a SIX company

Annual Report 2023

Table of Contents

3 Management Report

9 Report of the Board of Directors

10 Proposed Resolution on the Utilization of Profits

11 Annual Balance Sheet of SECB Swiss Euro Clearing Bank GmbH as of December 31, 2023

13 Profit and Loss Account of SECB Swiss Euro Clearing Bank GmbH for the period from January 01 to December 31, 2023

14 Notes for the Financial Year January 1, 2023 to December 31, 2023

19 SECB – Organs

20 Independent Auditor’s Report

Management Report

1. General Conditions and Business Performance

SECB Swiss Euro Clearing Bank GmbH, which was founded on February 27, 1998, was entered in the Commercial Register of the Frankfurt am Main Local Court under No HRB 46 118 after being granted a full banking license by the Federal Financial Supervisory Authority, Bonn (BaFin).

The bank's share capital of Euro 30 million is held 100% by SIX Group AG, Zurich.

The processing of payment transactions in euros as part of correspondent banking remained the main component of the SECB's business activities in the reporting year 2023. The majority of services are provided to Swiss financial institutions (approx. 87%).

Due to the start of the war in Ukraine in February 2022 and ongoing tensions in the Pacific (China-Taiwan conflict), the EU countries recorded a decline in economic output in 2023. The year was characterized by rising energy and consumer prices and thus by the inflation that already prevailed in 2022. Overall, GDP rose by just 0.5% in 2023 in both the eurozone and the EU, compared to 3.5% in the previous year.

The German economy was also noticeably impacted by the effects of the war in Ukraine: According to initial calculations by the Federal Statistical Office (Destatis), price-adjusted gross domestic product (GDP) in 2023 was 0.3% lower than in the previous year. Adjusted for calendar effects, the decline amounted to 0.1%.

The European Central Bank (ECB) has continued to tighten its monetary policy massively over the course of 2023: since mid-2022, key interest rates have been increased by 4.5% until the third quarter of 2023. The ECB's key interest rate rose from 0% to 4.5% and the interest rate on the deposit facility from -0.5% to 4% by September 2023 and was maintained at this level until the end of December 2023.

In Switzerland, GDP was difficult in the 2023 financial year: according to the provisional results available, seasonally, calendar and sporting event-adjusted GDP grew by 1.3% in 2023, compared to 2.5% in the previous year. The decline or slowdown in growth is related to the normalization in the wake of the coronavirus crisis and the impact of a challenging international environment on economic development. Excluding seasonal, calendar and sporting events, GDP growth for 2023 is 0.7%, compared to 2.6% in the previous year. The Swiss National Bank has left key interest rates at 1.75% until September 2023 and at this level until the end of December 2023.

There was a change in the management of SECB GmbH on the back office side: On January 1, 2024, Mr. Erdal Konak took over responsibility for the back office, succeeding Hans A. Schlottner, who left the company on December 31, 2023.

The management defines performance indicators as net interest and commission income, net profit for the year and the number and volume of transactions, the development of which is discussed in more detail.

Although business performance in 2023 was generally positive in terms of the number of payment transactions to be processed, volumes were down: transactions increased by around 6% compared to the previous year (previous year's increase: 10%). In contrast, the volume of transactions fell by around 7% compared to the previous year. For SECB GmbH, however, the return to positive key interest rates over the course of 2023 as a whole was a drastic event: while SECB was still able to benefit to a certain extent from the negative interest rates in the previous year in the form of interest income on the liabilities side, the entire course of the 2023 financial year was a burden for SECB in the form of interest expenses on the liabilities side. The negative change on the liabilities side could only be limited to a certain extent on the assets side by increasing the average interest rate of the securities portfolio, in which maturing fixed-interest securities were replaced by variable-interest securities: SECB's assets consist mainly of a securities portfolio with final maturities over the next few years and with exclusively low fixed interest rates. The average interest rate of this securities portfolio is below the increased EUR key interest rates. As a result of these two factors (asset side: low, fixed interest rates; liability side: passing on positive, rising interest rates to customers), investments were made in so-called floating rate notes with interest conditions above the deposit facility, which improved the average interest rate of the securities portfolio in 2023 from an initial 0.65% to 1.3%.

As a result of the above-mentioned mismatch between asset and liability items and the consideration of future financial years until the final maturity of all securities in the portfolio, a provision for impending losses was already recognized in the previous year in accordance with the loss-free valuation of the banking book. This was done in accordance with Section 340a HGB in conjunction with Section 249 (1) sentence 1 HGB.

The provision for onerous contracts to be recognized from the loss-free valuation of the banking book for the 2023 financial year required an addition of EUR 13.9 million due to methodological adjustments, in particular the no longer assumed zero interest rate on equity, which is why the total amount increased to EUR 38.5 million (previous year: EUR 24.6 million). Without the addition to the provision, the net loss for 2023 would have been a good 1/3 lower.

The emerging challenges in an environment with higher key interest rates prompted the new management to apply to the SIX Group for a further capital increase by paying EUR 100 million into the capital reserve in August 2023. The shareholder approved this application, with the result that SECB GmbH's equity increased by around EUR 60 million as at December 31, 2023, taking into account the net loss for the year.

2. Earnings

SECB's earnings performance in the 2023 financial year was very challenging due to the changing interest rate environment: the negative net interest income of EUR 21,517 thousand (positive net interest income in the previous year: EUR 12,761 thousand) reflects this very clearly. Due to the high interest expenses on the liabilities side and the relatively low average return on the securities portfolio on the assets side, net interest income is significantly below the previous year's figure and far below the originally planned figure (negative result of EUR 19,411 thousand), which is still attributable to the planning assumptions from the economic outlook in the second half of 2022. The reason for this development was the increase in key interest rates from August 2022 to September 2023 by the European Central Bank, which is attributable to the increased inflation triggered by the Ukraine-Russia conflict.

Net commission income of EUR 4,608 thousand was lower than in the previous year (EUR 5,293 thousand). The slight shortfall of EUR 4,735 thousand compared to the planned figure was due to the EUR 721 thousand decrease in commission income. On the other hand, the decrease in commission expenses of EUR 594 thousand had a positive effect. Despite the increase in the number of cross-border transactions processed in the amount of 17,892,513 (previous year: 16,873,267) and domestic transactions in the amount of 3,054,651 (previous year: 2,909,809), the reduction in net commission income is due to the decline in the volume of sales processed.

