Annual Report 2021

HAUCK
AUFHÄUSER
LAMPE

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The Management Board of Hauck Aufhäuser Lampe AG

Robert Sprogies
Member of the Management Board

Madeleine Sander
Member of the Management Board

Michael Bentlage
Chairman of the Management Board

Dr Holger Sepp
Member of the Management Board

Oliver Plaack
Member of the Management Board

Message from the Management Board

Dear customers, dear business partners,

The past financial year was already marked by the preparations for the long-awaited merger of the two institutions Hauck & Aufhäuser and Bankhaus Lampe, which now operate under the company name of Hauck Aufhäuser Lampe Privatbank AG. During this intensive period, the employees of both banks demonstrated a high degree of trust, a great willingness to change and, above all, tireless commitment. We have joined forces to work towards a common goal, turning two highly traditional banks into one private bank that will continue to grow with success in the future. Over the course of 2022, we will complete the technical migration. We are all the more pleased that we were also able to record an extraordinarily good annual result for 2021. Every business segment contributed to this result – for Investment Banking in particular it was an exceedingly successful year.

However, our outlook on the current financial year is naturally also shaped by the impact of the Covid-19 pandemic and all the restrictions it has placed on our daily work. After two years of Corona, adaptation of our processes and increasing digitalization, including how we communicate with customers, have become a daily routine. At the same time, both we and our customers value personal communication, which is why we continue to maintain close personal contact with our customers.

Our digital asset management service Zeedin can be accessed both personally and digitally. Since last year it has provided access to our unit-linked asset management for investments at an entry threshold of EUR 25,000. In the next year we intend to expand the spectrum of services we offer in this area and enable private investors to access a range of assets that also offers maximum digital convenience. In the Capital Markets division, we also have taken an important step towards digitalization through the introduction of a new order management system.

More good news regarding digitalization come from the Digital Assets division. Since launching the first crypto fund and announcing the takeover of one of the first authorized crypto depositaries in 2021, Kapilendo Custodian AG, we now intend to expand our activities in the near future. Crypto currencies as an asset class are highly popular among investors. For this reason, we are planning to launch more self-managed funds investing in digital assets on the market through our own – in future fully licensed – capital management company. However, the goal is not only to offer digital products ourselves, but primarily to provide external fund managers with an infrastructure for the setup, administration, custody, and safeguarding of digital assets.

When we cast an eye over our business segments, we particularly would like to highlight the results achieved by Asset Servicing. As at the end of 2021, we held more than EUR 190b Assets under Service, which equals an annual growth of more than EUR 35b and hence growth of more than 20 %. Growth is most evident in tangible assets, but liquid asset classes have also performed exceptionally well, particularly among asset managers. More important than the numerical growth, however, is the fact that our customers have remained loyal and are expanding and intensifying their business with us. In addition, we have continued to attract highly prestigious new customers. This is a sign of the high-quality work performed by our colleagues in Germany, Luxembourg and Ireland. To ensure we maintain this quality, however, we are continuing our investment activities: greater digitalization of processes, in some areas also through the use of AI, and of course we have expanded our workforce in this business segment to continue to fully satisfy all the demands placed on our services.

In the course of our fusion, the Private & Corporate Banking segments of both banks were merged, with the new division now the responsibility of Oliver Plaack, a new member of our Management Board. Our goal is to be the "Trusted Advisor" for high net wealth private individuals, entrepreneurs and families. Through our core services of asset management and advisory, illiquid investments, as well as wealth-based finance and other financing solutions, we offer a broad range of services, supplemented by corresponding services such as Financial and Estate Planning and Mergers & Acquisitions, along with the Capital Market business, which focuses on the German SME sector.

Through the newly created Growth & Transformation division, headed up by yet another new member of the Management Board, Madeleine Sander, we want to place an even stronger focus on the topics of innovation and digital transformation. For example, over the coming years, we intend to systematically tap the opportunities provided by new technologies such as artificial intelligence or blockchain to bring new flair to both our range of services and the customer experience of our bank. Madeleine Sander's division is also responsible for ESG, which will increase in importance in the future. By anchoring a Group-wide ESG function and establishing an ESG commit-tee that includes all ESG-relevant units, we will holistically pursue the implementation of our strategy along the dimensions of market, regulatory and organizational issues.

Over recent years we have been able to rely on a diversified and robust business model, and during the continuing pandemic we have already demonstrated that we are solidly positioned and capable of withstanding crises. Through the acquisition of Bankhaus Lampe, we have remained true to our strategy and will continue on our growth path. This will not only allow us to rank among the leading, sustainably profitable private banks in Germany, but also improve our presence on the ground and expand our range of services and products. This will enable us to provide even more companies and individuals with services for their investments. Furthermore, in 2022 it will be necessary to focus on the next milestone in the integration process in order to address the challenges resulting from the technical migration scheduled for the middle of the year. In addition to the continuing integration processes, however, it will also continue to be crucial in 2022 to maintain the sustainable profitability achieved in the business segments through targeted support and promotion of our employees, continuous development of products and services, investment in processes, and the greater use of technology and artificial intelligence.

We would like to express our heartfelt gratitude for the trust and support you have given us on our growth path! We look forward to continuing this cooperation with you in the future!

The Management Board of Hauck Aufhäuser Lampe Privatbank AG

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Chairman of the Management Board

Oliver Plaack
Member of the Management Board

Madeleine Sander
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Dr Holger Sepp
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Member of the Management Board

Report of the Supervisory Board

The Supervisory Board of Hauck Aufhäuser Lampe Privatbank AG, formerly Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, convened six times in 2021. It received regular reports on the management and development of the bank and supervised the conduct of the bank's affairs. Matters of general policy and specific issues were discussed in the meetings of the Supervisory Board and in numerous discussions between its Chairman and the Management Board. The development of the bank's business, its domestic and international subsidiaries, and the conditions on the market were dealt with intensively. Further subjects of detailed discussion, besides the further improvement of the bank's earnings situation, were the measures by the Management Board to cover and monitor risks, on which the Supervisory Board was briefed in detail in each of its meetings. The Supervisory Board also discussed in detail the annual reports by the heads of Internal Audit and Compliance.

The Risk Committee of the Supervisory Board decided on all credits submitted for its approval and also reviewed the risk structure of the credit portfolio. The bank complied with the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement). Special consideration was given to the coverage of the various risk aspects and adequate risk provisioning.

The bank's affairs were conducted in compliance with the rules of procedure of the Supervisory Board and the Management Board.

In addition to the current economic situation, domestically and abroad, the Supervisory Board also consistently discussed in detail the bank's future development and its risk position. The Board also comprehensively examined changes in legislation and their implications for the bank, as well as external audit reports.

At the spring meeting on 14 April 2021 the auditors reported on the 2020 annual financial statements and was available to answer questions. In addition, the Supervisory Board approved its own report on the financial year 2020 and the invitation to the Annual General Meeting to be convened on 26 May 2021. Furthermore, the Board intensively examined the annual financial statements of the bank along with the auditors' report. The Supervisory Board then approved the financial statements for 2020. The Board also intensively dealt with the acquisition of Bankhaus Lampe KG.

At its meeting prior to the Annual General Meeting on 26 May 2021 the Supervisory Board also addressed the acquisition project of Bankhaus Lampe KG and the future strategy of the new company. Another topic was the Bank's remuneration system.

The Annual General Meeting on 26 May 2021 took notice of the 2020 annual financial statements and agreed to the proposed appropriation of profit; the actions of the Management Board and the Supervisory Board were ratified. A new Supervisory Board was elected, the composition of which corresponds to that of the existing Supervisory Board and which was constituted in its meeting on 1 June 2021.

An extraordinary General Meeting of the Supervisory Board was held on 7 July 2021 which resolved an ordinary capital increase against cash contribution for the acquisition of Bankhaus Lampe KG.

On 15 September 2021, in its autumn meeting, the Supervisory Board analyzed in detail the results for the current financial year both for the Group as a whole and for the individual business segments. The Supervisory Board also dealt with the integration of Bankhaus Lampe KG.

In an extraordinary General Meeting of the Supervisory Board on 28 September 2021 the Supervisory Board approved the appointment of two Management Board members, Ms Madeleine Sander and Mr Oliver Plaack, as of 1 January 2022.

In its last meeting of the year on 15 December 2021 the Supervisory Board focused on the preliminary results for 2021 and the planning for 2022 and future years. Further, the Supervisory Board discussed the IT strategy of the bank.

At the extraordinary General Meeting on the same day, the change of name to Hauck Aufhäuser Lampe Privatbank AG was resolved.

The consolidated group financial statements and the annual financial statements of the parent company for the year ending 31 December 2021 were audited by KPMG AG.

Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, which was appointed as the company's auditors at the Annual General Meeting on 27 May 2020 and was engaged by the Supervisory Board. The auditors included the accounting records and the management reports and, following the audit, issued unqualified audit opinions on the consolidated financial statements, the annual financial statements and the management reports as well as the dependent company report. The auditors were available to answer the questions of the Supervisory Board during the meeting held to pass resolution on the consolidated Group financial statements and the parent company's annual financial statements.

In its meeting on 13 April 2022, the Supervisory Board examined the consolidated financial statements, the annual financial statements, the management reports, the proposed appropriation of profit, and the auditors' reports, and has found no cause for complaint. Following its examination, the Supervisory Board raises no objections to the conduct of the company's affairs and the contents of the documents examined, and approves the annual financial statements and gives its consent to the management reports of the Management Board and their proposal for the appropriation of profit. It hereby adopts the annual financial statements of Hauck Aufhäuser Lampe Privatbank AG, formerly Hauck & Aufhäuser Privatbankiers Aktiengesellschaft.

Frankfurt am Main, 13 April 2022

The Supervisory Board

Wolfgang Deml
Chairman

Wolfgang Deml
Chairman

Liu Qiang
Deputy Chairman

Dr Thomas Duhnkrack
Member

Carmen Herbstritt
Member
(since 25 February 2022)

Hualong Jin
Member

Xiaomin Chen
Member
(since 25 February 2022)

Nils Becker
Employee Representative
(since 6 April 2022)

Michael Mannig
Employee Representative

Ingo Repplinger
Employee Representative

Transformation

Management Report

Management Report of Hauck Aufhäuser Lampe Privatbank AG

Significant event in business policy

The completion of the acquisition of Bankhaus Lampe KG that had been announced in the prior year took place on 1 October 2021 after the approvals from the supervisory authorities were issued. The acquisition of Bankhaus Lampe KG comprises the purchase of all shares in the company. It also involves the full takeover and integration of all employees, subsidiaries, customers and locations. The renaming of Hauck & Aufhäuser Privatbankiers AG to Hauck Aufhäuser Lampe Privatbank AG was entered in the commercial register in December 2021. The former Bankhaus Lampe KG was merged with Hauck Aufhäuser Lampe Privatbank AG with effect from 1 January 2022.

Business Activities of the Bank

Hauck Aufhäuser Lampe Privatbank AG offers a comprehensive range of services at its locations in Germany, Luxembourg, Switzerland, the United Kingdom, Ireland, France and China. The focus here is the integrated consulting for and the management of assets of private and corporate customers, asset management for institutional investors, comprehensive fund services for financial and real assets in Germany, Luxembourg and Ireland as well as cooperation with independent asset managers. The bank additionally offers research, sales and trading activities specialising in small and mid-cap companies in German-speaking countries as well as individual services for IPOs and capital increases.

Hauck Aufhäuser Lampe Privatbank AG itself is not listed and is not a capital market-oriented company within the meaning of Section 264d HGB.

Hauck Aufhäuser Lampe Privatbank AG is owned by Bridge Fortune Investment S.à r.l., which has its registered office in Luxembourg and holds 99.94% of the company. Bridge Fortune is an indirect equity interest of Fosun International Ltd., which is listed and maintains its registered office in Hong Kong.

Fosun is a strategic investor with a long-term focus that enjoys a global presence and possesses expertise in the financial sector thanks to its equity interests in banks and insurance companies.

Economic Report

Economic Situation

In the past year, the global economy continued its recovery from the slump caused by the pandemic. In the course of this catching up process, global added value recorded exceptionally strong growth, especially in the first half of the year, that largely predetermined the good net income for the full year. Were it not for the disruptions in global supply logistics that persisted throughout the year and the related shortages of materials as well as high prices for primary products and energy, global gross domestic product (GDP) would likely have increased even more robustly. According to the calculations of our Economic Research unit, global GDP grew by 6.0%. The growth rate differed greatly by country, by economic region and also over the course of the year. In China and the US, it weakened as the year progressed, primarily because the massive stimulus from the prior year generated by financial and monetary policy lost a great deal of its effect. In the eurozone, the slow start-up of the vaccination campaign and strict lockdown measures continued to take their toll until the spring. But the economic region found its way back to its path to growth again at the beginning of the second quarter. However, the wave of infection that started to surge in the autumn and intensified as a result of the omicron mutation had a noticeable adverse impact on economic activity more recently.

Monetary Policy

The Federal Reserve (Fed) in the US kept its target range for the base rate at 0.00% to 0.25% and continued to support the economic recovery with extensive net bond purchases in 2021. Based on the progress achieved on the labour market, it announced that it would continuously cut back its supply of liquidity starting from the middle of November. As it weighted the risks of inflation more heavily in December, it decided to accelerate the reduction of its net bond purchases. The Fed is now holding out the prospect of a series of rates hikes as well as the start of efforts to shrink its balance sheet for 2022.

In contrast, the European Central Bank (ECB) maintained its low deposit facility rate at –0.5%. As part of its pandemic emergency purchase program (PEPP), it significantly expanded its purchases of securities over the summer months so that it could continue to ensure favourable financing conditions. It throttled back the PEPP purchases in the fourth quarter of 2021 and in December justified the program's end, set for the end of March 2022, on the basis of the progress of the economy and the medium-term inflation outlook. The ECB is pulling back from its net purchases more quickly on account of the rapid rise in inflation. The ECB is pulling back from its net purchases more quickly than it originally promised on account of the rapid rise in inflation. The ECB's focus on inflation is considerably greater than its fears about the economy resulting from the war in Ukraine. However, it has still not decided to increase the deposit facility rate yet.

Fixed-Income Securities

The US 10-year treasury yield experienced major fluctuations in 2021. After an initial sharp increase from 0.90 % to over 1.70 % until the spring, in the run-up to the summer it fell back to under 1.20 % at times in the wake of slowing economic momentum in China and the US. However, the upwards trend towards 1.80 % resumed in the second half of the year. The reasons for this were the growing inflationary pressure and accompanying expectations of a rate hike on the financial markets. The accelerated withdrawal from its securities purchases indicated by the Fed and its heavier emphasis on the risks of inflation bolstered the rise in the yield. A similar, albeit less intense volatility characterised the yield of the 10-year German government bond, which moved within a range from –0.55 % to close to 0 %.

Shares

Despite the numerous adversities throughout the course of 2021, stock markets around the world posted significant price rises. Good earnings reports and higher profit expectations from companies were some of the factors that acted to support prices. Although worries about the progress of the pandemic and expectations of a swifter tightening of monetary policy weighed them down at times, leading indexes around the world ultimately reached record levels. At 16,290 points, the DAX recorded a new all-time high in the course of the year, and the S&P 500 also hit a new record at 4,793 points.

Industry Environment

Overall, the industry environment for financial services institutions in 2021 was heavily influenced by the corona pandemic for the second year in a row. Some of the main strands of development that it has been possible to observe in the industry in these two years can be found in the conversion of operating models to wider remote operation, cost reductions and monetary and fiscal measures that have had the effect of creating excess liquidity on the market and the continuation of the low interest rate environment, all of which have been heavily influenced by the corona pandemic and its after-affects.

For example, in the pandemic banks successfully converted their operations to begin with in a way that only a few would have considered possible before. Banks managed to switch their operating processes almost completely to a virtual model and to arrange for their staff to work remotely. This meant that the banks could still be contacted even during lockdowns, and they were able to win back the trust of corporate and private clients that had been lost in earlier years by proving themselves to be reliable partners during the pandemic.

At the same time, the banks made progress in their operating cost structure. Thus it proved possible to reduce the aggregated cost-income ratio by 4 percentage points from 2019 to 2020 while earnings remained stable. This can be attributed here not only to lower costs for travel and events, but also to positive restructuring effects. For example, the pandemic has also had a sharp impact on the design of the branch networks. The reduced requirements of customers for personal contact accompanied by the wish of banks to reduce costs led to a reduction in the number of branches, which dropped by 2,567 to 24,100 in 2020 alone.

A third development in the industry environment of the banks is the monetary and fiscal measures triggered by the pandemic that the governments and central banks not only in Germany but also in Europe and the whole world introduced. On the government side these included employee short-time work programs, moratoriums on loan repayments, deferrals of rent payments, loans guaranteed by the KfW national development bank and direct corona aid for the catering industry. In addition, central banks provided liquidity support, for example in the form of targeted longer-term refinancing operations (TLTROs) and by continuing the negative interest rate environment for deposits in order to encourage lending. As a result, it proved possible to significantly mitigate the direct economic consequences of the corona pandemic for the banking system. On the statements of financial position, the consequences of these measures can be seen in the increase in the lending volume at banks over the last two years. For example, loans to non-banks (enterprises, households and general government) in the euro currency area rose by around 15% from the end of 2019 to the end of October 2021 according to the Bundesbank's statistics. The volume of lending to enterprises and private households expanded here by a total of 8% from the end of 2019 to the end of September 2021, where loans for private housing constituted the main driver, rising by 11.2% from the end of 2019 to the end of September 2021. In parallel with the increased demand for credit, there were also implications for the liabilities side of bank statements of financial position. For example, overnight deposits of non-banks in Germany increased by around 19% from the end of 2019 to October 2021. The rise from January to October 2021 turned out to be somewhat more moderate here at +6%. In times of continued negative interest rates on overnight deposits at the ECB, the general conditions for the banks to use the expanded lending business to increase profitability are therefore not favourable.

One direct consequence of the low interest rates is the search by investors for alternative investments, and the asset class involving tangible assets is benefiting particularly from this search.

In Germany, for example, this asset class has not only seen an increase in inflows, but the portfolio of these investments has grown steadily since 2018, The Bundesverband Investment und Asset Management (BVI) reports that net assets in open-ended mutual funds for tangible assets stood at EUR 123b as at September 2021 – by comparison, the value three years ago was EUR 96m.

The current developments that can be seen in the industry environment of the banks are anchored in the current and future regulatory environment as well as in the ongoing megatrends such as digitalization, climate change/sustainability/ESG and demographic change. However, the impact from the corona pandemic may further reinforce these developments or put a brake on them.

Financial Performance of the Banking Industry

For several years the financial performance of the banking industry in Germany has already been marked by low returns compared to the rest of Europe and the world. Declining income accompanied by increasing costs combined with the resulting low levels of efficiency are regularly identified as the main drivers here. This trend also continued in 2020, the first year of the corona pandemic. According to assessments by the Deutsche Bundesbank, the operating profit at all banks in Germany fell from 0.26% of the average total assets to 0.22% from 2019 to 2020. Converted into calculations of the return on equity of the banks, the management consultants Bain & Company estimate that this means an aggregated return on equity for 2020 of –0.1%. If the capital injections driven by the bans on dividend payments are excluded, the return on equity would still be around 1.1% in 2020.

