (as of January 8, 2024) partially set out the relevant obligations for KEBHD arising from EMIR. We consider it necessary to review and update the work instructions.

12.11.1. Clearing obligation

773. The Bank was not a clearing member of a central counterparty in the 2023 reporting year.

774. The Bank complied with the clearing obligation requirements under Art. 4 (1), (2) and (3) subpara. 2 and Art. 4a EMIR in the reporting year.

12.11.2. Obligation to report OTC derivatives to a trade repository

775. The trade repository report of KEBHD in accordance with Art. 5 of Regulation (EU) No. 1247/2012 is submitted to the REGIS-TR trade repository, which is approved by ESMA for all derivative categories. No reporting channels are defined in the guidelines "Minimum requirements Treasury Backoffice" (as at January 8, 2024) and "Minimum requirements FX Trading" (as at January 8, 2024).

776. In the reporting year, the Bank only held one OTC interest rate derivative (interest rate swap) with its parent company, which was concluded in 2020.

777. The transaction register reports for derivative transactions conducted with Landesbank Baden-Württemberg (LBBW) in the reporting year were carried out by LBBW. All trades and changes as well as all terminations of derivative transactions are reported automatically. KEBHD receives quarterly information from Landesbank Baden-Württemberg regarding the information reported in the previous quarter. This information is checked for accuracy and completeness by Risk Management.

778. The Bank complied with the reporting requirements in accordance with Art. 9 (1) to (4) EMIR in the reporting year.

12.11.3. Risk mitigation techniques for non-centrally cleared OTC derivatives

779. The requirements for risk mitigation techniques must be applied to all OTC derivative contracts that are not settled via a central counterparty.

780. The EMIR Regulation requires timely confirmation and counter-confirmation by both parties when entering into or amending a non-centrally cleared OTC derivative contract. The time of conclusion of the contract is decisive for compliance with the deadlines. With regard to monitoring the receipt of counterconfirmations, please refer to our explanations in section 10.2.

781. According to Art. 12 para. 4 of Delegated Regulation No. 149/2013, financial counterparties must have the necessary procedures in place to report to the competent authority on a monthly basis, upon request, the number of unconfirmed transactions in OTC derivatives that are open for more than five business days. In the organizational guideline
"Minimum requirements Treasury Backoffice" (as of January 8, 2024) and "Minimum requirements FX Trading" (as of January 8, 2024) do not stipulate in writing that the Treasury department is obliged to report the number of unconfirmed transactions at the request of the authority.

782. KEBHD has defined the retention periods for trade confirmations for OTC derivatives in the organizational guideline "Minimum requirements Treasury Back- office" (as of 8 January 2024) in accordance with the legal requirements and retains these for at least five years after the end of the transaction.

783. As KEBHD has no counterparties with which there are at least 500 non-cleared OTC derivatives, portfolio compression is currently not required.

784. Before concluding an OTC derivative, the Bank agreed procedures and processes with Landesbank Baden-Württemberg to settle disputes. No disputes were reported in the financial year. We did not find anything to the contrary in the course of our audit.

785. The procedure for the daily valuation of existing contracts and the validation of the models used for this purpose is not set out in writing.

786. We consider the procedures implemented with regard to the timely confirmation of the terms of concluded transactions, the reconciliation of portfolios, disputed transactions and the collateralization of non-centrally cleared transactions to be not fully adequate.

787. The findings made in previous years were processed by the Bank as follows:

Determination	Measure	Status
The relevant obligations for KEBHD arising from EMIR are set out in the "EMIR Reporting" guideline (as of August 18, 2022). As part of our audit, we found that, as in the previous year, the working directive does not yet contain any regulations in connection with the EMIR reporting on Regulation (EU) 2019, which came into force on June 17, 2019 No. 2019/834 (EMIR Refit) amending Regulation (EU) No. 648/2012. We still consider it necessary to review and update the work instruction.	The new guidelines "Minimum requirements Treasury Backoffice" (as of January 8, 2024) and "Minimum require- ments FX Trading" (as of January 8, 2024) came into force in the reporting year. The guidelines include a description of the processes for the two products (FX forward swap and interest rate swap). Reference is also made to the Regis-TR and the agreement with LBBW. Further regulations with reference to EMIR are not included.	Not fixed

12.12. Requirements of Regulation (EU) No. 2015/2365 on transparency of securities financing transactions and of reuse

788. The Bank does not enter into securities financing transactions within the meaning of Regulation (EU) No. 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012 (SFT Regulation) securities financing transactions pursuant to Art. 3 No. 11 SFT Regulation.

12.13. Compliance with the EU Rating Regulation

789. The Bank uses the following ESMA-registered rating agencies for risk management and credit analysis:

- Moody's Deutschland GmbH, Frankfurt
- Fitch Ratings Ireland Limited, Ireland
- S&P Global Ratings Europe Limited

790. The Bank has its own internal rating systems to assess the creditworthiness of borrowers and securities. For details, please refer to section 10.1.5.

791. In addition to its own internal rating systems, the Bank also uses the following non-ESMA-registered rating agency for credit analysis:

- Korea Investors Service Inc., Seoul, Korea

792. The Bank was not an issuer of structured financial products in the reporting year.

793. According to our findings, the requirements of Art. 4 (1) subpara. 1, 5a (1) of Regulation (EC) No. 1060/2009 on credit rating agencies were complied with, with the above-mentioned exception.

13. Measures to prevent financial crime

13.1. Carrying out the audit

794. We have audited the Bank's arrangements for the prevention of money laundering, terrorist financing and other criminal activities for the reporting period from January 1, 2023 to December 31, 2023 (audit date). Our audit procedures covered the period from January 2024 to May 2024.

795. The subject of our audit was compliance with the provisions of the German Money Laundering Act (GwG), the relevant provisions of the German Banking Act (KWG) and Regulation (EU) 2015/847.

796. In a letter dated March 27, 2023, BaFin communicated the results of an audit conducted in accordance with Section 44 (1) KWG in the period from January 24, 2023 to January 26, 2023. Significant objections were identified in the areas of risk analysis, requirements for money laundering officers and IT monitoring. We received the letter as part of our audit and reviewed how the complaints identified by BaFin were handled during the reporting period.

13.2. Audit findings in the area of money laundering and terrorist financing

13.2.1. Risk analysis

797. In accordance with Section 5 (1) and (2) GwG, the institution is obliged to prepare a risk analysis based on the nature and scope of its business activities and taking into account the information in the national guidelines. The risks of money laundering and terrorist financing that may arise from the products or services sold by KEBHD must be identified and assessed. In particular, the risk factors listed in Annexes 1 and 2 of the AMLA and the information provided on the basis of the national risk analysis must be taken into account for the assessment. The risk analysis must be documented, regularly reviewed and, if necessary, updated and must be made available to the supervisory authority upon request.

798. Based on the findings of the BaFin special audit and the previous annual audit with regard to the risk analysis, KEBHD has prepared a risk analysis (document name: "Risk Analysis H1 2023") for the first half of 2023 with

reporting date of June 30, 2023. The risk analysis was prepared in cooperation between the ARC and the management consultant DIGITAL IMPACTS GmbH, Friedberg. The consulting services provided by DIGITAL IMPACTS as part of the preparation of the risk analysis are to be regarded as support services. The risk analysis was approved by the Executive Board on October 10, 2023. Prior to this, the "Risk Analysis 2022 pursuant to Section 5 GwG Money Laundering and Terrorist Financing and Criminal Acts KEB Hana Bank (D) AG pursuant to Section 25h KWG", which was finalized on 18 January 2023 and approved on 19 January 2023 by the responsible member of the Executive Board within the meaning of Section 25h KWG, applied.
§ 4 para. 3 GwG, Mr. Alexander Frey, was approved.

799. The risk analysis was initially to be updated in January 2024 with an effective date of December 31, 2023, which is to cover the second half of 2023. The planned update of the risk analysis was initially postponed as the ARC wanted to acknowledge the audit result of the annual audit, the technical inclusion of the correspondent bank relationships and the newly implemented Mantas scenarios within the new risk analysis. During the course of our audit, we were informed that the bank had decided to engage the consultant to assist in updating the risk analysis. The risk analysis for the second half of 2023 (document name: "Risk Analysis H2 2023") was finalized on 15 April 2024 and signed by the responsible member of the Management Board, Mr. Alexander Frey, on 16 April 2024 and by the Chairman of the Management Board, Mr. Tae-Han Kim, on 16 May 2024. As the H2 2023 risk analysis and its hedging measures only came into effect in April 2024, the risk analysis could no longer have a management effect in our reporting period and is therefore no longer the subject of our audit this year.

800. The main document of the H1 2023 risk analysis (as at October 10, 2023) contains a complete inventory of the company-specific situation as well as a presentation of the gross and net risks as a combination of customer, product, sales and transaction-related and country-related risks.

801. In addition to the main document, the risk analysis consists of the following annexes:

- Module 1.1 Risk scenarios & security measures
- Module 1.2 Transaction-related risk scenarios & security measures
- Module 1.3 Risk scenarios for criminal acts
- Module 2 Assessment of inherent risks for GW and TF
- Module 3 Safety measures and controls
- Module 4 Net risk assessment and result

- A1 Customer risk classification
- A2 Product risk classification
- A3 Country risk classification

13.2.1.1. Methodology for preparing the risk analysis

802. The general procedure for preparing the risk analysis and the associated derivation of the necessary security measures is as follows:

- Step 1: Complete inventory of the company-specific situation
- Step 2: Recording and identifying customer-, product-, sales- and transaction-related as well as country-related risks
- Step 3: Categorization into risk groups and assessment of the identified risks
- Step 4: Develop and implement appropriate internal safeguards to be used as part of the required money laundering prevention measures based on the outcome of the risk analysis
- Step 5: Review and further development of the internal security measures taken to date, taking into account the results of the risk analysis.

803. The detailed procedure for the individual steps is described below. The procedure provides for an institution-specific inventory, the categorization and evaluation of risks, the derivation and evaluation of hedging measures and, if necessary, the further development of hedging measures to minimize risks.

Inventory and mapping of business activities (step 1)

804. KEBHD's risk analysis covers the areas of money laundering, terrorist financing and other criminal acts as well as all relevant corporate divisions for the risk of money laundering and terrorist financing at KEBHD. A general description of the corporate structure and the business divisions is provided. KEBHD is a wholly owned subsidiary of Hana Bank based in Seoul, South Korea, and has a strong international focus. One focus here is on business relationships with the European branches of South Korean companies and their employees (e.g. seconded employees).

805. All relevant business areas of the bank, their products and processes are presented within the risk analysis.

Risk identification (step 2)

806. Experience, in particular the two annexes to the AMLA and publications from official bodies (AFCA, BMF, BaFin, FATF, FIU, Europol, Eurojust, Wolfsberg Group) are used to identify risks. Among the publications, the BaFin's interpretation and application notes on the AMLA should be emphasized. The First National Risk Analysis 2019, the Sector-Specific Risk Analysis 2020 and the Subnational Risk Analysis 3.0 were also taken into account.

807. Risks relevant to money laundering and terrorism are identified in accordance with sections 4 and 5 of the AMLA and Annexes 1 and 2 to the AMLA, as well as the EU guidelines on risk factors in the following three categories

(1) customer-related risks,
(2) product-, sales- and transaction-related risks and
(3) Country-specific risks.

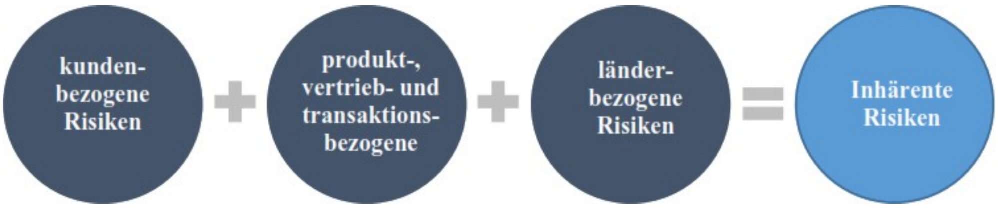


Figure: Risk analysis chapter "4.1.1 Identification of inherent risks and determination of security measures"

Risk assessment (step 3)

808. The inherent risks are assessed in the following steps:

- The risk scenarios are assigned to risk indicators.
- The risk indicators are rated as high, medium or low (risk assessment).
- Quantity structures for the respective characteristics (occurrences) in the KEBHD are determined.
- The shares of the total quantities are weighted (weighting) in order to assess the higher risks more highly and to avoid "equalization" through low risks.
- Risk assessment, occurrence and weighting are multiplied together to calculate the inherent risk.

809. The risks are quantitatively classified into three risk classes with the following risk values:

Risikoklasse	Risikowert	Beschreibung
Hohes Risiko	6,1-9	Fallkonstellationen, die entweder unter die vom Gesetzgeber definierten Hochrisikoklassen (§ 15 GwG) oder aufgrund der eigenen Risikoeinschätzung unter Berücksichtigung der Anlage 2 zum GwG, der Leitlinien zu Risikofaktoren oder sonstiger konkreter Informationen ebenfalls in diese Klassifizierung fallen.
Mittleres Risiko	3,1-6	Alle Fallkonstellationen, die aufgrund der eigenen Risikoeinschätzung des Verpflichteten nicht in die Klassifizierung „hoch" oder „gering" fallen.
Niedriges Risiko	0-3	Alle Fallkonstellationen, in denen unter Beachtung der Anforderungen des § 14 GwG, der Anlage 1 des GwG sowie der Leitlinien zu Risikofaktoren aufgrund der Risikoanalyse ein geringes Risiko angenommen werden kann.

Figure: Risk analysis chapter "1.4 General procedure"

810. The risk factors for a potentially lower and potentially higher risk in accordance with Annex 1 and Annex 2 AMLA are taken into account in the risk classification. Other external sources, such as the EU guidelines on risk factors and FIU typology papers, are also consulted.

Derivation and evaluation of safety measures (step 4)

811. The existing security measures that the Bank has implemented to prevent money laundering and terrorist financing are presented in an overview within the risk analysis. A detailed description of the measures can be found in the organizational guideline "Prevention of money laundering". The appendices contain a full description of the security measures, their evaluation and the associated controls.

812. The safety measures are divided into the following areas:

- Business organization-related
- Employee-related
- Transaction-related (monitoring)
- Customer-related (KYC)
- Other

813. The safety measures are evaluated in the following classifications:

Wirksamkeit	Wert	Beschreibung
Stark	2,1-3	Interne oder externe Kontrollen zu der Sicherungsmaßnahme wurden durchgeführt und dabei wurden keine Mängel festgestellt.
Mittel	1,1-2	Interne oder externe Kontrollen zu der Sicherungsmaßnahme wurden im Berichtszeitraum nicht durchgeführt.
Schwach	0-1	Interne oder externe Kontrollen zu der Sicherungsmaßnahme wurden durchgeführt und dabei wurden Mängel festgestellt.

Figure: Risk analysis chapter "1.4 General procedure"

814. The effectiveness of the security measures is assessed on the basis of the controls carried out and the results of any internal and external audits. The following evaluation system is applied:

Kontrolle oder interne / externe Prüfung durchgeführt?	Auffälligkeiten festgestellt?	Bewertung
J	J	Schwach
	N	Stark
N	n/a	Mittel

Figure: Risk analysis chapter "1.4 General procedure"

815. When determining the total value for the inherent risks of KEBHD, the weighted average of all risk factors per risk type (GW/TF/SH) is used. The individual risks are weighted as follows:

Risikoklasse	Gewichtung
Niedrig	1
Mittel	1,15
Hoch	1,30

Figure: Risk analysis chapter "1.4 General procedure"

816. This approach implies that higher risks are included with a higher weighting in the calculation of the bank's overall risk assessment, i.e. in the example:

Inherent risk KEBHD =

Mean value ((Low risks x 1) + (Medium risks x 1.15) + (High risks x 1.30))

817. In order to calculate the net risks, the inherent risks are reduced by the value of the effectiveness of the hedging measure, i.e. SH:

Net risk KEBHD =

Value Inherent risk - effectiveness of hedging measures

Review and further development of the internal security measures taken to date, taking into account the results of the risk analysis (step 5)

818. The findings and preventive measures derived from the risk analysis are reviewed for appropriateness and effectiveness at least once a year.

13.2.1.2. Gross risks, hedging measures and net risks

819. In the following, we present the inherent risks or gross risks that the Bank has identified in relation to its customers, products, sales and transactions and how it has weighted them. Finally, we present the controls and the assessment of the hedging measures and the remaining residual risk or net risk:

Inherent risks / gross risks

Customer risks

820. As part of its risk analysis, the Bank has identified a total of 32 customer-related risk scenarios and evaluated in each case whether there is a risk of money laundering or terrorist financing. When evaluating customer-related risks, the customer's risk class is used as a risk indicator for the identified scenarios.

821. The methodology for risk classification is attached to the risk analysis and is easy to understand. Further details on the methodology and allocation of risk scenarios can be found in the "Risk matrix customer classification" in the organizational manual and in the appendix to the risk analysis. We also refer to our explanations in section "Customer risk classification".

822. The inventory is based on evaluations of the customer structure from the BankHive core banking system.

823. The following picture emerges of KEBHD's customer-related risks:

Nr.	Ausprägung	Risikoein-schätzung		Häufigkeit	Inhärente Risiken[5]	
		GW	TF	Vorkommen	GW	TF
1	Kunden, die in KYC mit **hohem** GW & TF Risiko klassifiziert wurden.	9	9	16%	7,73	7,73
2	Kunden, die in KYC mit **mittlerem** GW & TF Risiko klassifiziert wurden.	6	6	59%		
3	Kunden, die in KYC mit **niedrigem** GW & TF Risiko klassifiziert wurden.	3	3	3%		
4	Kunden mit **fehlender** KYC GW & TF Risikoklassifizierung.	n/a	n/a	22%	ausstehend	

Figure: Risk analysis chapter "4.2.1.1 Identification of risk scenarios"

824. At the time the H1 2023 risk analysis was prepared (reporting date: June 30, 2023), no risk classification was available or outstanding for 182 customers. These were therefore not included in the overall assessment of customer risks. Other data on these customers is available and is otherwise taken into account in the risk analysis, such as nationality, addresses, transactions (if available), etc.

Outlook risk analysis H2 2023: During our audit, the number of customers without risk classification was reduced by the bank. The number of customers without risk classification amounted to 28 at the end of our audit and was included accordingly in the risk analysis for the second half of the year.

825. Overall, customer-related risks are rated as high.

826. The bank maintains correspondent relationships with 19 banks, 17 of which belong to the KEB Hana Group.

827. KEBHD generally classifies correspondent relationships in the "high risk" risk category.

<u>Product, sales and transaction risks</u>

828. As part of its risk analysis, the Bank has identified a total of 15 product-related, four sales-related and 40 transaction-related risk scenarios and evaluated in each case whether there is a risk of money laundering or terrorist financing.

829. The methodology for risk classification of the products is not described within the document. The procedure for risk classification of the products offered by the bank should be integrated into the risk analysis.

Outlook risk analysis H2 2023: In the risk analysis for the second half of 2023 as at December 31, 2023, the risk classification of the products was attached to the Word/report document.

830. An analysis of the risk scenarios results in the following risk assessment, taking into account the assessment from the national risk analysis:

Geschäftsaktivität	**Produkte / Dienstleistungen**	**GW Risiko**	**TF Risiko**
Deposits	Termineinlagen	Niedrig	Niedrig
Trade Finance	Import Letter of Credit (including D/A and D/P)	Hoch	Hoch
	Export Letter of Credit (including D/A and D/P)	Hoch	Hoch
	Standby Letter of Credit	Mittel	Hoch
Treasury	Geldmarktgeschäfte	Niedrig	Niedrig
Remittance	Girokonto	Hoch	Hoch
	Überweisung SEPA	Hoch	Hoch
	Einzug von Lastschriften SEPA	Hoch	Hoch
	Überweisung Ausland	Hoch	Hoch
	Kundenschecks	Hoch	Hoch
	Korrespondenzbankengeschäft	Hoch	Hoch
Loans	Überziehungskredit	Niedrig	Hoch
	Anschaffungskredit	Mittel	Hoch
	Betriebsmittelkredit	Mittel	Mittel
	Konsortialkredit	Mittel	Mittel

Figure: Risk analysis chapter "4.2.2.2 Identification of risk scenarios"

831. The Bank then uses the volumes of business activities from the core banking system to assess the weighted overall risks.

832. The volume structure of business activities shows the following picture:

Business Line	Anzahl an Transaktionen	Volumen in Mio EUR
Deposit	65.554	25.847 €
Loan	911	326 €
Remittance	143.921	21.316 €
Trade Finance	2.403	3.790 €
Treasury	2.829	5.498 €
Gesamtergebnis	**215.618**	**56.779.932 €**

Figure: Risk analysis chapter "4.2.2.2 Risk assessment"

833. This results in the following risk assessment:

Nr.	Ausprägung	Risikoein-schätzung		Häufigkeit	Inhärente Risiken[12]	
		GW	TF	Vorkommen	GW	TF
17	Remittance	9	9	37,5%	**5,84**	**5,98**
18	Trade Finance	8	9	6,7%		
19	Loans	4	6	0,6%		
20	Deposits	1	1	45,5%		
21	Treasury	1	1	9,7%		

Figure: Risk analysis chapter "4.2.2.2 Risk assessment"

834. According to a KEBHD consultant, the risk assessment relating to the products offered by the bank was not transferred to Oracle Mantas after the risk analysis was finalized. We consider a corresponding adjustment of the product risks stored in Oracle Mantas to be necessary for the effectiveness of the preventive measure.

835. Overall, the risks relating to products and services, distribution channels and transactions are rated as medium.

<u>Country risks</u>

836. As part of its risk analysis, the Bank has identified a total of four country-related risk scenarios and evaluated in each case whether there is a risk of money laundering or terrorist financing. Countries are classified as high-risk countries in accordance with the risk analysis based on the analyses of the Financial Action Task Force and in accordance with the BaFin circular. The list of high-risk countries is attached to the risk analysis and was provided by the parent company in Korea (Hana Bank, Seoul). According to information from the anti-money laundering department, the parent company takes German and European regulations into account when compiling the list. A

A comparison of the country list shown in the risk analysis with the countries included in Mantas revealed minor differences in terms of the risk assessment and number of countries. A review of the country list shown in the risk analysis with the FATF and BaFin country lists revealed differences in the ratings.

837. The risk scenarios were assigned to four risk indicators to assess the country-specific risks:

- Residence / domicile of the customer
- Nationality of customers
- Destination country of payments
- Country of origin of payments

838. Quantity structures (occurrences) were then used for the risk indicators from the core banking system.

839. As a subsidiary of a South Korean bank, the Bank's business strategy is strongly focused on South Korea. International business relationships exist mainly with customers from countries with potentially low country-specific money laundering and terrorist financing risks. As can be seen from the customer structure described in the risk analysis, only a small proportion of customers are based in third countries, predominantly in South Korea.

840. Compared to its overall customer base, KEBHD has only a few customers in high-risk countries.

841. The risk distribution of KEBHD transactions by country of origin and destination of the payment shows that 97% of transactions take place in countries with a low money laundering/terrorist financing risk. At the same time, 82% of transactions originate from a country of origin with a low money laundering/terrorist financing risk.

842. The overall assessment of the geographical risks for KEBHD results in a medium assessment for money laundering (ML) and a low assessment for terrorist financing (TF).

Risikoindikator	Risikoart		Inhärente Risiken[14]	
	GW	TF	GW	TF
Residenz	3,54	2,65	3,47	2,77
Nationalität	3,22	2,35		
Zielland von Zahlungen	3,21	3,21		
Ursprungsland von Zahlungen	3,89	2,86		

Checks and evaluation of the safety measures

843. Based on the risk analysis carried out, KEBHD has implemented the security measures listed below in order to minimize the risk and fulfill its obligations in the fight against money laundering and terrorist financing in accordance with the due diligence obligations imposed. A detailed description of these measures can be found in the organizational guideline "Prevention of Money Laundering". A full description of the security measures, their assessment and associated controls is available in the appendices to the risk analysis. The key topics are highlighted here. The security measures are divided into the following categories and were described and evaluated as part of the risk analysis:

- Business organization-related measures
- Employee-related measures
- Transaction-related measures (monitoring)
- Customer-related measures (KYC)
- Other measures

844. Weighted, this results in the following overall rating for the safety measures:

Gruppe der Sicherungsmaßnahmen	Wirksamkeit	Wert
Geschäftsorganisationsbezogene	Schwach	0,83
Mitarbeiterbezogene	Stark	2,17
Transaktionsbezogene (Monitoring)	Mittel	1,08
Kundenbezogene (KYC)	Mittel	1,14
Sonstige	Mittel	1,30
Gesamt	**Mittel**	**1,23**

Figure: Risk analysis chapter "4.3.6 Controls and evaluation of security measures"

845. The monitoring activities of the money laundering officer can be derived from the risk analysis.

Calculation of net risks

846. The assessment of the inherent risks is compared with the assessment of the hedging measures and the net risk is calculated. Supplementary measures are defined based on the results to date.