General administrative expenses including amortization of intangible assets of EUR 11,172 thousand were at the same level as the previous year (EUR 11,258 thousand) and slightly below the budget figure set for the 2023 financial year (EUR 11,266 thousand). Personnel expenses of EUR 4,486 thousand and IT expenses of EUR 3,917 thousand remained the main drivers within general administrative expenses.

Despite the increase in the number of transactions, SECB was not able to realize its successful business development of recent years in the result due to declining transaction volumes and in particular due to the interest rate environment in 2023, so that the result from ordinary activities at the end of the financial year was EUR -39,969 thousand (previous year: EUR -22,803 thousand). This result was mainly affected by the allocation of EUR 13.9 million to the provision for impending losses from the loss-free valuation of the banking book recognized in the previous year (EUR 24.6 million). As a result, an accumulated loss of EUR 63,668 thousand (previous year: accumulated loss of EUR 23,805 thousand) had to be reported.

3. Net Assets and Financial Position

Receivables and liabilities are denominated exclusively in euros. The surplus liquidity on the liabilities side ensures that the bank does not have to draw on credit lines from other financial institutions.

As at the reporting date, 100% or EUR 1,784,112 thousand of liabilities to banks consisted of deposits payable on demand, which result exclusively from the processing of payment transactions. One customer (Fintech) also provides deposits payable on demand for the processing of payment transactions, which are reported in the balance sheet under liabilities to customers in the amount of EUR 73,582 thousand. Around 22.7% of the banks' deposits payable on demand are represented by a major customer, a Group company of the shareholder.

The stable base of customer deposits and equity were mainly invested in fixed-interest securities from public issuers and banks. The majority of these fungible securities with a nominal value of EUR 966,700 thousand (collateral value EUR 869,481 thousand) have been pledged to Deutsche Bundesbank.

Receivables from banks include an overnight deposit of EUR 579,044 thousand with Deutsche Bundesbank and the funds included in receivables from customers primarily relate to the registered bonds held in the investment portfolio with a nominal value of EUR 20,000 thousand.

Purchases of interest-bearing securities, promissory note loans and registered bonds were only made with issuers that have a country rating of at least long-term AA and an issuer rating of at least long-term BBB+. No money market investments were made in 2023.

No derivative financial instruments were used.

Equity, including the capital increase through payment into the capital reserve, amounted to EUR 196,032 thousand as at December 31, 2023.

Liquidity was secured at all times in the past financial year. The bank also met the regulatory capital ratios. As at the balance sheet date, the total capital ratio was 39.72% and therefore well above the regulatory minimum requirements. The SECB's leverage ratio was 9.00% as at December 31, 2023. The regulatory minimum ratios for the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) were also complied with. The bank's solvency was ensured at all times.

In summary, the SECB's net assets, financial position and results of operations were negatively impacted in the financial year due to the rise in key interest rates in euros and the addition of EUR 13,900 thousand to the provision for impending losses. However, future losses from the interest rate risk were covered by the total provision for impending losses of EUR 38,500 thousand.

4. Employees and Memberships

The average number of employees has increased compared to the previous year. As at December 31, 2023, there were 36 permanent employees (previous year: 31) and two managing directors.

The Bank attaches great importance to the continuous training of its employees. The Bank's success would not be possible without the professional expertise of all employees and the ongoing development of its systems.

Employee remuneration was paid for the last time for the 2023 financial year in accordance with the internal salary and bonus system. As of January 1, 2024, the salary system was completely converted to a fixed remuneration for all employees.

The Bank is a member of the Entschädigungseinrichtung deutscher Banken GmbH, Berlin, and a member of the Verband der Auslandsbanken e.V., Frankfurt.

5. Risk Report

Although the SECB has a license to conduct all banking business, the internal regulations on payment transaction products and the investment of free funds in money market investments and securities continue to apply.

The business and risk strategy is reviewed annually and adjusted if necessary on the basis of the Bank's strategic direction as decided by the Management Board and approved by the Board of Directors. The risk strategy is defined on the basis of procedures for determining and ensuring the bank's risk-bearing capacity.

The risks resulting from business activities are identified, limited and managed using a risk management system implemented for this purpose.

To identify risks, the Management Board and Risk Controlling regularly review the Bank's risk profile on the basis of a risk inventory.

The risk-bearing capacity concept implemented is intended to ensure that the SECB's risk coverage potential is sufficient to cover all material risks at all times. To this end, the risk-bearing capacity concept has been based on the normative and economic perspective defined in BaFin's RBC guidelines from 2018 since March 31, 2023.

On the basis of the calculated risk coverage potential, limits are set as total loss and partial loss ceilings in accordance with the business strategy for all risks identified as material.

The risk-bearing capacity and the utilization of risk-relevant limits are determined and monitored on a monthly basis and reported to the Management Board. The monthly monitoring of the utilization of the internally granted limits by Risk Controlling and the Management Board is intended to ensure that this overall limit is adhered to at all times. The Board of Directors continues to be informed of this in detail on a quarterly basis. The Management Board and the Board of Directors must be notified immediately if limits are exceeded.

In addition, the Bank records, manages and monitors its identified risks on the basis of organizational guidelines, regulations on structural and procedural organization and implemented risk management and controlling processes.

The bank regularly carries out the stress scenario analyses required by regulatory law. To this end, constellations of risk factors are first identified that have a significant impact on the Bank's net assets, financial position and results of operations as well as its risk-bearing capacity. Suitable institution-specific and market-specific scenarios as well as a combination of both scenarios are taken into account on the basis of the Bank's strategic orientation. An inverse stress test is also carried out at least once a year. The stress scenarios based on this are analyzed with regard to their effects, which have a univariate or multivariate effect in each of the risk types (counterparty default risk, interest rate risk, credit spread risk, liquidity risk, operational risk, business risk and model risk). The calculations in the economic perspective are based on the present value model and the derivation of the risk coverage potential on the model close to the present value. In the normative perspective, multi-year planning is carried out as required.

Due to the manageable size of the company, the involvement of the management in the workflows and accounting processes and the implemented monthly reporting, the control of the processes should be guaranteed.

In addition to quantitative counterparty, issuer and borrower-related limits, the Management Board also sets further qualitative framework conditions, such as minimum creditworthiness and the borrower's country of domicile, taking into account the upper limit for large exposures stipulated by supervisory law.