Up-to-date figures on the financial performance of the German banking industry for 2021 are not yet available at the moment. However, based on our assessment, the second year of the corona pandemic is unlikely to have prompted a reversal of this trend. If this development with falling income and increasing costs and loss allowances continues, the management consulting company McKinsey forecasts that the average return on equity will be 0% in 2030.

In an industry comparison, the automotive banks are best placed: they maintained a stable return on equity in 2020 while all other banking groups recorded declines. Of this last group, direct banks, mortgage banks and private banks still record the highest returns on equity after tax at over 5.5%.

The main driver behind the weak profitability in 2020 despite the decline in administrative expenses was the measurement result of the institutions in this first year of the pandemic. Throughout the industry, the banks had to almost double their loan loss provisions to EUR 13.3b set against EUR 6.7b in 2019 and EUR 6.8b in 2018.

The composition of the gross profit revealed in turn that, as before, over 70% of the banks' income is generated from the interest rate-related business, while less than 30% is attributed to the commission business. The continuing major dependency of the German banking industry on interest income is therefore weighing on the banks in two ways in the current situation, on the one hand as a result of high write-downs in this time of crisis sparked by the pandemic and, on the other, as a result of the sustained low interest rate environment. This is putting a strain on income generation, as it is ever more difficult to invest customer deposits profitably when the ECB's deposit facility rate is less than 0%. Moreover, the higher-yielding investments and loans entered into by the banks in the past are gradually petering out and cannot be adequately replaced at the interest rate level achievable on the capital markets. Interest income is consequently declining.

Ultimately, from the analysis of the financial performance of banks in Germany it can concluded that currently successful business models on the German banking market are characterised by a focus on cost efficiency and product concentration as in the case of the direct banks and automotive banks, on a boom subject such as property financing or generally on a reduced dependency on interest income and an emphasis on the commission business as is primarily the case with the private banks and also the automotive banks.

Regulatory Influence on Bank Business Models to Continue in the Future

A large regulatory influence on the business and operating models can continue to be expected for the European banking landscape. Consequently one can also continue to assume that banks will have to invest significant amounts in their staffing and systems in order to implement all future regulatory measures according to schedule.

Further extensive regulatory measures for future implementation, irrespective of the size of the institutions, are being produced, which will mean that the industry will also be shaped significantly by this regulatory influence in the future. These measures include:

- EU Banking Package (CRR III, CRD IV, BRRD), published on 27 October 2021
- ESG regulation – EU package of measures of 21 April 2021 including a taxonomy regulation, a disclosure regulation and six other amending acts
- Amendments to MiFIR and MiFID II, published on 25 November 2021
- Eurosystem Collateral Management System (ECMS)

Digitalization

The entire financial industry, and consequently also the banking sector, is subject to a high degree to the influence of the megatrend of digitalization. This megatrend is having an impact on the banks' business and operating models at several levels. What this means specifically for banks is that, on the one hand, changes in customer needs will entail new digital experiences, but also, on the other hand, that digitalization is changing the internal method of performing services using business processes.

In simple terms, it can moreover also be concluded that digitalization is not a self-contained process that is completed once it has been successfully implemented. Rather, digitalization is the spark for a permanent dynamic. This can be illustrated by the example of online banking, which years ago was regarded as a digital innovation, but which is today the established market standard. Staying with this example, today's focus is therefore much more on vigorous development and the smooth and seamless cross-media dovetailing of all channels – from the physical to the online and then on to the mobile. To be able to survive and succeed in this environment will additionally require a high degree of empathy for customer needs. This empathy for the customer and the heavy use of technology have traditionally always been strengths of financial technology companies. Neobanks offer an example of these strengths: the N26 bank has successfully built a customer base of more than 7 million people in the space of a decade.

Another sub-trend in digitalization has gained significant momentum in the last few years and not just in the context of applications in banks. The use of artificial intelligence in banking is likely to have a major influence on various aspects of the value chain. On the one hand, this could be on the customer side – for example where artificial intelligence can be used to systematise the identification of new customers. On the other, the efficiency of financial institutions can be further boosted, for example through reduced error rates, automation and the improved use of resources. However, a prerequisite for broad application is the availability of systematic data. That includes both standardised access to a bank's internal data and the connection to external data sources in order to realise the full potential offered by artificial intelligence.

Another important theme for banks in the context of digitalization is the current developments involving digital assets and electronic securities. While securities have generally been securitised as physical certificates in the past, it will be possible to issue and recognise a majority of securities in digital form in the future. The German parliament reached a decision on this on 3 June 2021 with an act on the introduction of electronic securities, which can be entered, for example, in a register based on blockchain technology.

Another medium-term reaction is expected to consist in stronger decoupling in the production of goods, and also services where possible, from the previous physical location and from the purely human performance of a service. An example of this in the finance sector is offered by the emergence of the hybrid advice model. Financial consulting is conventionally performed by an adviser at the location of the producer, i.e. in a sales branch. Hybrid advice is likely to change two dimensions here in the future – firstly the venue where the service is performed and secondly the person who the service is performed by. For the latter, this means that a part of the value added may be provided in future by an automatic solution. This is illustrated in investment consulting by an application where an investment proposal is automatically generated based on the standardised query of customer parameters. Looking at a value chain, part of it will thus be able to be performed in the future by automatic solutions, while other valued added steps that are more sensitive from the customer's perspective will continue to be performed by an adviser.

Overall, we expect the digital transformation of companies to develop even more powerfully than before as a success factor. Moreover, digitalization will remain an important financial and non-financial success factor. This is true to a particular extent in the business with private customers, but also more generally in the operating models of all banks. For example, digital trailblazers are distinguished on the one hand by a higher return on equity and, on the other, by a low cost-income ratio in comparison with digital laggards.

ESG – Environmental, Social, Governance

The global megatrend involving climate change and sustainability continues to develop under the umbrella term ESG and has gained increasing importance for banks in the last few years. The allocation of funds to the various sectors of the economy calls for important decisions concerning future developments.

The implementation of the Paris Agreement and the plan that the EU Commission has developed from it to involve financial actors in the transformation of the economy to greater sustainability came into force with the adoption of the Climate Act in December 2021. The implementing regulations of the EU Commission of 6 July 2021 were published in the Official Journal of the European Union successively in the fourth quarter of 2021. These already result in reporting requirements for the financial year 2021, and we look at these in more detail in the non-financial statement.

In addition, the Sustainable Finance Disclosure Regulation of the EU came into force in March 2021. This regulation lays down an obligation on the finance industry to take the topic of sustainability into account and to report in the interests of its customers how sustainable its relevant activities are.

In addition to regulatory initiatives, banks and companies in general are additionally finding themselves facing great interest among consumers in acting sustainably themselves. We expect this to result in increasing requirements from consumers for the companies to do this, too. For example, a survey by the audit and consultancy firm PricewaterhouseCoopers (PwC) revealed that for almost 50% of respondents the treatment of sustainability played a role in which bank they decided to use.

In this context, ESG describes the consideration of criteria and factors from the areas of environment, social and governance. The areas of a bank that are affected can be many and varied here and include both external and internal dimensions. For example, a range of products and services based on ESG (e.g. green bonds or asset management making sustainable investments) have to be developed, while ESG activities of competitors or general customer and market expectations in respect of ESG criteria (e.g. ESG rating and sustainability reporting) have to be taken into account. In the organisation itself, the requirements of employees (e.g. e-bikes as company bicycles) have to be accommodated and processes (e.g. supply chain processes) have to be geared towards sustainability, while adjustments have to be made to risk management processes in order to take transitory and physical risks into account.

The transition to a sustainable, climate-neutral economy will become important for the business profile of the banks in the years to come primarily in relation to two aspects. This is the politically desired and guided financing of the transition of the economy. The banks will have to enter into not insignificant risks here, as changes to their business model will frequently be produced for their financing customers from the transition. A study by the European Banking Authority in 2021 comes to the conclusion here that currently more than half of banks exposure to companies that are not SMEs is allocated to industries where an increased transition risk will be seen. On the other hand, new sources of income in the areas of investment, financing, consulting, data provision and risk transfer will open up for the banks as a result of financing the transition to a more sustainable economy. The income effect on banks in Europe is estimated by the Oliver Wyman consulting company to be EUR 25b to EUR 50b here, with new business accounting for 25% of this.

Demographics

On the private customer side, the banking industry is subject to the gradual ageing of society, which is also facing the same experience. This shifting age structure is changing not only the daily necessities of life, but also the requirements customers are placing on banks as they accompany their customers on this path. Especially for private high networth customers, complex questions and legal issues are emerging in terms of the transfer of their wealth. The primary goal for wealthy individuals and family business owners is to pass on their assets.

However, at the same time, customer requirements are also changing at the other end of the age pyramid. The challenge faced by banks consists in also providing a constantly suitable offer here to remain relevant among the younger group of customers. Digital information and communication channels will be increasingly used in this segment, which typically includes highly digitally literate customers.

However, the gradual ageing of society is having an impact on the banks' business and operating models not only on the customer side. Effects are also becoming noticeable on the supply side, specifically the employee side, For example, the first cohorts of the baby boomer generations from 1955 to 1969 are already retiring. One direct consequence of this may be an increasing skills shortage. This sets the banking industry the challenge of continuing to find qualified staff. In the competition for suitably talented staff, employers are increasingly adapting to the needs of their personnel, also because employees are setting greater, or changed, requirements as a result of the skills shortage. The corona pandemic of 2020 has made especially clear the importance of the balance between family life and career both for employees and for the companies seeking to maintain their productivity. Also to be noted in this context are social and political developments, such as the "German Second Management Position Act" adopted at the beginning of 2021 to ensure greater thought is given to having women in management positions. Demographically, then, banks are having to face up to the challenge not only of rejuvenating their workforce, but also maintaining their productivity through family-friendly working conditions, while at the same time enabling women to work more widely in management positions instead of abandoning this kind of career in favour of their family.

Conclusion

The industry environment in which Hauck Aufhäuser Lampe operates continues to be subject to emerging megatrends such as digitalization. At the same time, the banking sector is facing dynamic impetus for change, also because of its central role in the national economy, as a result of social, economic and geopolitical challenges. The risks, but also the accompanying opportunities, for the Bank's financial performance are continuously monitored and measured. We are actively addressing the derivation of strategic stimuli from these challenges, for example in the expansion of existing business fields or the establishment of new ones. Especially in view of our digitalization, for example in the area of digital assets, we consider the Bank to be highly competitive as we position ourselves to take advantage of the changes in our industry environment.

Financial Performance

The Hauck Aufhäuser Lampe Privatbank AG financial year concluded with positive earnings after tax of EUR 23.4m (previous year: EUR 56.7m).

Net interest income came to EUR 1.2m in the year under review after EUR 33.9m in the prior year. On account of the continuing low interest rate phase, interest income contains EUR 17.7m in negative interest from loans and advances, while negative interest of EUR 36.6m from liabilities is included in the interest expenses.

Net commission income grew to EUR 163.4m following EUR 125.0m in the prior year.

General and administrative expenses increased year on year by EUR 37.8m to EUR 178.0m. The rise essentially reflects the costs of the digitalization projects and the increase in the number of personnel. A large share also relates to the costs for migrating Bankhaus Lampe KG.

The other operating result came to EUR 15.3m (prior year: EUR 23.1m). The increase in the year under review is primarily the result of allocations of intragroup expenses, write-ups of provisions, income from the foreign exchange business and income from the annual VAT calculation.

Risk provisions in the lending business including write-downs and write-ups on specific securities were reduced year on year to EUR +4.5m (prior year: EUR –10.2m). In the reporting year, there were considerably lower write-downs on securities than in the prior year.

As in the prior year, the balance from the write-downs and impairments and write-ups on equity interests, investments in affiliated companies and long-term investment securities amounted to EUR 0.2m.

Additions of EUR 15.0m and reversals of EUR 2.4m were made for the fund for general banking risks in the year under review. There were no movements affecting earnings in the previous year.

Earnings before tax from ordinary activities came to EUR 32.8m in the year under review compared with the corresponding prior year's figure of EUR 69.0m.

Income and other tax expenses amounted to EUR 9.5m (prior year: EUR 12.3m).

Financial Position and Financial Performance

In response to the trend towards digitalization, the bank drew up a catalogue of measures that has been successively implemented starting from 2018. The progress achieved was continued in 2021.

The Bank had unrestricted access to the money and capital markets in the period under review. Liquidity and the ability to make payments was given at all times. At all times it was possible to raise the funds necessary for a balanced funding mix. Hauck Aufhäuser Lampe continued to enjoy a comfortable liquidity position throughout the period under review.

Notes to the Balance Sheet

Total assets of the Hauck Aufhäuser Lampe Privatbank AG increased in comparison with 31 December 2020 by EUR 1,695.4m to EUR 8,408.6m.

The cash reserve increased by EUR 1,705.4m to EUR 4,569.2m in the year under review (prior year: EUR 2,863.8m).

Loans and advances to banks at EUR 149.0m were down EUR 14.1m year on year. As in the previous year, bank facilities were not used so heavily.

Loans and advances to customers moved up by EUR 79.4m to EUR 552.3m, and are up on the prior year.

Debt securities and other fixed-income securities decreased by EUR 333.0m to EUR 2,086.0m as a result of maturities which were not reinvested on the capital market as at the reporting date.

The portfolio of shares and other variable-yield securities increased moderately by EUR 1.9m to EUR 248.9m year on year.

Other assets rose by EUR 23.2m to EUR 402.2m. The increase can essentially be attributed to higher receivables from cash collateral.

Liabilities to banks moved down by EUR 65.4m to EUR 338.0m large due to the decline in time deposits. Liabilities to customers rose by EUR 1,518.9m to EUR 7,231.2m.

Foreign currency assets increased by EUR 351.5m to EUR 1,505.8m, while foreign currency liabilities declined by EUR 380.7m to EUR 1,555.0m.

In comparison to 31 December 2020, subscribed capital increased by EUR 10.4m to EUR 28.8m, and was divided into 554,596 bearer shares (prior year: 354,715), each with a notional share of EUR 52.00.

The Bank has reported equity of EUR 531.5m (prior year: EUR 308.2m) as at the reporting date.

As at 31 December 2021, the Bank's own funds pursuant to Article 72 CRR amount to EUR 546.6m (prior year: EUR 302.3m) and consist of common equity tier 1 capital, which essentially comprises the subscribed capital, the reserves (core tier 1) and the special item for general banking risks in accordance with Section 340g and Section 340e HGB in the amount of EUR 64.4m.

Hauck Aufhäuser Lampe calculates its regulatory capital in accordance with the rules of the Capital Requirements Regulation (CRR).

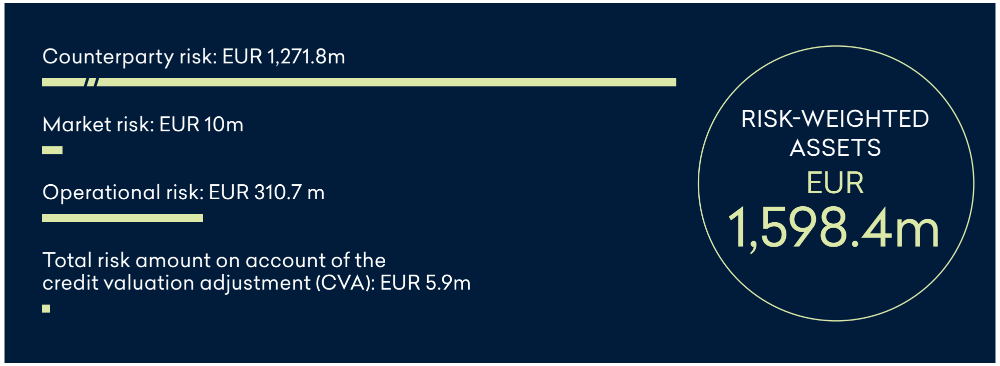
Counterparty credit risk is calculated using the credit risk standardised approach.

As a trading book institution, Hauck Aufhäuser Lampe takes share price, foreign currency, commodity and interest rate risks into account as the market risk exposure. The regulatory standardised approach is used for this. Interest rate risk is quantified using the original exposure method. The delta-plus method is applied in the option price risk.

The Group's operational risk is calculated for regulatory purposes using the basic indicator approach.

The regulatory own fund requirements for the credit valuation adjustment (CVA) risk are calculated on the basis of the standardised method.

In the year under review, the risk-weighted assets increased by EUR 341.1m to a total of EUR 1,598.4m. They break down as follows:



The resulting total capital ratio amounts to 34.20 % (prior year: 23.78 %).

The leverage ratio comes to 12.14 % (prior year: 6.96 %).

The regulatory requirements are satisfied in full.

Off-balance sheet obligations were up against the prior year by EUR 15.8m (prior year: EUR 128.5m). While contingent liabilities declined by EUR 3.5m, irrevocable loan commitments rose by EUR 19.3m.

Funding

As in previous years, in the year under review the traditionally high levels of customer deposits bolstered the Bank's funding base. However, this base continues to be marred slightly by the ECB's negative deposit facility rates.

Business Situation in Financial Year 2021

Hauck Aufhäuser Lampe recorded a satisfactory performance overall for financial year 2021. On the one hand, the business was successfully restructured following the conclusion of the takeover of Bankhaus Lampe KG, while further organic growth initiatives were launched on the other. Following the merger of Bankhaus Lampe KG with Hauck Aufhäuser Lampe with effect from 1 January 2022, the Bank now offers its customers a wider range of services. Hauck Aufhäuser Lampe now also has a complementary network of branches. As a result, Hauck Aufhäuser Lampe also implemented an organisational structure in 2021.

At the same time, we can also look back at a successful 2021 in financial terms. Both earnings after taxes and net interest and net commission income continued to develop positively.

Hauck Aufhäuser Lampe will also aim to generate further growth – organic and inorganic – in 2022.

Moreover, a variety of initiatives for digitalising and modernising the Bank are being examined on an ongoing basis and are also implemented if they are found to be suitable.

In addition to traditional private banking solutions, Hauck Aufhäuser Lampe also offers its clients a large number of other services for financial intermediaries, entrepreneurs and institutional investors.

The continuing changes in the competitive environment, the unchanged regulatory requirements, the persistent low interest rate environment in combination with the range of monetary policy measures by central banks and the resulting changes in the markets demand that the business model is regularly subjected to critical review.

The Bank works constantly on the following challenges:

- Company size
- Strategic growth
- Profitability

Hauck Aufhäuser Lampe has a high Tier 1 capital ratio, which serves as an indicator of the financial reputation of a private bank. We have additionally implemented a regular rating from the Creditreform rating agency. This was in response to increased regulatory and also customer requirements.

The operating activities continue to focus more strongly on the consulting business than the on-balance sheet business.