847. The net risk identified in the risk analysis is as follows:

Risikofaktor	Inhärente Risiken GW	Inhärente Risiken TF	Wirksamkeit der Sicherungsmaßnahme	Nettorisiken GW	Nettorisiken TF
Kunden	7,73	7,73	1,08	6,65	6,65
Geografie	3,47	2,77	1,31	2,16	1,46
Produkte, Dienstleistungen, Vertriebswege & Transaktionen	5,84	5,98	1,30	4,54	4,68
Gesamtwerte	**5,68**	**5,49**	**1,23**	**4,45**	**4,26**
	Mittel	**Mittel**	**Mittel**	**Mittel**	**Mittel**

Figure: Risk analysis chapter "4.4.1 Overall assessment of net risks"

848. KEBHD is prepared to accept the average net risk for money laundering (ML) and terrorist financing (TF) as a risk. Although countermeasures can reduce the overall risk to an average net risk, there is still a need to minimize the higher customer- and transaction-related risks. The Bank has therefore set out further development measures aimed at reducing these specific risks. These further measures are described in the risk analysis.

13.2.1.3. Summary of the findings

849. We note that at the time of preparing the H1 2023 risk analysis as at June 30, 2023, the customer list had not yet been fully prepared, meaning that the risk classification of numerous contractual partners was not yet correct. With regard to the data basis, we therefore note that the statistical data relating to customer risks was not yet sufficiently reliable in the audit period. With regard to customer relationships, the current situation reveals a large number of inactive relationships. A central weakness lies in the inadequate or complete lack of risk classification of existing customers following the change in methodology (weighting

of the risk classes). The KYC process also has significant incompleteness, which is now being addressed by the bank.

850. **Outlook risk analysis H2 2023**: The Bank is working on eliminating the lack of risk classification for some customer relationships. At the end of 2023, there are still 50 customers with a missing systemic risk classification in the Bank's database, more than half of which are offboarded. A risk classification was calculated for the remaining part for the preparation of the risk analysis for the second half of the year. More detailed statistics for analyzing the risks associated with these customers were added to the risk analysis for the second half of the year.

851. Correspondent banks are still not adequately taken into account in the data basis in the reporting period. The corresponding integration and valuation of correspondent banks in the data structure was therefore of great importance. The Bank completed the integration and evaluation of the correspondent bank relationships by March 2024.

852. We note that the existing hedging measures, in particular the monitoring measures, can be partially derived from the risk analysis. For some of the risks identified in the risk analysis, there are no concrete indicators; instead, reference is only made to scoring in Mantas.

Outlook risk analysis H2 2023: In the risk analysis for the second half of 2023 as at December 31, 2023, the indicators are compared with the identified gross risk. This makes the preventive measure comprehensible to a third party.

853. The underlying parameters cannot be compared with the risks identified in the risk analysis. According to a KEBHD consultant, the risk assessment in relation to the products offered by the bank was not transferred to Oracle Mantas after the risk analysis was finalized. We consider a corresponding adjustment of the product risks stored in Oracle Mantas to be necessary for the effectiveness of the preventive measure.

854. The indicators identified in the new risk analysis were not imported in 2023. The newly developed indicators were implemented in March 2024. The risk analysis was therefore unable to achieve its control effect.

855. The list of high-risk countries in the appendix to the risk analysis originates from the parent company in Korea. According to the information provided, the parent company takes German and European regulations into account when compiling the list. A comparison with Mantas and a comparison with FATF and BaFin revealed minor differences in risk assessments and the number of countries.

856. The description of the methodology for the risk classification of products is missing from the H1 risk analysis. It is necessary to integrate the procedure for risk classification of the products offered by the bank into the risk analysis.

Impact analysis of the Israel-Hamas conflict

857. We recommend carrying out an impact analysis when updating the risk analysis in connection with the Israel-Hamas conflict. According to our information, the Bank does not maintain any business relationships (including correspondence relationships) with regard to the Israel-Hamas conflict, in particular with representative offices of South Korean companies and South Korean citizens in the affected areas.

858. It should be noted that the FIU list of sanctioned parties issued in connection with the Israel-Hamas conflict was only roughly evaluated. This list was not taken into account by the system in Oracle Mantas and eNisis. The Bank states that all legal requirements for list screening via Dow Jones are taken into account in Oracle Mantas and eNisis. If it turns out that the FIU list is not taken into account in connection with the Israel-Hamas conflict, the Bank states that it will be imported at short notice via the Local Watch List eNisis.

Impact analysis of the effects of the war in Ukraine

859. In the impact analysis (as at May 2023), the Bank analyzed the effects of the war in Ukraine. The analysis revealed that the Bank has business relationships (including correspondence relationships) with the Russian Federation, which are mainly representative offices of South Korean companies and South Korean citizens based in the Russian Federation. All affected business relationships have been frozen and relevant transactions are no longer being carried out. Furthermore, no new business relationships relating to the Russian Federation and Belarus will be entered into. The Bank uses the screening tool eNisis from the provider ROCE, London, to identify business relationships and transactions. The Bank therefore classifies the existing hedging measures as fundamentally appropriate. The following areas for action were identified in the analysis: Consideration of risks as part of the

Risk analysis and the introduction of new products, implementation of indicators for correspondent business and introduction of new monitoring activities to ensure compliance with financial sanctions.

13.2.1.4. Processing of previous year's findings

860. The findings made as part of the annual audit as at December 31, 2022 were processed by the Bank as follows

	Determination	Measures	Status
1.	The methods used in the risk analysis to assess the identified risks relating to money laundering and terrorist financing are not comprehensible. The derivation, use and evaluation of the risk criteria used for the individual risk factors (including customers, countries, products, transactions) is not evident from the analysis. The requirements from the interpretation and application notes to the AMLA with regard to the procedure for carrying out a risk analysis must be taken into account. In addition, the analysis does not take sufficient account of the risks relating to the financing of terrorism.	The Bank has fundamentally revised the methodology for preparing the risk analysis.	Beho-ben
2.	The data basis (statistical data) used for the 2022 risk analysis, in particular for the evaluation and assessment of customer, product and transaction risk, is partially incomplete and incorrect (customers without risk classification, incorrect labeling of active or inactive products and	The statistical data was not yet available during the audit period. With regard to customer relationships, the current situation shows a large number of active relationships. A central weakness lies in the inadequate or complete lack of Risk classification of the	Partially remedie d

	customers, no information on the target countries of transactions) and therefore not reliable.	Existing customers after changing the methodology (weighting of risk classes). The KYC process is also incomplete. Correspondent banks are still not adequately taken into account in the data basis. A corresponding integration and evaluation of correspondent banks in the data structure is therefore of great importance and should be addressed urgently. **Outlook risk analysis H2 2023:** The Bank is working on eliminating the lack of risk classification for some customer relationships. The Bank has set up the "KYC Remediation Project" for this purpose. At the end of 2023, there are still 50 customers with a missing systemic risk classification in the Bank's database, more than half of which are off-boarded. For the remaining portion, a risk classification was calculated for the preparation of the risk analysis for the second half of the year. More detailed statistics for analyzing the risks associated with these customers will be added in the risk analysis for the second half of 2023.	

3.	The assessment of the effectiveness of the existing security measures to prevent money laundering, terrorist financing and criminal acts is not comprehensible in the risk analysis. In particular, the results of the internal audit, the monitoring activities of the money laundering officer and the annual audit must be taken into account for a comprehensible assessment of the effectiveness of security measures. The consideration and the respective weighting of the results for the assessment of the effectiveness of hedging measures must be defined in the documentation of the risk analysis methodology.	As part of the adjustment of the methodology of the new risk analysis, the evaluation of the hedging measures was revised by introducing a quantitative evaluation system. The use of a quantified evaluation system makes it possible to assess the effectiveness of the measures taken. In addition, the checks carried out and the results of internal and external audits are taken into account. The control plan is adjusted immediately in the event of findings.	Beho- ben
4.	The existing security measures (including monitoring measures) and the corresponding monitoring activities of the money laundering officer must continue to be derived from the risk analysis in a comprehensible manner.	The existing security measures, in particular the monitoring measures, can only be partially derived from the risk analysis. For some risks identified in the risk analysis, there are no concrete indicators; instead, reference is only made to scoring in Mantas. The underlying parameters could not be provided during the audit. In 2023, the indicators identified in the new risk analysis were not included. The newly developed indicators were im- plemented in March 2024. implemented. The risk analysis	Partially remedie d

		was therefore unable to develop its control effect. The monitoring activities of the money laundering officer can be derived from the risk analysis. **Outlook risk analysis H2 2023**: In the risk analysis for the second half of 2023 as at December 31, 2023, the indicators are compared with the identified gross risk. This makes the preventive measure comprehensible to a third party.	
5.	The risk analysis does not provide for an unconditional classification of the gross (inherent) risk as "high" for the high-risk case constellations within the meaning of Section 15 (3) AMLA. The methodology must be adapted so that the high-risk case constellations within the meaning of Section 15 (3) AMLA are the decisive factors for unconditional classification as high risk.	The Bank has fundamentally revised the methodology for preparing the risk analysis.	Beho-ben
6.	The risk analysis did not take into account or assess the impact of the war in the Ukraine on the Bank. Prior to the conclusion of our audit, an impact analysis was prepared, which among other things, provides for future consideration in the risk analysis.	An impact analysis was carried out before the 2022 annual audit was completed.	Beho-ben

7.	The Bank does not use a standardized procedure to form risk categories. In the risk analysis, the risks are assessed in a four-level scale ("low", "medium", "medium-high", "high"), the customer risk classification was carried out in the reporting period in the risk categories "low", "medium", "high", "extra ordinary" and since December 2022 in the risk categories "low", "medium", "high".	The Bank has fundamentally revised the methodology for preparing the risk analysis.	Beho-ben
8.	The score value procedure is applied to the classification of the gross risk and to the existing hedging measures. While the risk classification is clearly structured using risk indicators, the score-based assessments of the effectiveness of the measures cannot be adequately derived. In addition to the score value method, scenarios are linked to probabilities of occurrence. We do not consider the use of probabilities of occurrence to be suitable for deriving security measures to prevent money laundering.	The Bank has fundamentally revised the methodology for preparing the risk analysis.	Beho-ben

861. The findings of the audit in accordance with Section 44 (1) KWG were processed by the Bank as follows:

Ref. no	Determination	Measures	Status
B.1.1	I note that you have not adequately broken down, analyzed and assessed the gross risks (inherent risks) according to money laundering, terrorist financing and criminal acts. In particular, your risk analysis does not yet focus on the financing of terrorism. It should also be noted that the amount of loss is not a component for calculating the gross risk of money laundering and terrorist financing, but is only relevant for criminal acts.	The Bank has fundamentally revised the methodology for preparing the risk analysis. The gross risks of money laundering, terrorist financing and criminal acts were analyzed separately. The amount of loss is only taken into account when assessing the inherent risk for criminal acts, but not for money laundering and terrorist financing. For terrorist financing, the risk scenarios from the FIU's publication on terrorist financing were taken into account.	Beho- ben
B.1.2	Your 2021 risk analysis has not been updated in a timely manner. Make sure that the update is carried out at least once a year.	An update of the risk analysis was initially planned for January 2024 with a reporting date of December 31, 2023, covering the second half of 2023. The planned update of the risk analysis was initially postponed, as the ARC had to review the results of the audit of the annual financial statements, the technical inclusion of the correspondent bank relationships and the newly implemented Mantas	Partially remedie d

		scenarios within the new risk analysis. During the course of our audit, we were informed that the Bank had decided to engage the consultant to assist in updating the risk analysis. The risk analysis for the second half of 2023 (document name: "Risk Analysis H2 2023") was completed on April 15, 2024. nalized and signed by both Management Boards on 16 April 2024. As the H2 2023 risk analysis and its hedging measures only came into effect in April 2024, the risk analysis could no longer have a management effect in our reporting period and is therefore no longer the subject of this year's annual audit.	
B.1.3	The risk analysis contains extensive statistical data on customers and also information on the number of customers per risk class. However, the method of customer risk classification is not evident from the documentation, meaning that the appropriateness and completeness of the risk assessment cannot be verified. The statistical data is not meaningful without the presentation of risk assessments.	The methodology for risk classification is attached to the risk analysis and is easy to understand. Further details on the methodology and allocation of risk scenarios can be found in the "Customer risk classification matrix" in the organizational handbook and in the appendix to the risk analysis. With regard to the data basis for customers, however, we note that the statistical Data in the audit period still	Partially remedie d

		were not sufficiently resilient. Please also refer to our comments in section 13.2.9.	
B.1.4	The documentation of the risk analysis shows that the statistical data on the customer structure (completeness / accuracy) is not reliable. However, a correct and complete inventory is the basis of the risk analysis. Overall, I expect the complete customer master data to be revised.	For the purpose of preparing the updated risk analysis, customer data was extracted from the system and in some cases corrected manually in discussions with the departments. The correction of customer data in the system is currently the subject of the "KYC Refresh" project. A supplementary measure has been defined for this purpose and is being pursued as part of this project. The statistical data was not yet sufficiently reliable during the audit period. With regard to customer relationships, the current situation reveals a large number of inactive relationships. A central weakness lies in the inadequate or complete lack of risk classification of these relationships. The bank has not yet applied the new methodology for classifying customer risk to its existing customers. The revision of the customer master data has therefore not been carried out.	Partially remedied

		Outlook risk analysis H2 2023: During our audit, the number of customers without risk classification was reduced by the Bank. The number of customers without risk classification amounted to 28 at the end of our audit. A risk classification was calculated for the remaining portion for the preparation of the risk analysis for the second half of the year. More detailed statistics for analyzing the risks associated with these customers were added to the risk analysis for the second half of the year.	
B.1.5	The method for determining the gross risk, evaluating the security measures and determining the residual risk is not documented and cannot be reconstructed from the analysis document and the appendix (Excel table). The statements are based on a combination of the money laundering officer's experience and an evaluation of a questionnaire sent to the institution's department heads. The method must be recorded in writing.	The methodology of the risk analysis is detailed in the respective (sub-) sections of the risk analysis. The Bank has decided not to deal with the methodology separately in a separate document. The reason for this is that without explanations, the comprehensibility of the risk analysis would be limited. Duplication of content in the risk analysis and the methodology document should be avoided.	Beho- ben
B.1.6	I also note that the design of the security measures, in particular the infor dicators of the monitoring system,	see **point 4** Processing of the findings findings of the	Partially remedie d

	are not derived from your risk analysis.	Audit of the annual financial statements to the December 31, 2022.	
B.1.7	The effectiveness of the safeguards, for example as determined by your control measures or the results of the internal or external audit, must be taken into account in the risk analysis. If it is determined that certain security measures are not effective, measures must be taken to ensure the appropriateness of the security measures.	See **item 3** Processing of the findings of the audit of the annual financial statements as at December 31, 2022.	Beho-ben

13.2.1.5. Audit result

862. The procedure defined by the institute for carrying out and documenting the risk analysis is only suitable to a limited extent for fulfilling the requirements of Section 5 GwG and the interpretation and application notes and forms a limited basis for deriving security measures. Due to the continued incompleteness of the basic data, we do not currently see any meaningful assessment of KEBHD's risk position in the area of money laundering and terrorist financing. The bank has given an assurance that this will be ensured as part of the update of the risk analysis in the area of money laundering and terrorist financing, which will take place shortly. **(Data entry form pursuant to Section 27 PrüfbV No. 1, F3)**

13.2.2. Internal security measures

863. The regulations for the prevention of money laundering and terrorist financing are set out in writing in the following work instructions:

General guidelines in the area of the anti-money laundering organization

- "Prevention of money laundering" (as of March 4, 2024);
- "Easy AML Handbook" (as at June 30, 2023);

Guidelines for the AML monitoring system

- "Oracle Enterprise Case Management User Guide for Hanabank" (status: unknown);
- "AML Monitoring System Scenario Tuning Manual" (as of February 2023);
- "AML Scenario Configuration" (status: unknown);
- "Alert Handling Work Instruction - Mantas" (Version 1.0; as of September 30, 2023);
- "Prevention of other criminal acts (fraud)" (as of December 30, 2022);
- "Mantas Work Instruction" (status: unknown);
- "Anti Money Laundering Technical Scenario Description - Oracle Financial Services" (as of October 31, 2019);
- "eNisis Web Platform Messenger Guide" (status: unknown);
- "en.SafeWatch Filtering: Detection Algorithm Logic" (as of January 31, 2019);
- "Country Risk Index Report" (as of January 15, 2024);

Guidelines relating to suspicious activity reporting procedures

- "Whistleblower and Complaint System" (status: unknown);

Guidelines relating to the recording and storage of AML documents

- "Deletion Concept" (as of November 1, 2021);
- "Retention policy" (September 29, 2022);
- "Introduction - Privacy Policy" (status: unknown);
- "Information Handling (Information Security Policy for Employees)" (as of May 2, 2023);
- "CON.6 Deletion and Destruction Process" (as of February 18, 2023);

Outsourcing guidelines

- "Outsourcing Policy" (status: unknown);
- "OSM_policies" (as of November 15, 2022);
- "Outsourcing Management Guideline" (as at March 9, 2023);
- "Outsourcing Agreement and Performance Management Process" (as of November 17, 2023).

864. The Money Laundering Officer and his/her deputy are responsible for implementing or updating internal guidelines, procedures and controls in accordance with the Money Laundering Act and the corresponding security measures resulting from the Money Laundering Act.

risk analysis. All work instructions are available to the Bank's employees on the intranet.

865. The new "Alert Handling Work Instruction - Man- tas" guideline (as at September 30, 2023) was created during the reporting period. The creation of this guideline served to rectify the findings from the previous year in this area.

866. We note that the following guidelines were not updated during the reporting period:

- "Prevention of other criminal acts (fraud)" (as of December 30, 2022)
- "Anti Money Laundering Technical Scenario Description - Oracle Financial Services" (as of October 31, 2019)
- "en.SafeWatch Filtering: Detection Algorithm Logic" (as of January 31, 2019)
- "Country Risk Index Report" (as of January 15, 2024)
- "Deletion Concept" (as of November 1, 2021)
- "Retention Policy" (as of September 29, 2022).

867. The "Country Risk Index Report" guideline was updated during the audit. In another case, the update was also initiated during the audit, but was not yet completed at the time the report was prepared.

868. In seven cases, both the creation date and the date of the last update were missing from the work instructions. As a result, it was impossible to determine during the audit when these guidelines were last updated. During our audit, the bank prepared a list of the work instructions in the area of money laundering with the corresponding update deadlines. However, this list was not made available during the audit.

869. As part of its audit, Internal Audit recommended that the "Prevention of money laundering" guideline be expanded to include specific examples of business activities. We refer in this regard to section 13.2.6.

870. The findings made as part of the annual audit as at December 31, 2022 were processed by the Bank as follows

Determination	Measures	Status
In the reporting period, a significant part of the money laundering-related written regulations were not updated.	Although the basic work instruction "Prevention of money laundering" has been updated, we found during the audit that various specific guidelines had not been updated.	Not fixed
The "Prevention of money laundering" guideline has shortcomings, particularly with regard to the completeness of the requirements for the suspicious activity reporting system.	The requirements for suspicious activity reporting were set out in the "Prevention of Money Laundering" Directive (as of March 6, 2023) and the "Hana Bank Germany Alert Handling Work Instruction - Mantas" added.	Fixed

871. The institution's internal principles are suitable for contributing to the prevention of money laundering within the institution, with the exceptions mentioned. With regard to the implementation of internal security measures in relation to money laundering and terrorist financing
i. Within the meaning of § 6 para. 2 no. 1 and 4, para. 5 GwG, we have identified moderate deficiencies in this respect. **(Record sheet in accordance with § 27 PrüfbV No. 2, F2)**

13.2.3. Money Laundering Officer

872. The following money laundering officers and deputy money laundering officers were appointed for KEBHD during the reporting period:

From	to	Name	Date Order	Date BaFin notification
Money Laundering Officer				
31.03.2022	14.03.2023	Mr. Dr. Patrick Kuehl	09.03.2022	09.03.2022 (order) 14.03.2023 (release)
14.03.2023	01.12.2023	Mr. Rahat Qadri	01.12.2023	14.03.2023 (Order) 01.12.2023 (release)
01.12.2023	02.04.2024	Mr. Tobias Linden-meyer	01.12.2023	01.12.2023(Bestellung) 02.04.2024 (release)
02.04.2024	today	Ms. Natalie Schnick	02.04.2024	02.04.2024 (order)
Deputy Money Laundering Officer				
17.10.2022	14.03.2023	Mr. Rahat Qadri	17.10.2022	17.10.2022 (order) Discharge no notification
14.03.2023	01.12.2023	Mr. Dr. Patrick Kuehl	14.03.2023	14.03.2023 (Order) 01.12.2023 (release)
01.11.2022	today	Ms. Soo-Yeon Hong	27.10.2022	27.10.2022 (order)
01.12.2023	02.04.2024	Ms. Natalie Schnick	01.12.2023	01.12.2023 (Order)

873. During our audit period, Mr. Tobias Lindenmeyer was dismissed as anti-money laundering officer with effect from 2 April 2024. The notification to BaFin dated March 28, 2024 was available to us.

874. Ms. Natalie Schnick was temporarily notified as an anti-money laundering officer with effect from April 2, 2024. The notification to BaFin dated March 28, 2024 was submitted to us. As of April 15, 2024, Mr. Ercan Carkit was hired for the area of money laundering, terrorist financing and other criminal acts. According to the information provided, the bank plans to report Mr. Ercan Carkit as a money laundering officer after a training period of between four and six weeks and to relieve Ms. Schnick of her duties as a money laundering officer.

875. The money laundering officer reports directly to the member of the Executive Board responsible for money laundering prevention, Mr. Alexander Frey.

876. The Money Laundering Officer and his deputy are the contact persons for the bank's employees, investigating authorities and other external bodies. They deal with all matters relating to the prevention of money laundering and terrorist financing and are authorized to issue binding internal instructions in this regard, including with regard to the termination or continuation of business relationships. The anti-money laundering officer and his deputies have unrestricted access to all information, data, records and systems that are relevant to the fulfillment of their duties.

877. The job description of the anti-money laundering officer (as at December 21, 2022) sets out all the key duties of the anti-money laundering officer in writing with reference to the legal requirements. In addition, the previous ARC and his previous deputies were still named as job holders in the job description submitted to us. We recommend an ongoing review to ensure that the job description is up to date.

878. As at December 31, 2023, a total of three internal employees and one external employee were entrusted with tasks relating to the prevention of money laundering, the prevention of criminal acts and terrorism and sanctions regulations. Among other things, the external employee was tasked with processing the findings of the BaFin special audit. Since March 2024, an additional resource in the AML department has been responsible for KYC issues on a full-time basis. The employee originally comes from the front office and was already previously entrusted with KYC issues. We consider the staffing to be inadequate. In the reporting year, this was reflected in particular in repeated delays in the provision of documents and the processing of hits in the IT monitoring system.

879. The money laundering officers and their deputies took part in the following external training courses during the reporting period. The certificates of attendance were available to us for review.

Name	Completed training	Date	Training provider
Dr. Pat- rick Kuehl	Defense Against Money Laundering: Advanced Training - Selected learn- ing path: Other Employees	25.05.2023	bank publishing house
Mr. Rahat Qadri	Defense against money laundering: Advanced training - Selected learning path:	26.05.2023	bank publishing house

	Account management / payment transactions / back office (etc.)		
	Sanctions and embargo compliance basic	15.11.2023	FORUM Institute for Management GmbH
Mr. Tobias Lindenmeyer	Prevention of money laundering: training course	14.11.2023	bank publishing house
	ACAMS AML Foundations	28.12.2023	Association of Certified Anti-Money Laundering Specialists LLC
Ms. Soo-Yeon Hong	Prevention of money laundering: training course	15.06.2023	bank publishing house
	Internal hedging measures & transaction monitoring	14.11.2023	FORUM Institute for Management GmbH
	ACAMS AML Foundations	28.12.2023	Association of Certified Anti-Money Laundering Specialists LLC
Ms. Natalie Schnick	Defense Against Money Laundering: Advanced Training - Selected learning path: Complete training course	13.11.2023	bank publishing house
	ACAMS AML Foundations	28.12.2023	Association of Certified Anti-Money Laundering Specialists LLC

880. With regard to the further training of the anti-money laundering officers and their deputies active during the audit period, we note that participation in an advanced training course is not sufficient, especially for new ARCs.

881. In accordance with the requirements of the Anti-Money Laundering Directive, the Anti-Money Laundering Officer must submit an annual report to the Executive Board in the form of an activity report. The annual report "2023 Annual Report of the Money Laundering Officer to the Board of Directors of KEB Hana Bank (D) AG" dated March 20, 2024 contains an overview of the bank's measures to prevent money laundering, terrorist financing and criminal acts. Among other things, the report presents the results of the risk analysis, the processing status of the previous year's findings and the monitoring and training measures carried out.

882. In addition, the money laundering officer reports to the Executive Board and the AML/Department in Seoul on a monthly basis using monthly compliance reports.

883. Ad hoc reports can also be submitted to the management. In the reporting period, there were no ad hoc reports in accordance with the ARC.

884. The involvement of the money laundering officer in the processes in accordance with AT 8.1 to 8.3 Ma- risk is included in the working instructions on the prevention of money laundering.

885. In accordance with Section 6 (1) sentence 3 GwG and Section 25 (1) KWG, controls must be carried out to ensure the appropriateness of the security measures to prevent money laundering and terrorist financing. The Bank did not initially have a control plan for the first three quarters of the reporting period. Nevertheless, the Bank carried out periodic AML checks on the basis of an internal control checklist. The audit content and the scope of the control activities were defined by the AML/Department in Seoul. The controls were performed and the results were documented. We have received the documentation of the control procedures performed.