For the lending business, the VaR model is determined statistically using a Monte Carlo simulation with a confidence level of 99.9% and a risk horizon of one year. The model parameters are the probabilities of default, the loss ratios, the asset correlation and the outstanding receivables (collateral values). In principle, counterparty default risks continue to be taken into account by the fact that investments in fixed-income securities, promissory note loans, registered bonds and money market investments may only be made with counterparties that must meet strict minimum rating requirements with Moody's or comparable ratings with another rating agency. The fixed-income securities, which are allocated in their entirety to the banking book, must also meet the ESCB's requirements for marketable securities in liquidity categories I, II and III and, if eligible as collateral, must be deposited in the corresponding SECB pledged securities account at the Deutsche Bundesbank.

Individual credit analyses, also taking external ratings into account, are carried out regularly to assess counterparty default risks and classified into risk-relevant and non-risk-relevant lending business. Credit decisions are made directly by the entire Management Board on the basis of the credit analysis.

The permitted trading partners have been communicated by the management to the employees authorized to trade, subject to a maximum limit. The limits for trading partners are reviewed by the management on an ongoing basis and adjusted if necessary.

In principle, intraday and overnight loans are granted exclusively on a secured basis against pledges of securities from EU countries eligible for central bank borrowing, which are subject to daily valuation to determine the available loan amount.

There is a concentration risk when investing in fixed-income securities in the form of a concentration on domestic and European public-law counterparties, including the Federal Republic of Germany and its federal states, special funds of the federal government and federal and state institutions (in particular development banks), which is taken into account in the risk-bearing capacity concept when modeling the counterparty default risk by means of suitable sector correlations.

Investments in variable and fixed-interest securities, promissory note loans and registered bonds are exposed to interest rate risk and credit spread risk. Both risks are calculated using historical observation periods at a confidence level of 99.9%. For interest rate risk, the VaR is modeled for a risk horizon of one year using a historical simulation and an observation period of more than 20 years (since the introduction of the euro). In the case of credit spread risk, the VaR is also determined using a forecast simulation with an observation period of 10 years and a risk horizon of one year. In both cases, observation periods are updated with each financial year and month.

Liquidity risk, including intraday risk, is taken into account to the extent that current accounts can only be managed on a credit basis. In the event of an unexpected liquidity bottleneck, the securities portfolio can be used at any time to obtain liquidity from the Deutsche Bundesbank as part of Lombard transactions. In addition, as part of the required ILAAP, the survival period is calculated in the base scenario, institution-specific and market-specific scenarios as well as the combined scenario. The LCR ratio is monitored daily. The refinancing cost risk is calculated using a Monte Carlo simulation to determine the risk-bearing capacity. The confidence level is 99.9% and the risk horizon is one year.

Due to its business model and strategic orientation, the Bank is exposed to operational risks primarily in the area of outsourcing IT and personnel. The performance of the IT systems is to be regarded as a primary risk to business operations, which is taken into account through appropriate redundancies where technically and commercially viable. On the basis of a risk analysis, a distinction is made between significant and insignificant outsourcing. Significant outsourcing is included in risk management and is subject to continuous monitoring. In the area of human resources, the management pursues a personnel policy geared towards sustainability. The bank's management conducts an appraisal interview with all employees at least once a year to assess their reliability. Legal risks are of minor importance and are monitored by the Management Board and managed in consultation with external law firms. The bank has a central compliance function to counteract the risks that may arise from non-compliance with legal regulations and requirements. D&O insurance is also in place in this context to minimize the financial consequences of such risks. All loss events at the Bank are collected and analyzed in a loss database. Operational risks are determined using a Monte Carlo simulation with a confidence level of 99.9% and a risk horizon of one year.

The Bank's business risk consists of failing to meet its targets, as the Bank is exposed to a concentration of earnings risk due to its business model. It counters this by including business risk in the risk-bearing capacity concept. As a material risk, this is limited accordingly. Using a VaR calculation based on the normal distribution assumption and a confidence level of 99.9% as well as a risk horizon of one year, the business risk is determined as a deviation from the target figures (target/actual analysis).

The model risk is estimated on an expert basis. In order to integrate the risk into the risk-bearing capacity concept, a flat-rate risk amount of 5% of the total risks was set at the SECB.

In addition to ongoing monitoring and ensuring the smooth processing of payment transactions, the SECB sets high credit rating requirements (minimum issuer rating of BBB+ and minimum country rating of AA) for the selection and ongoing monitoring of money trading partners and issuers for investments in securities, promissory note loans and registered bonds. The reputational risk, which could, for example, lead to the withdrawal of customer funds due to a loss of reputation, is of secondary importance for the Bank due to the measures mentioned.

The Bank's risk management concept is continuously monitored in accordance with the requirements of MaRisk, revised in the event of changing conditions and is a key component of the internal audit plan.

SECB's risk management is intended to ensure that the risks taken into account in the risk-bearing capacity concept are covered by the Bank's risk coverage potential on an ongoing basis, taking into account its overall risk profile.

In the 2023 financial year, the risk-bearing capacity concept was converted to the normative and economic perspective as at the reporting date of March 31, 2023 and presented to the relevant committees at the beginning. Due to the new valuation methodology and the ongoing interest rate increases on the market, the SECB's existing risk coverage potential was insufficient, so that measures to restore the SECB's risk-bearing capacity were initiated in May 2023. On July 28, 2023, the shareholder SIX Group resolved a capital increase of EUR 100,000 thousand, which was paid to the SECB on August 18, 2023. As a result, the risk-bearing capacity was once again guaranteed as at the reporting date of August 31, 2023 and has thus also been continuously maintained since then for the reporting date of December 31, 2023. The regulatory capital requirements (CRR) were met at all times in the 2023 financial year.

6. Forecast Report

The leading economic research institutes, including the ifo Institut in Munich, expect the German economy to grow slightly in 2024. On the one hand, the economy was burdened by shrinking value creation in industry and the construction sector, while on the other hand the economy was supported by private consumption. Due to the easing supply bottlenecks for primary products and declines in energy prices, inflation has now fallen to 2.2% in April 2024. The ifo Institut is therefore forecasting slight economic growth in price-adjusted gross domestic product of around 0.2%.

The inflation rate at the start of 2024 was 2.6% and is therefore not far off the target of 2%. While the rate of inflation for food is falling, the impact of the discontinuation of the state takeover for gas and district heating and the effects of wage increases in recent months remain to be seen. Nevertheless, the leading economic institutes in Germany forecast an inflation rate of around 2.7% in 2024 in a joint forecast. A lower inflation rate of around 2.5% is only expected for the following year (2025).