Especially against the background of the low interest rate environment, it is a challenge for the Group to develop a diversified and stable earnings base. This includes in particular generating a sustainable increase in the share of the commission income.

Performance in the Business Segments

Together with its subsidiaries, Hauck Aufhäuser Lampe is represented at a total of eleven locations in Germany, among the main economic areas of Frankfurt am Main, Munich, Berlin, Hamburg, Düsseldorf and Stuttgart. Furthermore, we maintain other branches at European locations in Luxembourg, Vienna, Paris, London and Dublin. Internationally, we are additionally represented through our branches in Nanjing and Shanghai. We conduct business at these locations along our core business segments of Asset Servicing, Private & Corporate Banking, Investment Banking and Asset Management, which we describe below.

Asset Servicing

The core Asset Servicing business segment comprises the Financial Assets and Real Assets divisions. We offer here all the services related to the administration of investment products for independent asset managers, financial service providers, institutional investors, asset managers and investment companies with a focus on Germany, Luxembourg, Switzerland, Ireland and Austria.

As a single source, one-stop provider, the Financial Assets business segment provides support for fund initiators in designing, launching and establishing their financial market products. As a depositary for alternative investment funds (AIFs), the Real Assets business division offers a broadly diversified range of services for investments in tangible assets, such as the asset classes involving real estate, private equity and venture capital, infrastructure and renewable energies – and it does so for both German and Luxembourg fund structures. In addition, we offer other fund services in Luxembourg, such as central administration and fund management as an alternative investment fund manager (AIFM), either as individual modules or in a package.

Thanks to the Real Assets business segment, Hauck Aufhäuser Lampe is benefiting from the long-running trend towards investments in fixed and alternative assets as opposed to financial securities. This trend continued to take shape for Hauck Aufhäuser Lampe in 2021.

In addition, Hauck Aufhäuser Lampe decided to enter the digital assets market in 2020. Further measures were initiated in 2021 to develop this business segment. One step that was taken here was the agreement to take over the financial technology company Kapilendo Custodian AG.

Another step was taken with the establishment of a Digital Assets organisational unit within the Asset Servicing business field. This unit bundles our activities for establishing our operating activities, for example in the area of fund services or in portfolio management for digital assets.

The financial success of the core Asset Servicing business segment was significantly higher in the period under review than the value for the prior-year period.

Private & Corporate Banking

The Private & Corporate Banking core business segment at Hauck Aufhäuser Lampe focuses on asset management, investment advice, access to alternative investments and financing solutions. Our solutions are designed in particular to meet the needs of high net worth individuals, families and enterprises. A particular feature of our establishment is that our range of products and services are geared equally to the private sphere and the corporate realm.

One of our traditional core competences lies here in the development of integrated asset solutions, in the form either of asset management or of investment advice. In a first step, we analyse together with the customer their values, investment mentality and investment objectives. At the same time, the desired relationship between security, profitability and availability of the assets is defined.

In addition to traditional consulting, Hauck Aufhäuser Lampe also provides a digital sales channel for asset management that operates under the Zeedin name. The client here enjoys digital access to Hauck Aufhäuser Lampe's investment management expertise and additionally to the option to take advantage of personal advice.

In the context of financing solutions, we focus on three financing cases. Firstly, this covers the corporate sphere using the common forms of corporate financing. Our second focus includes the lending of assets in order to provide our customers with greater leeway to invest. Our third focus comprises residential property development projects as well as commercial project developments – in the form of prime senior loans and/or subordinated mezzanine loans. All the financing cases have one thing in common: we stand out as a private bank for financing options thanks to our high degree of individuality.

In Hauck Aufhäuser Lampe's operating business, it again proved possible to expand the new business, with the result that the continuation of the significant upwards trend in private banking was maintained with a net volume of new business far higher than in the prior year.

The financial success in the Private & Corporate Banking core business segment in the period under review was roughly the same as that of the prior-year period.

Investment Banking

The core Investment Banking business segment comprises the business fields of investment banking and financial markets.

The financial success of the core Investment Banking business segment was significantly higher in the period under review than the value for the prior-year period.

Investment Banking Business Field

Our investment banking offers a large number of services in the equities area and concentrates here on institutional investors with a focus on mid-cap companies in Germanspeaking countries. We offer institutional investors our range of research, sales and trading activities. The second focus is our expertise in corporate finance activities for medium-sized enterprises – primarily in IPOs and other equity capital measures.

The close cooperation between our research team, our sales specialists and the trading sections and our access to investors enables integrated consulting for institutional investors, financial investors and enterprises.

We act as a designated sponsor on the trading platform of the German stock market (Xetra) and as a market maker on the Austrian stock market (Xetra Vienna).

In addition to the trading activities, we also advise enterprises, shareholders, financial investors and family offices in all important strategic questions relating to business development as well as in M&A transactions.

Based on the very positive environment for initial public offerings in Germany, driven among other things by the largest number of IPOs in Germany since 2007, we can look back on a very successful year in 2021.Our Investment Banking segment further reinforced its market position for German-speaking small and mid-cap enterprises in 2021 and again supported a double-digit number of capital market transactions.

Financial Markets Business Field

The Financial Markets business field offers a wide range of services – including securities trading, fixed income sales trading and interest and currency management.

Securities trading has traditionally been one of Hauck Aufhäuser Lampe's core competencies. The services we offer our customers include cross-asset execution, fund trading and pooling for mutual funds and exchange-traded funds as well as futures trading, where we offer our clients the opportunity to take advantage of volatile market developments by using our expertise in trading in exchange-traded derivatives – in particular on the Eurex Exchange for futures.

In the Fixed Income Sales Trading unit, we provide clients with support in navigating national and international bond markets and in profitably implementing investment decisions. Moreover, we support our customers in generating investment ideas and design individually tailored solutions that are geared towards the strategic focus and reflect an independent market assessment.

In the area of interest and currency management, we offer our customers structured solutions for hedging interest rate and currency risks, and we also aim to live up to our claim of providing full and integrated services for the corporate sphere of private entrepreneurs.

Asset Management

The core Asset Management business segment covers the whole range of services for managing liquid assets as well as our offer in illiquid, alternative investments on private capital markets. In both instances, we focus on asset solutions for high net worth individuals as well as professional and institutional investors. Through our Client Solutions offer, we provide customers with access to precisely this asset class.

As part of the management of liquid assets, we offer a fundamental, analytical or a systematic, rules-based asset management approach. The focus in the fundamental, analytical approach lies in the active management of personalised, globally oriented pension, equity and multiasset mandates. The systematic, rules-based approach is understood to involve the fact-based analysis of market data, fundamental and alternative data on the basis of reliable and accurate findings from modern capital market research. These approaches are embedded in transparent and risk-managed investment processes. The focal point of the operating activity is in Germany and Luxembourg.

As far as the liquid asset management is concerned, the financial year 2021 and thus the generation of earnings was heavily characterised by the influence of the Covid-19 pandemic.

In the Client Solutions field, we see ourselves as a partner for institutional investors and a cooperation partner for all services related to the capital market services. With a clear focus on small to medium-sized transactions, we develop, distribute and broker selected products and solutions for investments by institutional customers and financing options for companies on the capital market.

The financial success of the core Asset Management business segment was significantly higher in the period under review than the value for the prior-year period.

Opportunities and Outlook

Outlook – Macroeconomic Environment

Russia's invasion of Ukraine that started on 24 February 2022 represents an exogenous shock. The uncertainty surrounding the duration and outcome of the war at the moment makes it virtually impossible to estimate the economic consequences. Despite the phasing out of the majority of corona restrictions, the war will put a brake on any economic progress. Among the adverse effects that will be felt are further disruptions to supply chains, higher energy and commodity prices and the related loss of purchasing power especially in private households. Our Economic Research team expects GDP growth of 3.3 % for the US 2022 following 5.7 % in 2021. GDP growth of 5.0 % (2021: 8.1 %) is forecast for the People's Republic of China, while the projection for the global economy is 3.6 % following 6.0 % in the prior year.

Eurozone/Germany

The eurozone is considerably more exposed than the US to Russia on account of the closer economic ties and the high dependency on Russian energy imports. This is also true for the financial relationships between Western Europe and Russia. A severe recession would likely be inevitable if there were an abrupt stop to Russian supplies of raw materials or a trade embargo by Western states. If these do not happen, our Economic Research team expects GDP growth of 3.6 % (2021: 5.3 %) for the eurozone for 2022 and a growth rate for Germany of 3.0 % following 2.9 % in 2021.

Consumer Prices

The massive increase in the prices for energy and commodities as a result of the war in Ukraine has again exacer-bated the rise in inflation from the beginning of 2022. Continuing cost pressures caused by supply bottlenecks and prices rises being passed on add to the situation. Inflation rates are expected to peak only in the second quarter of 2022. Even if slightly lower rates are likely in the second half of the year, an annual average inflation rate of 6.3 % is expected for the eurozone, a jump from 2.6 % in 2021.

Government Bonds

The Federal Reserve in the US and the European Central Bank are both holding out the prospect that they are going to turn away in 2022 from their previous extreme, ultra-expansive path. High-quality government bonds will be weighed down by this. We forecast a yield on 10-year German government bonds of between –0.20 % and +0.60 % in 2022. The corresponding US Treasury yields are likely to be in a range from 1.50 % to 2.70 %.

Stock Markets

Global growth prospects are likely still to suffice for a moderate increase in company earnings in 2022. A major challenge remains the restoration of global supply chains, as these are also closely related to the earnings expectations of the participants on the financial markets. Despite the generally less expansive direction that monetary policy is going in and higher yield levels for first-class government bonds, the general conditions for further rises in prices on the stock markets are likely to remain. However, a return to the high price levels previously achieved will be difficult in the next few months, even if the war in Ukraine heads towards a peaceful resolution.

Outlook – Market and Competition

We continue to expect a challenging, but at the same time dynamic, environment for the banking market in 2022. So we continue to assume a low interest rate environment to start with, but expect a reversal in interest rates to be implemented as the year progresses. In particular, the emerging inflation in the eurozone, and even more sharply in the US, means that the central banks might respond by hiking key interest rates or reducing the purchasing programs. For example, the Federal Reserve has already initiated the first steps to move away from the negative interest rate environment, and the same cannot be ruled out for the European Central Bank.

The fighting in Ukraine is exerting a further, heavy influence on the business environment. How things will develop politically and what the implications will be for the macroeconomic situation cannot be forecast right now. On the one hand, what economic consequences the sanctions that are now in place will have cannot be estimated.

Taken together, these two factors, that is firstly the possible hikes in key interest rates and secondly the economic situation, driven by geopolitical tensions, may have a significant influence on the real economy and consequently on the banking sector.

In addition to these external influences, in the year ahead the banking sector will continue to be shaped by the high significance of the themes of regulatory requirements and risk management. In particular, the contribution that the financial sector is being called on to make by the regulatory requirements to the transformation of the economy towards greater sustainability will exert a major influence on banks' business policies. On the one hand this is the result of the supervisory authorities' regulatory measures and is being driven on the other by strong customer demand for sustainable financial products.

Beyond the regulations relating to greater sustainability, other regulatory measures are also on the horizon. These include the more detailed specification of the regulation of digital securities, such as the digital euro for example. Furthermore, the banking sector will likely be faced with the challenge of furnishing higher own funds. In this connection, on 12 January 2022 BaFin announced that it intended to make use of the countercyclical capital buffer and that it is expected that 0.75% of the risk-weighted domestic assets will additionally have to be kept in the future as a minimum requirement with effect from 1 February 2023.

For banks that focus their business policy on the area of residential property, there will moreover be a further increase in the own funds requirement as the result of a sectoral systemic risk buffer on 2% on the risk-weighted assets.

However, these two measures will have only a limited impact on Hauck Aufhäuser Lampe. The bank is also maintaining its intention to be capitalised comfortably higher than the minimum requirements that have now been increased slightly. Because of its business model, Hauck Aufhäuser Lampe also does not focus on financing residential properties.

As a bank, we continue to assume that our business will operate in interaction with the megatrends of sustainability, demographics and digitalization. Moreover, our business is subject to short and medium-term trends where some of the causes are indirect – for example the consequences of the pandemic and geopolitical conflicts. To be able to hold its ground in this environment, Hauck Aufhäuser Lampe will require a high degree of adaptability and a readiness to innovate.

The impact of the Ukraine crisis and of the Covid-19 pandemic, now in its third year, cannot be predicted at the moment. We do not anticipate any major effects from our exposures in Ukraine and Russia in 2022.

We continue to expect strong competition in our industry environment also in 2022. In contrast to prior years, the industry experienced a successful year overall in 2021. As profitability has partially recovered and given the general size of the German banking market, where Germany is the largest national economy in Europe, there will be no let-up in the competitive pressure.

The competitor landscape remains diverse and keen here. All the individual competition segments are characterised by a high level of dynamism. The major German banks in particular are experiencing a reversal in trends in the private banking sector following years of negative developments. The combined segment of public institutions and cooperative banks continues to be shaped by strong consolidation momentum. Given the subsequent change in size, it can be assumed that the competitive situation will also continue to intensify in precisely this segment, in so far as these institutions and banks and Hauck Aufhäuser Lampe find themselves in competition in a business field. We are also witnessing a high level of dynamism in the technology companies segment in the financial industry. The fintech group in particular has continued to gain significant momentum in the past two years of the pandemic, boosted also by high levels of financing parallel to their multi-billion valuations (e.g. N26, Trade Republic, Solarisbank, Scalable Capital). We therefore continue to expect a great deal of vibrancy among these market players, also in the very relevant field of digital customer interfaces.

At Hauck Aufhäuser Lampe Privatbank AG, we see ourselves in competition in particular with private banks, multi-family offices, individual independent asset managers and asset servicing providers. We currently assume that the competitive environment among these institutions will continue to be strong. This will be compounded in the markets relevant for Hauck Aufhäuser Lampe by fintech companies as new participants in the market. Against this background and given the increasing regulatory requirements, we expect to see further market consolidation and a more focused definition of the business models.

In the current market environment, we see structural potential for positive impetus that will stimulate growth in the emergence of new technologies and the increasing willingness to use them, with artificial intelligence being an example. These technologies can help banks, and so us as well, to streamline internal processes and make them more efficient, which will save costs and, on the other hand, create the possibility of deploying limited resources while at the same increasing perceived customer benefits as well as the time available to spend with customers. The use of artificial intelligence also allows other business opportunities to be grasped at the same time – for example in the process to identify new customers or in forecasting customer churn.

Finally, we also assume that social megatrends such as digitalization, demographics and sustainability will continue to have a high degree of salience among the external factors influencing the development of the market. A corresponding willingness to change will thus be a prerequisite for the activity of the new Hauck Aufhäuser Lampe Privatbank AG on the market in 2022.

Overall, we expect intensive competition to continue throughout the industry environment in 2022. This will be driven on the one hand by the traditional players from the three banking sectors in Germany, with foreign banks also stepping up their activities We also assume that a fourth group of new competitors, such as fintechs, market infrastructure providers and technology groups, will further strengthen their position.

Outlook – Opportunities

In view of the expected macroeconomic situation, the challenges faced by the financial industry and the competitive pressure, we see both risks and opportunities at the same time. Constant change in our market environment and a high level of dynamism offer us the opportunity to further strengthen our position in existing business fields. As a consequence, we have identified growth areas where we will look to realise our business potential in the future.

The decision to enter into a purchase agreement for Bankhaus Lampe KG was a major strategic step for Hauck Aufhäuser Lampe in 2020. The regulatory and legal conclusion of this transaction was completed at closing on 1 October 2021 after it was approved by BaFin in the course of its ownership control procedure. The former Bankhaus Lampe KG was merged with Hauck Aufhäuser Lampe Privatbank AG with effect from 1 January 2022. We see several advantages here, especially in light of the increase in the bank’s size. They include economies of scale, for example in the implementation of regulatory measures or investments in digitalization, on the one hand. On the other, we now enjoy increased awareness in the market, also as a result of the complementary branch network that Bankhaus Lampe brings with it, especially with its branches in Germany’s western and northern regions.

In addition to the organisational developments, we also see major opportunities in the expansion of our product range in the area of real asset investments in several core business segments, which we continued to drive in 2021. This will enable us to offer the right products and services to meet our clients’ needs even in times of low interest rates and thus to strengthen existing customer relationships and win new clients.

We will also continue to drive the automation of our internal processes as part of our digitalization activities in 2022. This will give us the opportunity to exploit the potential to reduce complexity and cut costs through the use of technology in all areas of the Bank.

We are also undertaking additional digitalization efforts in the establishment of our offer in the Digital Assets business area. Moreover, we are investing in the digital customer interface, where we want to provide “Asset Servicing” customers with enhanced reporting, for example.

In addition to these specific digitalization initiatives, we are monitoring the fintech market in order to identify at an early stage further opportunities for cooperation with fintechs in all sections of our value chain and to evaluate these to see if they can make a positive contribution to our Bank. Following this approach, we agreed with Bloxxon AG in 2021 to purchase its subsidiary Kapilendo Custodian AG with the aim of strengthening our activities in the custody business in the area of Digital Assets. The conclusion of the transaction is still pending, but is expected in the first half of 2022.

We will continue with this strategic approach.

Outlook – Operational Planning and Earnings Components

In the outlook on the operational planning and earnings components, we examine below the integrated overall plan of Hauck Aufhäuser Lampe for 2022.

Following the closing that completed on 1 October 2021 the earnings components of the former Bankhaus Lampe KG will be fully consolidated for the first time in financial year 2022. The forecasts and expectations that are presented can therefore be compared with the corresponding disclosures on the prior year only to a very limited extent.

Risk factors for forecasts include a change in interest rates that is different from what was expected, political or regulatory measures affecting banks, geopolitical and global economic developments as well as potential negative effects on the economy as a result of the continuing Covid-19 pandemic.

Basically, we assume that global GDP is likely to weaken slightly and that this trend will also continue through the phasing out of the political economic measures.

Depending on the further development as a result of the escalation in Ukraine and in connection with the implications of the coronavirus and continuing higher-than-expected inflation, in financial year 2022 we anticipate a moderate organic increase in income in our operational plan in comparison to the prior year and a strong upturn in profitability in connection with the merger.

The expected dynamic market environment anticipated for 2022 – which continues to be shaped by the pandemic as well as by the recent developments caused by the crisis in Ukraine – and the expectation of consistently high volatility make it very difficult to forecast future income from the volume of assets held in custody and under management.

Dealing with regulatory requirements and the ongoing optimisation of a cost-efficient and streamlined platform for performing our services will also give rise to considerable investments in administrative expenses.

In detail, we expect our earnings components to develop as set out below; they will be shaped in particular by the integration of Bankhaus Lampe.

Interest Income

We expect a significant increase in the interest income and in the related volumes as a result of the addition of Bankhaus Lampe. We assume the positive effect it generates will be dampened moderately by the unchanged low level of interest rates in Europe.

Net Comission Income

We expect a significant increase in the net commission income over the prior year as a result of the expansions made to the product range in prior years, other planned launches of new products and the inorganic earnings growth.