886. A new control plan was drawn up as part of the event-driven update of the risk analysis (reporting date June 30, 2023). The new control plan was approved by the Executive Board together with the updated risk analysis on October 10, 2023 and thus came into force from the fourth quarter of 2023. The new control plan is derived from the risk analysis and provides for the findings of the internal audit to be taken into account. The subject matter, objective, scope, timing and results of the control activities can be seen from the control plan.

887. We were able to reassess the effectiveness of the hedging measures and the respective net risk based on the knowledge gained from the implementation of the control plan using the H1 risk analysis that was effective in the reporting period.

888. The deputy ARC performed the audit procedures in the fourth quarter of 2023. The performance of the control procedures and audit results were available to us. The Money Laundering Officer's controls are appropriate and effective for monitoring the effectiveness of the internal security measures.

889. The findings made as part of the annual audit as at December 31, 2022 were processed by the Bank as follows

Determination	Measures	Status
In order to ensure the proper performance of its tasks, the Anti-Money Laundering Organiza sufficient funds, resources	The Bank has deployed additional personnel resources. As at the audit date the AML department consisted of	Partially fixed

and to provide the necessary personnel resources. In its audit report on the special audit in accordance with Section 44 (1) KWG, BaFin also classifies the lack of resources as a significant deficiency.	consists of three internal employees. The bank also draws on external resources. In the meantime, the bank has assigned another internal full-time employee to the AML department.	
The dismissal of the former deputy anti-money laundering officers and the appointment of the new and former deputy anti-money laundering officers were not reported to BaFin in advance.	The bank has waived subsequent notification. The new ARC and his deputy were promptly notified to BaFin.	Fixed
The involvement of the money laundering officer in the processes in accordance with Ma- Risk AT 8.1 to 8.3 must be included in the written regulations.	The written regulations were adapted. The integration of the money laundering officer into the processes in accordance with AT 8.1 to 8.3 MaRisk was included in the "Prevention of money laundering" work instruction.	Fixed
No control plan was drawn up by the money laundering officer for 2022. Whether control measures were carried out in 2022 or which control measures were carried out was not documented in a comprehensible manner.	The Bank adopted a new control plan in Q4 2023. The new control plan was derived from the risk analysis. The control actions were all performed in Q4. We had corresponding documentation of the control actions and the audit results.	Fixed
The control plan submitted for review plan (for the year 2021) does not cover	All money laundering important processes were	Fixed

all processes relevant to money laundering (including measures for updating customer data, EU Regulation 2015/847). Furthermore, the control plan does not differentiate between the original activities and monitoring activities of the money laundering officer. The monitoring actions were not comprehensibly derived from the risk analysis.	revised control plan. Only the control activities of the money laundering officer were described. The monitoring activities were derived comprehensibly from the risk analysis.	
The concept for the monitoring activities of the money laundering officer must be set out in writing. In particular, the requirements for the control procedure (e.g. scope of sampling) as well as for the evaluation and rectification of identified deficiencies must be defined and set out in writing.	The written regulations have been adapted.	Fixed
No standardized control documentation is prepared to document, among other things, the audit process and results as well as the need for corrective action.	The audit procedures were all performed in Q4 2023. We had corresponding documentation of the control procedures and the audit results.	Fixed
The control plan is integrated into the Money Laundering Officer's schedule. The measures listed by the money laundering officer include not only control measures but also original activities of the money laundering officer. The control plan should be presented separately and expanded to include further controls.	The control plan drawn up in Q4 2023 contains only control actions.	Fixed

890. The findings of the audit in accordance with Section 44 (1) KWG were processed by the Bank as follows:

Determination	Measures	Status
The anti-money laundering officer and his deputies do not have sufficient time to fulfill their duties effectively, possibly taking into account other functions. Additional personnel resources are required at short notice to process findings, carry out inspections, perform other AML activities and cover for absences.	The bank has hired additional personnel resources. As at the reporting date, the AML department consisted of three internal employees. The Bank also makes use of external resources. In the meantime, the bank has assigned another internal full-time employee to the AML department.	Partially fixed
You do not currently have an appropriate control concept and a corresponding control plan that is derived from the risk analysis and also takes into account the findings of the internal audit. The object, objective, scope, timing and results of the control measures must be evident from the new control plan to be drawn up. The knowledge gained must also be taken into account when the risk analysis is next updated, particularly when assessing the effectiveness of the hedging measures and determining the respective net risk.	The bank adopted a new control plan in Q4. The new control plan was derived from the risk analysis. The control actions were all performed in Q4. We had corresponding documentation of the control actions and the audit results.	Fixed

891. As part of our audit of the structure of the institution's anti-money laundering organization, we identified moderate deficiencies. The resources and procedures necessary for the proper performance of the tasks are only available to a limited extent. **(Data entry form in accordance with § 27 PrüfbV No. 3, F2)**

13.2.4. Reliability check

892. The implementation of the background check of employees is defined in writing in the Money Laundering Directive "Prevention of Money Laundering".

893. When new employees are hired, their reliability is assessed on the basis of a certificate of good conduct and a review of the application documents by the Management Board and the HR department.

894. We selected a random sample of five employees from the population of 18 newly hired employees and reviewed the reliability check process for new hires.

895. During the employment relationship, an annual reliability check is carried out by the responsible head of department. Criteria for the assessment are defined in the declaration of reliability.

896. We selected a sample of five employees from the population of 48 existing employees in 2023 and reviewed the annual reliability audit process for the existing employees.

897. Our audit in the area of reliability resulted in the following findings:

- The money laundering guideline has not been updated with regard to the annual reliability check (including the use of a checklist, confirmation of knowledge by the money laundering officer). During our audit, the bank updated the policy accordingly.
- In two of the five new hires we examined, the certificate of good conduct was dated slightly after the start of employment. In the case of one new hire, the certificate of good conduct was slightly older than three months at the start of employment and was therefore no longer considered a current certificate of good conduct. We do not consider this finding to be significant due to the fact that the time limit was only slightly exceeded. However, the bank should ensure that the relevant deadlines are adhered to in future.
- In the case of one existing employee, the bank determined during the reliability review in 2023 that this employee had repeatedly

The bank stated that he had violated anti-money laundering regulations by repeatedly failing to carry out KYC checks for customers. According to the bank, it was an employee of the credit department who did not dispute the fundamental necessity of the KYC check, but only questioned his responsibility in this regard. In addition, the function of a central KYC analyst was created within the bank. According to the bank and our findings, the reliability check of existing employees in February 2024 for the 2023 financial year did not result in any objections.

898. The determination made as part of the audit of the annual financial statements as at December 31, 2022 was processed by the Bank as follows

Determination	Measures	Status
As part of its monitoring activities, the anti-money laundering officer found that due to the high number of new hires, the initial verification of the reliability of all newly hired employees could not be fully completed in 2022.	The reliability checks were completed before the start of the 2022 annual audit.	Fixed

899. The institute has taken appropriate measures to assess the reliability of the employees with the aforementioned restrictions. **(Data entry form in accordance with § 27 PrüfbV No. 4: F2)**

13.2.5. Training and instruction of employees

900. The requirements for the training measures and the training concept are set out in writing in the "Prevention of Money Laundering" guideline (as of March 4, 2024). The bank must ensure that employees who are entrusted with the processing of transactions and the establishment of business relationships are informed about the methods of money laundering and terrorist financing in accordance with Section 6 para. 2 no. 6 GwG.

901. The group of employees who are to be trained is defined appropriately in the written regulations. All employees of the bank are defined as relevant for training. The AML department has assigned an external employee to a project.

However, he was not included in the training sessions. As the consultant does not support the Bank in its day-to-day business, we consider his activities to be project-related and consider the Bank's approach to be appropriate. We have no evidence that the bank has engaged external consultants with line functions to support the bank in its daily business during the reporting period.

902. The money laundering officer is responsible for training all employees in relation to money laundering, terrorist financing and other criminal acts. The training courses are scheduled twice a year, with at least one being held as a face-to-face event. The training content essentially covers the following topics:

- Change in the legal basis;
- Changes to the obligations arising from Section 25h KWG and the GwG;
- Changes to internal security measures;
- Information on new forms of money laundering that have become known;
- Refresher on certain relevant topics.

903. According to the work instruction, it is necessary to keep a list of the employees who have participated and to keep this list together with a copy of the training documents. Employees who have not taken part in the training should be retrained within four weeks.

904. Newly hired employees must complete the initial training within one month of the start of their employment. It is the responsibility of the institution's Money Laundering Officer to ensure that all newly hired employees receive initial training. During the training, employees are given the work instructions and discuss them with the money laundering officer. The training must be documented in writing and signed by the trained employee. We were not provided with the minutes during the audit.

905. In accordance with Section 6 (2) No. 6 GwG, it is necessary to distinguish between the initial training when new employees join the company and follow-up training. The initial training is intended to teach new employees the relevant aspects of money laundering law, including the basics of money laundering prevention, typologies and methods of money laundering, terrorist financing and other criminal acts, the general and specific duties of due diligence and the procedure for reporting suspicions. An internal BankVerlag training course was held in May and a Group-wide ACAMS training course was held in December. The bank informed us that the dates of the training courses were deliberately chosen in order to avoid duplicate training and to ensure that the

reduce the administrative burden. As the ACAMS training does not take into account any specific German legal requirements, we note that it does not fully meet the requirements for initial training in accordance with Section 6 (2) No. 6 GwG.

906. Furthermore, all employees must complete annual follow-up training, known as refresher training. The Bank follows a schedule for further follow-up training and assigns mandatory training courses to employees, which must be completed within 30 days. During the reporting period, the bank also provided for employees to receive training on specific topics relevant to the anti-money laundering organization as part of the monthly training sessions. As part of the audit, we were provided with the corresponding evidence for the four selected months.

907. The bank has defined an escalation process in the "Prevention of money laundering" policy in the event of non-compliance with the training. In the event of non-participation in the training, the first reminder is sent by e-mail and a deadline of two weeks is set. If the training is not completed within the set period, a second reminder is sent by the money laundering officer. The Management Board is also informed of the employees who have not completed the training on time. If no feedback is received after the second reminder, the Management Board will be informed again. If an employee refuses to take part in the training, the reliability of the employee can no longer be fully guaranteed. In this case, additional safety measures must be taken in consultation with the management. If the employee continues to refuse to participate in the training, this may lead to the termination of their employment.

908. The AML/Compliance department checks compliance with the training requirements as part of its control measures at appropriate times within the compliance monitoring plan. The money laundering officer was audited in the reporting year.

Case-by-case examination

909. For the individual audit, we randomly selected eight of the 20 new employees and nine of the 37 existing employees. For these employees, we examined whether the legal requirements for employee training and the procedures described in the internal guidelines were complied with in the reporting year.

910. During our audit, we identified the following complaints regarding the training of new employees:

- We note that no separate BankVerlag training was assigned to the newly hired employees. Instead, they were trained together with the existing employees. In four cases, the new employees were only hired in the second half of the year and therefore did not have the opportunity to participate in the training. In two cases, we found that the training for the new employees was not assigned until after the end of the first month after they were hired. However, these two employees completed the training within the deadline set by the bank. In another case, training was provided within one month of the employee's hire date, which constitutes timely participation. In one case, we note that an employee who was only hired in August attended the BankVerlag training course, which took place at the end of May. After consultation, we were informed that this was an employee of the parent company who was hired by the bank as a seconded employee. His original hiring date was planned for March, but was postponed to August due to visa problems. As the employee was already employed by the parent company and his employment had already been confirmed, BankVerlag training was also provided for him.
- The new employees were also included in the training group for the Group-wide ACAMS AML Foundations training in December. We found that seven out of eight employees from our selection completed this training. In one case, the employee was no longer employed at the time of the training and was removed from the training group.
- In order to verify the employees' participation in the ACAMS AML Foundations training, we requested the certificates of participation and asked the bank to inform us when the training was activated for the employees. Upon request, we were informed that the training was conducted by the parent company and that it was therefore not possible to issue the certificates of attendance. Instead, the certificates were replaced by a back-end report email from the parent company.

911. As part of the individual case review of existing employees, we found that all employees had attended the BankVerlag training course. As the employees completed the training within two weeks, we conclude that the training was completed on time.

912. However, the audit revealed that only eight out of nine employees had attended the ACAMS AML Foundations training. The bank confirmed that one employee was mistakenly excluded from the training group. The training was made up for during the audit.

913. In addition, as part of the audit, we reviewed the qualitative adequacy of the training materials and concluded that they are appropriate with regard to the German requirements. Nevertheless, we note that the trainings are not adapted to the specific requirements of the Bank in relation to the trading activities and instead mainly refer to general legal requirements.

914. The institution has not fully defined appropriate measures for informing and educating employees on the topic of money laundering. We also found deficiencies in the implementation of the requirements defined in the internal guideline. **(Data entry form in accordance with § 27 PrüfbV No. 5, F2)**

13.2.6. Audit results of the internal audit department

915. KEBHD's internal audit has been outsourced to the auditing firm Greis & Brosent GmbH Rhein-Main branch, Darmstadt, with effect from July 1, 2022, in accordance with a contract dated May 9, 2022.

916. The 2023- 2025 audit plan for Internal Audit approved by the management was available to us for the audit. An audit of the provisions of the GwG and KWG for the prevention of money laundering, terrorist financing and criminal acts is planned on an annual basis.

917. In December 2023, Internal Audit began the audit in the area of "Defense against money laundering, terrorist financing and other criminal acts within the meaning of Section 25h KWG". The internal audit was completed during our audit and the corresponding audit report was submitted.

918. The internal audit report did not contain any serious or material findings. The audit report contained the following findings which, according to Internal Audit, have no material effect on the property or business operations of KEBHD:

- According to the information provided to Internal Audit, appropriate measures were taken to ensure the completeness and accuracy of customer master data in the carried out as part of the "KYC Refresh" project. Internal Audit considers the measure to be appropriate, but recommends that the "KYC Refresh" project be completed promptly.

- According to the overview of the existing security measures presented to Internal Audit as part of the risk analysis, their effectiveness has been assessed and additional measures/controls have been identified where their effectiveness is low. Some of these are still to be implemented and Internal Audit recommends that they be finalized promptly.

919. In addition, the internal audit report contained the following recommendation:

- Internal Audit recommends providing more detailed information in the internal guideline on money laundering prevention, in particular using specific examples of KEBHD's business activities to explain in which cases additional information is obtained from the customer or the AML Supervisor is consulted to decide whether suspicious activity reports are made or when they are waived.

920. With regard to BaFin's findings, Internal Audit explained in its audit report that the bank has taken appropriate measures overall to rectify the findings.

921. Our audit resulted in the following findings, which we classify as significant objections:

- In its quarterly report for the fourth quarter of 2023, Internal Audit reportedly took the results of the special audit and the annual audit into account when preparing the multi-year audit plan for 2024-2026. We do not consider this to be sufficient, as the auditor days for 2024 were only increased by one day to a total of four auditor days. In our opinion, there was therefore no sufficient risk-based adjustment to the multi-year audit plan due to the significant findings from the BaFin's Section 44 KWG audit and last year's audit of the annual financial statements.
- According to Internal Audit, there was an ongoing exchange between Internal Audit and the money laundering officer on the status of the implementation measures. In accordance with BT 2.1 para. 2 MaRisk, an accompanying monitoring of the processing of the audit findings of BaFin's Section 44 KWG audit and last year's annual audit in the area of "money laundering, terrorist financing and other criminal acts within the meaning of Section 44 KWG" was carried out for significant projects.
§ Section 25h KWG" by the internal audit department was performed due to the involvement of the Management Board.

and for budgetary reasons. In our view, monitoring the processing of the audit findings would have been necessary due to the seriousness of the findings.

- In its audit report, Internal Audit considers almost all of the findings of BaFin and the auditor of the annual financial statements to have been resolved. As part of our audit, we made our own findings, particularly in the areas of IT monitoring and customer due diligence, and came to a different conclusion.

922. The activities and reporting of Internal Audit are not fully adequate with regard to the audit area of money laundering prevention, terrorist financing and other criminal acts. **(Data entry form pursuant to Section 27 PrüfbV No. 6, F3)**

13.2.7. IT monitoring system

923. Pursuant to Section 25h (2) KWG, credit institutions must maintain and update data processing systems that enable them to identify business relationships and individual transactions in payment transactions that are particularly complex or large in relation to comparable cases, are unusual or are carried out without an obvious economic or lawful purpose on the basis of the knowledge available to the public and within the credit institution about the methods of money laundering, terrorist financing and other criminal acts.

924. As part of its monitoring measures, KEBHD uses the IT monitoring system Oracle Mantas Behavior Detection Platform (hereinafter: Mantas) from Oracle Financial Services Software Ltd, Mumbai, India, to monitor and analyze customers and transactions in relation to money laundering and terrorist financing.

925. Mantas is an evidence-based IT monitoring system that is used to identify suspicious activities in relation to money laundering and terrorist financing and evaluates customer, account and transaction data. The system is also used to document the processing of potentially suspicious activities identified by the system.

926. The process for processing hits from monitoring is described in the "Mantas Work Instruction".

927. The Bank also introduced the "Hana Bank Germany Alert Handling Work Instruction - Mantas" during the reporting period, which describes the alert handling and investigation process.

928. The parent company has a process description "Enterprise Case Management User Guide for Hanabank" for all branches for processing suspicious transactions.

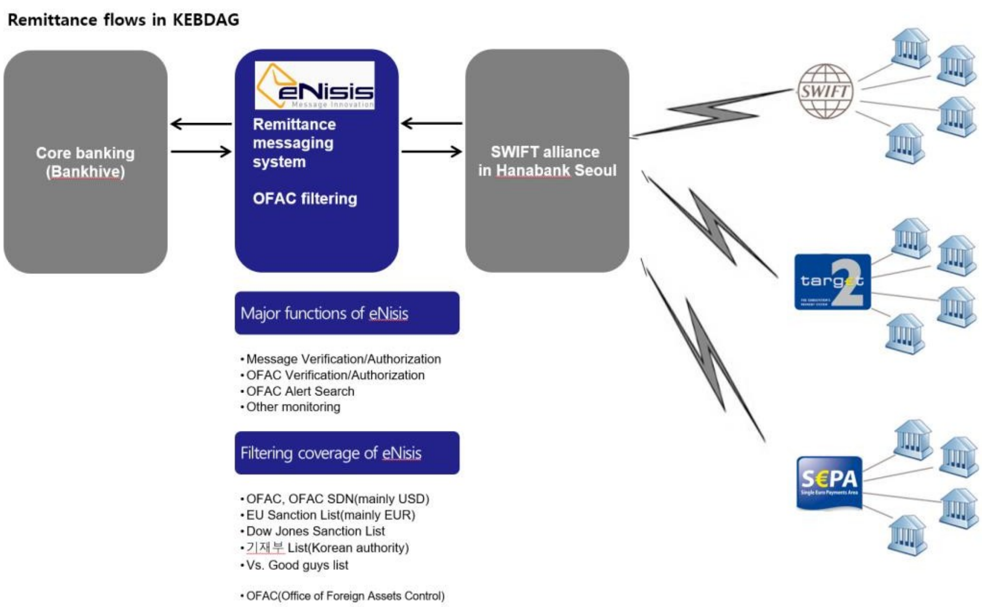
929. In addition, the Bank uses the eNisis screening system from Mirae Ing Co. Ltd, Seoul, Korea (hereinafter: eNisis) to select or filter out payment transactions in real time, i.e. before they are executed.

13.2.7.1. Screening: eNisis

930. Among other things, the eNisis screening system is intended to prevent funds from being made available despite non-compliance with sanctions, embargoes, the prohibition of terrorist financing or other measures. eNisis enables the bank to stop and investigate transactions before they are executed.

931. The Bank uses the Detection Algorithm Logic (as of January 2019) and eNisis Web Platform Messenger Guide (V.0.21) (not yet available) from the provider. There are no work instructions adapted to the Bank for the functionality, data quality and processing of hits. The bank plans to create a corresponding work instruction.

932. eNisis has an interface to BankHive as well as to SWIFT alliance in Hanabank Seoul:



933. The system compares SEPA / SWIFT and text messages against various sanctions and embargo lists. The bank uses the following lists:

- OFAC, OFAC SDN (mainly USD)
- EU Sanction List (mainly EUR)
- Dow Jones Sanction List
- 기재부 List (Korean authority)
- Vs. Good guys list

934. In addition, the DowJones "(Factiva) List into SafeWatch" list was imported into eNisis on December 2, 2023.

935. The lists are defined by service providers such as Dow Jones, by the parent company and by the bank itself; in particular, these are local "good" or "bad guy" lists. The lists are in turn imported by the parent company following an order from the bank.

936. We note that there is currently no written process for importing new lists and adapting existing ones. We recommend that the bank put the process in writing.

937. As part of a walkthrough, we have reproduced the processing of hits in eNisis. External sources are also consulted for research in order to process hits. However, the documentation of results using the drop-down function does not reflect the substantive analysis of the individual case. The bank states that a large number of hits are "false positives". For this purpose, the Bank analyzed that since the introduction of the DowJones lists, an average of 53% of the total transaction volume has been stopped by eNisis. The stopped hits are almost exclusively "false positives". We believe that given the high number of false positives, the overall operational efficiency of the AML department could be affected. We recommend that the Bank review the integration of the existing sanctions lists into the system and the parameterization performed to reduce the number of false positives in order to further improve operational effectiveness and efficiency.

13.2.7.2. Monitoring: How Oracle Mantas work

938. The "Hana Bank Germany Alert Handling Work Instruction - Man- tas" describes how the Mantas IT monitoring system works.

939. The creation of an alert in the system is a multi-stage process that begins with data analysis, continues with data aggregation, ends with pattern recognition and ends with the creation of an alert.

assessment and finally ends with the generation of warning messages. The process is described in the following diagram:

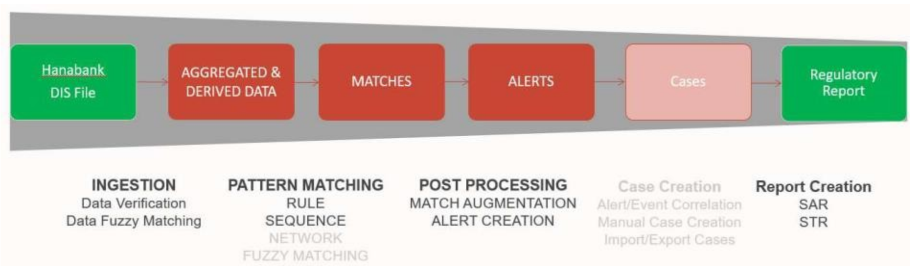


Illustration: Hana Bank Germany - Alert Handling Work Instruction

940. An alert can be triggered either by a specific scoring value or an indication in Mantas.

941. In Mantas, corresponding scenarios are imported by the institution. A scenario essentially represents a pattern of money laundering or suspicious activity. The logic embedded in the scenario patterns is used to detect potential money laundering or fraudulent activities.

942. In addition, the objective of the scenario, the alert generation and the parameters are described within the work instruction for each active individual scenario.

Scoring: "Effective Risk" and "Activity Risk" thresholds

943. In Mantas, alerts are generated based on scoring values, among other things. The scoring values are made up of different risk factors. Mantas classifies the "Effective Risk" and "Activity Risk" in the overall risk according to the following matrix:

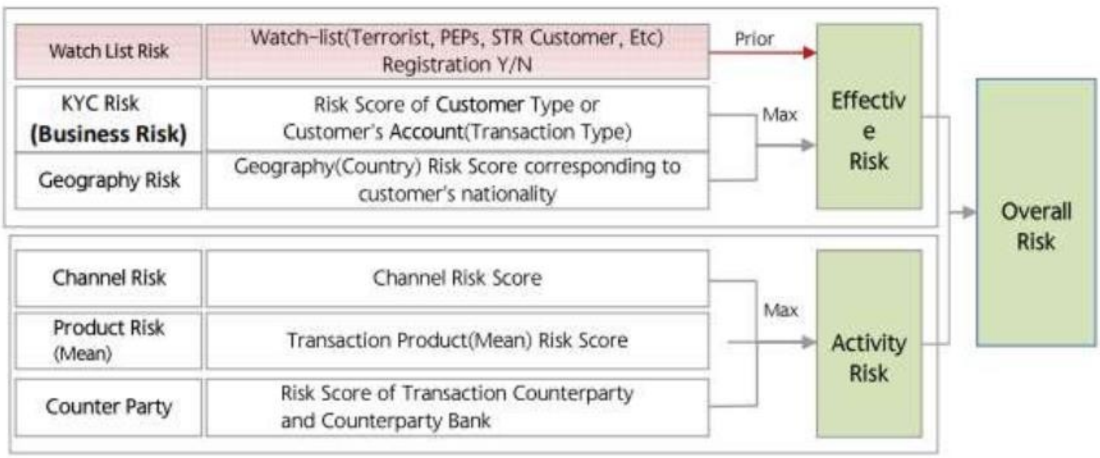


Illustration: Hana Bank Germany - Alert Handling Work Instruction

944. Within Mantas, an alert is triggered if the "Effective Risk" (entity risk) and "Activity Risk" (transaction risk) reach a corresponding value within the
"Overall risk" is calculated.