The weaker economy is also leaving its mark on the labor market and the outlook at the start of the year is rather gloomy, as the labor market is affected by the ongoing economic downturn. Nevertheless, the start of the year is characterized by numerous strikes and wage negotiations. Nevertheless, in its spring forecast, the Institute for Employment Research (IAB) expects employment subject to social insurance contributions and the number of people in employment to rise by 190,000 to 46.12 million over the course of 2024.

At its meeting on April 11, 2024, the ECB announced that it would leave the three key interest rates unchanged. The context of its determination is to ensure a timely return of inflation to the 2% target. At the beginning of the year, the reduction in inflation to 2.6% already indicated that the ECB could cut key interest rates as early as June 2024. By April 2024, inflation had even fallen to 2.2%. The ECB is monitoring the implementation of wage increases and the effects of this and the discontinuation of the state takeover for gas and heating, so that it only lowered the key interest rate by 0.25% at its meeting on June 6, 2024. The ECB will continue to pursue a data-based approach to key interest rate decisions in 2024, which will align further interest rate moves with the available economic and financial data. It is therefore difficult to forecast the course of interest rates in 2024. On a cautious note, a further interest rate cut could possibly be initiated by the ECB in December 2024. The management of the SECB continues to follow the ECB's course very closely.

With regard to the Swiss financial center, the planned takeover of Credit Suisse by UBS was a significant event last year. The consequences of this takeover should remain manageable for the SECB in 2024, as the two institutions have only used the SECB as a transaction processor to a limited extent in the past. Even just under a year after the merger of the two institutions, no particular impact on the commission income of SECB GmbH is expected based on past commission contributions.

Annual and multi-year plans are drawn up to forecast the future earnings, assets and financial position of the SECB. They include capital, income and cost planning as well as stress scenarios, taking into account expected new customer business, transaction volumes and the securities portfolio. The following forecasts refer to the planning for 2024.

In marketing, the Bank will continue to focus on ensuring the efficient accessibility of Swiss and Liechtenstein financial institutions in euro payment transactions. The focus here will continue to be on consolidating the Bank's position as an entry point for euro payments and as a gateway to the euro clearing systems. The connection of the SECB with all significant EUR clearing systems in the euro currency area is being consistently pursued. The continuously rising transaction figures confirm the position of the euroSIC/SECB combination as an alternative to traditional correspondent banking. The Bank will continue to meet market demand for cost-effective payment methods and procedures with corresponding offers in the future.

We expect the number of transactions to remain stable in 2024 despite the changing payments landscape in the eurozone. The SECB intends to participate in this by continuing its intensive marketing activities to acquire new customers and additional business. The product and service portfolio is continuously analyzed with regard to adjustments to market requirements. These measures and the continuous maintenance of high quality standards in processing and customer service should also strengthen customer relationships in 2024.

By acquiring additional business, including in the area of SEPA credit transfers and SEPA direct debits, and optimizing the business model, we expect to generate net commission income of around EUR 4.8 million in 2024.

Net interest income in 2024 will reflect the challenging situation of having a securities portfolio with final maturities spread over the next few years on the assets side and flexible customer deposits on the liabilities side, which are looking for interest in line with the market. We therefore anticipate further interest rate increases and, as a result, a negative interest result of around EUR 27.2 million for 2024.

Overall, the operating result in 2024 and probably also in 2025 will be strongly influenced by the ECB's current and future interest rate policy in the context of net interest income. Net interest income is the main driver of the income statement. Our customers' interest claims in line with the market on the liabilities side are predominantly offset on the assets side by a securities portfolio with an average interest rate that is below the ECB's key interest rates. We therefore expect a negative interest result for 2024. The annual plan for 2024 anticipates a very difficult year with continued stable net commission income, moderate increases in administrative expenses and negative net interest income, which is expected to close with a net loss for the year of around EUR 35,993 thousand without taking into account the reversal of provisions for onerous contracts. After taking into account the pro rata reversal of provisions for onerous contracts, the net loss for the year is expected to be significantly lower.

SECB Swiss Euro Clearing Bank GmbH
Frankfurt am Main, 27 June 2024

Dr. Franz Siener-Kirsch, Geschäftsleiter Markt

Erdal Konak, Geschäftsleiter Marktfolge

Report of the Board of Directors

During the 2023 financial year, the Board of Directors, as a corporate body of the Company, performed the duties incumbent upon it under the Articles of Association. It was kept informed by the company's management on an ongoing basis about the economic development of the company on the basis of written and oral reports.

The Board of Directors approved the business transactions requiring its consent after reviewing and discussing them with the Executive Board.

The annual financial statements and management report for fiscal year 2023 were presented to the Board of Directors.

The annual financial statements as of December 31, 2023 and the management report for the fiscal year 2023, including the accounting records, were audited by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Mergenthalerallee 3-5, 65760 Eschborn, elected as auditors for the fiscal year 2023 by the ordinary shareholders' resolution of June 14, 2023.

The auditing firm issued an unqualified audit opinion on the annual financial statements. The Board of Directors took note of and approved the auditors' report. It has examined the annual financial statements and the management report. No objections were raised.

The Board of Directors approved the annual financial statements presented by the Management Board.

Frankfurt am Main, July 05, 2024

The Board of Directors
Dieter Goerdten, Chairman of the Board of Directors

Proposed Resolution on the Utilization of Profits

The net loss for the 2023 financial year amounts to EUR 39,862,975.77. After adding the profit carried forward from the 2022 financial year of EUR 23,804,694.25, this results in an accumulated loss of EUR 63,667,670.02.

The following appropriation of funds is proposed to the shareholders' meeting:
1. to carry forward the loss of EUR 63,667,670.02 to new account

Annual Balance Sheet of SECB Swiss Euro Clearing Bank GmbH

as of December 31, 2023

Assets			31.12.2023	31.12.2022
		EUR	EUR	Prev. yr TEUR
1. Cash reserve				
a) Cash on hand		4,426.52		4
b) Cash at central banks		0.00	4,426.52	0
of which:				
at the German Bundesbank	0.00			
2. Receivables from credit institutions				
a) Due on demand		580,363,059.63		
b) Other receivables		0.00	**580,363,059.63**	11,298
3. Receivables from customers		20,184,699.34	**20,184,699.34**	20,185
of which:				
Secured by mortgage	0.00			
Loans to public authorities	0.00			
4. Bonds and other fixed-interest securities				
b) Bonds and debentures				
ba) issued by public authorities		305,242,459.39		444,936
of which:				
eligible as collateral at the German Bundesbank	301,244,977.39			
bb) other issuers		1,193,401,436.21	**1,498,643,895.60**	1,232,249
of which:				
eligible as collateral at the German Bundesbank	1,811,188.74			
5. Intangible fixed assets				
b) Concenssions, commercial trademarks and similar rights and assets, and licenses fur such rights and assets, purchased against payment		1,045,044.48	**1,045,044.48**	443
6. Tangible assets			**92,003.49**	108
7. Other assets			**8,217,703.24**	4,089
8. Prepaid expenses and other current assets			**421,047.40**	629
9. Deferred tax assets			**954,594.85**	806
Total Assets			**2,109,926,474.55**	**1,714,745**