As a consequence of the inorganic growth, we assume a significant positive development over the prior year in the core business segments of Private & Corporate Banking and Asset Management. In Asset Servicing, our previous growth trajectory is also likely to continue. In Investment Banking, we essentially expect the level to stay the same as last year, as 2021 represented a very successful financial year in this area on account of the very positive market environment.

Administrative Expenses

We assume there will be a considerable increase in administrative expenses that will be caused by the Bank's inorganic growth in conjunction with the Bank's planned organic growth initiatives and the accompanying increase in the number of staff as well as targeted digitalization and automation projects. This effect will be partially offset by the realisation of initial synergies and the leverage of economies of scale in the course of combining the two banks as well as the continuing focus on cost discipline.

Risk Provisions

With regard to the continuing economic uncertainties caused by the persistent effects of the pandemic and the as yet unforeseeable effects of the crisis in Ukraine, the risk provisions in connection with issuer, investment or collateral risks in the lending business are also subject to fluctuation.

As a result of the integration of the significantly higher credit volume of Bankhaus Lampe, we assume a sharp increase in risk provisions in the lending business in our planning.

Earnings Before Tax

Earnings before tax in 2022 will be characterised by extraordinary items arising from the merger of the two banks. In sum, we expect earnings at roughly the same level as the prior year.

Risk Report

Our risk management pursues the primary goal of managing the material risks associated with the business operations in accordance with the risk-bearing capacity in order to generate a return on capital employed that is commensurate with the risks involved.

The Hauck Aufhäuser Lampe Management Board promotes the risk culture throughout the bank. Based on a risk-oriented tone from the top, all executives and employees are required to consider risks actively in their actions. Open communication and critical dialogue are as much a matter of course as are suitable incentive structures.

The material risks at the Bank level are promptly identified, assessed, managed, monitored, communicated and backed with capital. Appropriate attention is paid to risk concentrations here. The annual risk inventory ensures that all risks have been considered. The Bank's risk-bearing capacity is calculated in a monthly economic perspective and an annual normative perspective.

In the course of the calculation of the economic risk-bearing capacity, all risk types that are included are estimated at a confidence level of 99.9 % and with a risk horizon of one year. All individual risks are calculated conservatively and aggregated to produce the Bank's total risk without taking any risk-mitigation correlations into account. The total value at risk at Bank level must always be lower than the risk coverage potential, where positive planned profit/loss are not recognised conservatively.

The total risks at Bank level that were determined using this methodology were always within the defined risk-bearing capacity in the financial year 2021. In parallel with the increase in the risk coverage potential by EUR 230.5m, the risks increased by EUR 114.5m in 2021 in particular as a result of the purchase of Bankhaus Lampe.

As at 31 December 2021, the total value at risk of EUR 286.1m is broken down by the different risk types as follows:

Utilization

EUR m

Risk type	Actual	Limit	Utilization
Total utilization	286.1	465.8	61.4 %
Counterparty risk	241.0	373.8	64.5 %
of which Bankhaus Lampe	158.6	231.8	68.4 %
Market price risk	20.3	56.0	36.2 %
Operational risk	18.9	29.0	65.1 %
Business risk	5.9	7.0	83.8 %

The effects of economic risks on the normative perspective of the risk-bearing capacity, where the focus is on all regulatory and supervisory requirements, is determined using a three-year adverse capital planning scenario. All supervisory minimum capital requirements are met at the bank level over the entire assessment horizon even in the adverse scenario, which corresponds to a severe recession.

A stress test across all risk types is also performed at Bank level every quarter. The following scenarios are taken into consideration here:

- severe global economic crisis
- financial crisis/extreme loss of confidence among customers

The stress test results which are determined using different risk methods at our Bankhaus Lampe subsidiary are added to the stress test results for the investment risks of Hauck Aufhäuser Lampe.

A scenario that may be critical for the viability of Hauck Aufhäuser Lampe is additionally calculated in a quantitatively determined reverse stress test.

Derivative financial instruments are used by the bank primarily as hedging instruments. Interest rate swaps on the OTC market and futures on the Eurex are the preferred products here. The relevant positions are closely integrated in the risk management. Appropriate provisions in the financial accounts are created for valuation adjustments.

In summary, no risks jeopardising the Bank's ability to continue as a going concern or having an adverse impact on its development were identified as at the reporting date or in the year under review, as in the prior year. The risk cover was given consistently on all reporting dates. The validation procedures that were carried out confirmed the appropriateness of the risk controlling methods. Internal Audit additionally audited core elements of the risk management system in the course of its multi-year planning.

The risk types that the Bank defines as material are presented in greater detail below.

Counterparty Risks

Counterparty risks result primarily from the lending business with corporate and private clients as well as real estate project developers, from investment and interbank business with institutional customers and also from the derivatives business with various customer groups.

Counterparty risks are understood to be

- the default of a debtor: the inability of one or more debtors to meet their loan obligations (interest and principal repayments in particular),
- the credit risk: the potential deterioration in the economic situation of a debtor,
- the collateral risk: the potential change in prices of assets that have been used as collateral in the lending business,
- the spread risk: widening of bond credit spreads,
- the portfolio or cluster risk: the excessive concentration and dependency on a single debtor or group of debtors,
- the issuer and country risk

in particular.

Precisely defined lines of authority and standards for lending and investment decisions ensure that the counter-party risk is diversified and minimised. The rating methods of CredaRate Solutions GmbH, Cologne, are used to assess the credit rating of the customers. The collateral is measured on the basis of standard procedures, while the dual control principle is also applied. The lending values for securities furnished as collateral are defined in a risk-adjusted manner on the basis of market data that is updated regularly.

The counterparty risks are managed on the basis of quantitative and qualitative criteria.

The focus of the quantitative risk management is compliance with the economic limits for ensuring the risk-bearing capacity that are defined as part of the risk strategy. The regulatory ratios represent a strict additional condition here.

Investment and credit risk strategies form the basis for the qualitative risk management. Internal ceilings for individual exposures are defined here for customer and issuer groups, credit ratings, volumes and internal capital requirements. Concentration risks are also limited by this.

The credit risk strategy contains all the key qualitative and quantitative requirements for risk management and thus provides the basis for the lending business. The focus here is on short-term financing in Germany. Limits are defined in the credit risk strategy for the overall credit risk, for gross and net exposure volumes and for other aspects. The aim is to prevent critical risk concentrations.

The Bank's Credit Risk Management unit is responsible for managing the credit risks in relation both to individual cases and to the overall portfolio. Supported by a risk monitoring system, the risks are managed by the individual authorised persons. The Risk Controlling and Credit Risk Management units work intensively together here. The customer loan portfolio is characterised by good to very good credit ratings.

The economic capital requirements for covering the counterparty risks and the portfolio risk are calculated at Hauck Aufhäuser Lampe using

- a credit portfolio model based on CreditRisk+ for the customer lending and interbank business and
- an additional credit portfolio model for the investment portfolio,

where migration risks are taken into appropriate consideration for all transactions and portfolios.

The key management parameter is thus credit value at risk. The overall value at risk at Bank level is calculated by adding together all the individual risks.

The risk analyses are supplemented by regular stress tests and the continual monitoring of relevant early warning indicators. This did not produce any indications of developments jeopardising the bank's existence. The basis for the various risk procedures is formed by CredaRate Solutions' rating systems specific to target customer groups, which take both quantitative and qualitative criteria into consideration.

Key definitions of parameters and methods are reviewed on a regular basis and, if necessary, adapted to any changes in conditions. The methods and models used in Risk Controlling are subjected here to comprehensive validation procedures at least once a year.

Risk Controlling and Credit Risk Management inform the Management Board and the Risk Committee every quarter in comprehensive reports on the risks relating to the credit portfolio and significant individual exposures as well on the various limit utilisations. Efficient ad hoc reporting rounds off the reports. No significant limit breaches were observed at any time in the course of the year under review.

Securitisation and credit derivatives to hedge risks are not used. Risks are mitigated in the individual case by reducing volumes, through sub-participations or by obtaining additional collateral. Portfolio effects are additionally used to reduce the overall risk.

Market Price Risks

Market price risks refer to potential losses resulting from adverse changes in market prices or market parameters that influence prices. Based on the relevant dependencies, they can be divided into interest rate, currency and price risks as well as spot, forward and option risks. Market price risks arise as a result of trading and investment activities as well as asset/liability management transactions.

The Bank-wide market price risk is monitored on the basis of a methodological approach that is tailored to the business model and that takes all risk exposures into consideration. The market price risks of the trading and banking books are determined throughout the Bank using value at risk (VaR) approaches. The entire market price risk is aggregated without considering correlations between share, interest and foreign exchange markets. The VaR ratios are based on one year of historical data and are calculated for a holding period of one year at a confidence level of 99.9 %.

The Bank's Risk Controlling unit is responsible for measuring and monitoring the market price risks. The unit prepares market price risk reports for the management on a daily basis. These contain the core risk metrics of all risk types (results and VaR ratios) at portfolio and Bank level as well as the utilisation of the capital limits.

The monthly Asset/Liability Management Committee (ALCO) is the central committee for monitoring the market price risks at Bank level. Its primary task consists in monitoring the development of the market price risks and proposing recommendations for action.

Bank-wide assets and liabilities consist primarily of positions at variable interest rates. Fixed-income asset items are generally hedged by interest rate swaps. The foreign currency risk is of secondary importance, as the business is mainly concentrated on Germany or countries in the eurozone.

In addition to other validation procedures, regular backtesting is carried out to review all risk models. The forecast risk ratios are compared here with the actual changes in net assets.

In addition to the economic capital limits defined as part of the risk strategy, the general conditions laid down in the investment strategies of the portfolios (credit rating, liquidity, maturity, stop-loss limits and volume limits) constitute the guidelines for managing the market price risk.

Worst-case simulations are additionally carried out for all classes of market price risk (shares, funds, foreign exchange, interest rates, interest rate options) on the basis of extraordinary historical market movements and hypothetical stress scenarios.

Interest Rate Risks in the Banking Book

The interest rate risks in the banking book are managed by Treasury. The Bank-wide risks are manageable as a result of appropriate investment strategies. Not only the changes in present value in the interest rate book, but additionally the impact on the income statement under commercial law are monitored in order to limit the risks.

The interest rate risks are quantified and reported at Hauck Aufhäuser Lampe on a daily basis using the procedures applied for market price risks.

All interest-bearing transactions from the trading book, the banking book as well as the liabilities are taken into account on a daily basis at Hauck Aufhäuser Lampe to calculate the changes in present value in the interest rate book.

In addition, a variety of interest rate shock scenarios are simulated on a Bank-wide basis. The interest shock defined in the regulations (+200/–200 basis points) would result in a negative change in the present value in the banking book of EUR 16.1m in the +200 bp scenario at the Bank level at year end, which is equivalent to 3.0% of the own funds.

Investment Risks

Investment risks are understood to be potential losses that can arise as a result of the bank providing capital to other companies in the form of equity and mezzanine capital and also as a result of additional loan extensions and capital commitments.

The Bank-wide strategic objectives for the equity interests are defined in separate equity interest strategies. Hauck Aufhäuser Lampe divides its equity interests here into strategic equity interests, financial equity interests and business equity interests.

Strategic equity interests provide support in particular for expanding the bank's customer base, opening up new sales channels and developing new products. The vast majority of the strategic equity interests are operating companies that are majority-owned by Hauck Aufhäuser Lampe and that are assigned to and fully integrated in the Bank's core business segments. These companies are included in the Hauck Aufhäuser Lampe Group at financial, organisational and economic levels. This includes ongoing controlling and monthly monitoring in the risk management.

The financial holdings of Hauck Aufhäuser Lampe are concentrated at the subsidiary FidesKapital Gesellschaft für Kapitalbeteiligungen mbH, which has its registered office in Munich. These are predominantly minority interests in private equity and venture capital funds from reputable providers.

The business equity interests essentially offer customised individual solutions for customers, for example in the area of fiduciary transactions in the investment segment.

The capital charge in the framework of internal risk management is calculated by adding the risks determined for Bankhaus Lampe on the basis of its own risk methodology and the quantified risks of all other Hauck Aufhäuser Lampe investments determined using the credit portfolio model with a confidence level of 99.9% and a risk horizon of one year.

Liquidity Risks

Liquidity risks specifically comprise insolvency, funding and market liquidity risks.

One focus of the business strategy of Hauck Aufhäuser Lampe is placed on generating commission income without organic growth in the balance sheet. The funding is based essentially on deposits of institutional investors from the custodian business that have proven to be stable and growing over several cycles.

Surplus liquidity is invested primarily in ECB-eligible securities in order to secure a high refinancing facility at the ECB in the event of a liquidity shortage.

The Asset & Liability Committee (ALCO) is the central management committee for the Bank's liquidity risks and meets every month. It defines how the desired liquidity status is to be achieved, while Treasury conducts the operational liquidity management. The unit also manages the daily liquidity and the balance sheet structure using the defined risk tolerance and reports to the ALCO on the liquidity situation and development.

Economic liquidity risks are monitored Bank-wide by Risk Controlling on the basis of liquidity developments under normal and stressed conditions.

The market liquidity risks are monitored implicitly through the credit portfolio model for counterparty risks in the banking book and also by the daily calculation of unrealised gains and losses in the market risk report. All other liquidity risks are controlled not as part of the calculation of the risk-bearing capacity, but using other tools.

In addition to the liquidity management in accordance with the Liquiditätsverordnung (LiqV – Liquidity Regulation), the liquidity risks are monitored on the basis of the regulatory liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) in accordance with Articles 411 to 426 CRR as well as an internally developed procedure. In this process, all cash flows are compared over time on a daily, monthly and yearly basis, the marketability and ECB-eligibility of the individual positions in the banking and trading books as well as liquidity outflows from contingent liabilities are taken into consideration and a prospective analysis of liquidity based on defined scenarios is made possible. All liabilities due within certain defined periods need to be serviced within this period in the event of full withdrawal.

In addition to these indicators, the liquidity costs that are taken into consideration in the market interest method are fundamental cornerstones of the liquidity risk management for the management of the operating activities and the regular reviews of the contingency plan for liquidity shortages.

Operational Risks

Hauck Aufhäuser Lampe defines operational risks as the risk of financial effects that occur as a result of the inadequacy or failure of internal processes and systems or people or as a result of external events. Legal risks and IT security risks, including cyber risks, are allocated to operational risks.

Hauck Aufhäuser Lampe has introduced a Group-wide operational risk management framework that is binding for all subsidiaries, managers and departments (with the exception of Bankhaus Lampe). This framework lays down the strategic focus on four possible courses of action when dealing with operational risks:

- Risk avoidance, e.g. by withdrawing from certain business fields
- Risk mitigation, e.g. by optimising processes or conducting training measures for employees
- Risk transfer, e.g. by taking out insurance policies to settle large claims with a low probability of occurrence and
- Risk acceptance, e.g. when relevant countermeasures prove impractical from a business perspective.

Key decisions on dealing with operational risks are regularly examined and documented.

The Risk Controlling unit is responsible for monitoring operational risks and supports the specialist departments that are responsible for managing these risks. It reports to management and to the Risk Executive Committee responsible for managing operational risks.

At Hauck Aufhäuser Lampe the capital charge for operational risks is calculated in the economic perspective using a VaR approach on the basis of internal loss data and data on legal cases as well as estimates of other potential risks.

Tools for managing operational risks across the Bank include:

- processes for the systematic and standardised recording, reporting, analysis and administration of information on losses and risks
- regular reporting to management and the specialist departments
- risk self-assessment processes for regular recording of all major risks as comprehensively as possible and
- the development of scenarios for assessing the consequences of potential losses and the options for preventing these.

Operational risks are limited by regular, updated documentation of all relevant workflows, guidelines and approval policies.

The Legal department is responsible for assessing and dealing with legal risks. External law firms are engaged, especially in the event of legal proceedings. Appropriate provisions have been created for ongoing legal disputes. Risks also arise for the Bank from the investigations carried out in the past financial years into possible transactions on possible Cum/Ex follow-up models or Cum/Cum transactions by the public prosecutor's office and tax authorities. Since the Bank has never invested in such constructions itself or initiated them for clients or third parties potential material risks to the Bank's financial position and results of operations relate and earnings position of the Bank relate exclusively to our role as a custodianliability of the tax authorities. The criminal investigations are initially directed exclusively against third parties, former employees of our bank, and not against the bank or current employees. Based on the current legal situation and the expert assessment of the tax valuation of the transactions, we are of the opinion that we acted in compliance with the law.

Safeguards of a technical and organisational nature are put in place to take account of the especially sensitive area of IT and cyber risks. The information security officer is responsible for managing information security and business continuity planning. Outsourcing activities and processes are managed by the central outsourcing management function.

Appropriate processes and contingency plans are implemented in order to safeguard the security of the IT systems and the continuation of our relevant operating activities in the event of system failures. Other processes, such as regular employee appraisals and the standardisation of contracts used, also work to mitigate the risks.

An ongoing crisis team faced the challenges of the corona crisis, supported by an inhouse task-force unit. Regular employee information assisted in coping with the exceptional situation. For reducing dangers of becoming infected, the focus was on temporarily expanding mobile work and ensuring measures to provide protection against the corona virus.

Strategic Risks and Reputational Risks

The risk that income and cost targets are substantially missed on account of internal or external causes constitutes strategic risks and business risks. Possible reasons here include inadequate implementation of the strategic targets or changes in the macroeconomic conditions or the competitive situation.

The responsibility for managing these risks lies with the core business segments and the members of the Management Board in charge of them and is based on independent figures provided by Financial Controlling.

Reputational risks describe the risk of declines in income, disruptions in the liquidity position or a reduced enterprise value caused by events which damage confidence in Hauck Aufhäuser Lampe among its stakeholder groups. Against this background, reputational risks are considered to be an integral and potential amplifier of income and liquidity risks.

The responsibility for managing reputational risk rests with the core business segments and the members of management in charge of them. They are supported in this task by the units that are in charge of complaints management.

Strategic risks are quantified at Hauck Aufhäuser Lampe using a VaR approach on the basis of historical planning variances in the operating income.

Corporate Governance Statement

The contents of the following declaration on corporate governance (disclosures on the ratio of women) according to Section 289f(4) was not audited by the auditor in accordance with Section 317(2) sentence 6 HGB.

Hauck Aufhäuser Lampe has set itself the goal of increasing the percentage of women in management positions as team leaders and heads of department and at the Management Board level to 30 % by 2022. This percentage of women at the level of the Management Board was not yet reached in the financial year 2021. The percentage of women in management positions remained unchanged overall in 2021. Currently, 25 % of all executives are women. A total of 41 % of the workforce is female. 33 % (prior year: 30 %) of team leader positions are filled by women. Compared to the prior year, the percentage of women in head of department roles decreased by two percentage points. Accordingly, a total of 18 % (prior year: 20 %) of the department head functions are filled by women.