OVERALL RISK	ACTVTY RISK LVL > Threshold	ACTVTY RISK LVL < Threshold
EFFCTV RISK LVL > Threshold	HR	MR
EFFCTV RISK LVL < Threshold	MR	RR

Illustration: Hana Bank Germany - Alert Handling Work Instruction

945. The bank has given the following example in the "Hana Bank Germany Alert Handling Work Instruction - Mantas": If Mantas has calculated an "Activity Risk" (numerical value from 1 to 10) of 10 for a particular transaction, which is higher than the activity threshold (e.g. 7) and is categorized as HR, but the "Effec- tive Risk" has been calculated as 6 (lower than the entity risk threshold (e.g. 7) - categorization as MR), in this case, according to the above matrix, the total risk is MR. The calculation of the total risk is important as this determines which threshold for amount, number etc. is used for detection.

13.2.7.3. Monitoring: Data quality Oracle Mantas

946. Data is provided as part of a daily batch process that accesses the customer, account and transaction data in BankHive, which is stored in the Local Data Warehouse (LDW), and transfers it to the Global Data Warehouse (GDW). These are transferred from the GDW to Mantas on the following day. Quality controls for data delivery to Mantas continue to be carried out annually by the parent company without the involvement of the anti-money laundering officer. There are automated daily quality controls in the IT systems. There are internal control processes that check the completeness of these transfers as part of job processing. However, the process documentation for this control is not adequate, meaning that we were only able to trace the controls incompletely.

947. According to the information provided, the anti-money laundering officer carries out an annual quality control as part of the risk analysis. The anti-money laundering officer requests the logs and reviews them. The documentation of this quality control for the preparation of the risk analysis as at June 30, 2023 was made available to us. The review document for the data delivery (data completeness check) covers the period from January 2 to June 30, 2023. However, the Excel file provided to us does not clearly show from which system the data was extracted and against which system it was compared. According to the project documentation provided by the bank, the transaction types MI
/ WIRE / Back Office. The missing ITF transaction data was therefore not taken into account in the reporting period according to the bank's statement (see previous year's statement). The data mapping documents provided by the bank are mostly in Korean and are outdated from 2021.

13.2.7.4. Monitoring: Derivation of scenarios and scoring values from the risk analysis

948. During the reporting period, a project was initiated in which the money laundering officer at the time was to review and revise the existing indicators together with an external consultant. As a result of the project, the bank prepared a risk analysis as at June 30, 2023, from which the indicators recorded in the IT monitoring system are to be derived. For this purpose, the Bank has prepared tables based on the document "KHDAG Risk Analysis 2023H1_final.xlsx" in the table folders "Module 1.1 Identification of risk scenarios and allocation of hedging measures" and "Module 1.2 Identification of risk scenarios and allocation of hedging measures".
"Module 1.2 Identification of risk scenarios and allocation of hedging measures: transaction monitoring" records all potential risk factors in relation to customers, countries, products, sales and transactions.

949. With regard to the risks identified for customers, countries, products and sales in "Module 1.1 Identification of risk scenarios and allocation of hedging measures", the Bank has defined "Continuous monitoring of customers", "Transaction monitoring with Mantas" and "Transaction screening with Enisis" as some of the hedging measures. An explicit list of the respective indicators in Mantas to reduce risks in relation to customers, countries and products has not been provided.

950. An explicit list of the respective indicators in Mantas for risk reduction is provided in Sheet 1.2, where all risks that are relevant for the transaction monitoring hedging measure are grouped into "risk themes". The risk themes contain customer-, product- and country-related risks.

Example:

- The risk themes "Cross-Border Transactions" and "High Risk Geography" contain the country-related risks / red flags.
- The risk theme "High Risk Product" contains the product-related risks / red flags.

951. Then, for each "risk theme" (groups of similar red flags), it is analyzed which Mantas scenario covers the risks and whether the scenario is currently active in the system. In this way, four new relevant Mantas scenarios were selected (incl. correspondent bank scenario) and proposed for implementation. Implementation was completed in March 2024.

952. In general, the Bank does not monitor risk factors in connection with sales using Mantas. The bank's business model does not allow for online account opening or similar. In fact, there is only one sales channel, and this is "in-house (account) opening". There is no targeted customer approach; customers always come to the bank independently and are directed to the standardized KYC process. The "sales channel" risk is therefore not relevant or marginal for the bank.

953. In "Module 1.2 Identification of risk scenarios and allocation of hedging measures: Transaction Monitoring", a total of 40 risk groups (risk themes) consisting of over 500 individual risks (red flags) were identified in relation to transactions. As part of the review of the identified transaction risks, we note that one risk was identified ("Suspicious ATM Usage Patterns"), which is not related to the bank's business model.

954. Of these, risks in manta rays are taken into account in accordance with Table 31. The corresponding indicator is shown in the "Appli- cable Scenario in Mantas / other Safeguard Measure" field. The Bank has described twelve indicators in the document "CB Mantas Scenarios vs. ML Red Flags.xlsx" attached to the risk analysis. We were provided with a list of the adjusted scenario models. The scenario model was not imported into Mantas until March 2024. The rules and scenarios defined in the system were adjusted by the parent company of KEBHD in the reporting period with the involvement of the money laundering officer. The "Scenario Tuning" document serves as a guideline for the necessary involvement of the specialist department. Evidence of the involvement of the ARC (PMS orders and official letters) is available.

955. The approval of the anti-money laundering officer is required for system-side adjustments and their implementation, such as for indicators or the country list. We note that the personnel changes within the AML team in 2023 resulted in knowledge gaps, as a result of which the derivation and parameterization of the indicators derived from the risk analysis was not consistently ensured. The bank has therefore been using an external consultant for support since mid-2023. The AML department has been working together with the external consultant since mid-2023 and beyond the reporting period on documentation that ensures the timely adjustment of sco ring values and indicators at all times (including during replacement periods).

956. The "Easy AML Handbook" (guideline) refers to the implementation of local laws (Clause 3.2 Addition or removal of a scenario/Changes to thresholds and Clause 8.2 Local Watch List). The country and sanctions lists in Mantas are integrated by the parent company in Korea. According to the information provided, these should comply with national regulations. After reviewing the integrated country list in Mantas, we note that no adjustment has been made to the national regulations and no exchange has taken place between the ARC and the AML Department in Korea. We recommend that the bank establish a process to ensure compliance with national regulations.

957. We also note that the product risks identified in the risk analysis were not transferred to Mantas. An adjustment of the scoring value in relation to the identified product risks is essential for the control effect of the preventive measure.

13.2.7.5. Monitoring: Procedure for processing alerts

958. The procedure for processing alerts in Mantas is described in the work instruction "Hana Bank Germany Alert Handling Work Instruction - Mantas".

959. The process described in the work instruction for handling alerts consists of three steps:

- Alert investigation/validation in Mantas
- Transaction/customer research in BankHive
- In the case of "real hits", the SAR registration takes place in GoAML, the SAR identification of the customer in BankHive and the corresponding note on the alert in Mantas.

960. A hit list is generated in Mantas on a daily basis and processed by the employees of the money laundering department.

961. According to the work instruction, "initial processing of hits" should take place on a daily basis. The work instruction was introduced in September 2023 and stipulates that alerts must be processed immediately. This should be effective from Q4 2023. However, according to the bank, the hits must be processed within one month. According to the information provided, the processing period for alerts was not shortened during the audit period due to staffing levels.

962. The complete processing of hits, including communication with other departments, documentation of all relevant evidence in the system and the creation of a SAR in GoAML, should also take place as quickly as possible, ideally on a daily basis. However, this process may require coordination with customers and other departments involved. Obtaining all the necessary evidence may take time before the final decision on the customer leaving (or not leaving) can be made and the SAR reported.

13.2.7.6. Monitoring: individual case check Alerts processing

963. As part of a case-by-case audit, we examined the processing of alerts in Mantas in the reporting year. Using a risk-oriented approach, we selected 48 alerts from a population of 4,186. The three risk classes of the transactions and six types of evidence that led to a higher valuation of the transaction were taken into account. In the risk classes with higher and medium risk, two elements per indicator type were selected by random sampling. Three elements per indicator type were drawn from the low-risk transactions, as not all indicator types are relevant for this group. In addition to the 32 elements mentioned above, all twelve elements with the status "Closed - No SAR" were included in the selection. As part of our case-by-case audit, we examined whether the bank processed the alerts in a timely and comprehensible manner. Our audit yielded the following results:

- In 31 out of 48 cases, the AML analyst concluded the hit processing with the comment "all events false positive" despite various indications. In eight of 48 cases, the bank came to the conclusion that "no ML/TF risks were discernible in the trx. or persons identified". According to the bank, a further three cases involved "transactions of a business nature". Transaction-specific comments were only left in six cases. Due to the above-mentioned complaints, we found insufficient documentation of hit processing, which is not transparent and comprehensible for external third parties. The bank states that in future it will review the transactions marked as false positives in accordance with the control plan will be randomly checked for correctness at regular intervals. Furthermore, the bank will in future require the money laundering department to independently fill in the comment field as a standard measure so that the selected reason "false positive" is also subject to the research or reason for the assessment and is therefore easier for third parties to understand.

- In eight out of 48 transactions, it took more than 30 days to clarify the background to the alerts. The longest processing time for an alert was 75 days. Processing times have shortened since Q4 2023. We therefore note that the deadlines set out in the work instructions for processing the findings were not met in these cases.

13.2.7.7. Processing of previous year's findings

964. The findings made in the previous year were processed by the Bank as follows:

	Determination	Measures	Status
1.	The actual process for handling hits from monitoring must be included in the written regulations.	The process for processing hits from monitoring is described in the "Mantas Work In- struction" work instruction.	Beho-ben
2.	The data quality (customer and transaction data) from the core banking system "BankHive" is inadequate as it is incomplete and incorrect.	With regard to the data basis from BankHive, we note that it is still not reliable. There are a large number of inactive relationships. A key weakness lies in the inadequate or complete lack of risk classification of existing customers after changing the methodology (weighting of risk classes). The KYC process is also incomplete. With regard to the quality control of the interface between BankHive and Mantas, please refer to our	Do not treat

		Appraisal of the adjustment of the previous year's finding under **point 9.**	
3.	The existing access authorizations to the monitoring system are not appropriate, as it was not known who the persons with access authorizations are, what rights they have in the system and whether the authorizations are appropriate.	The existing access authorizations to the monitoring system were checked as part of the ARC's control activities. A list of users active during the audit period was made available to us.	Beho-ben
4.	Specifications and processes for access authorizations to the monitoring system must be defined and set out in writing.	The specifications and processes for access authorizations to the monitoring system are not defined.	Do not treat
5.	The Mantas scenario model is not documented and specified in sufficient detail. The criteria for the individual scenarios are not adequately presented; for example, it is not specified which parameters the individual indi- cators contain. During the course of our audit, the Bank began documenting the scenario model as part of a Group-wide project.	The KEBHD uses the mother's methodology. This is the work instruction "AML Monitoring System Scenario Tuning Manual" (as of February 2023). The finding had not yet been finalized as of the audit date. Please refer to **section 3.6** with regard to the assessment of the separation of the determination.	Partia lly treate d
6.	The Mantas scenario model was defined by the parent company without the involvement of the money laundering officer. nized. There has been no	We note that in the reporting period there were still no adjustments of the scenarios to the institution-specific requirements of KEBHD were made. The	Do not treat

	Adaptation of scenarios to the institution-specific requirements of KEBHD. The model was not derived from the risk analysis. The transaction monitoring system is therefore only suitable to a limited extent for comprehensively detecting conspicuous transactions at KEBHD. At the time of our audit, a project was initiated in which the money laundering the existing rules and scenarios were reviewed and revised.	Scenarios were still specified by the parent company without the involvement of the ARC. As part of the project, the scenario model was adapted to the specific requirements of KEBHD in order to process the findings. We were able to obtain a list of the adjusted scenario model. **Outlook 2024:** The new scenario model was imported into Mantas in March 2024.	(In 2024 partially treated)
7.	The Mantas scenario model does not contain any specific scenarios by means of which transactions in the correspondent banking business are monitored.	We note that the Mantas scenario model still does not contain any specific scenarios for monitoring transactions in the correspondent banking business in the reporting period. As part of the adjustment of the scenario model in the course of the project to process BaFin's findings, corresponding indicators for monitoring the correspondent banking business are to be included. **Outlook 2024:** The scenario model was imported into Mantas in March 2024.	Do not treat (In 2024 partially treated)
8.	The three-stage customer risk model used for the recognition of impaired assets in Mantas is applied. classification model	The customer risk classification model was adjusted during the year.	Beho-ben

	does not correspond to the four-stage risk classification model otherwise used in the Bank. A three-stage customer risk classification model was introduced in December 2022.		
9.	The money laundering officer is in the financial statements of the parent company qualification carried out by the tity controls for data delivery not integrated in manta rays. and has no knowledge of about their results. To the time of our audit a process was initiated that the money laundering commissioners enable should a quality control for the da- delivery in mantas to be carried out.	In accordance with the ARC Updating the risk analysis Quality control for data delivery conducted in Mantas. The do documentation of this quality control for the preparation of the risk analysis as of June 30, 2023 was made available to us made available. The review document for the data supply. (Data Completeness Check). extends over the period from January 2 to June 30, 2023. of the Excel file sent to us is however, is not clearly evident from which system extracts the data were made. According to the information provided by the bank project documentation will be currently only the transaction types MI / WIRE / Back Office. The project planning shows that that a complete transfer all transaction types to Mantas not before the end of February 2024 is implemented. A complete Monitoring of transactions fin- therefore does not take place. The data provided by the bank provided data mapping documentation are largely based on Korea-	Partial wise beho ben

		nical and have an outdated status from the year 2021.	

		Based on the documentation provided to us, it is not clear how quality control is carried out. It is not possible for us to deduce from the available data that the ARC is involved in quality control	

965. The findings of the audit in accordance with Section 44 (1) KWG were processed by the Bank as follows:

Ref. no.	Determination	Measures	Status
B3.1	The "Oracle Mantas" monitoring system is not fully supplied with data from the institution's payment/transaction systems and customer master databases: • The data quality from the core banking system "Bankhive" is inadequate, as it is incomplete and partially incorrect. There is no data concept that defines, among other things, which data is relevant and from which sources it is obtained. The introduction of the new core banking system led to considerable problems. • It was not possible to show how the money laundering officer was involved in the project to introduce the new	• The data interface between the core banking system (BankHive) and Mantas, via the GDW, was reviewed in accordance with the information available; gaps were identified in connection with the ITF transactions that were not taken into account; the IT implementations to close the gaps were implemented in the first quarter of 2024. • The bank provided us with proof that GWB was involved in the project to introduce the core banking system. • We were able to document the data concept and the measures taken to ensure data quality. not complete	Partially fixed

	core banking system. • There is no quality control in terms of content and time to ensure that data is prepared or processed correctly.	can be traced. We refer to our assessment of the adjustment of the prior-year determination in **Note 9.**	
B3.2	The derivation of the monitoring system settings from the risk analysis is not comprehensible: • The monitoring system has not yet been adapted/adjusted to the institution-specific risk situation. The scenario model has not yet been derived from the risk analysis. The use of typologies (AuA BT KI, Chapter 6.2.2) for parameterization is also not comprehensible. The adoption of the scenario model from the parent company is not appropriate: • Previously, the scenario model was defined by the parent company without involving the money laundering officer. • In the event of a change request by the money laundering officer, the processing/modification by the parent company in Korea takes too long.	As stated, a comprehensive analysis of the transaction risk was carried out (as part of the risk analysis) in order to derive relevant monitoring scenarios and other security measures. Relevant ML/TF typologies were taken into account in the transaction risk analysis in the form of a global collection of approx. 3,000 typologies. A comprehensive data-based transaction analysis was carried out in order to derive threshold values. The updated scenarios for transaction monitoring and thresholds were submitted to the parent company for implementation. We were provided with a list of the updated scenarios. The new scenarios were implemented in Mantas at the end of February 2024. We therefore note that in the event of a	Partially fixed

		The process is still taking too long due to the need for the money laundering officer to change the scenarios.	
B3.3	There are no specific indicators relating to the correspondent business. At the same time, there is a scenario for cash, for example, although there is no cash register. The justification that cash transactions may be carried out again in the future is not comprehensible. • There is no appropriate and meaningful documentation of the changes/adjustments to the scenario model. For example, it is explained that something has been changed, but the change itself and the justification for the change are not documented. • A validation of the scenario model is not carried out, in which in particular the appropriateness of the settings is checked (incl. statistical evidence/evaluations). The method for checking the scenario model (incl. all settings and data supply) and the check itself must be documented in a comprehensible manner. • My sample has shown, that there is a high number of	As part of the project to process the findings of the special auditor, the bank developed specific scenarios in relation to the correspondent business. However, this was not implemented until March 2024. • From the documentation provided to us on the adjustment of the scenario model, we were unable to understand how changes or adjustments to the scenario model were made. The ARC's assessment of the adjustment is not evident from the documentation available to us. Changes/adjustments to the scenario model are defined in the "AML Monitoring System Scenario Tuning Manual" work instruction (as at February 2023). The working instruction is provided to KEBHD by the parent company. The work instruction defines a process for the type and scope of documentation for changing the Scenario model	Not fixed

	"false positives". This could be an indication of inappropriate parameterization.	specified. We were unable to ascertain whether this requirement was applied accordingly. In addition, the national requirements are not taken into account within the work instruction. The preparation of a KEBHD-specific work instruction was refrained from. • We were unable to obtain a comprehensible validation of the scenario model. • As part of our random sample, we also found that there was a high number of "false positives" in the system during the reporting period.	
B3.4	The three-stage customer risk classification model used to form threshold values in the monitoring system does not correspond to the four-stage risk classification model normally used in the bank. The model must therefore be standardized. The keyword search for the purpose of use must not only contain German terms, but must also include English and Korean terms as a minimum.	The customer data export from BankHive was reviewed on the basis of the information provided and it was possible to validate that KEBHD uses a three-level risk classification (high, medium, low) in both BankHive and Mantas. We were not provided with corresponding validation documentation for this. With regard to the keyword search for the intended use, a discussion was held with Oracle on August 23, 2023. clarifies that S .W.I.F.T. is not a	Partially fixed

	It is problematic that many transactions from Korea do not specify a purpose of use.	language other than English. Therefore, the addition of German and Korean words would not be beneficial. Nevertheless, KEBHD will add German and Korean words to the current list of keywords. We were not provided with a corresponding list of the planned keywords. According to the project documentation for the processing of BaFin determinations, the determination regarding the keyword search is still being processed. The purpose of the transaction is available in the transactions, as it is a mandatory field in Korea. This field is mapped and made available so that it can be displayed in BankHive and Mantas. All preparatory work has been completed and the changes will be adopted in November 2023. We were not provided with the corresponding evidence for this. As far as we are aware, no adjustments have been made to the two systems.	
B3.5	Intensified monitoring, e.g. for customers who, due to a suspicious activity report, have to report the increased are subject to due diligence obligations	In accordance with the project documentation for processing the BaFin requirements, the type and way in which the	Fixed

	not carried out. It is true that the transactions of the customers in question are generally stopped during screening and also checked for suspected money laundering. However, this option of intensified monitoring must also be available in downstream monitoring in order to identify hits relating to intensified monitoring more easily.	Mantas assessment model is built to fully fulfill the purpose of enhanced monitoring. The assessment model in Mantas ensures that alerts for transactions and entities with a higher risk are created with a higher probability. Follow-up measures for suspicious activity reports were added to the "Prevention of money laundering" policy in 2023 and also include the possibility for the Money Laundering Officer to order increased monitoring measures if necessary. An internal blacklist was also introduced. The monitoring of such persons takes place in the first step in BankHive during overnight screening and then in transaction screening in eNisis in order to be able to directly control or stop conspicuous transactions if necessary.	
B3.6	There is no written process for regularly reviewing the scenarios and adjusting the system. Overall, the appropriateness of the parameterization cannot be conclusively assessed due to the points mentioned above.	KEBHD uses the parent company's methodology in the form of the "AML Monitoring System Scenario Tuning Ma-nual" work instruction (as at February 2023). The Bank therefore does not consider it necessary to issue an additional	Partially fixed

		local work instruction. During our audit, we were unable to obtain any comprehensible documentation regarding the parameterization of new scenarios or the review of existing scenarios.	
B3.7	There are no appropriate internal work instructions for the implementation of the monitoring, in which, among other things, the process for processing the hits generated by the system is explained and approval and documentation requirements are defined. In particular, the necessary follow-up measures for the detection of possible money laundering-relevant facts must also be defined.	The bank has created an internal work instruction on the procedure for processing alerts ("Hana Bank Device Alert Handling Work Instruction - Mantas"). This work instruction describes the processing of alerts in the system step by step. For further details, please refer to section 13.2.7.5. However, we note that the work instruction has no traceable versioning. The exact dates on which the work instruction was created or approved are missing. We would like to point out that a description of the new scenarios after recording in Mantas should also be included in the work instructions. The bank plans to implement this.	Partially fixed

B3.8	No reasonable period of time was set for the initial processing and for the complete processing of the anomalies identified: • The display / overview of hits in the monitoring system does not enable a risk-oriented approach or prioritization of processing: All hits are marked with "High". Furthermore, no risk classes or similar of the customers are shown that could be used as an additional criterion for risk-oriented processing. • The time limit you have defined of up to seven days for the initial processing of hits is not appropriate for an institute of your size and business model. The initial processing must take place promptly in order to initiate further investigations if necessary. • The complete processing of the hits must be carried out as quickly as possible, but with the necessary care. A time limit of 30 days for this process does not make sense, but rather serves as a guide.	In the "Hana Bank Germany Alert Handling Work Instruction - Mantas", the bank has stipulated in writing that "initial processing of hits" should be carried out on a daily basis. However, as part of our case-by-case audit, we found that the processing of alerts was not carried out within the specified time frame. The processing time for alerts was significantly reduced in Q4 2023. Please refer to our comments in section 13.2.7.6. The work instruction describes how the BankHive risk assessment system was integrated into Mantas.	Partially fixed
B3.9	Processes that lead to a suspected are reported in the 4-	On the status of the processing of the We refer to	

	eye principle. However, processes that do not lead to a suspicious activity report must also be processed in a risk-oriented manner using the dual control principle to ensure that they are correctly classified as non-conspicuous. This can also be done by means of a subsequent control measure.	our comments in section 13.2.23.	
B3.10	According to information currently available 13 people have access authorization for the monitoring system. However, you do not know who these persons are, what rights they have and, in particular, whether the authorizations are appropriate.	With regard to the access authorizations for the IT monitoring system, we refer to our assessment of the remediation of the prior-year finding in **point 3**.	Fixed

966. In summary, we conclude that the data processing systems operated and updated by KEBHD to identify business relationships and individual transactions in payment transactions that are particularly complex or large in relation to comparable cases, unusual in nature or without an obvious economic or lawful purpose are not fully adequate. The Bank remedied some of the findings of the BaFin special audit and the previous audit of the annual financial statements in 2023 and Q1 2024.

967. We identified significant deficiencies with regard to the establishment and operation of an IT monitoring system in accordance with section 25h (2) KWG. **(Data entry form pursuant to § 27 PrüfbV No. 7, F3; No. 14, F3)**

13.2.8. Outsourcing of internal security measures

968. The requirements and processes for outsourcing are set out in writing in a PDF file "OSM_policies" (as of November 15, 2022). In principle, the money laundering officer must be involved in the outsourcing process. However, according to our findings, this is not documented accordingly in the guidelines and work instructions.

KEBHD has promised to take this into account when updating the process documentation in 2024.

969. Contractual outsourcing of internal security measures exists as follows:

970. KEBHD has concluded an outsourcing agreement with KEB Hana Bank, Seoul, Korea, for the following activities:

- Transaction monitoring and sanction screening;
- KYC Screening.

971. KEBHD has classified transaction monitoring and sanction screening as material outsourcing and KYC screening as immaterial outsourcing. Both outsourcing activities were entered in BaFin's outsourcing register via the MVP portal on March 13, 2023 and on April 4, 2023.

972. In addition, the Bank has outsourced the whistleblower function to the law firm Annerton Rechtsanwaltsgesellschaft mbH, Frankfurt am Main, since June 2023. The bank has not yet classified this as outsourcing. Accordingly, there has been no disclosure in BaFin's outsourcing register via the MVP portal to date and the requirements pursuant to Section 6 (7) GwG have not been met.

973. Furthermore, KEBHD has outsourced the Postident procedure to Deutsche Post AG, Bonn. The bank has classified this as a non-material outsourcing. KEBHD notified the outsourcing on April 4, 2023 via the MVP portal.

974. Please refer to section 7.3.2 for information on compliance with the obligations relating to outsourcing in accordance with MaRisk and the status of the previous year's findings.

975. Reference is also made to the retrieval of account information in accordance with Section 24c KWG (see Section 13.5). The Bank had outsourced this function to Pass Multibank Solutions AG, Frankfurt am Main, until June 30, 2023. The Bank had classified this as a material outsourcing. The material outsourcing of the account registry (Section 24c KWG) to Bank-Verlag GmbH listed in the outsourcing register was planned for the 2023 reporting year but, according to the Bank, did not materialize.