Liablilities		**31.12.2023**	**31.12.2022**
	EUR	**EUR**	Prev. yr TEUR
1. Liabilities to credit institutions			
a) Due on demand	1,784,111,617.95	**1,784,111,617.95**	1,517,131
2. Liabilities to customers			
b) Other liabilities			
ba) Due on demand	73,582,263.89	**73,582,263.89**	21,366
3. Other liabilities		**15,700,148.97**	12,617
4. Provisions			
b) Tax provisions	486,739.58		964
c) Other provisions	40,013,374.18	**40,500,113.76**	26,772
5. Equity capital			
a) Subscribed capital	30,000,000.00		30,000
b) Capital reserves	150,000,000.00		50,000
c) Retained earnings			
cd) other retained earnings	79,700,000.00		79,700
d) Net profit/loss	-63,667,670.02	**196,032,329.98**	-23,805
Total Liabilities		**2,109,926,474.55**	**1,714,745**

Profit and Loss Account of SECB Swiss Euro Clearing Bank GmbH

for the period from January 01 to December 31, 2023

			31.12.2023	31.12.2022
	EUR	EUR	**EUR**	TEUR
1. Interest income from:				
a) lending and money market transactions	18,169,895.11			7,416
b) fixed-interest securities and debt register claims	17,064,069.35	35,233,964.46		11,265
2. Interest expenses		56,751,493.37	**-21,517,528.91**	5,920
3. Commission income		9,120,992.86		10,332
4. Commission expenses		4,513,054.22	**4,607,938.64**	5,039
5. Other operating income			**744,127.35**	149
6. General administration expenses				
a) Personnel expenses				
aa) Wages and salaries	3,639,047.58			3,233
ab) Social security, post-employment and other employee benefit costs	877,447.13	**4,516,494.71**		825
of which: for retirement benefits		324,710.15		305
b) Other administration expenses		6,412,050.87	**10,928,545.58**	6,947
7. Depreciation and vale adjustments for intangible and tangible assets			**243,632.83**	253
8. Other operating expenses			**13,948,290.72**	24,601
9. Depreciation and valuation allowances on shareholdings, shares in affiliated enterprises and securities held as assets		465,755.97		5,854
10. Income from write-ups on shareholdings, shares in affiliated enterprises and securities held as fixed assets		1,783,175.00	**1,317,419.03**	708
11. Results from ordinary activites			**-39,968,513.02**	-22,803
12. Income taxes		-138,537.25		1,033
13. Other taxes, if not shown under item 12		33,000.00	**-105,537.25**	23
14. Annual net profit / loss			**-39,862,975.77**	-23,859
15. Profit / Loss brought forward prom previous year			**-23,804,694.25**	54
16. Net profit / loss			**-63,667,670.02**	-23,805

Notes for the Financial Year

January 1, 2023 to December 31, 2023

1. General Data

The annual financial statements of SECB Swiss Euro Clearing Bank GmbH, Frankfurt, registered in the Commercial Register at the Local Court of Frankfurt am Main under No. HRB 46 118, for the financial year 2023 have been prepared in accordance with the provisions of the German Commercial Code (HGB), the Ordinance on Accounting for Banks (RechKredV) and the provisions of the German Limited Liability Companies Act (GmbH-Gesetz) and the German Banking Act (KWG).

2. Accounting and Valuation

With the exception of the new exercise of the option under Section 274 (1) sentence 2 HGB, the accounting and valuation methods have remained virtually unchanged from the previous year.

The valuation of assets and liabilities corresponds to the general valuation regulations of Sections 252 et seq. HGB in conjunction with Sections 340e et seq. HGB.

Cash reserves are recognized at nominal value.

Receivables are stated at their nominal value plus accrued interest.

Intangible assets and property, plant and equipment are recognized at cost less scheduled depreciation over their useful lives. Low-value assets acquired in the financial year are grouped together in a collective item for the year and depreciated over a period of five years, or at 20% p.a. The depreciation and amortization expense is recognized in the income statement.

The securities held relate to bonds and debentures which, in accordance with the management's decision, are classified as fixed assets. They are reported including the pro rata interest. The valuation was based on the moderate lower of cost or market principle pursuant to Section 253 (3) of the German Commercial Code in conjunction with Section 340e (1) of the German Commercial Code (HGB).

Bonds and other fixed-income securities are therefore measured at cost. The premium paid on acquisition is capitalized at cost and amortized on a straight-line basis over the remaining term. The amortization is recognized in net interest income as an adjustment to interest income.

Securities held in the portfolio were not lent out in fiscal year 2023.

With the introduction of the new risk-bearing capacity concept (normative and economic perspective), the methodology for the loss-free valuation of the banking book was conceptually revised. In particular, refinancing through equity at zero interest was no longer taken into account. The SECB now takes a present value approach to the loss-free valuation of interest-related financial instruments. For this purpose, the present values of the over-night facilities with the Bundesbank, securities transactions and customer deposits are compared with their respective carrying amounts. Maturity mismatches are closed by discounting with the refinancing curve, which includes a spread premium on the risk-free interest rate curve, which in turn reflects the refinancing facility of the Bundesbank. The closing of maturity mismatches and discounted administrative expenses and risk costs are deducted from the calculated and discounted interest book result. This still resulted in a negative amount for the 2023 financial year. As at December 31, 2023, the new methodology therefore resulted in the need to allocate to the provision for onerous contracts in accordance with Section 340a HGB in conjunction with Section 249 (1) sentence 1 HGB.

In accordance with Section 250 HGB, expenses prior to the balance sheet date are reported as prepaid expenses on the assets side if they represent expenses for a specific period after this date.

With regard to deferred tax assets, the option pursuant to Section 274 (1) sentence 2 HGB has been exercised again. The background to this is an amendment to the articles of association, which now contains a provision to the effect that the company waives the recognition of deferred tax assets in the balance sheet. Against this background, it was no longer necessary to correct an error in the current account due to the non-inclusion of the provision for onerous contracts in accordance with IDW RS BFA 3 when determining the deferred tax asset surplus in the previous year. The company did not derecognize the existing deferred taxes for reasons of materiality, as these will reverse as planned in 2024.