In accordance with Section 21(1) of the Entgelttransparenzgesetz (EntgTranspG – German Pay Transparency Act), Hauck Aufhäuser Lampe is an employer with more than 500 employees that is bound by collective wage agreements pursuant to Section 5(4) EntgTranspG and applies collective wage agreements pursuant to Section 5(5) EntgTranspG. In accordance with Section 13(5) EntgTranspG, Hauck Aufhäuser Lampe has stated that it will apply collective wage arrangements to pay pursuant to Section 5(5) EntgTranspG and will prepare a report on equal pay every five years. The equal pay report was published in the management report for financial year 2017, and so an updated report is not required yet. The next report on equal pay will be prepared as at 31 December 2022 and cover the preceding five years

Non-financial Statement

The contents of the following non-financial statement in accordance with Section 340a(1a) in conjunction with Section 289b HGB was not audited by the auditor in accordance with Section 317(2) sentence 4 HGB.

Corporate Governance

Hauck Aufhäuser Lampe Privatbank AG focuses on advice and wealth management for private and corporate clients, fund services for financial and real assets and cooperation with independent asset managers. Trading orders in all common asset classes are also executed within the Bank on exchanges as well as over the counter. Research, sales and trading activities specialising in small and mid-cap enterprises in German-speaking countries and services for initial public offerings and capital increases are offered.

The values of Hauck Aufhäuser Lampe Privatbank AG are founded on responsibility, performance and innovation. The Bank's strategic focus is geared towards continuous value creation. Sustainability is also anchored in the operating activities.

The values that are binding for Hauck Aufhäuser Lampe of responsibility, partnership and innovation are rooted in the foundations of how we act in business. These basic requirements must be complied with by all employees. The canon of values provides support and serve as guidance in our day-to-day work. Strict compliance with the law is the basis here and serves as the foundation for further requirements that are of fundamental importance for today's business world:

- Competitiveness, conduct in dealings with supervisory authorities, conduct towards one another
- Segregation of private and business interests
- Environmental protection: expansion of a comprehensive sustainability program that was launched in 2020

In addition to this code of conduct, all employees within the Bank have to comply with the guidelines for employee transactions, an organisational instruction for dealing with conflicts of interest, while all customer relationship managers have to comply with the principles of customer service.

Implementation of Compliance

It is a fundamental task of management to ensure that the bank implements and complies with the relevant laws, regulations, requirements and good market practice when performing its business activities. To achieve this, the management actively promotes a strong compliance culture and has laid down and communicated these values in the code of conduct. The management authorises the compliance function to advise and support it in controlling and managing compliance risks in conformity with all applicable laws, regulations, requirements, good market practice and the code of conduct. It is the task of the compliance function to establish appropriate governance, procedures and systems that enable the Bank to avoid undesired threats arising from risks within compliance's area of responsibility.

The compliance function acts independently under the leadership of the compliance officer. The compliance function is appropriately and effectively designed. Threats and risks arising from a breach of legal requirements or criminal acts are detected at an early stage in this way. This serves to protect the interests and assets of clients, business partners as well as Hauck Aufhäuser Lampe Privatbank AG.

The objective of the compliance function is the responsibility for ensuring systematic group-wide compliance with laws and regulations. The function is required to identify compliance risks before they materialise and to manage them if they do. The basis for assessing and minimising potential compliance risks is provided by risk analyses relating to the core tasks. They are carried out once a year and cover all group companies and their compliance-related business areas in Germany and other countries. The preventive measures derived from the analyses are regularly reviewed, supplemented and further developed in the light of new requirements.

Other central prevention systems are controls to assess the appropriateness and effectiveness of relevant processes, employee training, support and advice for the business units from compliance when developing processes and during transactions, committees with the involvement of the compliance function, approvals of specific cases by the compliance function, trustworthiness checks of potential employees, due diligence reviews of third parties and an internal whistleblower system. The compliance function comprises the following key areas:

› Capital Market Compliance

The focal points the activities of capital market compliance are aimed among other things at preventing, identifying and investigating conflicts of interest, unlawful use of inside information and market abuse as well as unfair treatment of customers. Capital market compliance ensures that the bank fulfils the relevant monitoring scenarios for trading surveillance and – if applicable – communication monitoring. The measures taken by capital market compliance have been established in the bank to provide protection against financial losses and reputational damage caused by misconduct on the part of customers, employees and business partners. The compliance function of Hauck Aufhäuser Lampe Privatbank AG has extensive rights to issue instructions and escalate cases as well as powers to obtain information and institute investigations in order to enforce the internal regulations throughout the group.

› Anti-money Laundering, Combating Terrorist Financing and Fraud Prevention

Another core responsibility of the compliance function is to fulfil the regulatory requirements for the prevention and combating of money laundering and terrorist financing, corruption and the prevention of breaches of sanctions and embargo breaches. In addition to locally applicable laws, regulatory requirements and industry standards, we also take internationally recognised standards into consideration. These requirements and standards are implemented internally during the customer acceptance process and in the subsequent course of the customer relationship not only through internal policies and controls, but also through the use of appropriate monitoring systems.

Dealing with Sustainability Risks and Reputational Risks

For Hauck Aufhäuser Lampe Privatbank AG, reputational risks are regarded as major risks. Identifying, analysing and managing this risk type is therefore afforded particular importance. Reputational risks are understood to be the direct or indirect threat of a loss of confidence in or reputation of the Bank among its stakeholders that can occur especially as a result of a breach of sustainability principles. This can have potentially relevant effects on the Bank's core business. Special requirements for and restrictions on the Bank's operating activities are necessary in order to adequately mitigate reputational risks. The Bank therefore does not participate in transactions that result in any of the following consequences:

- Breaches of universal human rights (in particular personal rights and civil liberties)
- Breaches of the law and regulations (e.g. crimes, drug dealing, tax evasion, fraud, money laundering, corruption, insider dealing)
- Supply of military equipment and weapons
- Environmental pollution
- Exploitation of resources and nuclear energy
- Speculative transactions that are socially unacceptable or not accepted by the shareholders (e.g. on the availability of food, death, illness, invalidity)
- Other business segments that are socially unacceptable or not accepted by the shareholders (e.g. prostitution, pornography) and gambling
- Breaches of industry-specific minimum standards (e.g. safety, quality)
- Infringements of rules on the conduct of business and banking practices (e.g. triggering conflicts of interest, lack of professionalism)

These kinds of matters can arise in principle in any customer relationship and during any transaction, e.g. loan financing. Appropriate reviews and a documented assessment of the situation must be carried out when the involvement of any natural persons or legal entities is suspected.

In cases of doubt, the Management Board must be involved in the final assessment of any reputational risks. As an internal minimum requirement, a loss database has to be maintained and regular self-assessments and annual risk assessments have to be performed as part of the OpRisk Committee's responsibilities.

Obligation to Customers

Customer satisfaction and retention are a key focus of Hauck Aufhäuser Lampe Privatbank AG's client advisory process. We achieve these goals by using innovative solutions to meet our customers' needs. To supplement this, the Bank also works on optimising its value chain for the benefit of its customers.

Hauck Aufhäuser Lampe Privatbank AG attaches great importance to a dialogue with its customers that is consistent, honest and based on trust. In order to adequately address customers' needs, it is important to know their social, ecological and economic interests and their expectations, needs, requirements and experiences. Qualified product specialists are consulted whenever needed by the customer in order to ensure a continuous and strategic customer dialogue.

In addition, dialogue with our clients is also regularly sought at presentation events, which generally focus on current industry topics. The Bank additionally uses these events to pursue the objective of delivering added value for our customers by networking.

The Bank's employees also show their commitment by giving regular lectures at universities such as the Frankfurt School of Finance & Management and at the chambers of commerce and industry and other associations.

Sustainability

Overview – Society, Regulation, Market

Sustainability is firmly rooted in society as a trend covering ecological, social and economic perspectives and is regarded as one of the greatest tasks society is facing.

At the international UN Climate Change Conference in Glasgow (COP26), the reduction of CO2 emissions was reinforced as one of the issue that needs to be treated as a priority, and countries were called on to improve on their climate targets in order to counter global warming in a commensurate way.

In order to support this target, the new sustainable finance strategy that the EU has published places the focus on directing capital flows to finance the transition to a sustainable economy. The strategy underlines the importance of the targets in the EU action plan from 2018 to reorient capital flows towards a more sustainable economy, mainstream sustainability into risk management and foster transparency and long-termism.

The continued development of the German sustainability strategy of the federal government emphasises the need to take sustainability into consideration in investment decisions.

Both the transparency requirements at product and company level and the EU taxonomy for classifying sustainable economic activities are designed to prevent market fragmentation and an adverse impact on the interests of investors.

The demand for sustainable investment products continues to rise constantly across all groups of investors and investment options. Sustainability is increasingly considered to be a fourth dimension in investment goals along-side income, risk and liquidity.

The banking industry is meeting the increasing regulatory requirements and the growing demand for sustainable products by enhancing the integration of ESG criteria using a variety of investment strategies, which are also sometimes combined.

Reporting Requirements Arising from the EU Taxonomy

The EU taxonomy is a complex umbrella construction, where the individual aspects are being developed in parallel with each other. Together with the requirements of Commission Delegated Regulation (EU) 2021/2139 on technical screening criteria for the first two environmental targets that was published in the Official Journal of the European Union on 9 December 2021, Commission Delegated Regulation (EU) 2021/2178 forms the basis for the initial publication of taxonomy disclosures in non-financial reporting.

We would like to take the following look at the applicable reporting requirements for banks for the financial year 2021:

Of the six environmental objectives of the European Union, which also define the structure of the taxonomy, the first two

- **Climate protection (mitigation)**
- **Adjustment to climate change (adaptation)**
- Water and marine resources
- Circular economy
- Environmental pollution
- Biodiversity and ecosystems

have to be reported on.

The ESG program that was launched in 2020 was continued in order to meet the need for action resulting from these developments. For example, the sustainability strategy was expanded along the dimensions involving market, regulations and organisation and the canon of values covering the entirety of the bank's value chain was established as a mission statement.

The operational part of the program has driven the implementation of the numerous regulatory requirements at product and company levels.

As a result of the strategic part of the program, a Group-wide ESG function has been established in an independent Management Board function, which came into force with effect from 1 January 2022 as a result of the merger with Bankhaus Lampe. The objective of the ESG function is to address the complex and dynamic range of subjects involving sustainability on an ongoing and appropriate basis.

At Hauck Aufhäuser Lampe, we have therefore started work not only on ensuring that knowledge is continually developed in the individual front office segments, but also on initiating a diverse range of further developments to expand our range of services.

For example, ESG content has been added to the web seminar series for fund customers in Asset Servicing. The existing offer for customers has been expanded also when a new fund is issued or a fund is restructured in order to ensure and promote the implementation of sustainability aspects.

In order to meet the increasing demand for sustainable investment products from our private customers, other sustainable products have been developed in asset management and the existing offer of sustainable asset management products, which is aligned to the investment strategy at MSCI ESG Research, has thus been expanded.

The further development of the sustainable product range will also be a focus in 2022. The deliberations that already started in 2021 on taking sustainability preferences of the customer into consideration in investment consulting will be continued. We are thus responding to the increasing awareness of the subject on the customer side, while the regulatory requirements that result from the amendments to MiFID II are also being taken into account.

Another reporting requirement that arises from Article 8 of the EU taxonomy is that financial companies that fall within the scope of the Non-Financial Reporting Directive (NFRD) will provide disclosures on how and to what extent their operations are connected with the economic activities that can be classified as ecologically sustainable. The EU taxonomy has to be understood as a standardised classification system of a large number of economic activities that are divided into taxonomy-eligible and taxonomy-non-eligible activities.

KPIs on the proportion of eligible risk exposures to the total number of risk exposures that are covered by the KPIs have to be disclosed for the 2021 and 2022 financial years.

Additional KPIs to be disclosed for the 2021 and 2022 financial years are the proportion of the assets of central governments, central banks, supranational issuers and derivatives and the proportion of risk exposures to companies that are not required to publish a non-financial statement. Banks are additionally disclosing the proportion of their trading portfolio and their short-term interbank loans to their total assets.

We have consequently been guided here by Annex 6 from Article 8 of the EU Taxonomy in the presentation in the table in the 2026 target.

The most important indicator for banks will be the green asset ratio (GAR), which indicates the "green" financing in the overall portfolio. The GAR is based on the EU Taxonomy (EU) 2020/852, a very extensive classification system using standardised terminology, which provides information about how environmentally friendly various economic sectors are.

We aligned our financial reporting on the basis of the NACE codes and the Taxonomy Compass, published by the EU, which contains a "Taxonomy-NACE-Definition" of the sectors.

With the data currently available, we thus obtain the following KPIs for Hauck Aufhäuser Lampe:

$\frac{\text{Risk positions which are Taxonomy-eligible}}{\text{Total GAR Assets}}$	4,04 %
$\frac{\text{Risk positions which are not Taxonomy-eligible}}{\text{Total GAR Assets}}$	47,31 %
$\frac{\text{Risk items of non-NFRD companies}}{\text{Total GAR Assets}}$	3,12 %
$\frac{\text{Derivatives}}{\text{Total GAR Assets}}$	19,18 %
$\frac{\text{Interbank loans}}{\text{Total GAR Assets}}$	4,04 %
$\frac{\text{States and central banks}}{\text{Total GAR Assets}}$	60,80 %
$\frac{\text{Trading positions}}{\text{Total GAR Assets}}$	0,03 %

Employees

Our employees put in an exceptional performance in a complex market environment in the past financial year and thus played in a key role in the success of the bank.

As at the reporting date, 653 people worked in the Bank, of whom 543 were fulltime staff and 110 were part-time staff. We employed 256 women and 397 men as at the reporting date.

Development and Support

Recruitment

Personnel management is confronted by major challenges in times when there are skill shortages and the attractiveness of the banking industry as an employer has faded. The Hauck Aufhäuser Lampe Group responds to the demands here with efficient human resources management.

It is a constant challenge, both within and outside the Bank, to be seen as an attractive employer and to retain highly qualified employees over the long term. Hauck Aufhäuser Lampe has set itself a clear focus in order to achieve this goal: to systematically plan and realise the potential of young talent, develop leaders, streamline processes and make targeted investments in the training budget.

Training and Continuous Professional Development

Hauck Aufhäuser Lampe sees added value in a high-quality and constant level of training of its employees. It is the Bank's stated aim to retain and develop its employees over the long term.

The Hauck Aufhäuser Lampe Privatbank AG offers its employees exciting opportunities to gain professional in-service qualifications – from diplomas in banking and business administration to bachelor's and master's degrees. Development and advanced training opportunities are provided in seminars offered exclusively for Hauck Aufhäuser Lampe in collaboration with experienced trainers and institutes of further education. External partnerships, for example with the Frankfurt School of Finance & Management, additionally provide employees with access to other seminars and training courses for professional, methodological and personal development.

2021 once again saw our employees attend a large number of internal and external seminars matching their needs and personal development plan. The events can essentially be divided into the following topics:

- Events for sharing experiences and conferences on specialist subjects
- Seminars on new statutory requirements
- Skills development seminars (personal development, leadership development, professional development, health and self-leadership and international skills)

The topic of personnel management is also a high priority for Hauck Aufhäuser Lampe Privatbank AG, as we understand leadership to be a key lever in sustainable development, performance and satisfaction. Motivated, qualified, competent and satisfied employees are essential for our success as a customer-oriented service company. It is therefore in the Bank's long-term interest to invest in and systematise the training and development of our executives. In addition to the individual professional and personal training that is open to all employees, executives take part in internal and external training courses and professional coaching initiatives (leadership development) to prepare them for their roles, provide them with continuous support in the fulfilment of their duties and ensure their further development.

In 2021, the long-term talent management approach to employee retention, motivation and development was further expanded with the addition of the Transformer program. This program focuses on strengthening interdisciplinary competencies and therefore offers development options for employees with professional, leadership and project ambitions alike. Both personal and professional development are taken into account here, as the participants both design and implement a bank-related project and additionally undergo a personal development program based on their individual needs.

Work-life Balance

To encourage a work-life balance, the Group makes a great effort to offer employees opportunities to perform various roles also during parental leave in order to make their return to the demanding environment of professional life at a later date as smooth as possible. Flexible working time models and a works agreement on the subject of working from home also prove beneficial here.

Health Management

The bank currently uses the inhouse medical service to regularly carry out the mandatory computer workstation preventive health examinations (G37). As a great deal of the working day is spent in front of a computer monitor, it is important to choose the correct visual aid – if required – for the workstation. The policy in force ensures that all employees receive a suitable pair of glasses if they need them.

Thanks to the Employee Assistance Program (EAP), all employees and their close family living in their household additionally have access to extensive professional coaching, consultancy and other services (e.g. specialist medical services, arrangements for therapy, family services). Use of the EAP is free for all those eligible to access it, can be contacted 24/7 and is strictly confidential. The Bank's objective with the

EAP is to stabilise the workforce, as professional support can be accessed as quickly and simply as possible when private and professional issues and crises arise.

The Bank again endeavoured to encourage participation in joint sporting events in 2021. For example, numerous runners from the Hauck Aufhäuser Lampe Group showed their team spirit and their enjoyment in getting active by competing in the virtual J.P. Morgan Corporate Challenge race. An increasing number of employees have also taken advantage of the bank's cooperation with a national provider of back strength training and a chain of gyms that has locations throughout Germany.

The Bank will further expand its health management program in the 2022 financial year.

Social and Charitable Commitment

Hauck Aufhäuser Lampe is engaged in numerous cultural and social projects. Its non-profit activities are bundled among other things in the Hauck & Aufhäuser Kulturstiftung (HAKS), which was founded in 2008. In 2021, the focus was primarily on promoting social projects and cultural commitment.

Cultural Projects

Back in May 2019, the Hauck & Aufhäuser Kulturstiftung put the foundations in place for a museum guide that allows children, families and school classes to discover art and artists on their own initiative at the DASMAXIMUM museum in Traunreut. The museum guide consists of ten activity sheets. Each activity sheet introduces one artist and their work.

The first two activity sheets of the museum guide were dedicated to the artists John Chamberlain and Georg Baselitz. Activity sheets on the artists Dan Flavin, Uwe Lausen, Walter De Maria, Joseph Beuys, Imi Knoebel and Maria Zerres were produced in 2020. The last two activity sheets followed in 2021 – on Blinky Palermo and Andy Warhol.

Using the slogan "Be inspired, try it out, make your own", all ten activity sheets encourge visitors through a variety of tasks to look at a work of art in detail and write a story or make sketches. Materials such as aluminium foil are provided as an invitation to visitors to design their own small sculpture. The ten activity sheets are now on display and available free of charge at the museum and can also be taken home after the visit to the museum is over.

Social Projects

In the social area, Hauck Aufhäuser Lampe supported the charity Freundeskreis ARCHE e.V. in Frankfurt am Main, which is devoted to improving education and opportunities for children.

Hauck Aufhäuser Lampe employees are also committed to working for good causes. For many years, the Group has made donations at Christmas to non-profit organizations instead of giving gifts to clients and staff. In 2021, the focus was again on donations to institutions that are predominantly active on a local basis and that are dedicated to improving the future prospects of socially disadvantaged children and young people. In addition, the Hauck Aufhäuser Lampe Group encouraged its employees to take part in the Malteser Social Day Frankfurt, a working day spent on performing charitable activities, and in the virtual J.P. Morgan Corporate Challenge, in which a large percentage of the entry fees goes to help young people with disabilities.