976. We consider the Bank's procedure for outsourcing internal safeguards to be not fully appropriate and effective due to the existing deficiencies. **(Data entry form pursuant to § 27 PrüfbV No. 8, F2; No. 18, F2)**

13.2.9. Risk assessment

977. In accordance with the German Money Laundering Act and BaFin's interpretation and application notes, due diligence obligations are implemented depending on the risk of the respective contractual partner, the specific business relationship or the respective transactions. Before entering into a business relationship or carrying out transactions, the bank must carry out a risk-oriented classification of the customer based on predefined criteria. This is intended to enable the application of appropriate measures in accordance with the identified risk. A risk assessment of the customer should also be carried out during the course of the business relationship as part of the customer update.

978. The bank should define risk-oriented general requirements with regard to the customer acceptance process. When classifying risk, institution-specific criteria such as industry risks, country risks, PeP characteristics, financial circumstances, distribution channels, product use, etc. must be defined in accordance with Section 10 (2) GwG. After the risk classification in the customer acceptance process, appropriate security measures should be taken. This means that appropriate due diligence obligations must be observed during the customer acceptance process and during the ongoing business relationship.

979. The subject of our audit are therefore the:

- Assessment of the appropriateness of the risk-oriented customer acceptance process (Section 6 (1) GwG in conjunction with Section 10 (2) GwG), the complexity of business operations (products, distribution channels) and customer structure (e.g. risk areas: private banking, risk countries, PeP characteristics) and the risk factors in Annexes 1 and 2 to Sections 14, 15 GwG as well as the risk factors in accordance with the EBA's "Guidelines on risk factors for money laundering and terrorist financing".
- Reconciliation of the risk-oriented customer assumption with the factors and classifications in the risk analysis.

980. In accordance with the requirements of the "Prevention of Money Laundering" directive (as of March 4, 2024), a risk-oriented customer acceptance process is implemented, which includes the classification of customers into the risk classes low risk, medium risk and high risk based on already defined risk factors and a fixed points system.

981. According to the work instruction, a review of the customer classification must be carried out for each customer acceptance process and each update of the customer files. The results of this review must be documented accordingly in the digital customer files in the BankHive core banking system. In addition, a printed

A copy of the completed risk matrix must be filed in the physical customer files. The risk matrix calculates the risk rating based on various relevant factors such as customer and country-related risks, products and services used and operational factors.

982. A points system with different levels is defined for each risk factor. Points are allocated depending on the potential impact of the respective factor on the money laundering risk. Each risk factor is assigned a variable weighting in order to appropriately take into account its significance in the overall context. The points for each recorded risk factor are awarded according to the defined scheme. The weighted points of the individual risk factors are added together to calculate a total score for each customer. This total score determines the customer's risk class.

983. The assessment of customer risks in the "Products and services" category is based on the respective type of business relationship. This criterion has no further subdivisions and accounts for 30% of the total risk assessment. Customers who use the following higher-risk products are assigned to a higher risk level:

- Lending transactions collateralized by cash deposits or securities,
- Account with possible use by third parties,
- Export financing through negotiated loans, factoring, documentary purchases or similar transactions,
- Current accounts,
- Direct debit collection,
- Check collection abroad,
- Business relationships where one or more contractual partners did not appear in person.

984. The bank classifies customers who use regular credit transactions and cheque collection in Germany as medium risk. According to the bank, low-risk services include fixed-term deposit accounts.

985. The "Customer-related risks" category is broken down according to the legal form of the customer, their ownership structure and sector and accounts for 25% of the total risk assessment. When assessing the legal form, we check which specific money laundering risks the client entails. As part of the audit, we determine that the bank classifies all partnerships as medium-risk clients. In

With reference to BaFin's guidelines on risk-specific risk analysis, we note that civil law companies generally have a higher risk of money laundering and terrorist financing and should therefore be classified as higher-risk customers.

986. When assessing sector-specific risks, the bank uses a list of sectors whose potential money laundering risks are classified. The following objections were raised during the audit:

- The Bank classifies construction companies and companies from the chemical industry as medium-risk customers. We note that companies from the aforementioned industry groups are generally considered to be higher risk customers according to the supervisory authorities.
- We also note that not all sectors are listed in the risk matrix. This entails the risk that customers from sectors that are not listed are incorrectly assigned in the customer classification.
- The Bank designates state-owned enterprises and corporations as customers that could be considered low-risk customers in the industry category. This classification relates to the ownership structure category and should be reclassified under other categories as it has no connection to the industry structure.

987. The ownership structure is the last customer-related risk factor that is taken into account with regard to money laundering risks. Government institutions and companies are always classified as low-risk customers. The risk assessment of natural persons depends on the designation of the authorized persons, as this entails additional risks. Legal entities could be classified as either medium-risk or high-risk customers. This depends on whether the beneficial owners are easy to identify and whether the identification requires several levels of participation.

988. The category of transaction-related risks takes into account previous suspicious actions by customers, the duration of the business relationship, the transaction volume and other information available to the bank. This category accounts for 30% of the overall risk classification. With regard to the sub-category
"Other information" we note the following:

- The bank defines low-risk customers as contractual partners for whom there is no negative news. Medium-risk customers are described as "n/a". Within the scope of the audit, we do not see a clear distinction between these categories, which is an inadequate description of the risk assessment in this subcategory.

989. In the area of country-related risks, the customer's place of residence and nationality are taken into account. This category accounts for only 15% of the overall assessment of customer risk and is based on the "Country Risk Index" table. During the audit, we identified differences between the country lists provided and the FATF and BaFin country lists. We refer to section 13.2.1 in this regard.

990. After consultation, we were informed that the risk matrix has been adjusted in line with our comments and the updated version has been sent to the relevant departments. The AML department plans to work with the customer department to identify the affected customers and reclassify them.

991. In addition, the bank defines certain overriding factors that automatically lead to classification as a high-risk customer:

- PeP status of the customer (contractual partner or performing person);
- Existing information that indicates a potentially higher risk;
- Customers (contractual partner, performing person or beneficial owner) located in higher-risk geographical regions;
- Use of products that promote anonymity;
- Ongoing proceedings as part of an external suspicious activity report.

992. As part of a case-by-case audit, we examined whether the legal requirements and internal processes were complied with. Our audit resulted in the following findings:

- The customer list submitted to us contains 501 customers, 61 of which are classified as "Unperformed". Some of these 61 customers also include customers with whom the business relationship has already been terminated. For technical reasons, it was not possible to compile a correct list of active customers in the reporting period. We consider this complaint to be a violation of internal guidelines and legal requirements, as it could not be clearly determined whether a risk classification was performed for this customer group. At the end of the audit, we note that 28 customers still do not have a risk class.
- For 16 out of 18 new customers, we found that the bank carried out a risk classification before or on the day the customer data was entered into the system. In one further case, however, the risk classification was not carried out until six days after the customer was entered into the system.

after the data collection. The bank stated that, although the review was carried out with a delay, the risk classification took place before the business relationships were established. We consider the bank's approach to be appropriate.

- One of 18 new customers was a correspondent bank for which no risk classification was carried out and which is marked as "Unperfor- med" in the system. It is a subsidiary of an active customer; the business relationship is active. As this is a correspondent relationship that is subject to increased due diligence requirements and is associated with a higher risk, we consider the lack of risk classification to be a finding.
- Furthermore, during the audit, we randomly checked the risk classification of existing customers. The sample comprised 34 customers, of which 27 customers are actually to be classified as active. In 21 of 27 cases, a risk classification was performed in a timely manner and documented accordingly in the BankHive core banking system. In two of 27 cases, we were not provided with any evidence that a risk classification had been carried out. This concerns a guarantor and a correspondent relationship that should be subject to the enhanced due diligence requirements. Three out of 27 cases are technical accounts for which the bank has no KYC process in place. Nevertheless, we note that the bank did not follow consistent rules for the risk classification of technical accounts. In two out of three cases, the accounts were classified as low-risk business relationships. In another case, the account was classified as medium risk. After consultation, we were informed that it is not possible to classify the risk of technical accounts in the system, as these fields are automatically hidden for these account groups.
- During the review of existing customers, we identified one case in which the customer's risk classification in the system was incorrect. This is a medium-risk customer who was incorrectly assigned the risk class "Unperformed". This is a technical error that occurred during the transfer of customer data in the core banking system. We consider this to be a finding that could potentially have a negative impact on future customer updates.
- The documentation process in BankHive does not require the analyst to document the reasons for the respective risk assessment in the respective categories. This makes the assessment particularly difficult in the areas of "Products and services used", " Industry"   (only for natural persons),

"Ownership structure" (for legal entities), "Transaction volume" and "Other information" are not clearly comprehensible.

993. The findings made as part of the annual audit as at December 31, 2022 were processed by the Bank as follows

Determination	Measures	Status
The methodology used in the customer acceptance to determine the risk class of a customer does not correspond to the methodology used in the risk analysis to determine the customer risk. In particular, the risk classes used in the customer risk classification and in the risk analysis do not match. In December 2022, the Bank decided to use a three-tier scale (low, medium, high) for risk classification in future. The risk factors used for risk classification are to be derived from the risk analysis.	The Bank has fundamentally revised the methodology for preparing the risk analysis.	Fixed
The bank has processes and guidelines for determining the source of funds and the assets used in accordance with Section 10 (1) No. 5a GwG i. in conjunction with Section 15 para. 4 no. 2 GwG. Since March 2023, the origin of funds has been determined as part of the customer acceptance process and is documented in the respective "Checklist for new private customers" and "Checklist for new corporate customers". Furthermore, requirements for checking the information obtained are	Despite the revision of the checklist, we found that in nine out of 18 cases, no checklists were used when establishing business relationships. This included three customers for whom a high risk was identified. Proof of income is available for all high-risk customers whose account was opened after March 2023.	Partially fixed

The company is required to determine the source of funds and the assets used.		
The waiver of the simplified due diligence obligations must be clearly included in the written regulations. Alternatively, an institution-specific concretization of the process and the requirements for the application of the simplified due diligence obligations must be defined and added to the written regulations.	The "Prevention of money laundering" work instruction was revised during the reporting period.	Fixed
The approval process for accepting high-risk customers or customers with PeP characteristics must be included in the written regulations.	The "Prevention of money laundering" work instruction was revised during the reporting period.	Fixed

994. In the reporting year, the Bank did not apply any fully appropriate measures to carry out risk assessments of business relationships. The audit of the implementation of the defined measures as part of the risk classification process revealed significant findings. **(Data entry form in accordance with Section 27 PrüfbV No. 9, F3)**

13.2.10. Identification of the contractual partner

995. The requirements for the identification of legal entities in connection with the establishment of a business relationship with legal entities were set out in writing in the "Prevention of money laundering" guideline. The information required in accordance with Section 10 GwG and Section 11 (1) and (4) No. 2 GwG is recorded in full in the BankHive core banking system. This ensures that the required information is properly recorded in the system when establishing business relationships or opening an account.

996. Identification is generally the responsibility of the employees of the Customer Department and the KYC analyst. Please refer to section 13.2.9 for a detailed description of the KYC unit within the bank and the division of responsibilities in the area of KYC.

997. When identifying customers, the Bank distinguishes between natural persons and legal entities. Natural persons are identified in accordance with sections 11 (4) no. 1, 12 (1) and 13 of the AMLA and include the customer's full name, place and date of birth, residential address and nationality. The data collected is verified on the basis of a valid official identity document with a photograph, a registration certificate or verified proof of the customer's place of residence.

998. When identifying legal entities, the Bank applies Sections 11 (4) No. 2, 12 (2) GwG and collects the following information from customers:

- Company name,
- Legal form,
- Register number,
- Address of the registered office or principal place of business,
- Names of the members of the representative body/legal representatives.

999. The relevant copies are filed in the customer files, with the bank documenting that the copies have been reconciled with the originals. Please refer to section 13.2.18 for a description of the fulfillment of customer-related due diligence obligations by third parties in cases where the identification of contractual partners is carried out by external parties.

1000. the Bank verifies the information collected on the basis of extracts from the commercial and cooperative registers, articles of incorporation and valid official identification documents with a photograph for the natural persons who are the legal entities or partnerships are represented. The information collected is then recorded in the BankHive core banking system. A valid legitimation document is used to verify the authorized representatives and authorized agents, the details of which are also stored in BankHive.

1001 As part of the case-by-case audit, we examined the extent to which the legal requirements and the regulations set out in the internal guidelines for the identification of contractual partners or persons acting on their behalf were fulfilled by the bank during the reporting period. For this purpose, we examined the identification of all new customers and the selected 34 existing customers in the reporting year. Our audit resulted in the following findings:

- In two out of 18 cases, we found that the passport copies of the persons acting on behalf of the contracting parties accepted by the bank to identify the new clients were not sufficiently documented and it was not clearly recognizable that they were made by bank employees. In the remaining 16 cases, the bank's customer service staff noted on the copies by whom, when and where they were made; however, we note that in some cases the notes were written in Korean. As Korean is not the official correspondence language of the bank and not all employees of the AML department speak Korean, we consider it necessary to write notes in English or German in the future and to file the translation of the documents together with the Korean originals.
- Furthermore, we note that in one case no extract from the commercial register was presented before the start of the business relationship. We consider the bank's approach to be inappropriate. Eleven cases involve private customers for whom no KYC identification procedure based on extracts from the commercial register was planned. In the remaining six cases, current extracts from the commercial register were obtained and we found no objections.
- When checking the identification of active existing customers, we found that only 27 of the 34 customers selected were actually active (see section 13.2.9). In five of the 27 cases, we found that it was not documented that the copies were made by the bank's employees. In one case, an expired copy was accepted.
- When verifying the existing contractual partners on the basis of commercial register extracts, we found that in six out of 27 cases no evidence was provided for the bank. In three cases, these were Korean government entities that were identified by the KYC analyst using Korean electronic government websites. As the verification was not documented accordingly

we were unable to verify the information provided by the bank. We recommend that the verification carried out be documented in detail and comprehensibly for third parties in the future and that corresponding evidence of the establishment or the legal basis for the establishment of the state institutions be filed in the customer files. A further two cases involve correspondent banks that belong to the Hana Group and are therefore affiliated companies. Eleven cases involve private customers and three technical accounts for which no KYC identification procedure was provided. In the remaining ten cases, complete and up-to-date evidence was obtained and we found no objections.

1002 The findings made as part of the audit of the annual financial statements as at December 31, 2022 were processed by the Bank as follows

Determination	Measures	Status
Our case-by-case review of compliance with due diligence and identification obligations for newly established business relationships and existing customers revealed objections.	As part of the individual case audit, the sample we took showed that the findings made in the previous year are still relevant and have not been fully remedied.	Partially fixed

1003.the institution has defined appropriate measures to ensure the identification obligations. However, the audit of the implementation of the defined measures as part of the file update process revealed significant findings. **(Record sheet pursuant to Section 27 PrüfbV No. 10, F3)**

13.2.11. Identification of the beneficial owner

1004 Pursuant to Section 10 para. 1 no. 2 GwG, the bank is obliged to clarify whether the contracting partner is acting on behalf of a beneficial owner. If this is the case, measures must be taken in accordance with Sections 11 (5) and 12 (3) GwG in order to identify the beneficial owner. The procedures and legal guidelines for identifying the beneficial owner and the definition of the beneficial owner are set out in the Directive on the Prevention of Money Laundering.

1005 In the case of legal entities other than foundations with legal capacity and companies not listed on an organized market, a natural person is deemed to be the beneficial owner.

The company is the beneficiary if it holds more than 25% of the capital shares or voting rights or exercises comparable control. Indirect control exists in particular if these shares are held by one or more associations that are in turn controlled by a natural person. Control also exists if the natural person can exercise a dominant influence over the association.

1006.for legal foundations and legal arrangements, all natural persons who could be designated as settlors, representatives of trusts and natural persons who are potential beneficiaries should be identified.

1007 The Bank provides for a special case when identifying the beneficial owners of legal entities under public law. This customer group is not subject to the transparency obligations pursuant to Section 20 GwG. It is assumed that, as a rule, there is no natural person who exercises ownership or control over legal entities under public law.

1008 When establishing a new business relationship with a legal entity, it is intended to obtain an extract from the Transparency Register or to use a comparable national register extract. If the information from the transparency register does not match the data collected, the bank is obliged to submit a discrepancy report immediately. This evidence can either be requested by the customer or obtained directly from the register. The documents submitted should not be older than six months, unless it is possible to obtain a current version of the extract. The determination of the beneficial owner should be documented in a comprehensible manner so that it can be understood by third parties.

1009.the Bank has determined that if no natural person can be identified and there are no facts pursuant to Section 43 (1) GwG, the legal representatives, managing partners or partners of the contractual partner are considered to be fictitious beneficial owners. These fictitious beneficial owners must be recorded in the BankHive core banking system. If several beneficial owners can be identified, it is sufficient to record one person. In accordance with the work instruction, these fictitious beneficial owners are to be treated as such with regard to the fulfillment of customer due diligence obligations.

1010 As part of the identification process, the bank collects full details of the beneficial owner's first and last name, date of birth, nationality and address.

1011 As part of the case-by-case review, we examined how the requirements for identifying the beneficial owner of existing and new customers were met in the reporting year. During the reporting period, the bank established business relationships with 18 new customers. Our audit yielded the following results:

- In eleven out of 18 cases, these are private clients for whom the identification of the beneficial owners is not relevant.
- In two cases, we found that the identification of the beneficial owner was not carried out in accordance with the provisions in the work instructions. In one case, the documentation of the creation of the passport copy of the beneficial owner was insufficient. In the other case, the identification of the beneficial owner at a correspondent bank was missing. Due to the lack of evidence, we were unable to verify whether the beneficial owner was identified for this customer during the reporting period. In the remaining five cases, complete evidence was obtained and we found no objections.
- In seven out of 18 cases, these are corporate clients for which the identification of the beneficial owner is required. However, in no case was the identification carried out on the basis of the customer's organizational charts. The bank intended to carry out the identification using shareholder certificates; however, outdated certificates were used in two out of six cases. In addition, some of the shareholder lists originate from public sources. We draw attention to the duty of clarification pursuant to Section 10 (1) AMLA and to the fact that such evidence should only be used to verify the customer structure and not to identify the beneficial owner. One case involves a correspondent bank, for which the identification of the beneficial owner is intended by the bank on the basis of other types of evidence. In a further four cases, current shareholder lists were provided.
- We refer to BaFin's interpretation and application notes on the Money Laundering Act and recommend that in future identification should be carried out using organizational charts. Shareholder lists offer a limited insight into the identification of potentially divergent ownership and control structures and may not be reliable in the case of more complex customer structures, which exist for some of the bank's customers.
- In three out of four cases, no extracts from the transparency register were provided. In another case, the KYC analyst was unable to confirm that the information in the transparency register had been checked for discrepancies. After consultation, we were informed by the bank that this matter is being prioritized and that there is a plan to make it easier to view transparency register extracts using Sinpex software.

automate the process. In the meantime, the check of transparency register extracts for discrepancies has been added to the checklist.

- In three cases, we found that no confirmation of residence had been obtained for the beneficial owners. In one case, the beneficial owners were fictitious. Following consultation with the KYC analyst, we were informed that it is not intended to obtain confirmations of residence from beneficial owners. We refer to the bank's internal guidelines, which state that the bank should request the residential address of the beneficial owners on a risk-oriented basis. Two of these three customers are high-risk customers and one is a medium-risk customer. We therefore conclude that there has been a breach of internal guidelines.

1012 Furthermore, we examined the identification of the beneficial owners for existing customers. Our audit yielded the following results:

- In two of 27 cases, we found that the bank did not sufficiently document that the copies were made by bank employees. In one case, an expired passport copy was accepted. In seven cases, the creation of the passport copies was adequately documented and we therefore have no objections. Nevertheless, we refer to our complaint in section 13.2.10 to write the notes in English or German in the future.
- In 18 of 27 cases, these are private customers, technical customers, correspondent banks or guarantors for which either no identification of the beneficial owners is provided, this was carried out using other verifiable methods or this was outsourced to the parent company. In three cases where the identification of guarantors was outsourced to the parent company within the Group, we found insufficient identification.
- In addition, we verified the identification of the beneficial owners of corporate clients for which the collection of organizational charts and transparency register extracts is required for complete identification. Our sample includes 16 customers that are legal entities and for which the aforementioned evidence is relevant. We note that in no case was an organizational chart provided for identification. Four of these are correspondent banks that were identified on the basis of other types of evidence. We consider the bank's approach in these cases to be appropriate.
- In a further three cases, this relates to guarantors whose identification was outsourced to the parent company. In these cases, we found insufficient identification and consider this to be an objection.

* Four out of 16 cases involve state institutions for which corporate bodies and shareholder lists are not relevant. We consider the Bank's approach in these cases to be appropriate.
* Two out of 16 cases involve associations for which neither membership lists nor organizational charts were submitted. We consider this to be a violation of the identification of beneficial owners and regard this as a finding.
* In a further two of 16 cases, identification was carried out on the basis of shareholder lists. Please refer to our explanation regarding the inadequate substitution of shareholder lists for organizational charts.
* The sample also includes three clients for whom transparency register extracts must be obtained and checked for discrepancies. As in all cases the last review took place before the 2022 financial year, when the collection of transparency register extracts was not yet mandatory, we consider the bank's approach to be appropriate. We refer to section 13.2.15 with regard to the delayed update.

1013 The findings made as part of the audit of the annual financial statements as at December 31, 2022 were processed by the Bank as follows

Determination	Measures	Status
The requirements and responsibilities for inspecting the transparency register and for reporting discrepancies in accordance with sections 23 et seq. GwG must be included in the written regulations.	The "Prevention of money laundering" work instruction was revised during the reporting period.	Fixed
Requirements for verifying the information obtained on the beneficial owner using other independent and reliable sources must be set out in writing.	The "Prevention of money laundering" work instruction was revised during the reporting period.	Fixed

Our case-by-case audit to clarify the beneficial owner of newly established business relationships resulted in objections.	As part of the individual case audit, the sample we took for the new customers showed that the findings made in the previous year are still relevant and have not been rectified.	Not fixed

1014.the institution has defined appropriate measures to ensure the clarification of the beneficial owner. The findings relate to the implementation of the KYC processes, which are adequately described in the internal guidelines **(data entry form in accordance with Section 27 PrüfbV No. 11, F3)**

13.2.12. General duties of care

1015 Irrespective of the risk assessment, the information and documents of the contracting party must first be obtained in accordance with the general due diligence obligations (Section 10 GwG). In addition to identifying the contracting partner and the person acting on behalf of the contracting partner, the general due diligence obligations also include identifying the beneficial owner, obtaining information on the purpose of the business relationship and determining whether the contracting partner or the beneficial owner is a PeP.

1016 As part of its general due diligence obligations, the Bank ensures that the contracting partner and any person acting on his behalf are identified, that information is obtained on the purpose and nature of the intended business relationship and that it is clarified whether the contracting partner is acting on behalf of a beneficial owner. In addition, the business relationship is continuously monitored.

1017 The bank declares that the general due diligence obligations apply to the entire customer base. In addition, high-risk customers are subject to enhanced due diligence obligations.

1018.During the audit, we found that the bank does not have a central KYC unit and that the procedures vary greatly depending on the customer groups to which the general due diligence obligations apply. The Bank distinguishes between three customer groups: Custody account clients, treasury clients or correspondent banks and guarantors who are looked after by the credit department. The "Prevention of money laundering" guideline, which describes the process of applying the general due diligence obligations, is relevant for all customer groups.

1019 For custody account clients, the process of client identification and implementation of the general due diligence obligations is as follows: The identification and initial contact with the customer is carried out by the account managers, who ensure that all relevant documents for the general due diligence obligations are obtained. These documents are then passed on to the KYC analyst. The checklists for private customers and corporate customers should be used when reviewing the documents. During the course of the audit, we found that these were completed in 9 out of 18 cases for new customers during the reporting period. Once the review has been completed, the customer documents and the completed checklist are filed in the customer files, the customer information is transferred accordingly to the core banking system and the case is forwarded to the anti-money laundering officer for review. BankHive always ensures the dual control principle, as it is not possible to create an account and activate the customer in the system without a second approval.

1020 For correspondent banks, the first KYC check is carried out by the Treasury department. The documents required for this are also listed in the work instructions. The bank requires the "Corresponding Bank" checklist to be completed. We found that this was not done in any case. After consultation with the head of the Treasury department, we were told that the completion of the checklist is only intended for cases where it has been determined that the KYC process within the department is faulty. We consider this to be a violation of internal guidelines. Due to numerous findings in the KYC area, we recommend that in future the checklist be completed when business relationships are established or when the next customer update is carried out, or that the cases for which the checklist is intended be included in the work instructions.

1021.As part of the audit of the general due diligence obligations for guarantors, we note that the credit department is responsible for this. The department's employees receive and store the customer documents that they receive from the parent company. The customer identification process and the updating of customer files are therefore outsourced to the parent company. After the update is completed in Korea, the bank receives a cover sheet, a Korean commercial register extract and a Korean version of the transparency register extract. In one case, we found that a copy of the passport was also subsequently submitted. There is no further verification by employees in Germany. Due to numerous missing documents, we found a lack of identification of this customer group.

1022 The requirements of Section 10 (9) GwG are taken into account by the bank to the extent necessary. In the event that the bank is unable to fulfill the general due diligence obligations, the prevention of money laundering stipulates that a business relationship may not be continued.