There were no transactions in derivative financial instruments in the 2023 financial year.

Liabilities to banks and customers are recognized at the settlement amount.

The provisions include an appropriate amount for all identifiable risks and contingent liabilities.

Transactions with related parties were concluded at standard market conditions.

Statement of changes in fixed assets for the fiscal year 2023

	Acquisition costs				Depreciation / Write-downs				Residual book value	
Balance sheet item	Balance 1/01/2023	Addition 2023	Disposal 2023	Balance 31/12/2023	Balance 1/01/2023	Addition 2023	Disposal 2023	Balance 31/12/2023	31/12/2023	31/12/2022
Office furniture	157,353.23	0.00	0.00	157,353.23	113,351.29	12,036.84	0.00	125,388.13	31,965.10	44,001.94
Office equipment	20,805.45	0.00	0.00	20,805.45	20,805.45	0.00	0.00	20,805.45	0.00	0.00
PC's	454,650.07	19,620.57	0.00	474,270.63	436,590.49	21,799.19	0.00	458,389.68	15,880.95	18,059.58
Fitting of rental premises	27,536.26	0.00	0.00	27,536.26	12,029.86	1,953.60	0.00	13,983.46	13,552.80	15,506.40
Low-value assets	66,574.52	13,064.21	0.00	79,638.73	36,205.35	12,828.74	0.00	49,034.09	30,604.64	30,369.17
Tangible assets total	***726,919.53***	***32,684.78***	***0.00***	***759,604.30***	***618,982.44***	***48,618.37***	***0.00***	***667,600.81***	***92,003.49***	***107,937.09***
Intangible assets	**3,973,395.41**	**796,875.87**	**0.00**	**4,770,271.28**	**3,530,212.34**	**195,014.46**	**0.00**	**3,725,226.80**	**1,045,044.48**	**443,183.07**
Subtotal tangible and intagible assets	*4,700,314.94*	*829,560.65*	*0.00*	*5,529,875.58*	*4,149,194.78*	*243,632.83*	*0.00*	*4,392,827.61*	*1,137,047.97*	*551,120.16*
Prommissory note bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Registered bonds	30,000,000.00	0.00	10,000,000.00	20,000,000.00	0.00	0.00	0.00	0.00	20,000,000.00	30,000,000.00
Investment securities	1,673,339,648.90	263,000,000.00	440,716,825.00	1,495,622,823.90	2,524,361.70	465,755.97	0.00	2,990,117.67	1,492,632,706.23	1,670,815,287.20
Subtotal Securities	*1,703,339,648.90*	*263,000,000.00*	*450,716,825.00*	*1,515,622,823.90*	*2,524,361.70*	*465,755.97*	*0.00*	*2,990,117.67*	*1,512,632,706.23*	*1,700,815,287.20*
Total	1,708,039,963.84	263,829,560.65	450,716,825.00	1,521,152,699.48	6,673,556.48	709,388.80	0.00	7,382,945.28	1,513,769,754.20	1,701,366,407.36

3. Notes to the Financial Statements

Notes to the Balance Sheet

Cash reserve

The cash reserve consists exclusively of cash on hand in the amount of EUR 4 thousand, of which EUR 3 thousand is postage.

Receivables from financial institutions

This item mainly includes receivables on nostro accounts (SECB accounts with other correspondent banks) and the over-night deposit with Deutsche Bundesbank in the amount of EUR 579,044 thousand.

	2023	2022
According to residual terms	TEUR	TEUR
Due daily	580,363	1,251
– until three months	0	0
– more than three months up to one year	0	0
– over one year up to 5 years inclusive	0	10,046

Receivables from customers

This item mainly includes a registered bond in the portfolio in the amount of EUR 20,000 thousand plus accrued interest and, as in the previous year, a portion of EUR 68 thousand relates to a receivable from EuroSIC (lump-sum payment).

	2023	2022
According to residual terms	TEUR	TEUR
– due daily up to and including one year	68	68
– over one year up to 5 years inclusive	20,116	20,116
– over 5 years	0	0

Bonds and other fixed-income securities

The securities reported in the balance sheet, which are treated as fixed assets, amount to EUR 1,498,644 thousand and include accrued interest in the amount of EUR 6,011 thousand.

	2023	2022
	TEUR	TEUR
Marketable bonds and notes	1,498,644	1,677,185
from public issuers in the amount of	305,243	444,936
– thereof valued like fixed assets	305,243	444,936
– thereof due in the following year	90,508	124,817
from other issuers in the amount of	1,193,401	1,232,249
– thereof valued like fixed assets	1,193,401	1,232,249
– thereof due in the following year	296,478	288,299

The carrying amount of the securities is EUR 1,492,633 thousand (fair value: EUR 1,440,782 thousand). This includes securities with hidden liabilities with a carrying amount of EUR 1,034,743 thousand (fair value: EUR 982,657 thousand) and securities with hidden reserves with a carrying amount of EUR 77,890 thousand (fair value: EUR 78,125 thousand). Write-downs were not recognized as these are temporary impairments and the bank assumes that the securities in question will be repaid at their carrying amount. All bonds and debentures are listed on the stock exchange, of which securities with a nominal value of EUR 966,700 thousand (lending value as at December 31, 2023: EUR 869,481 thousand) are held in a pledged securities account at Deutsche Bundesbank.

The development of the securities portfolio is shown in the statement of changes in fixed assets.

Intangible assets / property, plant and equipment

Other assets mainly result from tax refund claims from value added tax, trade tax and corporation tax (EUR 8,125 thousand) as well as a share in the payment transaction system S.W.I.F.T, La Hulpe, Belgium (EUR 92 thousand).

Other assets

Other assets mainly result from tax refund claims from value added tax, trade tax and corporate income tax (EUR 3,987 k) as well as a share in the payment transaction system S.W.I.F.T, La Hulpe, Belgium (EUR 92 k).

Prepaid expenses

This item relates in particular to prepaid maintenance contracts for 2024 in the amount of EUR 421 thousand.

Deferred tax assets

Deferred tax assets relate to expected tax relief in the following financial year in connection with a security acquired above par that remains in the portfolio. In addition to corporation tax of 15.0% and the solidarity surcharge of 5.5%, the company-specific trade tax rate of 16.1% was taken into account when calculating deferred taxes. Deferred taxes will no longer be recognized when they are fully reversed in the 2024 financial year.