Concluding Statement on the Dependent Company Report

Section 311 of the Aktiengesetz (AktG – German Stock Corporation Act) prohibits discrimination against dependent public limited companies (AG) or partnerships limited by shares (KGaA) that have neither entered into a control or profit or loss transfer agreement nor have been integrated (de facto group relationship). The Management Board has to prepare a report on relations with affiliated enterprises (dependent company report) within the first three months of the financial year.

Hauck Aufhäuser Lampe Privatbank AG is a financial institution that is dependent on Fosun International Holding, Hong Kong, within the meaning of Section 312 AktG. The report has been prepared and concludes with the following statement:

The Management Board declares that Hauck Aufhäuser Lampe received appropriate consideration overall for the entirety of the legal transactions based on the circumstances known to the management at the time when the legal transactions or actions were carried out. No acts in the interests or at the instigation of the controlling company Fosun or its affiliated companies were undertaken or omitted to the detriment of Hauck Aufhäuser Lampe.

Change of perspective

IS/BS

IS/BS

Income Statement for the Period from 1 January to 31 December 2021

				2021	2020
	EUR	EUR	EUR	EUR	TEUR
Interest income from					
a) Lending and money market business	11,850,316.95				12,263
less negative interest from money market business	–17,687,991.84				–12,173
		–5,837,674.89			90
b) Fixed-income securities and government-inscribed debt		3,466,472.98			8,732
			–2,371,201.91		8,822
Interest expenses					
Interest expenses from banking business		–328,673.43			-3,064
less positive income from banking business		36,584,363.71			26,855
			36,255,690.28		23,791
				33,884,488.37	**32,613**
Current income from					
a) Shares and other variable-yield securities			138,396.00		127
b) Equity investments			869,439.84		389
c) Shares in affiliates			18,885,407.70		16,020
				19,893,243.54	**16,536**
Commission income			173,606,651.24		134,368
Commission expenses			–10,238,118.60		–9,379
				163,368,532.64	**124,989**
Net income or net income from trading book positions				**6,896,754.60**	**8,641**
Other operating income				**21,086,733.16**	**26,312**
General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		–90,203,307.44			–75,216
ab) Social security, pension and other benefit costs		–12,906,851.32			–11,513
thereof: for old-age pensions (–3,070,956.44 EUR)					–2,600
			–103,110,158.76		–86,729
b) Other administrative expenses			–74,848,327.69		–53,405
				–177,958,486.45	**–140,134**
Amortization, depreciation and impairment of intangible assets and property and equipment				**–8,816,246.98**	**–7,109**
Other operating expenses				**–5,827,917.67**	**–3,227**
Write-downs of and allowances on loans and advances and certain securities as well as allocations to provisions for possible loan losses				**–4,495,979.74**	**0**
Income from write-ups of loans and advances and certain securities and from the reversal of provisions for possible loan losses				**0.00**	**10,203**
Income from write-ups of equity investments, shares in affiliates and investment securities classified as fixed asset				**–185,788.53**	**225**
Allocation to the fund for general banking risks				**–15,000,000.00**	**0**
Result from ordinary activities				**32,845,332.94**	**69,049**
Income taxes			–9,513,029.45		–12,311
Other taxes not shown under "Other operating expenses"			56,919.89		–25
				–9,456,109.56	**–12,336**
Net income (+)/net loss for the year (–)				**23,389,223.38**	**56,713**
Profit carryforward from the prior year				20,641,450.00	10,641
Net retained profit				**44,030,673.38**	**67,354**

Balance Sheet as of 31 December 2021

ASSETS			2021	2020
	EUR	EUR	EUR	EUR
1. Cash reserve				
a) Cash on hand		119,259.07		155
b) Balances at central banks		4,569,100,302.40		2,863,632
of which: at Deutsche Bundesbank EUR 4,305,787,473.53				(2,658,485)
			4,569,219,561.47	**2,863,787**
2. Loans and advances to banks				
a) Payable on demand		143,917,604.86		158,039
b) Other loans and advances		5,046,177.22		5,046
			148,963,782.08	**163,085**
3. Loans and advances to customers			**552,342,164.56**	**472,949**
therof: public sector loans EUR 37,364,123.02				(26,812)
4. Debt securities and other fixed-income securities				
a) Money market securities				
aa) issued by the public sector	0.00			15,000
ab) by other issuers	1,501,363.58	1,501,363.58		0
b) Bonds and debt securities				
ba) issued by the public sector	877,172,752.64			1,048,621
of which: eligible as collateral with Deutsche Bundesbank EUR 462,670,280.68				(649,521)
bb) by other issuers	1,207,359,208.57	2,084,531,961.21		1,355,427
of which: eligible as collateral with Deutsche Bundesbank EUR 1,044,566,705.22				(1,167,807)
			2,086,033,324.79	**2,419,048**
5. Shares and other variable-yield securities			**248,928,224.58**	**247,040**
5a. Trading book positions			**2,980,774.33**	**2,706**
6. Equity investments			**3,470,794.48**	**3,264**
7. Shares in affiliated companies			**312,488,999.16**	**95,234**
of which: to banks 215,504,543.83 Euro				(0)
of which: in financial services providers EUR 3,000,000.00				(2,000)
8. Trust assets			**18,800,000.00**	**15,023**
9. Intangible assets				
a) Purchased franchises, industrial and similar rights and assets		17,793,730.11		11,022
b) Goodwill		2,412,682.50		3,723
c) Advanced payments		839,883.94		4,595
			21,046,296.55	**19,340**
10. Property and equipment			**13,317,360.27**	**12,987**
11. Other assets			**402,190,133.47**	**378,958**
12. Prepaid expenses			**8,926,436.10**	**8,714**
13. Deferred tax assets			**18,276,101.30**	**9,439**
14. Excess of covering assets over pension and similar obligations			**1,572,165.08**	**1,503**
Total assets			**8,408,556,118.22**	**6,713,077**

Balance Sheet as of 31 December 2021

LIABILITIES AND EQUITY			2021	2020
	EUR	EUR	EUR	EUR
a) payable on demand		211.492.966,37		248.432
b) with an agreed term or period of notice		126.542.847,49		154.997
			338.035.813,86	**403.429**
2. Liabilities to customers				
a) Savings deposits				
aa) with an agreed period of notice of three months	55.981,84			133
ab) with an agreed period of notice of more than three months	0.00	55.981,84		0
b) Other liabilities				
ba) payable on demand	7.201.238.729,18			5.665.826
bb) with an agreed term or period of notice	29.869.121,66	7.231.107.850,84		46.336
			7.231.163.832,68	**5.712.295**
3. Securitised liabilities				
Debt securities issued			**38.858,17**	**39**
4. Trust liabilities			**18.800.000,00**	**15.023**
5. Other liabilities			**101.168.720,66**	**116.358**
6. Deferred income			**13.136.990,19**	**12.154**
7. Provisions				
a) Provisions for pensions and similar obligations		13.953.438,00		14.910
b) Tax provisions		17.343.205,30		20.575
c) Other provisions		63.930.596,33		45.662
			95.227.239,63	**81.147**
9. Fund for general banking risks			**79.533.000,00**	**64.392**
10. Equity				
a) Subscribed capital		28.839.372,00		18.445
b) Capital reserves		275.312.886,69		85.885
c) Revenue reserves				
ca) statutory reserve	2.000.000,00			2.000
cb) other revenue reserves	181.268.730,96	183.268.730,96		134.556
d) Net retained profit		44.030.673,38		67.354
			531.451.663,03	**308.240**
Total equity and liabilities			**8.408.556.118,22**	**6.713.077**
1. Contingent liabilities				
Liabilities from guarantees and indemnity agreements			709.547,98	4.163
2. Other obligations				
Irrevocable loan commitments			143.602.640,07	124.316

Sustainability

Notes to the Financial Statement

Notes to the Financial Statements

General Information

Basis of Accounting

After the renaming of Hauck & Aufhäuser Privatbankiers Aktiengesellschaft was completed in December 2021, the bank is now called Hauck Aufhäuser Lampe Privatbank AG (hereinafter “Hauck Aufhäuser Lampe” or the “Bank”) and, as before, maintains its registered office in Frankfurt am Main. The Bank has branches in Luxembourg and in Great Britain. This means with its representative offices, it is present among others in Frankfurt am Main, Munich, Hamburg, Düsseldorf, Cologne, Luxembourg, Zurich as well as in Paris and London.

The company is entered in the commercial register at the local court of Frankfurt am Main under number HRB 108617. Hauck Aufhäuser Lampe is owned by Bridge Fortune Investment S.à r.l., which has its registered office in Luxembourg and holds 99.94 % of the company. Bridge Fortune is an indirect equity interest of Fosun International Ltd., which is listed and maintains its registered office in Hong Kong.

Hauck Aufhäuser Lampe itself is not listed and is not a capital market-oriented company within the meaning of Section 264d HGB.

The financial statements of the Bank for the financial year 2021 have been prepared in accordance with the regulations of the Handelsgesetzbuch (HGB – German Commercial Code), the Kreditwesengesetz (KWG – German Banking Act), the Aktiengesetz (AktG – German Stock Corporation Act) and the Verordnung über die Rechnungslegung der Kreditinstitute (RechKredV – German Bank Accounting Regulation). In addition to the annual financial statements, comprising the income statement, statement of financial position, notes to the financial statements, a management report has also been prepared in accordance with Section 289 HGB.

Unless otherwise indicated, all figures are shown in thousands of euro (EUR k). Due to rounding, there may be some cases where individual figures do not add up exactly to the stated total.

Accounting Policies

The cash reserve is recognised at nominal account.

Loans and advances to banks and customers are recognised at amortised cost. Adequate provision has been made for all identifiable risks by recognising specific valuation allowances and provisions. An adequate amount of global valuation allowances has been recognised for latent risks.

For receivables at risk of default, individual value adjustments are made after deducting the available collateral. For all other receivables, the GLLP is formed according to mathematical.

Unless they are shown as hedge accounting, securities held in the liquidity reserve are accounted for at the lower of cost or fair value in accordance with the regulations for current assets and in line with the strict lower of cost or market principle. Long-term securities are measured following the modified lower of cost or market principle, where the premiums/discounts incurred when the securities were purchased are spread over the remaining term and recognised in net interest income on the income statement.

Derivative financial instruments are used to hedge statement of financial position items and are measured individually on the reporting date. The fair values of the derivative financial instruments are calculated using the discounted cash flow method. The underlying yield curves are in line with the market standard. This measurement is conducted by an external provider. The measurement gains or losses are offset within a hedging relationship against the measurement gains or losses of other transactions to the extent permitted in so far as losses are off-set. Fluctuations in the value of hedged items measured on an interest rate-induced basis are recognised in the income statement in accordance with the imparity principle using the net hedge presentation method.

In accordance with Section 254 HGB and in line with IDW RS HFA 35 we essentially recognise micro hedges to offset opposing changes in the value of promissory note loans and other fixed-income securities as well as interest rate derivatives that are used to hedge the interest rate risk that arises here, where we apply the net hedge presentation method. Furthermore, hedges are recognised in the portfolio of forward exchange transactions that are not used to hedge interest-bearing statement of financial position items, but to hedge the exchange rate risk. For both groups, the offsetting changes in value are hedged over the entire term.

When hedges are recognised for promissory note loans and other fixed-income securities in the Bank's own portfolio, interest rate risks are hedged using interest rate derivatives. Interest rate derivatives with customers are hedged using offsetting back-to-back interest rate derivatives. Forward exchange transactions with customers are hedged using offsetting FX derivatives.

The effectiveness of the hedging relationships used for statement of financial position transactions is verified retrospectively and prospectively by means of regression analysis. If no fewer than seven observation dates are present in retrospect, the dollar-offset method is applied. Only the dollar-offset method is used retrospectively to verify the effectiveness of the hedging relationships for derivatives. The critical terms match method is applied prospectively for all hedging relationships when they are formed and during the subsequent measurement.

Risks from the settlement of unsecured OTC derivatives are taken into account using valuation adjustments. A credit valuation adjustment is created for expected credit losses on account of third-party credit risks. A debit valuation adjustment for the bank's own credit risk is not recognised on the basis of the imparity principle. The institution's own financing conditions are additionally taken into consideration by means of a funding valuation adjustment.

In accordance with the regulations of Section 340e in conjunction with Section 253(3) HGB that apply to fixed assets, equity interests and shares in affiliated companies are accounted for at amortised cost. We have made appropriate write-downs if permanent impairment is expected. If the reasons that have led to a write-down no longer exist, it is reversed up to the amount of the acquisition cost.

Repurchase agreements are reported in accordance with the applicable regulations of Section 340b HGB. In securities lending transactions, securities that are lent continue to be accounted for based on the beneficial ownership of Hauck Aufhäuser Lampe, while borrowed securities are not reported in the statement of financial position.

Intangible assets and property, plant and equipment are recognised at acquisition or production cost, less amortisation and depreciation if they are finite-lived. For the underlying useful lives and amortisation and depreciation rates, we follow the guidelines of the general table of depreciation for wear and tear that is published by the tax authorities. Goodwill contained in the intangible assets is amortised over a period of five to ten years. A write-down is made if permanent impairment is identified. Assets that cost more than EUR 250 but no higher than EUR 1,000 excluding value added tax are grouped together in an umbrella item each year and written down by 20 % in the financial year in which the item is recognised and in each of the following four financial years (pool depreciation). Low-value assets that cost no more than EUR 250 excluding value added tax are written down in full in the year they are acquired.

Prepaid expenses consist of expenses in the financial year that are recognised in the following financial years.

Liabilities are carried at their settlement amount. Differences between repayment and disbursement amounts are accounted for as prepaid expenses or deferred income and reversed and recognised in profit or loss pro rata temporis.

Independent actuaries calculate pension provisions annually using the projected unit credit method. The parameters for the calculation are described in the disclosure on the provisions.

The plan assets intended to cover the pension obligations are measured at fair value, and netted against the provisions recognised for these and reported in accordance with Section 246(2) sentence 2 HGB. Netting against the plan assets is carried out for phased retirement obligations at the outstanding settlement amounts in accordance with IDS RS HFA 3. Any excess of assets resulting after plan assets have been offset against provisions for pensions or phased retirement recognised for them is reported under the item “Excess of plan assets over post-employment benefit liability”. The necessary addition to pension provisions in accordance with Article 67(1) of the Einführungsgesetz zum Handelsgesetzbuch (EGHGB – Introductory Act to the German Commercial Code) will be transferred by no later than 31 December 2024.

Provisions for taxes and other provisions are recognised at the settlement value that is necessary based on prudent business judgement; provisions with a remaining term of more than one year are recognised at their present value. The discount rates that are used correspond to the interest rates of the Deutsche Bundesbank published for December 2021 for the respective remaining terms of the provisions. The expense for the interest cost of the provisions is reported in the interest expenses. Provisions for expected losses from executory contracts have been recognised in the financial accounts.

All interest-related transactions outside the trading book have measured at net realisable value in accordance with the regulations of IDW RS BFA 3. We have applied the present value approach to measure the net realisable value of the banking book. Here we compared the calculated present value from the cash flows of the relevant financial instruments discounted as at the reporting date with the book value. Risk and administrative expenses still expected to be incurred were taken into account as a correction of the (gross) present value calculated without these components.

Deferred taxes are recognised for all temporary differences between the carrying amounts of the reported assets, liabilities, prepaid expenses and deferred income in the financial accounts and their tax carrying amounts. Deferred taxes are measured using company-specific tax rates that apply on the reporting date or that have essentially been adopted in law and that are expected to apply at the time the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that a taxable profit will be available against which the temporary difference can be offset. When calculating deferred tax assets, tax loss carryforwards and interest carryforwards are taken into account in the amount of the loss/interest offset to be expected in the next five years.

In exercise of the option in Section 274 HGB, deferred tax liabilities are not recognised if there is an excess of deferred tax assets.

Contingent liabilities are reported at nominal value less recognised provisions

Negative interest from loans and advances is recognised in interest income; we report negative interest from liabilities in the interest expenses.

Currency Translation

Foreign currencies are translated in accordance with the regulations of Sections 256a ff in conjunction with Section 340h HGB. Assets and liabilities denominated in foreign currency are translated at the ECB reference rate as at the reporting date, forward exchange transactions are translated at the forward rate. Income and expenses are recognised in the income statement at the exchange rate on the relevant date. When measuring forward exchange transactions used to hedge interest-bearing statement of financial position transactions, the Bank makes use of the forward rate split and recognises the agreed swap rates pro rata temporis. Based on the special coverage, gains and losses from currency translation are recognised in the income statement in accordance with Section 340h HGB.

Changes to Accounting Policies

We have not made any changes to the accounting polices compared with the prior year.

Other Disclosures

The completion of the acquisition of Bankhaus Lampe KG that had been announced in the prior year took place on 1 October 2021 after the approvals from the supervisory authorities were issued. The acquisition of Bankhaus Lampe KG comprises the purchase of all shares in the company. This also involves the full takeover and integration of all employees, subsidiaries, customers and locations. The renaming of Hauck & Aufhäuser Privatbankiers AG to Hauck Aufhäuser Lampe Privatbank AG was entered in the commercial register in December 2021.

Events after the Reporting Period

The former Bankhaus Lampe KG was merged with Hauck Aufhäuser Lampe Privatbank AG with effect from 1 January 2022. The impact of the corona pandemic still cannot be quantified today. We provide an assessment of the situation in the management report.

From what we can see today, the outbreak of war in Ukraine will have an influence on the subsequent periods after the reporting date as a result of the macroeconomic developments, and are just as difficult to quantify today as the impact of the pandemic. We also offer an assessment of this situation in the management report. We do not anticipate any major effects from the exposures of the Bank in Ukraine and Russia.

Moreover, there have been no significant events to report that have occurred after the end of the financial year and that have not yet been taken into consideration in the income statement or the statement of financial position.

Notes to the Income Statement

Income by Geographical Market

The total amount contains the following items of the income statement:

Interest income, current income from shares and other variable-yield securities, equity interests, shares in affiliated companies, commission income, net income from the trading book and other operating income.

Breakdown by geographical Market

EUR k	Germany	Luxembourg	Great Britain
	156,316	62,743	53

Other operating result

In the year under review, other operating income of EUR 21,087k (prior year: EUR 26,312k) essentially contains allocations of intragroup expenses of EUR 8,192k (prior year: EUR 8,625k), income from the reversal of provisions of EUR 4,582k (prior year: EUR 8,341k), income from the annual VAT calculation of EUR 1,807k (prior year: EUR 1,163k) and net foreign exchange income of EUR 2,525k (prior year: EUR 4,454k).

Other operating expenses of EUR 5,828k (prior year: EUR 3,227k) essentially include additions to other provisions of EUR 3,760k (prior year: EUR 225k) and expenses from the branches of EUR 1,012k (prior year: EUR 1,199k).