1023.As part of the individual case review, we note that the bank performed three consecutive file updates for this customer, each two years apart, and in each update the account manager indicated that the account should be closed due to the customer's lack of response. The account was not frozen until the 2021 financial year, six years after the account manager first reported the problem. However, the customer department did not report this to the money laundering officer or his deputy and therefore no corresponding suspicious activity reports were made. With regard to the findings in this area, please refer to our comments in section 12.2.23.

1024 The obligation to record information on the purpose and intended nature of the business relationship in accordance with section 10(2) AMLA, insofar as this is not already clear from the nature of the business relationship, is regulated in the *Money Laundering Prevention* Directive.

1025 If the purpose of the business relationship is not clear from the product to be opened, employees are instructed to ask about the reason for and origin of the intended assets, taking risk factors into account. This information is recorded in the account opening form and in BankHive.

1026.the bank's regulations on compliance with general due diligence obligations are not fully adequate. **(Data entry form pursuant to § 27 PrüfbV No. 12, F2)**

13.2.13. Business relationship with politically exposed persons (PEP)

1027 Pursuant to Section 10 para. 1 no. 4 GwG, it is necessary to use appropriate and risk-oriented procedures to check whether a contractual partner or beneficial owner could be considered a politically exposed person, a family member of a PeP or a person close to a PeP.

1028 The procedure for investigating PeP status in connection with the establishment of a business relationship with legal entities and for identifying PePs with existing customers was set out in writing in the "Prevention of Money Laundering" guideline (as of March 4, 2024). The Institute manages the definition of a PeP, family members of a PeP and persons known to be close associates deviates from the statutory legal definition pursuant to Section 1 (12) AMLA.

1029.PeP status generally remains in place for up to one year after the termination of the qualifying function. The previous classification as a PeP should be taken into account as a significant factor in the risk assessment of the customer or the business relationship. For this reason, it is necessary to adequately document and retain the fact of a previous PeP status in accordance with Section 8 GwG.

1030 Before entering into a business relationship and when updating customer files, the possible PeP status of all natural persons must be clarified. The PeP status of a contractual partner, an acting person or a beneficial owner entails an increased risk of money laundering and requires increased due diligence.

1031 As part of ongoing customer monitoring, the PeP property check is carried out in the "Watchlist" database provided by the parent company in Bank Hive. The system automatically checks the customer base using the Dow Jones Factiva PeP database. This compares the customer data with the lists to identify potential PePs. The system stores all manual checks for PeP for the customers recorded in the system. This ensures that sufficient documentation is available in the system.

1032 If the "Watchlist" database (database for the PeP status of Dow Jones) is not available for the determination of the PeP status in exceptional cases, the Bank provides for the following procedure:

- The customer is explicitly asked whether he or his relatives perform political functions. In this survey, the relevant functions that could qualify the customer as a potential PeP are listed.
- If the customer is abroad and cannot provide information on their status, the bank will decide whether they could potentially be a PeP.
- In the event of uncertainty, the money laundering officer is consulted.

1033 To the best of our knowledge, the Bank always had access to the "Watchlist" database in the reporting year, so there was no need to resort to the customer survey.

1034 Please refer to section 13.2.17 for the measures required in the event of a PeP property being present.

1035 As part of our audit of individual cases, we examined whether the Bank complies with the processes described in the internal guidelines and the legal requirements. Our audit revealed the following results:

- According to the risk analysis, there were a total of two business relationships with PePs as at the reporting date of March 31, 2023. One case involved a family member of a politically exposed person, which indicates that relatives of PePs are also monitored as part of the customer relationship. In another case, it was an employee of the Korean consulate.
- In three out of 18 cases, the AML department did not carry out timely checks on new customers to ensure that the PeP status of all persons appearing or persons with access to the account and beneficial owners was checked. In two of these cases, the AML department failed to manually check the PeP status of the customer's beneficial owners and the persons accessing the account. The other case involved a correspondent bank for which no evidence was provided.
- In the case of twelve out of 27 existing customers, the bank did not sufficiently fulfill its obligations with regard to checking customers for PeP status. In three cases, these are customers who act as guarantors under guarantee agreements. The responsibility for updating their customer files was outsourced to the parent company. However, no evidence was provided during our audit to confirm that the PeP status of these customers was properly verified during the update process. Four of the fourteen cases were correspondent banks. During the course of the audit, we were not provided with any evidence that the identified beneficial owners or fictitious beneficial owners were verified for PeP status during the reporting period. In a further five cases, we found that inadequate checks of the PeP status of the persons involved were carried out during the updating of the files of existing customers.

1036 The Bank stated that the BankHive core banking system automatically checks the customer base against sanctions and PeP lists on a daily basis. The complaints we identified represent a breach of internal policy, but not a breach of legal requirements.

1037.we refer to sections 13.2.10 and 13.2.11 and, due to significant findings in these areas, we cannot rule out the possibility that PePs may not have been identified by the Bank.

1038 The determination made as part of the annual audit as at December 31, 2022 was processed by the Bank as follows

Determination	Measures	Status
The settings stored in BankHive for checking names for similarities using a search logic ("fuzzy logic") must be documented in a comprehensible manner. The "fuzzy logic" must be set in such a way that the list comparison ensures that all possible name variants (especially when translating Korean names) are recognized.	There was no adjustment to the system with regard to fuzzy logic in the reporting year. As this is an official national translation in the personnel statement, the Bank considers the above-mentioned finding to have been rectified. We agree with the bank's view.	Fixed

1039.the Institute has generally defined appropriate and effective measures for the clarification of politically exposed persons. The audit of the implementation of the defined measures as part of the file update process revealed a number of findings. **(Data entry form pursuant to Section 27 PrüfbV No. 13, F2)**

13.2.14. Ongoing monitoring

1040 Pursuant to Section 25h (2) KWG, credit institutions must maintain and update data processing systems that enable them to identify business relationships and individual transactions in payment transactions that are particularly complex or large in relation to comparable cases, are unusual or are carried out without an obvious economic or lawful purpose on the basis of the knowledge available to the public and within the credit institution about the methods of money laundering, terrorist financing and criminal acts.

1041 As part of its monitoring measures, the Bank used the eNisis IT system and Oracle Mantas for financial institutions, corporate and private customers to monitor and analyze customers and transactions during the reporting period.

1042.The findings made in the previous year were processed by the Bank as follows:

Findings	Measures	Status
The process for matching customers and beneficial owners against PeP and terror lists must be set out in writing on an institution-specific basis. In particular, the processing and escalation processes, the lists used and the functions of the systems used (including the use of "fuzzy logic") must be documented. In addition, controls and monitoring activities must be introduced by the money laundering officer, in particular for the system-side import of the relevant lists.	The work instruction has been expanded to include a description of the process of matching customers and beneficial owners with PeP and terror lists.	Fixed
Specifications for the close monitoring of conspicuous business relationships must be included in the written regulations. In particular, guidelines on the escalation process, documentation requirements (including the creation of a list of business relationships that are subject to close monitoring) and the duration of the measures must be defined.	The work instructions were revised in this regard during the reporting period.	Fixed
The Bank has not defined any specific scenarios in the Mantas transaction monitoring system that serve to detect anomalies in relation to correspondence relationships.	Please refer to our explanations of the remedial measures for the prior-year findings in the EDP monitoring section of the report under B3.3.	Not fixed

Findings	Measures	Status
We have determined that a derivation of specific indications for monitoring the correspondence relationships does not result from the institution-specific risk analysis.	Please refer to our explanations of the remedial measures for the prior-year findings in the EDP monitoring section of the report under B3.2.	Partially fixed

1043 A detailed description of the IT monitoring system and a list of the findings is provided in section 13.2.7.

13.2.15. Updates

1044.the responsibilities and process steps for the regular updating of customer documentation and the handling of escalations are defined in the guideline "Prevention of money laundering" in writing. In accordance with Section 10 (1) No. 5 GwG, the bank declares that it is obliged to ensure that the documents and information available to it are updated at appropriate intervals as part of continuous monitoring. This does not involve re-identification within the meaning of Section 11 GwG, but rather a review of whether the available data is still up to date. Customers are then obliged to inform the bank whether the documents they have submitted are still up to date. When it comes to escalations, the bank follows the security measures of the suspicious activity report procedure.

Event-related customer data update

1045 The Bank has taken measures to regularly update customer information when events occur that could influence the risk profile or risk classification of the existing customer relationship. The requirements and procedures for the event-driven updating of customer data are set out in writing in the "Prevention of money laundering" guideline.

1046 In the following cases in particular, the Bank shall initiate measures to update the customer data:

- Customization of the products used;
- Change of business partner;
- Identification of unusual circumstances.

1047 As part of the case-by-case audit, we examined how the event-driven customer data update was performed in the reporting period. In our selection of 27 active existing customers, we found that in seven cases no event-related update was performed, although the requirements for this were met. In four cases, the customers informed the bank of the new persons (managing directors). The information was recorded in the core banking system and the passport copies were accepted and filed in the customer files. Nevertheless, no event-related customer update was carried out. In two other cases, a new confirmation of residence was accepted for private customers, which could potentially have an impact on the customer's risk rating. In one case, a new shareholder list was accepted without an event-driven update being initiated. Based on these numerous findings, we recommend that the bank include further possible reasons that could lead to an event-driven update in the work instructions.

Periodic customer data update

1048.the bank carries out regular client data updates to check whether the risk posed by clients for money laundering, terrorist financing or criminal acts has changed significantly since onboarding or the last client data review and whether this is in line with the institution's risk appetite. The frequency of updates depends on the customer risk class. Customers with a low risk are updated at least every three years, customers with a medium risk every two years and customers with a high risk at least once a year.

1049 The bank ensures that the corresponding update date is adjusted if the risk class changes. During the periodic resubmission, the entire KYC process must be run through in accordance with the risk classification as per the customer acceptance process. If changes have occurred, all relevant documents must be obtained again and filed in the customer files or recorded in BankHive. The date of execution and the next planned customer data update is automatically determined and stored in BankHive based on the processing date and the risk class.

1050 If the event-related and periodic updating of customer data is not feasible, the obligation to terminate the business relationship must be taken into account accordingly. Customers for whom an update is pending or overdue are noted in the corresponding update list, which is regularly updated by the

KYC analyst and its current status is communicated to the money laundering officer.

1051 Due to the large number of customers for whom an update is overdue and is now late, these cases are processed one after the other and recorded accordingly in the table. During the course of our audit, the bank launched a "KYC Refresh Project" with the aim of contacting all customers with overdue updates and requesting the necessary update documents. The project is to be carried out in four steps: Customers are first contacted regarding the update; if there is no response, two reminders are planned. If the second reminder is unsuccessful, the account will be blocked in the fourth step. Project completion is planned for the end of the second quarter of 2024.

1052 We examined compliance with the requirements regarding the updating of customer data for existing customers in accordance with Section 10 (1) No. 5 GwG with regard to their timely updating. We made a selection of 27 active existing customers. During our audit, we found that in 13 of 27 cases the periodic customer update was delayed. Four of these cases were low-risk customers, seven were medium-risk customers and two were high-risk customers.

1053 The findings made as part of the audit of the annual financial statements as at December 31, 2022 were processed by the Bank as follows

Determination	Measures	Status
The data quality in the "BankHive" core banking system is inadequate, as it contains incomplete and incorrect information on the customer master data. As a result, the execution of the customer data update (including incorrect marking of business relationships as active/inactive) is impaired. To rectify the migration errors, the bank carried out an update in November 2022 as part of the of the "KYC Refresh Project"	During our audit, we also identified incorrect entries in BankHive. As the KYC refresh project was only initiated after the end of the reporting year, we consider the finding as not yet resolved.	Not fixed

started to review and update the customer files.		
As at December 31, 2022, the customer data update was overdue for 414 of 1006 (approx. 41%) customers, 64 of which belong to the risk class "High risk" (approx. 16 %). As part of the "KYC Refresh Project", the bank began reviewing and updating customer files in November 2022 in order to rectify this situation.	During the audit, we found that in numerous cases the update was delayed. As the KYC refresh project was not initiated until after the end of the reporting year, we consider this finding to have not yet been remedied.	Not fixed
The institution-specific process for updating customer data must be included in the written regulations. In particular, specifications for the processing procedure (e.g. time of initiation and deadline for completion of the update, process for resubmission) including documentation requirements and escalation processes for cases in which the update is not carried out on time (e.g. blocking of disposal) must be defined and set out in writing.	The work instructions were revised during the reporting period.	Fixed
Customer data updates for business relationships are tracked manually using an Excel-based list. This list contains inconsistencies in the deadlines for updating customer data. Out of a population of 576, the deadlines for the next update of customer data are incorrect in nine cases. not for the intended	The bank continues to use an Excel-based BI report that is extracted from BankHive. This ensures reconciliation between manually entered data and the data from the system. Due to the pending KYC refresh project the already	Not fixed

update cycle of the risk class. The date for the next customer data update is set manually and is therefore more prone to errors. In addition, the deadlines for updating customer data were shortened during the year.	However, we have not verified the correctness of the periods expired. As the KYC refresh project was not initiated until after the end of the reporting year, we consider the finding to have not yet been rectified.	
The procedure for the implementation and follow-up of customer data updates was not yet fully adjusted in the reporting period. We refer to our findings this year regarding the incorrect customer data in "BankHive". In November 2022, the Bank began to review and update the customer files as part of the "KYC refresh project" in order to rectify the migration errors that had arisen.	As the KYC Refresh project was only initiated after the end of the reporting year, we consider the finding to have not yet been rectified.	Not fixed

Audit result

1054.the bank has defined appropriate measures to establish risk-based processes for updating customer data and the associated customer due diligence obligations. Due to the numerous cases identified with a lack of event-driven customer updating, we recommend expanding the corresponding chapters in the working instructions. The findings in the area of updating relate to the application of the provisions defined in the work instruction. **(Data entry form according to § 27 PrüfbV No. 15, F3)**

13.2.16. Simplified duty of care

1055 As part of the implementation of simplified due diligence obligations in accordance with Section 14 AMLA, the Bank identifies certain transactions as low-risk transactions. These are:

- Transactions by or for the benefit of and the establishment of business relationships with obliged entities within the meaning of Section 2 (1) to (9) AMLA;

- Transactions by or for the benefit of and the establishment of business relationships with listed companies whose securities are admitted to trading on an organized market;
- Transactions by or for the benefit of domestic authorities pursuant to Section 1 (4) of the Administration Act.

1056.In the "Prevention of Money Laundering" policy (as at March 4, 2024), the Bank distinguishes between the application of simplified due diligence obligations for low-risk customers and the treatment of guarantors. When accepting new customers, the Bank generally applies general due diligence obligations and does not apply simplified due diligence obligations.

1057 The simplified customer due diligence obligations in accordance with the internal guideline should be applied to the bank's long-standing customers who act as guarantors for corporate loan liabilities. The bank could waive the requirement to obtain the following documents:

- Proof of the origin of the assets;
- List of authorized signatures;
- FATCA;
- Documents for opening an account.

1058 The Money Laundering Act does not provide for simplified due diligence obligations for guarantors. The corresponding paragraph of the work instruction should be deleted; instead, reference should be made to the requirement to apply the general due diligence obligations for guarantors. After consultation, we were informed that the work instruction will be adapted accordingly.

1059 The bank generally waives the application of simplified due diligence obligations. Although the Prevention of Money Laundering Directive for customers belonging to the risk group
"low", provides for the possibility of applying the simplified due diligence obligations in accordance with Section 14 AMLA, these are not applied. At a minimum, the general due diligence obligations apply to all customers. As part of the individual case review, we did not identify any indications that the bank applies the simplified due diligence obligations for its customers. **(Data entry form in accordance with § 27 PrüfbV, No. 16, F5)**

13.2.17. Increased duty of care

1060.the Bank has defined appropriate measures in the "Prevention of money laundering" policy to ensure that the enhanced due diligence obligations pursuant to section 15 (1) and (2) GwG are applied appropriately.

1061 Our audit findings are based on interviews with the KYC analyst and the inspection of documents relating to the design and implementation of the corresponding measures. As part of the audit of compliance with the enhanced due diligence requirements, a number of individual cases were also examined as part of a random sample of new and existing customers.

1062 Pursuant to Section 15 (2) GwG, the "Prevention of Money Laundering" Directive stipulates that enhanced due diligence obligations must be observed for the following customer groups:

- Politically exposed persons;
- Correspondence relationships with high risk;
- Customers assigned to the "high risk" customer group.

1063 According to the work instruction, it is generally necessary to view proof of income for customers with a higher risk profile. Such evidence could be, for example, tax assessments for private individuals and annual and quarterly reports for corporate customers.

Contractual partners with PeP status in accordance with Section 15 (3) No. 1 GwG

1064.As part of the application of enhanced due diligence requirements for customers with PeP status, the Bank has defined the following measures:

- In accordance with the "Prevention of Money Laundering" Directive, the bank must determine the origin of the assets and funds that are the subject of the business relationship and verify them on the basis of reliable and independent data, documents and information.
- The establishment of a business relationship with a PeP requires the approval of the Management Board. If it is determined during an existing business relationship that the customer has PeP status, the approval of the Management Board is also required.
- Before granting approval, the money laundering risks associated with the customers must be carefully assessed. The potential risk must be documented in writing and submitted to the Management Board in writing.

- The transactions concerned are subject to increased continuous monitoring.

1065 We consider the procedure described by the Bank for the application of enhanced due diligence obligations for contractual partners and beneficial owners with PeP status to be appropriate.

Correspondence relationships pursuant to Section 15 (3) No. 4 GwG

1066 The requirements for implementing the enhanced due diligence obligations for correspondent banking relationships were set out in the "Prevention of money laundering" directive.

1067 The Bank defines correspondent relationships in accordance with Section 1 (21) AMLA as business relationships in which certain banking services could be provided for a third party. Such business relationships include the management of current or other payment accounts and the provision of related services such as the management of cash, the execution of international money transfers, foreign exchange transactions and the processing of cheques. These regulations apply to business relationships with credit institutions in accordance with the German Banking Act (KWG) or to companies in third countries that carry out activities equivalent to those of credit institutions.

1068.the bank is responsible for implementing enhanced due diligence requirements for the following correspondent relationships:

- Cross-border correspondence relationships with a respondent domiciled in a third country;
- Correspondent relationships with a respondent resident in an EU country if this country is classified by the bank as a high-risk country and is included in a FATF list.

1069 If a business relationship fulfills the aforementioned requirements, additional measures are required in addition to the general due diligence obligations prior to entering into the business relationship.

1070.The Treasury department is responsible for managing both new and existing accounts. Required documentation is obtained by the Treasury department and filed accordingly in physical customer files. The information obtained is then recorded in the BankHive core banking system.

1071 The documents, records and sources of information required to establish a correspondent banking relationship are set out in Directive

"Prevention of money laundering". The following documents must be obtained if the contractual partner is a correspondent bank:

- "Wolfsberg Correspondent Banking Due Diligence Questionnaire (CBDDQ);
- Company register;
- Extract from the register of incorporation and admission;
- licenses issued by the competent supervisory authorities;
- Register of beneficial owners;
- AML/CFT laws and regulations of the country of origin or host country;
- annual reports submitted to a stock exchange;
- other relevant documents obtained from publicly accessible sources.

1072 The bank should ensure that all information collected is complete, although not all documents in the list may be mandatory. However, it is important to obtain all relevant evidence in order to obtain a comprehensive picture of the Respondent's business and to identify any resulting risks to the business relationship:

- Confirmation that there is no business relationship with a bank holding company;
- Clarification of whether the business relationship can be used as a pass-through account for the respondent's customers;
- Identification of the beneficial owners;
- Determination of ownership and control structure;
- Checking all relevant persons in connection with the respondent for a possible PeP status;
- Review of the banking license;
- Determining which services are made available to the respondent as part of the business relationship.

1073 The implementation of the KYC measures is documented in the checklist for correspondent banks. The risk assessment of such business relationships is carried out using a corresponding risk matrix. The sources and forms used by the Treasury department for the assessment are carefully documented in order to make them comprehensible to external third parties. The aforementioned factors are appropriately taken into account when assessing the risks and categorizing the respondent into risk classes.

1074 Once sufficient information has been obtained, the approval of the Management Board is required before entering into a business relationship. The persons responsible for fulfilling due diligence obligations are determined and documented in accordance with Section 8 GwG. The evidence obtained and all relevant sources of information and forms for the risk assessment are provided in order to obtain consent. Consent is documented in writing and archived in a way that is comprehensible to third parties.

1075 The AML department is responsible for assessing the money laundering risk and checks the documents received for completeness. If there are no concerns on the part of the AML department, the correspondence relationships are approved by the anti-money laundering officer or his deputy.

1076.The audit found that the application of enhanced due diligence in connection with correspondence relationships is adequately described in the work instructions.

Implementation of enhanced due diligence obligations for other types of transactions

1077 Prevention of money laundering also includes the description of the implementation of enhanced due diligence for the following specific transactions:

- Cash transactions;
- Real estate transactions;
- Transactions with syndicated loans;
- Transactions in which the bank acts as a financing party;
- Trade finance transactions.

1078 The Bank takes into account BaFin's interpretation and application notes on the Money Laundering Act and considers transactions involving cash and precious metals to be higher risk transactions. For this reason, the Bank imposes increased due diligence requirements for cash transactions: outside of an existing business relationship for an equivalent value of EUR 2,500 and within a business relationship for an equivalent value of EUR 10,000. If a transaction exceeds the specified amounts, proof of origin is requested. The bank does not currently keep any cash boxes. Should these services be offered, the corresponding measures will be implemented.

1079 Customers who are active in the real estate sector and carry out transactions are classified by the Bank as high-risk. The work instruction excludes the possibility that for these simplified due diligence obligations can be applied to the customer group. In this context, the KYC analyst ensures that the bank considers the higher money laundering risks as an overriding factor in the risk matrix. The approval of the Management Board is also required.

Obligation to terminate in accordance with Section 15 (9) GwG

1080 If the obliged entity does not fulfill the due diligence obligations pursuant to Section 10 para. 1 nos. 1 to 4 AMLA, the business relationship may not be established or continued and no transaction may be carried out pursuant to Section 10 para. 9 AMLA. Existing business relationships must be terminated by the obliged entity, irrespective of other legal or contractual provisions, by giving notice or by other means.

1081 For correspondence relationships, an escalation procedure is provided for by the bank if the bank is unable to adequately fulfill its obligations pursuant to Section 15 (3) No. 3 AMLA, Section 15 (6) AMLA. The respondent is given a reasonable period of time to clarify the situation. A period of three to five days is provided for inquiries regarding customer transactions, while the period for the subsequent submission of KYC documents is one to two weeks.

1082.it must be ensured that the responder's access to certain transactions and services is restricted on a risk basis while the situation is being clarified. If there is no response to the request, a second reminder is sent.

1083.the decisions regarding the implemented measures should be documented in detail and filed in the customer files. The Management Board must be informed immediately. Should the aforementioned steps remain unsuccessful, the correspondence bank relationship will be terminated.

1084 According to the "Prevention of Money Laundering" directive, it is the task of the money laundering officer or the central office to initiate the termination of the customer relationship in appropriate cases.

Case-by-case assessment of compliance with the enhanced due diligence obligations

1085 As part of the case-by-case audit, compliance with the requirements of enhanced due diligence was reviewed on a random basis. We selected 34 existing customers and 18 new customers from the list of active customers and examined whether the necessary due diligence requirements were met. The selection was prepared taking into account the customer risk and the type of customer.

- Our selection of existing customers comprises a total of eight high-risk customers, one of which is no longer active. The business relationship with this customer was terminated. Two other customers are correspondent banks that act as affiliated companies with the Bank. We therefore consider the internal review of the proof of assets to be appropriate in these cases. For five customers, we found that the bank did not request proof of income, which we consider to be a finding.
- Of the 18 new customers, five customers are at high risk. In all five cases, the bank checked the customer's proof of income. In one case, proof of assets from external sources was accepted, which violates the Prevention of Money Laundering Directive. This stipulates that such evidence should be requested directly from the customer.

1086 In the reporting year, the Bank maintained a total of 17 correspondent relationships, one of which was newly established. Two financial institutions were assigned a low risk category by the Bank, which contradicts the "Prevention of money laundering" directive. These two cases relate to technical accounts used for payment transactions. Due to the money laundering risks classified as low, the bank has decided to waive the KYC processes for these customers. We consider the bank's approach to be appropriate.

1087 In a further 21 cases, these are financial institutions classified as high-risk customers, while the other 14 customers have a medium risk. As part of the audit, we found that the risk assessment was missing for 16 existing customers. As a result, these financial institutions were classified as "Unperformed". In this context, we refer to our explanations in section 13.2.9. However, as part of the audit, we are unable to determine whether enhanced due diligence obligations apply to these customers.

1088 According to the customer list, two contractual partners had links to PePs as of December 31, 2023. As part of our audit, we examined whether the process for PeP classification is suitable to meet the requirements of Section 10 (1) No. 4 GwG,
§ The company was required to comply with Section 10 para. 9 AMLA and Section 15 AMLA and to classify all clients classified as PeP as high-risk clients. No objections were raised.