Liabilities to banks

All liabilities to banks are due on demand.

The total volume reported includes liabilities to two Group companies of the shareholder SIX SIS AG in the amount of EUR 397,347 thousand (previous year: EUR 160,990 thousand) and SIX Digital Exchange AG in the amount of EUR 3 thousand (previous year: EUR 3 thousand).

Liabilities to customers
All liabilities to customers are due on demand.

The reported liability mainly relates to Klarpay AG with EUR 73,364 thousand, Swiss 4.0 SA with EUR 95 thousand and SR Saphirstein AG with EUR 124 thousand.

Other liabilities
Other liabilities mainly include liabilities from payment transactions in the amount of EUR 15,625 thousand (previous year: EUR 12,531 thousand) booked before the settlement date, which are only settled by the Bundesbank on the following day.

Provisions

	2023	2022
	TEUR	TEUR
Tax provisions	487	964
Other provisions	40,013	26,772

The reported tax provisions relate to the 2021 financial year in the amount of EUR 487 thousand. The main portion of the other provisions is the provision for onerous contracts from the loss-free valuation of the banking book in the amount of EUR 38,500 thousand, which fully covers the hidden losses from securities in the banking book. In addition, other provisions include items for IT consulting, salaries, auditing costs and other personnel costs, whereby the utilization of these provisions, with the exception of provisions for onerous contracts, is expected within one year.

Equity

	2023	2022
	TEUR	TEUR
Equity	**196,032**	**135,895**
Subscribed capital	30,000	30,000
Capital reserves	150,000	50,000
Retained earnings	79,700	79,700
Accumulated profit/loss	-63,668	-23,805

The subscribed capital of SECB Swiss Euro Clearing Bank GmbH remained unchanged at EUR 30,000 thousand as at December 31, 2023. On July 28, 2023, the shareholders of SECB resolved a capital increase in the form of an additional payment to the capital reserve in the amount of EUR 100,000 thousand, which was completed on August 18, 2023. The shares are held 100% by SIX Group AG, Zurich.

Net income and retained earnings
The net loss for the 2022 financial year in the amount of EUR 23,859 thousand and the profit carried forward from the 2021 financial year in the amount of EUR 54 thousand were carried forward to new account in accordance with the resolution of the shareholders' meeting on June 14, 2023.

The net loss for the 2023 financial year of EUR 39,863 thousand, the net loss of EUR 23,859 thousand from 2022 and the profit carried forward of EUR 54 thousand from 2021 result in the accumulated deficit for the 2023 financial year of EUR 63,668 thousand.

The Management Board and the Board of Directors will propose to the Shareholders' Meeting that the net loss for the 2023 financial year also be carried forward to new account.

The restriction on distribution pursuant to Section 268 (8) HGB is taken into account in the proposed appropriation of profits and relates to deferred tax assets in the amount of EUR 955 thousand (previous year: EUR 806 thousand).

Notes to the Income Statement

Interest income
Interest income from fixed-interest securities mainly results from the portfolio of fixed-interest securities, registered bonds and promissory note loans.

Interest income from lending and money market transactions results from over-night deposits in the current account with Deutsche Bundesbank in the amount of EUR 17,803 thousand.

Interest income from fixed-interest securities amounted to EUR 17,064 thousand.

Interest expense
Interest expenses plus positive interest expenses in the amount of EUR 367 thousand total EUR 56,385 thousand, which is attributable to the banking business with customer deposits.

Fee and commission income
Commission income results from contractual claims under a service agreement for the management of a payment transaction system and fees from payment transactions, primarily between Switzerland, Liechtenstein and the eurozone.

Other operating income
Other operating income in the amount of EUR 744 thousand mainly relates to income from the reversal of pro-

visions in the amount of EUR 713 thousand for the 2022 financial year.

Other operating expenses
Other operating expenses in the amount of EUR 13,948 thousand mainly relate to the addition to the provision for impending losses from the loss-free valuation of the banking book for the 2023 financial year. With the introduction of the new risk-bearing capacity concept, the methodology for the loss-free valuation of the banking book was conceptually revised, in which, among other things, equity with zero interest is no longer taken into account as a refinancing item, which is why the valuation result as at December 31, 2023 required a further addition of EUR 13,900 thousand.

Write-downs of and value adjustments to securities held as fixed assets
The write-downs of EUR 466 thousand are attributable to write-downs in connection with over pari purchases.

Income from write-ups to investments, shares in affiliated companies and securities treated as fixed assets
The income of EUR 1,783 thousand is attributable to write-ups of securities that were purchased in the past under pari and matured in the financial year.

Taxes on income
The reported income of EUR 106 thousand for taxes is attributable to the corporation tax and trade income tax refund of EUR 139 thousand and includes a VAT expense of EUR 33 thousand.

4. Other Information

Auditor's fee
The total fee charged by the auditor EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart, amounted to EUR 225 thousand.

The fees for auditing services in the amount of EUR 225 thousand include expenses for the statutory audit of the annual financial statements and management report of the SECB as at December 31, 2023 and for the review of the consolidated financial statements.

Other financial obligations
There are also rental obligations for the bank's office space in the amount of EUR 1,781 thousand, for printers in the amount of EUR 25 thousand and for a franking machine in the amount of EUR 1 thousand.

SECB – Organs

Management
The following were appointed Managing Directors during the 2023 financial year:
- ***Hans Alfred Schlottner,*** member of the Management Board, from October 1, 2022 to December 31, 2023
- ***Dr. Franz Michael Siener-Kirsch,*** member of the Management Board, since 1 November 2022
- ***Erdal Konak,*** member of the Management Board, since January 01, 2024

The protective clause pursuant to Section 286 (4) HGB was used to disclose the total remuneration of the Management Board.

Board of Directors
The shareholder has appointed the following persons as members of the Board of Directors:
- ***Marco Menotti,*** Chairman, until January 31, 2023, Member of the Group Executive Board SIX Group AG, Zurich
- ***Dieter Goerdten,*** Chairman, since February 01, 2023, Member of the Group Executive Board SIX Group AG, Zurich
- ***Michael Montoya,*** Vice chairman until June 30, 2023 Managing Director SIX Interbank Clearing AG, Zurich
- ***Matthias Sailer,*** Vice Chairman, since Juli 01, 2023 Managing Director SIX Interbank Clearing AG, Zurich
- ***Johannes Bungert,*** Member of the Board of Directors, since Februar 28, 2020 Head Strategy and M&A, Managing Director, SIX Group Services AG, Zurich
- ***Jochen Dürr,*** Member of the Board of Directors, since Februar 01, 2023, Chief Risk Officer, Member of Group Executive Board SIX Group AG, Zurich

The remuneration of the Board of Directors amounted to EUR 0 thousand (previous year: EUR 0 thousand).