Auditor's fee

The fees for audit services cover the audit of the annual financial statements of Hauck Aufhäuser Lampe Privatbank AG. Other audit-related services are essentially fees for legally prescribed, contractually agreed or voluntarily commissioned audit and audit-related services. They also include audits pursuant to Section 89(1) GwG. The fees for other service essentially cover fees for project-related advisory services. The amount of the auditor's fee is disclosed in the consolidated financial statements in accordance with Section 285 no. 17 HGB:

Services to Third Parties

The main services provided to third parties were custody account management, asset management, management of trust loans, processing of payment transactions and securities brokerage business.

Notes to the Balance Sheet

Breakdown of loans and advances and liabilities by residual maturity

Loans and advances broken down by residual maturity

EUR k	Loans and advances to banks		Loans and advances to customers	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
With an indefinite term	0	0	344,397	311,262
Residual maturity				
Up to three months	46	46	118,045	108,416
More than three months and up to one year	0	0	17,387	20,581
More than one year and up to five years	5,000	5,000	52,447	12,535
More than five years	0	0	20,000	20,155
Total	**5,046**	**5,046**	**552,342**	**472,949**

Liabilities broken down by residual maturity

EUR k	Liabilities to banks		Liabilities to customers	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Residual maturity				
Up to three months	8,893	37,347	20,766	24,470
More than three months and up to one year	0	0	6,153	13,187
More than one year and up to five years	117,650	117,650	2,950	8,679
More than five years	0	0	0	0
Total	**126,543**	**154,997**	**29,869**	**46,336**

Related Party Disclosures

The table below shows loans and advances and liabilities to other long-term investees and investors as well as affiliated companies:

Related party disclosures

EUR k	to investees		to affiliated companies	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Loans and advances to customers	0	0	0	0
Other assets	15	50	19,293	15,935
Total	**15**	**50**	**19,328**	**15,935**
Liabilities to banks	0	0	314	0
Liabilities to customers	14,102	10,385	44,349	45,104
Other liabilities	0	333	0	0
Total	**14,102**	**10,718**	**44,663**	**45,104**

Securities

Negotiable securities break down as follows as at 31 December 2021:

Securities

EUR k	Listed		Not listed	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Debt securities and other fixed-income securities	1,856,143	2,195,006	229,890	224,042
Equities and other variable-yield securities	7	303	1	2
Total	**1,856,150**	**2,195,309**	**229,891**	**224,044**

Of the debt securities and other fixed-income securities totalling EUR 2,086,033k (prior year: EUR 2,419,048k), EUR 274,614k is payable in the 2022 financial year.

For debt securities and other fixed-income securities in the banking book with a book value of EUR 149,025k (prior year: EUR 305,216k) and a fair value of EUR 148,059k (prior year: EUR 303,7924k), write-downs of EUR 966k (prior year: EUR 1,424k) were not carried out based on the modified lower of cost or market principle in accordance with Section 253(3) sentence 5 and in due consideration of the hedging relationships, as the impairments are temporary. These are exclusively negotiable debt securities.

In the same way, write-downs of EUR 461k (prior year: EUR 482k) were not made on non-negotiable shares and other variable-yield securities with book values of EUR 11,651k (prior year: EUR 11,651k) and fair values of EUR 11,190k (prior year: EUR 11,169k) on account of the modified lower of cost or market principle. Shares and other fixed-income securities include non-negotiable shares in special assets within the meaning of Section 1(10) of the Kapitalanlagegesetzbuch (KAGB – German Investment Code) in which the Group holds more than 10 % of the shares. As they are assigned to the bank's fixed assets, we apply the modified lower of cost or market principle.

The fair value of the investment funds is equal to the net fund assets and is determined by the market value or liquidation value of the individual fund components. Of the book values of EUR 237,269k (prior year: EUR 235,083k) and fair values of EUR 241,545k (prior year: EUR 235,489k), impairment losses of EUR 3,584k (prior year: EUR 4,168k) were not charged. In the current financial year there were no distributions (previous year: –). There were no further impairment losses that were not recognised in the year under review.

Trading Book Positions

No changes from the prior year were made to the criteria for allocating financial instruments to the trading book in the year under review.

In the fund for general banking risks, EUR 141k was transferred (pursuant to Section 340e(4) HGB) at the expense of the net income of the trading book (prior year: income of EUR 457k). As the provision recognised under Section 340e(4) HGB exceeded the assets held for trading reported in the statement of financial position, the risk discount was recognised only in the amount of the reserves in the trading book, as in the prior year.

No securities were transferred from the trading book to the banking book in the year under review.

Assets held for trading

EUR k	31 Dec 2021	31 Dec 2020
Equities and other variable-yield securities	3,104	3,221
Value at risk discount	–123	–514
Total	**2,981**	**2,706**

Designated Hedges

To offset opposing changes in value, micro hedges are recognised as a hedge against resulting interest rate or currency risks:

- Interest rate risks relating to promissory note loans and other fixed-income securities held in the Bank's own portfolio were hedged using interest rate derivatives. The average residual maturity was five years as in the prior year;
- Interest rate derivatives with customers were hedged using offsetting back-to-back interest rate derivatives. The average residual maturity was nine years (prior year: ten years);
- Forward exchange transactions with customers are hedged using offsetting FX derivatives. The average residual maturity was less than three months as in the prior year.

Hedge accounting

EUR k	Book values		Nominal values		Amount of the hedged risk	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Bonds and debt securities	1,438,296	1,523,228	1,419,689	1,505,401	37,554	81,426
Promissory note loans	20,708	20,709	20,000	20,000	6,261	8,449
Interest rate derivatives	0	0	252,595	307,228	26,916	43,039
Forward exchange transactions	0	0	8,249,631	6,494,659	121,664	158,888
Total	**1,459,004**	**1,543,937**	**9,941,915**	**8,327,288**	**192,395**	**291,802**

Trust business

Trust assets

EUR k	31 Dec 2021	31 Dec 2020
Loans and advances to banks	18,800	15,023
Total	**18,800**	**15,023**
including trust loans	0	0

Trust liabilities to

EUR k	31 Dec 2021	31 Dec 2020
Customers	18,800	15,023
Total	**18,800**	**15,023**
including trust loans	0	0

Statement of changes in fixed assets

EUR k

	Intangible assets	Property, plant and equipment	Securities in the banking book	Equity interests	Shares in affiliated companies
Residual book amounts 1 Jan 2021	19,340	12,987	2,107,906	3,264	95,234
Acquisition / production cost, 1 Jan 2021	**48,764**	**33,095**	**2,107,906**	**3,400**	**95,234**
Additions	7,713	3,140	76,396	207	217,255
Disposals	0	0	287,152	0	0
Reclassifications	0	126	0	0	0
Exchange rate changes	0	0	7,532	0	0
Acquisition / production cost, 31 Dec 2021	**56,477**	**36,361**	**1,904,682**	**3,607**	**312,489**
Accumulated amortisation, depreciation and impairment, 1 Jan 2021	**29,424**	**20,108**	**0**	**136**	**0**
Accumulated amortisation, depreciation and impairment for the financial year	0	0	0	0	0
Additions	6,006	2,810	0	0	0
Disposals	0	0	0	0	0
Reclassifications	0	126	0	0	0
Exchange rate changes	0	0	0	0	0
Accumulated amortisation, depreciation and impairment, 1 Jan 2021	**35,430**	**23,044**	**0**	**136**	**0**
Write-ups	**0**	**0**	**0**	**0**	**0**
Residual book values, 31 Dec 2021	**21,046**	**13,317**	**1,904,682**	**3,471**	**312,489**

Land and buildings with a total carrying amount of EUR 7.270k (prior year: EUR 7,006k) are exclusively owner-occupied. Operating and office equipment included in property, plant and equipment amounted to EUR 6.047k (prior year: EUR 5,981k).

Other Assets

Other assets amount to EUR 402,190k (previous year: EUR 378,958k). The increase is due largely to cash collateral management payments of EUR 360,616k (prior year: EUR 350,693k) in connection with the institutional fund business and derivatives business. The other items are largely receivables from affiliated companies of EUR 18,921k (prior year: EUR 15,935k) and tax assets of EUR 765k (prior year: EUR 1,306k). Furthermore there are option premiums from currency options, other receivables from the custody business and miscellaneous receivables.

Prepaid Expenses

Prepaid expenses

EUR k	31 Dec 2021	31 Dec 2020
Upfront payments and premiums	3,041	3,826
Positive differences	1,505	1,628
Other prepaid expenses	4,380	3,260
Total	**8,926**	**8,714**

Subordinated Assets

Subordinated assets

EUR k	31 Dec 2021	31 Dec 2020
Loans and advances to banks	0	0
Loans and advances to customers	10,659	24,596
Securities	41,324	44,327
Total	**51,983**	**68,923**

Deferred Tax Assets

As at the reporting date, there were deferred tax assets totalling EUR 18,276k (prior year: EUR 9,439k). In the year under review, a tax rate for corporate income tax, solidarity surcharge and trade tax of 31.769 % (prior year: 32.103 %) was used as the basis for the calculation. Temporary differences underlying deferred taxes relate primarily to pension and restructuring provisions, provisions for expected losses and tax adjustment items for equity interests and funds.

Foreign Currency Assets and Liabilities

As at the reporting date, EUR 1,505,797k (prior year: EUR 1,154,334k) was recorded in assets denominated in foreign currency, while liabilities denominated in foreign currency stood at EUR 1,555,012k (prior year: EUR 1,174,287k).

Other Liabilities

The other liabilities totalling EUR 101,169k (prior year: EUR 116,358k) primarily involve liabilities from collateral furnished of EUR 80,660k (prior year: EUR 100,480k) and taxes payable of EUR 6,212k (prior year: EUR 5,798k).

Provisions

Changes in provisions

EUR k	Opening balance	Additions	Reclassification[1]	Unwinding discounts	Utalisation	Write-ups	Additions	Closing balance	Closing balance
	1 Jan 2021	2021	2021	2021	2021	2021	2021	**31 Dec 2021**	**31 Dec 2020**
Pension provisions and similar obligations	14,910	0	656	99	1,295	946	529	13,953	14,910
Tax provisions	20,575	0	0	0	16,099	498	13,365	17,343	20,575
Other provisions	45,662	0	476	0	22,448	5,430	45,671	63,931	45,662
	81,147	**0**	**1,132**	**99**	**39,842**	**6,874**	**59,565**	**95,227**	**81,147**

[1] Contains currency translation differences and consolidation items

Other provisions mainly comprise provisions for the human resources area, for litigation and recourse risks and for expected losses. The personnel provisions include provisions for restructuring, phased retirement and early retirement.

In addition to the pension obligations, there were obligations for phased retirement agreements. The provision for phased retirement was offset against the plan assets from the individually agreed life insurance policies to cover pension obligations in the period under review. The excess of plan assets over post-employment benefit liability totalling EUR 1,572k (prior year: EUR 1,503k) was recognised as the difference between the plan assets for covering pension obligations of EUR 3,680k (prior year: EUR 4,267k) and the provisions recognised for these of EUR 2,108k (prior year: EUR 2,764k). The plan assets for covering pension obligations are measured at the capitalised value. This represents the fair value and, at the same time, the amortised cost of the life insurance policies to cover the pension obligations. Income and expenses were not offset.

The provisions for pensions and other post-employment benefits are determined using actuarial techniques on the basis of biometric probabilities (Heubeck 2018G mortality tables) in accordance with the entry age normal method.

The pension provisions recognised are for firm commitments. Pension increases are currently taken into account by an annual adjustment of 2.00 %. Salary and wage increases and staff turnover rates were not taken into account. The interest rate used as the basis for discounting the pension obligations is 1.94 %; for discounting use is made of the option to use the average market rate calculated and published by the Deutsche Bundesbank, and which results from an assumed residual term of 10 years. The interest rate used for discounting is based on the projection of the interest rate published by the Bundesbank on 31 October 2021 to the reporting date.

The difference pursuant to Section 253(6) sentence 1 HGB between the amount of the provisions recognised using the relevant average market interest rate for the last ten financial years and the amount of provisions recognised using the average market interest rate for the last seven financial years was calculated for the financial year; it amounted to EUR 583k as at the reporting date (prior year: EUR 763k) and is subject to the restriction on distribution.

Fund for General Banking Risks

At the Bank, the fund for general banking risks in accordance with § 340g HGB increased by increased by TEUR 15,000 to TEUR 76,948 (previous year: TEUR 61,948). The liability item in accordance with § 340e (4) HGB increased by EUR 141,000 to EUR 2.585 million increased by TEUR 141 to TEUR 2,585 (previous year: TEUR 2,444).

Equity

Capital Structure

Equity

EUR k	31 Dec 2021	31 Dec 2020
Subscribed capital	28,839	18,445
Capital reserve	275,313	85,885
Revenue reserves	183,269	136,556
Statutory reserve	2,000	2,000
Other revenue reserves	181,269	134,556
Net retained profits (+)/net accumulated losses (–)	44,031	67,354
Total	**531,452**	**308,240**

Subscribed Capital

The subscribed capital (share capital) was recognised at the Bank at the nominal value. The share capital of the Bank was increased from the prior year from EUR 18,445k to EUR 28,839k, and as a result of the issue of new shares changed to 554,603 bearer shares (prior year: 354,715), which therefore each have a notional share of EUR 52.00.

Authorised Capital

The Management Board is authorised by the articles of association of 21 February 2017 to increase the share capital, with the approval of the Supervisory Board, by up to EUR 3,200,000.00 by issuing on one or more occasions on or before 27 May 2020 no-par value registered voting shares in return for cash contributions (Authorised Capital 2017/I).

Following the partial exercise of the authorisation in the course of the capital increase in 2018 totalling EUR 2,445,196, the Management Board did not make any further use of the remaining EUR 754,804 in the period under review.

Capital Reserve

A capital increase was carried out by issuing new shares in the year under review. As a result, the bank increased its capital reserve by EUR 189,428k to EUR 275,313k (prior year: EUR 85,885k).

Revenue Reserves

The statutory reserves remained unchanged from the prior year at EUR 2,000k.

As a result of retained earnings from the prior year, other revenue reserves increased by EUR 48,713k to EUR 183,269k (prior year: EUR 134,556k).

At the ordinary annual general meeting on 25 May 2022, a resolution will be proposed to the shareholders to appropriate the net profit from 2021 totalling EUR 23,389k as follows: to appropriate EUR 900k to the statutory reserve and allocation to profit carried forward of EUR 22,489k.

Amounts Subject to Restriction on Distribution

Amounts subject to the restriction on distribution totalling EUR 20,431k in the year under review (prior year: EUR 11,705k) result from the difference between the average market rates for ten and seven years that are used to discount provisions for pension obligations in accordance with Section 253(6) sentence 1 HGB totalling EUR 583k, from the recognition of deferred taxes in accordance with Section 268(8) HGB totalling EUR 18,276k and the excess of plan assets over post-employment benefit liability in accordance with Section 246(2) sentence 2 HGB totalling KEUR 1,572.

Other Disclosures

Contingent Liabilities and Other Obligations

The liabilities from guarantees and indemnity agreements of EUR 710k (prior year: EUR 4,163k) essentially involve primary banking business with customers that generates commission income. The Bank’s risk consists in claims arising from the contractual obligations as a result of a deterioration in the credit rating of the debtor. The credit risks are taken into account through the recognition of provisions. The risk of a claim arising from contingent liabilities is assessed on the basis of the parameters of the credit risk management.

Irrevocable loan commitments are part of Hauck Aufhäuser Lampe’s lending business and are reported below the line. As at the reporting date, there were irrevocable loan commitments totalling EUR 143,603k (prior year: EUR 124,316k).

Risks can arise from the deterioration of the customer’s credit rating, for which a corresponding provision is recognised in the statement of financial position.

Other Financial Obligations

There were payment obligations arising from tenancy agreements for our locations which totalled EUR 7,238k for the 2022 financial year (prior year EUR 5,949k). The average remaining term of the tenancy agreements is seven years (prior year: five years).

Risks also arise for the Bank from the investigations carried out in the past financial years into possible transactions on possible Cum/Ex follow-up models or Cum/Cum transactions by the public prosecutor's office and tax authorities. Since the Bank has never invested in such constructions itself or initiated them for clients or third parties potential material risks to the Bank's financial position and results of operations relate and earnings position of the Bank relate exclusively to our role as a custodian liability of the tax authorities. The criminal investigations are initially directed exclusively against third parties, former employees of our bank, and not against the bank or current employees. Based on the current legal situation and the expert assessment of the tax valuation of the transactions, we are of the opinion that we acted in compliance with the law.

The Bank additionally has proportionate liability to pay additional funding contributions for other banks belonging to the Bundesverband deutscher Banken e. V. (Federal Association of German Banks), Cologne.

Securites Lending Transactions

The Bank conducts securities lending transactions in order to improve liquidity management. The borrowed securities are not recognised in the statement of financial position, while the loaned securities remain there. These transactions give rise to a settlement risk, i.e. the risk of an unexpected loss of value during the settlement period between performance and receipt of consideration.

As at the reporting date, the Bank had loaned bonds and debt securities with a book value of EUR 684,951k (prior year: EUR 755,663k) and a nominal value of EUR 677,560k (prior year: EUR 743,496k) as well as shares with a market value of EUR 1,515k (prior year: EUR 0k).

As at 31 December 2021, the Bank had borrowed shares with a market value of EUR 1,515k (prior year: EUR 0k).

Forward Transactions

Volume of forward transactions

EUR k	Residual maturities				Fair values		
	up to 1 year	> 1–5 years	> 5 years	Total	positive	negative	net
Interest-related forward transactions							
OTC products							
Interest rate swaps	86,348	872,932	753,143	**1,712,424**	31,163	94,924	–63,761
Forward transactions in foreign currencies							
OTC products							
Forward exchange contracts	9,651,509	35,317	0	**9,686,826**	125,100	123,376	1,725
Currency options	10,545	0	0	**10,545**	122	122	0
Total	**9,748,402**	**908,249**	**753,143**	**11,409,794**	**156,385**	**218,421**	**–62,037**

Employees

Average number of employees (heads)

	31 Dec 2021			31 Dec 2020		
	Female	Male	Total	Female	Male	Total
Part-time employees	90	20	110	87	17	104
Full-time employees	166	377	543	157	359	516
Total	**256**	**397**	**653**	**244**	**376**	**620**

Remuneration and Loans to Executive Bodies

The remuneration paid to the members of the Supervisory Board amounted to EUR 334k (prior year: EUR 178k).

Total remuneration paid to former general partners and their surviving dependants amounted to EUR 96k (prior year: EUR 96k).

Pension provisions of EUR 706k (prior year: EUR 741k) were recognised for pension entitlements of the former general partners and their surviving dependants.

As in the prior year, the option afforded in Section 286(4) HGB was applied, so that the remuneration of the Management Board in the year under review is not disclosed.

Advances and Loans to Executive Bodies of the Parent Company

As in the prior year, no advances or loans had been made to the members of the Management Board or of the Supervisory Board as at the reporting date.