1089.The determination made as part of the annual audit as at December 31, 2022 was processed by the Bank as follows:

Determination	Measures	Status
The requirements in the Money Laundering Directive "Prevention of Money Laundering" are not uniformly defined for the application of enhanced due diligence obligations. Both the application of general and enhanced due diligence obligations are listed for the "high" risk classes.	In March 2023, the requirements for the application of general and enhanced due diligence obligations were included in the "Prevention of Money Laundering" directive.	Fixed

1090 During the audit, we determined that the Bank has appropriately defined the measures required to apply the enhanced due diligence requirements in the work instructions. The complaints identified mainly relate to customers for whom the file update has not yet been completed in the reporting period and for whom the amended regulations have not yet been applied. **(Data entry form in accordance with Section 27 PrüfbV No. 17, F3)**

13.2.18. Execution of due diligence obligations by third parties and contractual outsourcing

1091 With regard to the performance of due diligence obligations by third parties and contractual exemptions, please refer to section 13.2.8.

13.2.19. Duty of care in relation to e-money

1092.e-money business within the meaning of section 25i KWG is not offered by KEBHD. **(Data entry form pursuant to Section 27 PrüfbV: No. 19, F5)**

13.2.20. Obligation to provide information

1093 Pursuant to Section 6 (6) GwG, institutions are obliged, at the request of the Financial Intelligence Unit or other competent authorities, to provide information on whether they have maintained a business relationship with certain persons during a period of five years prior to the request and the nature of this business relationship. The money laundering officer's responsibility for processing requests from the Financial Intelligence Unit or other competent authorities of other competent authorities can be found in the "Prevention of Money Laundering" directive (as of September 6, 2023).

1094 The AML/Compliance division also processes inquiries from investigating authorities.

1095.in the period from January 1 to December 31, 2023, the Bank did not receive any requests for information from authorities (public prosecutors, LKA, police directorates, FIU or BaFin) as reported and according to our findings.

1096 Based on our audit, we conclude that the organizational and procedural arrangements in place to fulfill the disclosure obligations are not fully adequate to meet the requirements of Section 6 (6) GwG. We found that there are still no separate guidelines, process descriptions or work instructions for requests for information in accordance with Section 6 (6) GwG.

1097.The determination made as part of the annual audit as at December 31, 2022 was processed by the Bank as follows:

Determination	Measures	Status
The process for complying with the requirements of Section 6 (6) GwG must be set out in writing.	none	Not fixed

1098.the institution has not taken fully appropriate measures to fulfill the obligation to provide information pursuant to section 6 para. 6 AMLA. **(Data entry form pursuant to § 27 PrüfbV: No. 20, F2)**

13.2.21. Recording and storage

1099.the obligated parties have extensive record-keeping and retention obligations
i. within the meaning of § 8 GwG.

1100 The Bank has set out the recording and retention obligations pursuant to Section 8 GwG in the guidelines "Prevention of Money Laundering" (as of March 4, 2024), "Deletion Con- cept" (as of November 1, 2021), "Retention Policy" (as of September 29, 2022), "Introduction - Privacy Policy" (as of unknown), "Information Handling (Information Security Policy for Employees)" (as of May 2 , 2023) and in the

Work instruction "CON. 6 Deletion and Destruction Process" (as of February 18, 2023) in writing.

1101 Pursuant to the Money Laundering Prevention Directive, all information on contractual partners, business relationships, transactions, suspicious activity reports and other relevant data collected in accordance with the Money Laundering Act must be retained for a period of five years and then destroyed immediately. The retention obligation begins at the end of the calendar year in which the business relationship was terminated.

1102 Detailed instructions on implementing the recording and retention obligations in the area of AML can be found in the "Deletion concept" work instruction. The documents should generally be kept for five years, unless there are statutory provisions that stipulate a longer retention period. In any case, the documents should be destroyed after ten years at the latest. The data relevant to money laundering is available for the duration of the retention period and can be made available within a reasonable period of time.

1103 This work instruction contains a list of document types with the corresponding retention periods and data protection relevance in accordance with DIN 66399 and the EU General Data Protection Regulation. In this context, the money laundering officer must ensure that:

- access to documents is only granted to employees who have access to information relevant to data protection;
- documents with different retention periods and different data protection requirements are stored separately.

1104.the recording of personal details of customers, authorized representatives, authorized agents and beneficial owners and information collected in the course of identification, as well as certain business transactions and the source from which this identification information originates, is carried out centrally in BankHive. The IT-supported recording ensures that access is restricted and only visible to the employee carrying out the identification.

1105 The same type of retention applies to most documents, regardless of whether they are in electronic or paper form. However, there are exceptions for the storage of opening balance sheets, annual and consolidated financial statements including the associated management reports as well as original documents of incoming and outgoing business correspondence. These must still be archived in paper form.

be deleted. After the retention period has expired, the corresponding documents must be deleted from all systems.

1106 Furthermore, the work instruction states that the case law of the Munich court ref. 17 HKO 138/10 assumes that a declaration of consent loses its validity after approximately 1.5 years. If a customer does not use their current account for a period of 1.5 years, it is recommended that the account be set as inactive. The final decision as to whether the account should be closed and the customer's personal data deleted is made by the Money Laundering Officer in consultation with the Data Protection Officer.

1107 In a separate section, the bank explains the use of the Info-Share drive in the work instructions. This is used to transfer data between different departments within the bank. The transferred data should be moved to the corresponding folder of the respective department and deleted from the info share drive.

1108 The archiving and destruction of documents was carried out by the service provider REISSWOLF at the beginning of the reporting year and transferred to Rhenus with effect from May 9, 2023.

1109 As part of the control action "M38 - Data Protection Directive" within the compliance monitoring plan, compliance with the requirements from the recording and retention obligations is monitored annually by the money laundering officer. The Money Laundering Officer carried out the monitoring in the reporting year.

1110.The following objections were identified during the audit:

- The general work instruction "Prevention of money laundering", which describes the activities of the AML department, does not sufficiently explain compliance with the recording and record-keeping obligations. After consultation, we were informed that further internal guidelines exist that describe this process in more detail. We note that not all work instructions were updated during the reporting period.
- For the individual case review, we requested a list of files with money laundering relevance for which a transfer for storage or destruction was planned. Following the request, we received an archive list in which the year of destruction was adjusted in the reporting period compared to the previous year. The list contains an overview of all bank files with details of the corresponding boxes for the relevant departments. We note that the AML department has four boxes for the

handed over for safekeeping. Each box contains files from specific years (2016/2019, 2013/2018, 2015/2018, 2016/2019). None of these boxes were planned to be destroyed in the reporting year. For example, the bank does not plan to destroy the box of files from 2013 until the end of 2028. The files will therefore be kept for longer than ten years. This is contrary to internal guidelines and legal regulations.

- In accordance with the internal guidelines, the files are to be stored in compliance with the relevant data protection requirements. The requirements and measures to fulfill them are not specified in the archive list.
- Customer data continues to exist in BankHive even after the business relationship has ended. Upon notification by the bank, the deletion of the data in the BankHive system of customers with closed business relationships will be initiated after the review has been completed.
- Based on the findings in the area of customer due diligence, we cannot ensure that the Bank's internal requirements regarding the blocking of inactive accounts after 1.5 years were complied with and that the corresponding customer files were properly deleted from Bank Hive after the end of the business relationship.
- As part of the audit of customer due diligence obligations, we were informed that the customer service employees and the KYC analyst take the latest version of the checklists from the Info-Share drive. According to internal guidelines, this is not suitable for the permanent storage of documents. We consider it necessary to store the documents relevant to the internal processes on the internal drives of the respective departments in future.

1111.The findings made in the previous year were processed by the bank as follows:

Findings	Measures	Status
The information on the customer base contained in the "Bank Hive" core banking system is partially incomplete and incorrect. In particular, there are customers without a risk classification, incorrect identification of active or inactive customers and incorrect information on the registered office.	As the KYC refresh project was only launched after the end of the reporting year, we consider the finding to be not yet resolved. For a detailed explanation, please refer to section 13.2.15.	Not fixed

Findings	Measures	Status
As part of our case-by-case audit for new and existing customers, we found objections with regard to the record-keeping and record-keeping obligations of the data collected or information obtained as part of the due diligence obligations i. within the meaning of § 8 GwG.	none	Not fixed
As part of our case-by-case audit, the bank was unable to provide the customer file for one customer for review.	The KYC refresh project was only started after the end of the reporting year and we therefore consider the finding as not yet addressed. During our KYC audit, we were also not provided with a customer file for one customer in the sample. For a detailed explanation, please refer to section 13.2.11.	Not fixed

1112.the institution has taken appropriate measures to fulfill the recording and retention obligations under the AMLA with the following qualification: During our audit of the bank's compliance with record-keeping and retention obligations in the reporting period, we identified a number of complaints indicating that the measures defined in the guidelines were not fully implemented. **(Record sheet in accordance with § 27 PrüfbV No. 21, F2)**

13.2.22. Group-wide duties

1113.KEBHD is not a parent company of a group within the meaning of section 1 (16) GwG.

1114 The systems and control mechanisms established at KEBHD for the prevention of money laundering and terrorist financing also apply without restriction to the Representative Office in Ostrava, Czech Republic. **(Data entry form according to § 27 PrüfbV: No. 22, F5)**

13.2.23. Suspicious activity report procedure

1115.the internal regulations on suspicious activity reporting are set out in writing. The money laundering guideline "Prevention of Money Laundering" and the guideline "Hana Bank Germany Alert Handling Work Instruction - Mantas" (version 1.0, as of September 2023) describe the procedure and the reporting and documentation obligations in the event of a suspected case.

1116.employees of KEBHD are obliged to report any facts that are to be regarded as dubious or unusual immediately and directly to the Money Laundering Officer. Criteria for the existence of a suspicion that obliges an employee to make an internal suspicion report are documented in the "Hana Bank Germany Alert Handling Work Instruction - Mantas" guideline. However, we refer to our findings in section 13.2.7 with regard to completeness.

1117 The process for submitting an internal suspicious activity report is defined as follows:

1118.the internal suspicious activity report must be made in writing by letter or e-mail. The employee must comprehensively describe the respective indications of the existence of money laundering, terrorist financing or other criminal acts and enclose the relevant evidence. Upon receipt of the internal suspicious activity report, the Money Laundering Officer or the Deputy Money Laundering Officer will review the suspected case and decide whether to submit an external suspicious activity report in accordance with Section 43 (1) GwG.

1119 The results of this investigation are documented in a standardized form in a separate "SAR Reporting" folder on the drive based on the "Hana Bank Germany Alert Handling Work Instruction - Mantas" guideline. It is ensured that these documents are recorded and retained in accordance with Section 8 (1) sentence 1 no. 4 GwG.

1120.there are currently no rules on how the reporting employee is informed in writing about the decision of the anti-money laundering officer or the deputy anti-money laundering officer. Although KEBHD has a corresponding process list in which all internal and external inquiries, official requests for information and internal and external suspicious activity reports are documented, we recommend that the bank supplement this list with important information that has been missing to date, in particular with regard to the chronological process and the decision of the anti-money laundering officer to continue the business relationship.

1121 If the review by the Money Laundering Officer or the Deputy Money Laundering Officer confirms the existence of reportable facts, the suspicion is immediately reported electronically via goAML to the Financial Intelligence Unit (FIU) on the same working day.

1122 The Money Laundering Directive informs employees of the possibility of using the whistleblower system set up at BaFin to communicate what they consider to be inadequate handling of an internal report. The Anti-Money Laundering Directive contains a written requirement to protect the reporting employee in accordance with Section 49 (4) GwG.

1123 The Money Laundering Directive makes no specific reference to the obligation to identify in the event of suspicion, the statutory retention period pursuant to Section 46 AMLA and the prohibition on informing the customer pursuant to Section 47 (1) AMLA.

1124 According to the bank and our findings, no internal suspicious activity reports were submitted by employees during the reporting period.

1125 The process for submitting external suspicious activity reports to the FIU is defined as follows at KEBHD:

1126 If a suspicious activity report is submitted to the FIU, the money laundering officer decides whether to continue or terminate the business relationship. If the business relationship is continued, no further monitoring measures are defined by the money laundering officer.

1127 If a matter cannot yet be conclusively assessed, the customer relationship is subject to longer-term monitoring by the Money Laundering Officer and the Head Office until a final assessment is possible.

1128.four external suspicious activity reports were submitted to the FIU during the reporting period.

1129 As part of our case-by-case audit, we examined the suspicious activity reporting procedure with regard to the documentation of the processing and the timely submission of a suspicious activity report to the FIU for all external suspicious activity reports submitted during the reporting period. The audit resulted in the following findings:

- One case involves a customer relationship that had not had any account transactions for five years and had not yet been closed by KEBHD. On January 16, 2023, a transaction was instructed by the alleged daughter of the account holder without sufficient legitimation. Two

Further transactions were also instructed and carried out by the alleged daughter of the account holder on January 17, 2023 and February 3, 2023, without any corresponding legitimation. A suspicious activity report was only submitted on February 3, 2023, almost three weeks after the first conspicuous transaction.

- One case involves a customer relationship with a Kazakh corporate customer that had also been inactive for some time. On February 13, 2023, a transaction was made from this account to an Uzbek person. As part of the ex-post analysis of this transaction, the customer was asked to submit the relevant documents relating to this transaction. The customer refused to do so and announced that the account would be closed.

  The bank then submitted a corresponding suspicious activity report to the FIU on March 13, 2023. This SAR was only submitted four weeks after the conspicuous transaction and was therefore late.
- Another case involves a loan of EUR 3 million to DAS Czech Republic s.r.o., the repayment of which is imminent. A suspicious activity report was submitted in this context back in 2018. According to a court ruling in 2018, DAS Czech Republic s.r.o. is de facto owned by former President Lee Myung Bak, who maintained a slush fund of around EUR 18 million through this company and was sentenced to 15 years in prison for corruption and bribery in 2018. Despite the court ruling, the bank has not yet terminated the customer relationship, but has reported the pending repayment of the loan in another SAR.
- In another suspicious case, a conspicuous correspondent bank transaction was reported. The transaction was initiated on December 16, 2022 via OTP Bank in Hungary by a Russian addressee. Despite repeated enquiries from KEBHD, OTP Bank did not provide any relevant documentation for this transaction. KEBHD only submitted a corresponding notification of suspicion on January 12, 2023.

1130.it is unclear how the bank dealt with the above-mentioned suspicious cases in the further course. Although there is an internal register containing an internal reporting reference, there is no comprehensive and chronological documentation of the reporting process and the decision of the money laundering officer to continue or terminate the business relationship. In accordance with the "Hana Bank Germany Alert Handling Work Instruction - Mantas" guideline, further monitoring measures, e.g. with regard to the approval of transactions by the money laundering officer, are stored electronically in BankHive for at least six months

1131 Furthermore, it is striking that despite a four-digit number of internal hits in the period from April to December 2023, no further external suspicious activity reports were submitted. In this regard, we also refer to our findings in the area of IT monitoring.

1132.we do not consider the Bank's suspicious activity reporting procedure to be fully adequate and effective to ensure the prompt processing of suspicious activity reports and the submission of a suspicious activity report to the Financial Intelligence Unit. **(Data entry form pursuant to Section 27 PrüfbV No. 23, F2)**

13.2.24. Compliance with instructions

1133.BaFin may issue instructions to the bank regarding necessary internal security measures or additional enhanced due diligence obligations for certain customer groups or products.

1134 Correspondence with the supervisory authorities was submitted as part of the audit. During the reporting period, BaFin did not issue any directives with regard to internal security measures, the money laundering officer or his deputy, Group-wide compliance, enhanced due diligence obligations or other provisions of the GwG, KWG or Regulation (EU) 2015/847 with regard to money laundering, terrorist financing or criminal acts. **(Data entry form pursuant to Section 27 PrüfbV No. 24, F5)**

13.2.25. Compliance with business prohibitions

1135 Pursuant to Section 25m KWG, the establishment or continuation of a correspondence or other business relationship with a banking shell company pursuant to Section 1 para. 22 GwG as well as the establishment and management of such accounts in the name of the institution or for third-party institutions, which the customers of the institution or the third-party institution can dispose of independently to carry out their own transactions, are prohibited transactions.

1136 According to the findings of our audit, the Bank does not conduct any transactions with a banking shell company. **(Data entry form in accordance with § 27 PrüfbV: No. 25, F0)**

13.3. Audit findings on other criminal acts

13.3.1. Risk analysis

1137.based on the findings of the BaFin special audit and the previous audit of the annual financial statements with regard to the risk analysis, KEBHD has carried out a risk analysis on an ad hoc basis.

Risk analysis for the first half of 2023 with a reporting date of June 30, 2023. The risk analysis "Risk Analysis H1 2023 - Money Laundering and Terrorist Financing acc. § Section 5 GwG and other criminal acts pursuant to Section 25h KWG" (as at October 10, 2023) also includes the topic of other criminal acts. As an appendix to the risk analysis, the Bank has presented the identified risk scenarios, their risk assessment, the security measures applied and the remaining residual risk in relation to criminal acts (SH) in the document "Module 1.3 Risk scenarios for criminal acts.pdf".

1138 The risk analysis for the second half of 2023 (document name: "Risk Analysis H2 2023") was finalized on 15 April 2024 and signed by both Management Boards on 16 April 2024 and 17 May 2024. As the H2 2023 risk analysis and its hedging measures only came into force in April 2024, the risk analysis could no longer have a controlling effect in our reporting period and is therefore no longer the subject of this year's annual audit.

1139 The risk analysis for SH focuses on white-collar criminal activities that could affect the bank. In order to effectively combat these risks and take appropriate countermeasures, a thorough analysis is required. This analysis identifies where and how the bank could be harmed by unethical behavior, whether through direct and measurable damage or through indirect consequences such as potential reputational damage.

1140 The Bank used the following internal and external sources as the basis for its analysis:

Internal sources

- Internal audit reports/records
- Report of the auditor of the annual financial statements
- Report of the ARC
- Existing internal control system (ICS) of the institution
- Experience of the employees
- Inventory of ML and fraud prevention (risk data, various bank-specific data, suspected cases, loss database)

External sources

- the Federal Criminal Police Office's (BKA) annual Federal Situation Reports on "Economic Crime" and "Corruption",

- the annual reports of the Financial Intelligence Unit (FIU) Germany,
- the new annual reports on current GW typologies published by the Financial Action Task Force (FATF),
- the situation reports / situation reports on the financial investigations of the State Criminal Police Offices (LKA) of the individual federal states,
- international surveys and
- Specialist books / literature in which practical cases of irregularities are also presented.

13.3.1.1. Methodology for preparing the risk analysis

1141 The basic structure of the risk analysis for the prevention of money laundering (ML) and terrorist financing (TF) and the risk analysis for the prevention of criminal acts (PRA) is identical. The Bank uses the five steps of the BaFin AuAs.

1142 In its risk analysis, the Bank notes that BaFin is of the opinion that the measures to combat GW, TF and SH entail similar and largely common risks despite their different structures. Reference is therefore made to the data already collected and the findings of the risk analysis for GW and TF.

1143.in the past two years, there have been no known points of contact with offenses in connection with SH at the bank. Therefore, on the one hand, it is currently assumed that the threat situation for the Bank with regard to SH is generally low. On the other hand, however, according to the risk analysis, there is a lack of sufficient experience to draw on in this regard.

1144 The detailed procedure for the individual steps is described below. The procedure provides for an institution-specific inventory, the categorization and evaluation of risks, the derivation and evaluation of hedging measures and, if necessary, the further development of hedging measures to minimize risks.

Inventory and mapping of business activities (step 1)

1145 A risk matrix was created by the ARC for the collection of information for the preparation of the risk analysis in order to record and identify the risks for the respective area within KEBHD.

1146 With regard to the structure of the written copy, the guidelines of the VÖB (2010) on preventing and combating fraudulent acts/economic crime were used as a guide.

Risk identification (step 2)

1147 A de- lict-based approach is used to record and identify the risks of SH to the detriment of the institution and assessed in the form of an Excel-based risk matrix (appendices to the risk matrix) with regard to inherent risks and net risks.

1148.the risk matrix contains the following facts in particular, which can be regarded as SH, in accordance with the still valid definition of the DK:

- Counterfeiting of money and stamps (§§ 146-152b StGB),
- Violation of personal privacy and confidentiality (§§ 202a-202d StGB),
- Theft and embezzlement (§§ 242-246 StGB),
- Robbery and extortion (§§ 249-256 StGB),
- Aiding and abetting (§ 257 StGB),
- Fraud and embezzlement (§§ 263-266 StGB),
- Forgery of documents (§§ 267-282 StGB),
- Insolvency offenses (§§ 283-283d StGB,
- Offenses against competition (§§ 298-301 StGB),
- Corruption (§§ 331-336 StGB) and
- Tax offenses (§§ 369-376 AO).

1149 The term does not include GW & TF, insider trading and market manipulation.

1150 In particular, past criminal offenses committed against the bank, any incidents relevant to the bank from media reports and the bank's loss database were used to identify the relevant offenses.

1151 In a first step, the individual risk scenarios (offenses) were identified in terms of their fundamental relevance for KEBHD's business model. The assessment was based on the following criteria:

- not relevant or
- relevant.

1152 The offenses classified as irrelevant will not be discussed further in the remainder of this risk analysis.

Risk assessment (step 3)

1153.the bank assesses the risks identified as relevant in terms of their (1) risk assessment, (2) probability of occurrence and (3) amount of loss.

1154 The risk assessment is an individual assessment within KEBHD based on expert knowledge and experience.

1155 The probability of occurrence of a loss shows how likely it is that a certain risk will occur.

1156 The probability of occurrence is determined by how often the bank estimates the individual scenario to occur. The following scale including assessment was defined:

	Eintrittswahrscheinlichkeit	
	Bezeichnung	Beschreibung
niedrig	sehr wahrscheinlich	seltener als alle zehn Jahre
	unwahrscheinlich	einmal in zehn Jahren
mittel	selten	einmal alle drei bis zehn Jahre
	wahrscheinlich	einmal alle ein bis drei Jahre
hoch	sehr wahrscheinlich	mehrmals im Jahr

Figure: Risk analysis chapter "5.2.2 Criteria for evaluating the scenarios"

1157 When assessing the amount of loss, the potential financial impact on the bank's earnings situation if a loss occurs is estimated. The problem often arises that it is either impossible or difficult to assess a loss in financial terms, for example losses due to reputational damage.

1158 The expected loss amount is estimated by the bank in order to estimate how high the loss could be if it were to occur. When defining the scale, it was taken into account that the bank serves both large customers, for whom losses could potentially be higher, and small-volume business with private and smaller commercial customers.

	Potenzielle Schadenshöhe					
	Bezeichnung	Finanziell	Assets under Management	Reputation	Legal & Regulatory	Business Operations
niedrig	unwesentlich	bis 15.000 EUR	bis 250.000 EUR	kein	keine rechtlichen und regulatorischen Auswirkungen	keine Auswirkungen auf den Geschäftsbetrieb
	geringfügig	15.000 bis 100.000 EUR	bis 5 Mio. EUR	max 1 nationale Zeitung / einmalig	keine Prüfung; geringe oder keine Auswirkungen der Untersuchung	keine Unterbrechung
mittel	wesentlich	100.000 bis 1 Mio. EUR	bis 25 Mio. EUR	überregionale Zeitungen / 1-3 Tage	Audit; legal, regulatorische Voruntersuchung	die Unterbrechung nur einen Bruchteil der objektiven Wiederherstellungszeit
hoch	schwerwiegend	1 Mio. bis 5 Mio. EUR	bis 100 Mio. EUR	wenige internationale Zeitungen / <1 Woche	(schriftliche) Verwarnung, rechtliche, behördliche Untersuchung, bedingte Verurteilung	Die Unterbrechung dauert nicht länger als die angestrebte Erholungszeit
	besonders schwerwiegend	Über 5 Mio. EUR	über 100 Mio. EUR	weltweit / täglich > 1 Woche	ständige Aufsicht, unbedingte Verurteilung, Erwägung des Entzugs der Banklizenz	die Unterbrechung dauert nicht länger als die angestrebte Wiederherstellungszeit

Figure: Risk analysis chapter "5.2.2 Criteria for evaluating the scenarios"

1159 The identified offenses are evaluated on the basis of the dimensions "risk assessment", "probability of occurrence" and "expected level of damage", whereby the inherent risk of each scenario is determined. This shows that offenses with potentially high damage represent a higher risk than those with infrequent occurrence and low damage.

1160 Inherent risk quantifies the overall risk position of a bank before the application of risk mitigation measures. In the present context, the inherent risk is determined from the three dimensions mentioned. The average of the three values is calculated by adding them together and dividing by three.

$$\frac{(Wert\ Risikoeinschätzung + Wert\ Eintrittswahrscheinlichkeit + Wert\ Pot.Schadenshöhe)}{3}$$

Figure: Risk analysis chapter "5.2.2 Criteria for evaluating the scenarios"

Derivation and evaluation of safety measures (step 4)

1161 The evaluation of the security measures is carried out in accordance with the methodology described in section 13.2.1.

1162.To calculate the net risks the inherent risks are reduced by the value of the effectiveness of the hedging measure. i. using SH as an example:

$$Wert\ inhärentes\ Risiko - Wert\ Sicherungsmaßnahmen$$

Figure: Risk analysis chapter "5.2.2 Criteria for evaluating the scenarios"

1163 The Bank's existing hedging measures to mitigate risk are taken into account in the net view, whereas they are not included in the inherent risk view.