Employees
On average over the year, the bank employed a total of 36 employees in addition to the managing directors.

Shareholders
SIX Group AG, Zurich, holds 100% of the bank's capital. The consolidated financial statements can be requested from the company's head office.
SIX Group AG
Pfingstweidstrasse 110
8005 Zurich
or at https://www.six-group.com/en/company/investors/annual-reporting.html

Disclosure in Accordance with CRR
The disclosure report pursuant to Art. 435 to 455 of Regulation (EU) No. 575/2013 in conjunction with Section 26a para. 1 sentence 1 KWG is available on the SECB Euro Swiss Clearing Bank GmbH website at www.secb.de. The disclosures pursuant to Section 26a (1) sentence 2 KWG have been included in an annex to the annual financial statements.

Significant Events after the Balance Sheet Date
No events of particular significance occurred after the balance sheet date.

Frankfurt am Main, June 27, 2024
SECB Swiss Euro Clearing Bank GmbH

Dr. Franz Siener-Kirsch, Geschäftsleiter Markt
Erdal Konak, Geschäftsleiter Marktfolge

Independent Auditor's Report[1]

To SECB Swiss Euro Clearing Bank GmbH

Report on the Audit of the Annual Financial Statements and the Management Report

Opinions
We have audited the annual financial statements of SECB Swiss Euro Clearing Bank GmbH, Frankfurt am Main, which comprise the balance sheet as at December 31, 2023, and the income statement for the fiscal 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 SECB Swiss Euro Clearing Bank GmbH for the fiscal year from January 1, 2023 to December 31, 2023.

In our opinion, on the basis of the knowledge obtained in the audit,
- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law 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 fiscal year from January 1, 2023 to December 31, 2023 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 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 Opinions
We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 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 Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 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 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 fiscal 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; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. **Valuation of debt securities and other fixed-income securities**

Reasons why the matter was determined to be a key audit matter
Valuation under German commercial law as of the reporting date is based on the modified lower of cost or market value principle. Indicators of impairment exist when there is a deterioration in the issuer's credit rating by external rating agencies and, for listed debt securities and other fixed-income securities, when the market price on the reporting date is lower than the amortized cost. Any impairment existing as of the reporting date must be assessed to determine the extent to which it is expected to be permanent. Judgment used in assessing whether the impairments as of the reporting date are expected to be permanent can have a significant impact on the amount of the impairment to be recognized.

[1] Translation of the independent auditor's report issued in German language on the annual financial statements prepared in German language by the executive directors of SECB Swiss Euro Clearing Bank GmbH, Frankfurt am Main. The German language statements are decisive.

Given the business model of SECB Swiss Euro Clearing Bank GmbH, under which the liquidity surpluses from the settlement of payment transactions in euros mostly for Swiss financial institutions are mainly held in debt securities and other fixed-income securities and these form the majority of the Company's assets, we identified the valuation of debt securities and other fixed-income securities as a key audit matter.

Auditor's Response
During our audit, we obtained an understanding of and assessed the approach to assessing impairment of debt securities and other fixed-income securities. We evaluated the information underlying the assessment made by the executive directors and checked, in particular, the correctness of the issuers' credit ratings by external rating agencies used and the market prices referenced for comparison with the amortized cost. In this context, we also determined that the assessment of impairment was applied consistently. Further, we obtained an understanding of and assessed the executive directors' assessment of the extent to which the impairments existing as of the reporting date are expected to be permanent.

Our procedures did not lead to any reservations relating to the valuation of debt securities and other fixed-income securities.

Reference to Related Disclosures
The Company's disclosures on the valuation of debt securities and other fixed-income securities are included in the notes to the financial statements, section II. "Accounting and valuation."

2. **Valuation of the provision for impending losses as part of the loss-free valuation of interest-related transactions in the banking book**

Reasons Why the Matter Was Determined to Be a Key Audit Matter
SECB Swiss Euro Clearing Bank GmbH assesses the need to recognize a provision for a surplus of obligations arising from business with interest-related financial instruments in the banking book in accordance with the requirements of Sec. 340a in conjunction with Sec. 249 (1) Sentence 1 Alternative 2 HGB and the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer in Deutschland e.V.] (IDW) announcement IDW RS BFA 3 (revised). In doing so, SECB applies the periodic method.

Given the company's business model, under which the liquidity surpluses from the settlement of payment transactions in euros mostly for Swiss financial institutions are still mainly held in debt securities and other fixed-income securities, which are offset by variable interest rate liabilities to credit institutions on the liabilities side, we have identified the valuation of the provision for impending losses as part of the loss-free valuation of interest-related transactions in the banking book as a key audit matter.

Auditor's Response
We have assessed the Company's approach to determining the provision for impending losses as part of the loss-free valuation of interest-related transactions in the banking book to determine whether the chosen procedure is in accordance with the professional announcement of the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer in Deutschland e.V.] on the loss-free valuation of interest-related transactions in the banking book (interest book) (IDW RS BFA 3 (revised)). In this context, we have in particular assessed the determination of future interest revenues from the overnight facilities at the Deutsche Bundesbank and from securities transactions as well as the corresponding future interest obligations from customer deposits.

Our procedures did not lead to any reservations relating to the valuation of the provision for impending losses as part of the loss-free valuation of interest-related transactions in the banking book.

Reference to Related Disclosures
The Company's disclosures on the valuation of the provision for impending losses as part of the loss-free valuation of interest-related transactions in the banking book are included in the notes to the financial statements, section II. "Accounting and valuation".

Responsibilities of the Executive Directors and the Board of Directors for the Annual Financial Statements and the Management Report
The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

The board of directors 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 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 Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

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

– Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.

– Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

– Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as auditor by the shareholder on June 14, 2023. We were engaged by the executive directors on January 24, 2024. We have been the auditor of SECB Swiss Euro Clearing Bank without interruption since fiscal year 2019. We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement
The German Public Auditor responsible for the engagement is Matthias Koch.

Eschborn/Frankfurt am Main, 27 June 2024

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Koch, Wirtschaftsprüfer (German Public Auditor)
Reinert, Wirtschaftsprüferin (German Public Auditor)

SECB
Swiss Euro Clearing Bank
Solmsstrasse 83
D-60486 Frankfurt am Main