Members of the Management

- Michael Bentlage, Chairman of the Management Board
- Oliver Plaack, Member of the Management Board (since 1 January 2022)
- Madeleine Sander, Member of the Management Board (since 1 January 2022)
- Dr Holger Sepp, Member of the Management Board
- Robert Sprogies, Member of the Management Board

Members of the Supervisory Board

- Wolfgang Deml, Rottach-Egern (Chairman)
- Liu Qiang, Managing Director Fosun Shanghai/China (Deputy Chairman)
- Dr Thomas Duhnkrack, Entrepeneur, Kronberg im Taunus (Member)
- Hualong Jin, Fosun Global Partner, Beijing/China
- Nils Becker, Mettmann (Employee Representative)
- Ingo Repplinger, Konz-Könen (Employee Representative)
- Michael Mannig, Karben (Employee Representative)

Legal Representatives and other Members of Supervisory Committees

The following members of the Management Board held other management and Supervisory Board mandates in the period under review:

Michael Bentlage:

Group mandates

- Angestellten-Unterstützungs-Verein von Hauck & Aufhäuser Privatbankiers AG Frankfurt am Main und München e.V., Chairman of the Association
- Fosun Management (Germany) GmbH, Frankfurt, Vice President

Investee mandates

- Hauck Investment Management (Shanghai) Co. Ltd., Chairman of the Company's Board
- btov Industrial Technologies SCS, SICAR, St. Gallen / Switzerland, Member of the Advisory Board

Supervisory board mandates

- H&A Global Investment Management GmbH, Deputy Chair of the Supervisory Board

Association activities

- Bundesverband deutscher Banken, member of the Committee for Private Bankers
- Stock Exchange Council of the Munich Stock Exchange, member
- Deutsche Schutzvereinigung für Wertpapierbesitz e. V., member of the Board of Trustees
- Münchener Handelsverein e. V., member of the Executive Board and of the Advisory Board
- Stifterverband für die Deutsche Wissenschaft, member (State Board of Trustees, Bavaria)
- Interessengemeinschaft Frankfurter Kreditinstitute GmbH, member of the Advisory Board

Other mandates

- Objektgesellschaft 1 Hardenbergstraße mbH, Managing Director

Dr Holger Sepp:

Group mandates

- Hauck & Aufhäuser Fund Services S.A., Chair of the Supervisory Board
- Hauck & Aufhäuser Alternative Investment Services S.A., Chair of the Supervisory Board

Robert Sprogies:

Group mandates

- Angestellten-Unterstützungs-Verein von Hauck & Aufhäuser Privatbankiers AG Frankfurt am Main und München e.V., Deputy association chair
- Hauck & Aufhäuser Kulturstiftung, member of the Management Board

Investee mandates

- FidesKapital Gesellschaft für Kapitalbeteiligungen mbH, Managing Director
- Hauck & Aufhäuser Verwaltungs GmbH, Managing Director
- Stella Verwaltungs GmbH, Managing Director

Supervisory board mandates

- The NAGA Group AG, Deputy Chair of the Supervisory Board

Association activities

- Bayerischer Bankenverband e.V., member
- Bundesverband deutscher Banken, member of the SSM2 committee and committee member

Shareholdings

The table below shows the Bank's shareholdings.

Shareholdings pursuant to Section 271(1), Section 285 (11 and 11a) HGB

NO	Name and registered office	Shares held by no.	Share of capital (in %)	Currency	Equity (EUR k)	Net prof-it/loss for the year (EUR k)
I.	**Consolidated entities (Section 313(2) No. 1 HGB)**					
1.	Hauck Aufhäuser Lampe Privatbank AG, Frankfurt am Main		100	EUR	531,452	54,757[1]
2.	Bankhaus Lampe KG, Düsseldorf	1	100	EUR	310,190	–8,042[1]
3.	DALE Investment Advisors GmbH, Vienna (Austria)	2	95	EUR	1,469	1,018[1]
4.	FidesKapital Gesellschaft für Kapitalbeteiligungen mbH, Munich	1	100	EUR	24,430	1,421[1]
5.	Hauck & Aufhäuser Alternative Investment Services S.A., Luxembourg	7	100	EUR	7,613	7,191[1]
6.	Hauck & Aufhäuser Fund Platforms S.A., Luxembourg	1	100	EUR	108,993	18,885[1]
7.	Hauck & Aufhäuser Fund Services S.A., Luxembourg	6	100	EUR	27,193	13,894[1]
8.	Hauck Investment Management (Nanjing) Co., Ltd., Nanjing (China)	1	100	CNY	807	–161[1]
9.	Hauck Investment Management (Shanghai) Co., Ltd., Shanghai (China)	1	100	CNY	1,415	–577[1]
10.	Lampe Alternative Investments GmbH, Düsseldorf	2	100	EUR	2,440	0[1]
11.	Lampe Asset Management GmbH, Düsseldorf	2	100	EUR	4,900	0[1]
12.	Lampe Beteiligungs GmbH, Düsseldorf	2	100	EUR	1,100	0[1]
II.	**Associated companies (Section 311(1) HGB)**					
13.	H&A Global Investment Management GmbH, Frankfurt am Main	1	40	EUR	10,329	2,773[2]
III.	**Non-consolidated companies (Section 296(2) HGB)**					
14.	ALH Euro Equity GP S.à r.l. Luxembourg	5	100	EUR	12	0[2]
15.	ALH European Debt Management S.à r.l., Luxembourg	5	100	EUR	12	0[2]
16.	BHL Equity Invest I Verwaltungs GmbH, Düsseldorf	33	100	EUR	49	6[2]
17.	BTF Beteiligungs- und Treuhandgesellschaft mbH, Düsseldorf	2	100	EUR	77	7[1]
18.	CLEC Vermögensverwaltungs GmbH, Bielefeld	50	100	EUR	7	–2[2]
19.	Competo Development Fonds No. 3 GmbH & Co. KG, Munich	10	100	EUR	10,717	1,508[2]
20.	Competo Development Fonds No. 3 Verwaltungs GmbH, Munich	10	100	EUR	26	0[1]
21.	Core Energy Infrastructure Holding GP S.à r.l., Luxembourg*	4	100	EUR	12	
22.	DB PWM Private Markets I GP S.à r.l., Luxembourg	6	100	EUR	13	0[2]
23.	Equity Invest Management II GmbH, Düsseldorf	33	100	EUR	47	6[2]
24.	Fopex GmbH, Frankfurt am Main	4	100	EUR	25	366[1]
25.	HAIG Trend Inter-Rent II	1	100	EUR	–173	–173[1]
26.	Hauck & Aufhäuser Innovative Capital GmbH, Frankfurt am Main	1	100	EUR	750	–451[1]
27.	Hauck & Aufhäuser Pension Trust GmbH, Frankfurt am Main	4	100	EUR	25	0[1]
28.	Hauck & Aufhäuser Verwaltungs GmbH, Munich	4	100	EUR	45	2[1]
29.	HI-Management S.à r.l., Luxembourg	4	100	EUR	13	1[2]

Shareholdings pursuant to Section 271(1), Section 285 (11 and 11a) HGB

NO	Name and registered office	Shares held by no.	Share of capital (in %)	Currency	Equity (EUR k)	Net prof-it/loss for the year (EUR k)
30.	Kapital 1852 Beratungs GmbH, Düsseldorf	2	100	EUR	197	–4[2]
31.	Kapital 1852 General Partner S.a.r.l., Luxembourg	33	100	EUR	112	0[2]
32.	Kapital 1852 SCS SICAV-SIF - Private Debt Invest I "Alternative Income", Strassen *	43	53	EUR		
33.	Lampe Capital Finance GmbH, Düsseldorf	2	100	EUR	424	5[1]
34.	Lampe Capital UK Limited, London (United Kingdom)	40	100	GBP	57	330[2]
35.	Lampe Investment Management GmbH, Düsseldorf	2	100	EUR	857	104[2]
36.	Lampe Mittelstands Management GmbH, Düsseldorf	33	100	EUR	25	0[2]
37.	Lampe Privat Advisory GmbH, Düsseldorf	17	100	EUR	25	0[1]
38.	Lampe Privatinvest Management GmbH, Hamburg	10	100	EUR	100	18[2]
39.	Lampe Privatinvest Verwaltung GmbH, Hamburg	38	100	EUR	61	7[2]
40.	Lampe Verwaltungs GmbH, Düsseldorf	2	100	EUR	1.282	–974[1]
41.	LBG Ventures GmbH, Düsseldorf	12	100	EUR	115	18[1]
42.	LD Beteiligung GmbH, Düsseldorf	12	100	EUR	39	2[2]
43.	LD Zweite Beteiligung GmbH, Düsseldorf	12	100	EUR	71	–47[1]
44.	Lending GP S.à r.l., Luxembourg	4	100	EUR	12	0[2]
45.	Medienlogistik Stuttgart Service GmbH, Stuttgart	4	51	EUR	337	–1[2]
46.	PERSEUS Capital S.à r.l., Luxembourg	4	100	EUR	12	0[1]
47.	Projekt Maybach Beteiligungs GmbH, Memmingen	4	100	EUR	59	–10[3]
48.	SEW Beteiligungs Verwaltungs GmbH, Hagen	12	100	EUR	23	–2[1]
49.	SI Verwaltung GmbH, Frankfurt am Main	4	100	EUR	23	–2[2]
50.	TETRARCH Aktiengesellschaft, Düsseldorf	2	100	EUR	50	0[1]
51.	Unterstützungskasse GmbH der Bankhaus Lampe KG, Bielefeld	2	100	EUR	26	0[1]
52.	Vilmaris Private Investors GmbH & Co. KG, Hamburg	50	74	EUR	251	–954[3]
53.	Vilmaris Private Investors Verwaltungs GmbH, Hamburg	10	100	EUR	23	–4[2]
54.	Zeitungsvertrieb München City GmbH, Munich	4	75	EUR	7	–20[2]
55.	ZV Service GmbH, Munich	4	75	EUR	201	48[2]
56.	ZVK Zeitungsvertrieb Kirchheim GmbH, Munich	4	75	EUR	49	–7[2]
57.	ZVL Zeitungsvertrieb Laim GmbH, Munich	4	75	EUR	155	72[2]
58.	ZVR Zeitungsvertrieb Ramersdorf, Munich	4	75	EUR	189	27[2]
59.	ZVT Zeitungsvertrieb Thalkirchen GmbH, Munich	4	75	EUR	66	37[2]
IV.	**Non-consolidated entities (Section 296(1) No. 2 and No. 3 HGB)**					
60.	Crossroads Capital Management Limited, Dublin (Ireland)	7	90	EUR	481	–487[2]
61.	H&A "Green Office, Hamburg Hafencity" GmbH & Co. KG, Hamburg	4	100	EUR	3.743	–16[3]

[1] 2021 year-end figures
[2] 2020 year-end figures
* Newly formed / newly acquired company. No annual financial statements are available yet.

Shareholdings pursuant to Section 271(1), Section 285 (11 and 11a) HGB

NO	Name and registered office	Shares held by no.	Share of capital (in %)	Currency	Equity (EUR k)	Net prof-it/loss for the year (EUR k)
V.	**Non-consolidated companies (Section 311(2) HGB)**					
62.	Fosun Europe Innovation Hub GmbH, Frankfurt am Main, in liquidation	1	34	EUR	412	–52[3]
VI.	**Companies (Section 313(2) No. 4 HGB)**					
63.	AC VI Initiatoren GmbH & Co. KG, Eichenried	4	8	EUR	10	–4[3]
64.	H&A “Bezirksamt Nord, Hamburg” GmbH & Co. KG, Hamburg	1, 4, 28	12	EUR	–86	–6[3]
65.	H&A “München, Lamontstraße” GmbH & Co. KG, Munich	1, 4	12	EUR	–7	–5[3]
66.	HANNOVER LEASING Sun Invest 2 Spanien GmbH & Co. KG, Pullach i. Isartal	4	1	EUR	6,084	0[3]
67.	HANNOVER LEASING Sun Invest 3 Italien GmbH & Co. KG, Pullach i. Isartal	4	6	EUR	5,964	–174[3]
68.	Interessengemeinschaft Frankfurter Kreditinstitute GmbH, Frankfurt am Main	4	8	EUR	24,359	8,677[2]
69.	Kapital 1852 SCS SICAV-SIF - Equity Invest IV "MidCapPlus", Strassen	43	23	EUR	847	–220[2]
70.	Lampe Mezzaine Fonds I GmbH & Co. KG, Düsseldorf	10	13	EUR	17,212	2,415[2]
71.	LPM Zweite Beteiligung GmbH, Düsseldorf	38	20	EUR	25	0[3]
72.	MS "Alina" Schifffahrtsgesellschaft mbH & Co. KG, Drochtersen	4	23	EUR	3,601	41[3]
73.	MS "Rike" Schifffahrtsgesellschaft mbH & Co. KG, Drochtersen	4	24	EUR	4,131	–128[3]
74.	Sino EU Bridge Fortune S.à r.l., Luxembourg	4	50	EUR	0	–12[2]
75.	Spielbank Bad Homburg Wicker & Co. KG, Bad Homburg	4	19	EUR	2,948	1,177[2]
76.	Spielbank Wicker Beteiligungs GmbH, Ahnatal	4	20	EUR	33	0[2]
77.	Swift Group, Hulpe (Belgium)	1	0,05	EUR	487,078	35,823[2]
78.	The Naga Group AG, Hamburg	4	3	EUR	133,461	2,021[2]
79.	VCM Initiatoren GmbH & Co. KG, Eichenried	4	9	EUR	177	–9[3]
80.	VCM Partners GmbH & Co. KG, Eichenried	4	8	EUR	58	–7[3]
81.	VCM VII European Mid-Market Buyout GmbH & Co. KG, Cologne	4	8	EUR	3,498	1,267[3]
82.	VCM/BHF Initiatoren GmbH & Co. Beteiligungs KG, Eichenried	4	4	EUR	30	–10[3]

[1] 2021 year-end figures
[2] 2020 year-end figures
[3] 2019 year-end figures
* Newly formed / newly acquired company. No annual financial statements are available yet.

Responsibility Statement

To the best of our knowledge, we confirm that, in accordance with the applicable accounting framework, the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company and that the management report gives a true and fair view of the development, performance and position of the company, and also describes the principal opportunities and risks relating to the expected future development of the company.

Frankfurt am Main, 30 March 2022

The Management Board

Michael Bentlage
Chairman of the
Management Board

Oliver Plaack
Member of the
Management Board

Madeleine Sander
Member of the
Management Board

Dr Holger Sepp
Member of the
Management Board

Robert Sprogies
Member of the
Management Board

Independent Auditor’s Report

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

Opinions

We have audited the annual financial statements of Hauck Aufhäuser Lampe Privatbank AG, Frankfurt am Main, which comprise the balance sheet as at 31 December 2021 and the income statement for the financial year from 1 January to 31 December 2021 as well as the notes to the financial statements, including the accounting policies presented therein. In addition, we have audited the management report of Hauck Aufhäuser Lampe Privatbank AG for the financial year from 1 January to 31 December 2021.

In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the “Other Information“ section of our auditor’s report.

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

- the accompanying financial statements comply, in all material respects, with the legal requirements of German commercial law applicable to financial institutions and give a true and fair view of the net assets and financial position of the Company as at 31 December 2021 and of its results of operations for the financial year from 1 January to 31 December 2021 in accordance with German principles of proper accounting, and

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

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

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and 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 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 judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. 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.

Measurement of the provisions for legal risks

The Company's disclosures concerning the principles for measuring provisions are contained in Section 1.2, Recognition and measurement policies under provisions for taxes and other provisions, of the notes to the financial statements and also in the chapter "Risk report" in the management report.

The Financial Statement Risk

Hauck Aufhäuser Lampe Privatbank AG is exposed to a variety of legal risks as a result of its business activity. Third-party legal claims are sometimes asserted after some delay from the underlying circumstances, or risks can arise from changes in legal opinions. The measurement of the provisions for legal risks is subject to the exercise of judgement. It requires assumptions about the prospects of success of the third-party legal claims as well as the Bank's prospects of success in the claims that are asserted, where these prospects are subject to uncertainty. It was therefore important for our audit that appropriate assumptions were made when calculating the value of the provisions.

Our Audit Approach

Applying the risk-oriented audit approach, we based our audit opinion on substantive audit procedures. The audit procedures we performed thus included the following.

To begin with, we gained an understanding of the process and also assessed the structure and implementation of the internal controls that have been set up to assess the legal risks. We additionally obtained confirmation letters from all lawyers that have been engaged by management as well as assessments from the Bank's Legal department, and we inspected the minutes of the Management Board and Supervisory Board meetings.

Moreover, we considered the legal risks that have been identified by the Bank to see whether it is necessary to recognise provisions and also satisfied ourselves here that the provisions recognised in the past are appropriate for proceedings that have since been concluded.

For the most significant legal risk in connection with the consideration of any legal tax risks related to the preliminary investigations conducted into two former employees, we inspected key documents and correspondence with the tax authorities. We asked our own employees who specialise in tax law to join the engagement team in order to examine management's risk assessment and the appraisal by the external expert that management had engaged. We additionally held meetings with the Management Board, Internal Audit and the tax consultant engaged by the Bank. Furthermore, we inspected expert reports and opinions and considered these for tax purposes against the background of current case law. On this basis, we considered management's assessment relating to the assumptions about the Bank's prospects of success in the claims that have been asserted.

Our Observations

Management's assumptions underlying the measurement of the provision for legal risks are appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. Information comprises the following components of the management report, whose content was not audited:

- the non-financial statement, which is included in the management report, an
- the corporate governance statement, which is included in the management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the annual financial statements, the management report information audited for content and our auditor's report thereon.

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

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

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management 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 financial 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, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

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

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

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

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

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, the 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 Article 10 of the EU Audit Regulation

We were elected by the annual general meeting on 20 May 2020 as auditor of the financial statements. We were engaged by the supervisory board on 7 January 2022. We have been the auditor of Hauck Aufhäuser Lampe Privatbank AG without interruption since financial year 2021.

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

In addition to the financial statement audit, we have provided to the Company or its subsidiaries the following services that are not disclosed in the annual financial statements or in the management report:

- Review in accordance with the review instructions of the group auditor in relation to the reporting package as at 30 June 2021 of Hauck Aufhäuser Lampe Privatbank AG.
- Other assurance services relate to ISAE certificates and statutory or contractual audits, such as the audit of the investment services business in accordance with Section 89 (1) WpHG and the custodian function in accordance with Section 68 (7) KAGB and other contractually agreed confirmation services.
- The tax advisory services include support services for tax assessment and advice on individual matters.
- The other services include support services for the assessment and advice of individual issues.

German Public Auditor Responsible for the Engagement

The auditor responsible for the engagement is Jan Möllenkamp.

Frankfurt am Main, 1 April 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Schobel	Möllenkamp
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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For ease of reading, gender-related wording have been omitted in some cases. The information always refers to people of any gender identity.