Review and further development of the internal security measures taken to date, taking into account the results of the risk analysis (step 5)

1164.the findings and preventive measures derived from the risk analysis are reviewed at least annually for appropriateness and effectiveness.

1165.we consider the procedure to be comprehensible.

13.3.1.2. Gross risks, hedging measures and net risks

1166 In the following, we present the high inherent risks or gross risks identified by the Bank in relation to SH and how it has weighted them. Finally, we present the controls as well as the assessment of the hedging measures and the remaining residual risk or net risk:

Inherent risks / gross risks

Delikt	Risikoein-schätzung	Potenzielle Schadenshöhe	Eintritts-wahrschein-lichkeit	Wert	Inhären-tes Ri-siko
§ 242 Diebstahl	Mittel	Mittel	Hoch	7,0	Hoch
§ 263 Betrug	Mittel	Hoch	Hoch	8,0	Hoch
§ 265b Kreditbetrug	Mittel	Hoch	Hoch	8,0	Hoch
§ 267 Urkunden-fäl-schung	Mittel	Hoch	Hoch	8,0	Hoch

Figure: Risk analysis chapter "53. Identification & assessment of risks

Checks and evaluation of the security measures

1167 The methodology for evaluating the security measures is also analogous to GW and TF.

1168 In section "5.3 Safeguards and net risk assessment" and in the appendix to the risk analysis "Module 1.3 Risk scenarios for criminal acts", the Bank presents an assessment of the SH-specific safeguards.

1169. According to the risk analysis, there are indications that some hedging measures are to be classified as "weak". The bank states that it has defined additional measures in this regard.

1170 In the annex to the risk analysis "Module 1.3 Risk scenarios for criminal acts", the Bank has identified both high and medium net risks. There are no additional measures to reduce the net risk identified. There were no indications of an increased risk following the application of security measures. Due to the lack of cases of SH to date, it is assumed that the hedging measures currently implemented are sufficient. The remaining medium residual risks are therefore accepted until further notice and will be reviewed and, if necessary, reassessed if SH occurs.

13.3.1.3. Summary of the findings

1171 With regard to the methodology for preparing the risk analysis, the parameterization of the monitoring system and the remediation of the findings of the JAP 2022 / BaFin, we refer to our comments in section 13.2.1.

1172 With regard to the risk analysis SH, we note that the net risks determined differ between the risk analysis and the annex "Module 1.3 Risk scenarios for criminal acts". In the appendix "Module 1.3 Risk scenarios for criminal acts", net risks are determined in some cases that the bank rates as "high", whereas no "high" net risks were determined in the risk analysis. Further security measures are not applicable according to the Notes. In the main document of the risk analysis, however, the Bank presents a low to medium residual risk as the overall result.

13.3.1.4. Processing of previous year's findings

1173 The findings of the audit of the annual financial statements as at December 31, 2022 were processed by the Bank as follows

Determination	Measures	Status
Internal (e.g. OpRisk's loss database) and publicly available sources (e.g. typology papers) must be used and taken into account in a comprehensible manner to identify risks relating to criminal acts.	The Bank has presented the internal and publicly available sources used (including typing papers) in a comprehensible manner.	Fixed
The method used in the risk analysis to assess the identified risks relating to criminal acts is not comprehensible. The derivation, use and assessment of the risk criteria used for the individual risk factors (including customers, countries, products, transactions) is not evident from the analysis.	The Bank has fundamentally revised the methodology for preparing the risk analysis.	Fixed
The data basis (statistical data) used for the 2022 risk analysis, in particular for the evaluation and assessment of customer, product and transaction risk, is partially incomplete and incorrect (customers without risk classification, incorrect identification of active or inactive products and customers, no information on the target countries of transactions) and therefore not reliable.	We refer to our explanations on the status of the determination B.1.3. the audit in accordance with section 44 (1) KWG in section 13.2.1.	Partially fixed
The effectiveness of the existing security measures to prevent criminal acts is assessed in the risk analysis. coanalysis is not comprehensible.	As part of the adjustment of the methodology of the new risk analysis, the evaluation of the hedging measures was through the introduction of a	Fixed

In particular, the results of the internal audit, the monitoring activities of the central office and the audit of the annual financial statements must be taken into account for the comprehensible assessment of the effectiveness of hedging measures. The consideration and the respective weighting of the results for the assessment of the effectiveness of hedging measures must be defined in the documentation of the risk analysis methodology.	quantitative valuation system. The use of a quantified evaluation system makes it possible to assess the effectiveness of the measures taken. In addition, the checks carried out and the results of internal and external audits are taken into account. The control plan is adjusted immediately in the event of findings.	
The existing security measures (including monitoring measures) and the corresponding monitoring activities of the central office must be derived in a comprehensible manner from the risk analysis.	We refer to our comments on the status of completion of statement 4. of the JAP 2022 as at December 31, 2022 in section section 13.2.1.	Partially fixed
Due to the change in personnel of the money laundering officer, the update of the risk analysis planned for 2021 has not been carried out. Due to the lack of up-to-date data and data-based evaluations, the risk analysis does not provide a sufficiently adequate basis to show the actual risk situation of KEBD Bank.	We refer you to our comments on the status of the determination B.1.2. the audit in accordance with section 44 (1) KWG in section 13.2.1.	Partially fixed
The data produced for the 2022 risk analysis data basis (statistical data), in particular for the	We refer to our Explanations on the status of the determination	Partially fixed

Evaluation or assessment of the customer structure or customer risk is partially incomplete and incorrect (customers without risk classification, incorrect labeling of active or inactive products and customers) and therefore not reliable.	B.1.3. the audit in accordance with section 44 (1) KWG in section 13.2.1.	

1174 The procedure defined by the Bank for carrying out and documenting the risk analysis for other criminal acts is appropriate to a limited extent. The requirements of Section 25h KWG are only partially fulfilled and only partially form a suitable basis for deriving security measures. **(Data entry form pursuant to Section 27 PrüfbV No. 26, F3)**

13.3.2. Organizational structure for the prevention of other criminal acts

1175 The duties to prevent criminal acts are performed at the Bank by the AML/Compliance department, which acts as the Bank's central office.

1176 The competencies and responsibilities of the central office are defined in the directive "Prevention of other criminal acts (fraud)" (as of December 30, 2022).

1177 The AML/Compliance department is independent of instructions within the scope of its duties and is authorized at any time to report matters to the Executive Board as a whole via the responsible member of the Executive Board and to contact the Chairman of the Supervisory Board directly in particularly serious cases.

1178 Employees of the Central Office have an unrestricted right to information, access and inspection of business documents, records and data, insofar as this is necessary for the fulfillment of the tasks assigned to them.

1179.the tasks of the Central Office essentially comprise:

- Definition and updating of internal principles (competencies, duties, responsibilities and processes within the company).

- Ongoing development of suitable strategies to prevent the misuse of new products and technologies that can facilitate the anonymity of business relationships and transactions.
- Creation and further development of a company-specific risk analysis for "other criminal acts" within the meaning of Section 25h (1) sentence 1 KWG with an identification of all possible risks resulting from such (internal and external) criminal acts.
- Ensuring that the respective risk analyses in relation to money laundering, terrorist financing and other criminal acts within the meaning of Section 25h (1) sentence 1 KWG are coordinated.
- Alignment of all further security measures, monitoring and control measures on the basis of this risk analysis.
- Investigation of dubious or unusual circumstances within the meaning of Section 25h (3) sentence 1 KWG in cooperation with the Money Laundering Officer.
- Risk-based review of the effectiveness of the controls and process-inherent control systems already anchored in the company's processes (the responsibility of Internal Audit remains unaffected).
- Creation of clear and standardized reporting channels and obligations.
- Further development of the control plan to prevent other criminal offenses.

1180.we also refer to our comments in section 13.2.3.

1181.The findings made in the previous year were processed by the Bank as follows:

Determination	Measures	Status
The anti-money laundering organization must be provided with sufficient funds, resources and the necessary personnel to ensure the proper performance of its tasks. In its audit report on the special audit in accordance with Section 44 (1) KWG, BaFin categorizes the lack of resources The company also classifies the equipment as a major shortcoming.	The bank has hired additional personnel resources. As at the reporting date, the AML department consisted of three internal employees. The Bank also makes use of external resources.	Fixed

1182.the organizational structure for the prevention of other criminal acts of the institution is almost adequate to meet the relevant requirements. **(Record sheet pursuant to § 27 PrüfbV No. 33, F1)**

13.3.3. Internal security measures

13.3.3.1. Internal principles for the prevention of other criminal acts

1183.KEBHD has defined the regulations for the prevention of other criminal acts in the guideline "Prevention of money laundering" (as of March 4, 2024) and in the guideline "Prevention of other criminal acts (fraud)" (as of December 30, 2022).

1184.the internal principles for the prevention of other criminal acts are suitable for providing employees with comprehensive information.

13.3.3.2. General security measures Internal control system

1185 The internal control system is essentially based on the separation of functions between the various areas and on the controls implemented in the processes or downstream. These include manual or technically supported dual controls and internal auditing as part of the internal control system.

Obligation to examine

1186 The procedure for investigating cases of damage resulting from criminal acts is appropriate and regulated in the "Prevention of other criminal acts (fraud)" work instruction. No criminal charges were filed due to criminal acts in the reporting year.

1187.we do not consider the internal control system and the implementation of the duty to investigate in accordance with section 25h (3) sentences 1 and 2 KWG to be fully adequate, as we do not consider the internal control system with regard to internal audit and the performance of first-line-of-defense duties with regard to other criminal acts to be fully adequate. **(Data entry form pursuant to § 27 PrüfbV No. 30, F2)**

Whistleblower system

1188 During the reporting year, KEBHD outsourced the whistleblower system to Annerton Rechtsanwaltsgesellschaft mbH, Frankfurt am Main. Prior to this, employees were made aware of the possibility of using the whistleblower system set up at BaFin. In addition, KEBHD employees also have the option of reporting money laundering and other criminal acts to the parent company's global ombudsman.

1189 The person responsible for processing incoming reports is the Money Laundering Officer or the AML/Compliance department. After receiving a tip-off, this person determines the further course of action and, if necessary, may also use other departments (e.g. Internal Audit, Human Resources, Management Board) to investigate the matter. In 2023, the Money Laundering Officer was appointed as the reporting office for information pursuant to Section 25a KWG. We consider this procedure to be justifiable.

1190 In the reporting year, as stated and according to our findings, no reports were submitted via the whistleblower system. This was confirmed to the bank by an outsourced department.

1191.we consider the processes for submitting information on other criminal acts using the whistleblower system to be appropriate.

13.3.3.3. Customer-related security measures

1192.KEBHD has defined a process for customer acceptance. Please refer to sections 13.2.10, 13.2.11 and 13.2.13 for a description of the process and the assessment.

13.3.3.4. Employee-related security measures

1193.KEBHD has implemented various processes that contribute to the prevention of criminal acts by employees. These are described below.

13.3.3.4.1. Background check

1194 The requirements for the background check of employees are set out in writing in the "Prevention of money laundering" guideline.

1195 Please refer to section 13.2.4 for a description and assessment of the reliability check.

13.3.3.4.2. Training measures

1196 The requirements for employee training measures are set out in writing in the "Prevention of money laundering" guideline.

1197 The Bank has not provided separate training on the topic of fraud. Training on fraud prevention topics is provided as part of the BankVerlag training course and the ACAMS training course. The BankVerlag training program can be accessed and completed by any employee via the intranet. Confirmation of successful participation is issued electronically. A certificate is issued and signed by the employee. The bank also sends monthly AML training materials, which are provided by the parent company, to the entire workforce and has the receipt and acknowledgement of the materials confirmed on a signature list.

1198 According to the work instruction, all new employees are to be trained.

1199.As part of a random selection of eight new employees and nine existing employees, we examined the extent to which the legal requirements and the provisions of the internal guidelines were met during the reporting period. We found that the new employees did not participate in the initial training within the first month of joining the company. With regard to the follow-up training for new employees, we noted that in one case an employee had already completed the training two months before being hired. Furthermore, we found that in one case an existing employee was not included in the training group for the ACAMS training in December 2023. The bank has confirmed this and stated that this will be corrected in the next training round.

13.3.3.5. Business-related security measures

Monitoring

1200 The IT monitoring system is also used to detect criminal acts.

1201.we refer to our comments regarding ongoing monitoring in section 13.2.14. **(Data entry form in accordance with § 27 PrüfbV No. 29, F3)**

Controls

1202 The AML/Compliance department is responsible for carrying out control measures. The documentation of the control measures is carried out as part of the control plan. With regard to other criminal acts, the 2023 control plan did not contain complete documentation of the audit procedures performed, for example no information on the selection of samples and the result of the audit procedures. References to the KEBHD loss database are also missing. In addition, controls regarding other criminal acts are documented in the AML/Compliance department's monitoring plan "Evaluation of safeguards and controls". We make the following findings in this regard:

- Some of the checks contained in the monitoring plan were not carried out during the audit period (e.g. for the area of "Rules on travel expense claims" or the area of "Diligence in awarding contracts") and it is unclear what consequences were drawn from this in terms of mitigating measures or escalation steps.
- In some cases, the checks led to negative results. It is not clear what measures were taken to rectify this or what consequences this has for the risk assessment. For example, the review of access tokens revealed that 42 tokens had been issued by KEBHD, but only 33 employees could be assigned to the tokens.

1203.we also refer to our comments in section 13.2.3.

1204.The bank processed the finding made in the previous year as follows:

Determination	Measures	Status
The Central Office did not carry out any checks to monitor the security measures to prevent criminal acts.	The 2023 control plan contained controls with regard to other criminal acts. However, the control plan was not complete with regard to the controls and did not contain any information on sample selection and the result of the audit procedures.	Partially fixed

1205.the controls/control measures of the anti-money laundering officer were not fully adequate and effective in the audit period to monitor the effectiveness of the internal security measures. **(Data entry form pursuant to § 27 PrüfbV No. 27, F3)**

13.3.4. Internal audit

1206 With the exception of the audit of the processing of the findings of the special audit with regard to the risk analysis, Internal Audit did not carry out any further audit procedures relating to criminal acts during the audit period.

1207.we refer to our comments under section 13.2.6.

1208 We do not consider the measures taken by the institution to audit compliance with the obligations under the KWG with regard to the prevention of other criminal acts by Internal Audit to be fully adequate. **(Data entry form pursuant to § 27 PrüfbV No. 28, F3)**

13.3.5. Outsourcing

1209.the following internal hedging measures were outsourced in the reporting year:

1210.KEBHD has concluded an outsourcing agreement with KEB Hana Bank, Seoul, Korea, for transaction monitoring and sanctions screening as well as KYC screening.

1211.In addition, the Bank outsourced the whistleblower function to the law firm Annerton mbH, Frankfurt am Main, in the 2023 reporting year.

1212 We refer to our explanations in section 13.2.8**.**
§ Section 27 PrüfbV No. 31, F2)

13.3.6. Compliance with instructions

1213.BaFin has not issued any instructions to the company regarding necessary internal security measures or additional enhanced due diligence requirements for certain customer groups or products. With regard to compliance with instructions, please refer to section 13.2.23 **(data entry form pursuant to Section 27 PrüfbV No. 32, F5).**

13.4. Regulation (EU) 2015/847 on information on the payer accompanying transfers of funds and repealing Regulation (EC) No 1781/2006

1214.in accordance with Regulation (EU) 2015/847 (CITR), the bank is obliged to provide information on the payer and the payee for transfers of funds in order to ensure the completeness of the payer and payee details.

1215 The "Prevention of Money Laundering" Directive defines the requirements for the implementation of the Wire Transfer Regulation and the "Common Guidelines pursuant to Article 25 of Regulation (EU) 2015/847".

1216 The bank defines a payment with complete or detailed ordering party data in the work instruction. However, this definition only applies to payments that result in a credit to a customer account held with the bank, which means that routed payments are excluded. The definition also differs for payments outside and within the EU. For payments outside the EU, the complete data set must include the name, address and account number or the name, date and place of birth or the customer number or national identity number. For payments within the EU, it is sufficient if the full name of the ordering party and the account number are stated. The work instruction does not describe which information about the beneficiary should be recorded.

1217 After consultation, we were informed that the bank considers the following information to be mandatory and checks it for every transaction:

- Name of the Ordering Bank;
- Name, address and account number of the client;
- Currency of the transaction;
- Amount of the transaction;
- Name of the beneficiary bank;
- Name of the beneficiary customer and their account number;
- Purpose of the payment.

1218 During the audit, we found that the work instruction "Prevention of money laundering" does not correctly reflect the process of checking transactions by the bank. In addition, the work instruction contains requirements that contradict the legal requirements. We consider it necessary to adapt the guideline to the requirements of the Money Transfers Regulation (EU) 2015/847 and to the process used in practice at the bank.

1219. Enisis shall ensure that the relevant fields corresponding to the minimum data requirements have been duly completed and that the Bank may not authorize transactions without the mandatory information being provided in full. The bank's procedures for obtaining and checking the data in the case of an intermediary payment service provider, a PSP of the payer or a PSP of the payee, are identical. The completeness of payment orders is monitored in real time via eNisis. Further processing takes place in BankHive. After verification in the system, the information is forwarded to the customer department for processing. This shows whether the information is complete.

1220. if the transaction does not meet the data completeness requirements, the bank should request the missing data from the payment service provider within five days of receipt of the transaction at the latest. This additional request should be documented accordingly. If there is no response within the deadline, a reminder should be sent no later than three days after the deadline has expired. In this reminder, the bank informs the payment service provider that, in the absence of a satisfactory response, further transactions will be subject to increased risk monitoring. This response should also be documented and the money laundering officer informed.

1221. the BankHive core banking system reports transactions with missing data by means of an error message. The system ensures that the system recognizes fields as insufficiently filled in if they contain less than three consecutive characters without special characters.

1222. the customer department should document in detail which incoming payments were found to contain incomplete and inconclusive information. The check for completeness is carried out weekly in BankHive. This documentation should be submitted to the money laundering officer on a quarterly basis.

1223. if a payment service provider repeatedly fails to meet the regulatory requirements for the provision of complete information, the bank shall report the payment service provider to the local authorities without delay. Suspicions must also be reported if the debtor's bank does not respond to all enquiries made. The money laundering officer reports this failure and the measures taken to monitor compliance with the regulations to the authority responsible for the prevention of money laundering and terrorist financing (BaFin). In

In the reporting period, no notification was required from institutions that submitted incomplete data sets.

1224 The findings made as part of the audit of the annual financial statements as at December 31, 2022 were processed by the Bank as follows

Determination	Measures	Status
Monitoring measures must be implemented by the money laundering officer to ensure that the requirements of Regulation EU 2015/847 are complied with.	none	Not fixed
A validation of the system settings in "BankHive" for compliance with the requirements of Regulation EU 2015/847, in which in particular the appropriateness of the settings is checked, does not take place. The method for checking the system (incl. all settings and data supply) and the check itself must be documented in a comprehensible manner.	none	Not fixed

1225.the institution has not taken fully appropriate and effective measures to comply with the requirements of Regulation EU 2015/847 and section 25g (2) KWG with regard to the transmission of originator data in payment transactions. **(Data entry form pursuant to Section 27 PrüfbV: No. 34, F2; No. 35, F2)**

13.5. Retrieval of account information in accordance with Section 24c KWG

1226.The Bank has concluded a service framework agreement with PASS Multibank Solution AG to enable electronic retrieval by BaFin, the FIU and the BZSt in accordance with Section 24c KWG. The agreement remains unchanged from the previous year and includes the establishment and operation of a central office for the automated retrieval of account information in accordance with Section 24c KWG.

1227.the retrieval system is equipped with various functions and procedures that ensure efficient storage and retrieval of account data. The procedure for the data maintenance process is set out in writing in the "Prevention of Money Laundering" guideline (as of March 4, 2024). As part of the audit, we were also provided with instructions for submitting the "Daily Manual EN V15" report (status: unknown), which was prepared by the Finance department. This manual describes the technical procedure in the system and the steps that those responsible must follow to submit the reports.

1228 Pursuant to Section 24c KWG, the required master data of the account holders, including first and last name, address, date of birth and account number and, if applicable, details of the beneficial owners, must be transmitted to PASS Multibank Solution AG. The Directive does not specify how it is ensured that this information is transmitted each time the business relationship is opened, changed or terminated.

1229 The procedure for the daily transfer and processing of the account information to be transmitted by the bank as part of the reporting component is carried out via an interface and is also not described in the Money Laundering Prevention Directive. The retrieval component is used by BaFin to query and store the account information in encrypted form. The Finance department is responsible for ensuring the proper transmission of data and the functionality of the programs used.

1230.the AML department is responsible for submitting the report. At the beginning of the reporting period, the person responsible for the procedure named at BaFin was Dr. Patrick Kuehl. In the period from March 14, 2023 to November 30, 2023, the former money laundering officer Mr. Qadri was named as the person responsible. Since December 1, 2023, the person responsible for the procedure named at BaFin has been Mr. Lindenmeyer.

1231 With regard to compliance with the requirements of MaRisk with regard to outsourcing to PASS Multibank Solution AG, please refer to our comments in section 13.2.8.

1232.based on the information in the Money Laundering Officer's control plan, the submission of reports by PASS Multibank Solution AG was reviewed by the Finance department in the fourth quarter. The control plan shows that no objections were identified by the Finance department in the reporting year and that the control was classified as effective. The bank has reported that a dynamic report was used, in which only changes and not the total balance are reported. For this reason, the bank did not carry out a random check of the report in the reporting year.

Reporting period. Our audit revealed that the form in which the controls were performed was not documented.

1233.there were no objections by BaFin or any other supervisory authority regarding compliance with the obligations pursuant to section 24c KWG during the audit period.

Analytical audit procedures

1234 As part of our audit, we used an extract from the system to check whether the requirements of section 24c KWG were complied with during the reporting period. This resulted in the following findings:

- In 17 cases, we found that no information about the account holders was recorded in the system for the accounts in question. The first and last names of the account holders, their identification number, date of birth and addresses were missing.
- In several cases, either no or an incorrect identification number was entered in the system, e.g. several customers were recorded under the same identification number.

Case-by-case examination

1235 As part of the individual case audit, we randomly selected ten working days from the 251 working days in the reporting period and checked the reports submitted on these days for completeness. Our audit resulted in the following findings:

- In five cases, we found that no changes were made to the customer base on these days. As the bank uses dynamic messages, empty messages were submitted for this reason.
- In one of the five cases reported, we note that the bank did not report a complete IBAN. This case concerns a loan for which no IBAN account was assigned. In addition to the account number, the bank also reported the loan identification number. We consider the bank's approach to be appropriate.
- In the other four cases, we identified that the wrong identification number had been transmitted in the reports for certain customers. Following consultation, we were informed that the bank will clarify the cases after the audit and that the correct tax numbers will be entered into the system.

1236. After consultation, we were informed that the majority of the discrepancies are due to errors in the customer base in BankHive, which are to be rectified as part of the KYC Refresh project. The project is not scheduled for completion until after the audit at the end of the second quarter of 2024.

1237 The findings of the audit of the annual financial statements as at December 31, 2022 were processed by the Bank as follows

Determination	Measures	Status
Our case-by-case audit of compliance with the requirements for the account retrieval procedure in accordance with Section 24c KWG revealed objections.	During the audit, it was determined that the excerpt from the system submitted for review still contains incomplete customer data.	Not fixed
The bank must define a process for the collection of the tax identification number or for the submission of a so-called tax liability report in accordance with Section 24c KWG in conjunction with Section 154 (2b) and (2c) AO and include it in the written regulations.	none	Not fixed

1238 We have reviewed the bank's compliance with the regulations on the retrieval of account information in accordance with its internal policy. We note that the bank has not taken fully appropriate and effective measures to fulfill its obligations under section 24c (1) KWG regarding the automated retrieval of account information. **(Data entry form pursuant to § 27 PrüfbV No. 36, F2)**

13.6. Overall assessment

1239 We have set out the details of our audit of the Bank's compliance with its obligations to prevent and combat money laundering, terrorist financing and other criminal activities in Appendix 8 to this report. The annex includes Annex 5 in accordance with § 27 PrüfbV.

14. Result of the audit of the dependency report

1240.the report on relationships with affiliated companies (dependent company report) to be prepared in accordance with Section 312 AktG has been submitted to us by the company's Management Board. We have audited this report in accordance with Section 313 (1) AktG. We have issued a separate written report on the results of this audit.

1241 As there were no objections to the report of the Executive Board, we issued the following auditor's report dated May 31, 2024 in accordance with Section 313 (3) AktG:

"Following our mandatory audit and assessment, we confirm that

1. the actual disclosures in the report are correct,

2. the consideration paid by the company for the legal transactions listed in the report was not unreasonably high or disadvantages were compensated."

15. Concluding remarks

1242. the above report on the audit of the annual financial statements of KEB Hana Bank (D) Aktiengesellschaft, Frankfurt am Main, for the financial year from January 1, 2023 to December 31, 2023 and of the management report for the business year in accordance with the German legal requirements and generally accepted standards for the preparation of audit reports (IDW PS 450 n.F.).

1243. our audit opinion is included in section 3 under "Reproduction of the audit opinion".

Frankfurt am Main, May 31, 2024

Baker Tilly GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Ralph Hüsemann	Isabel Schiebel
Auditor	Auditor