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HAUCK AUFHÄUSER LAMPE
ANNUAL REPORT
2023

Content

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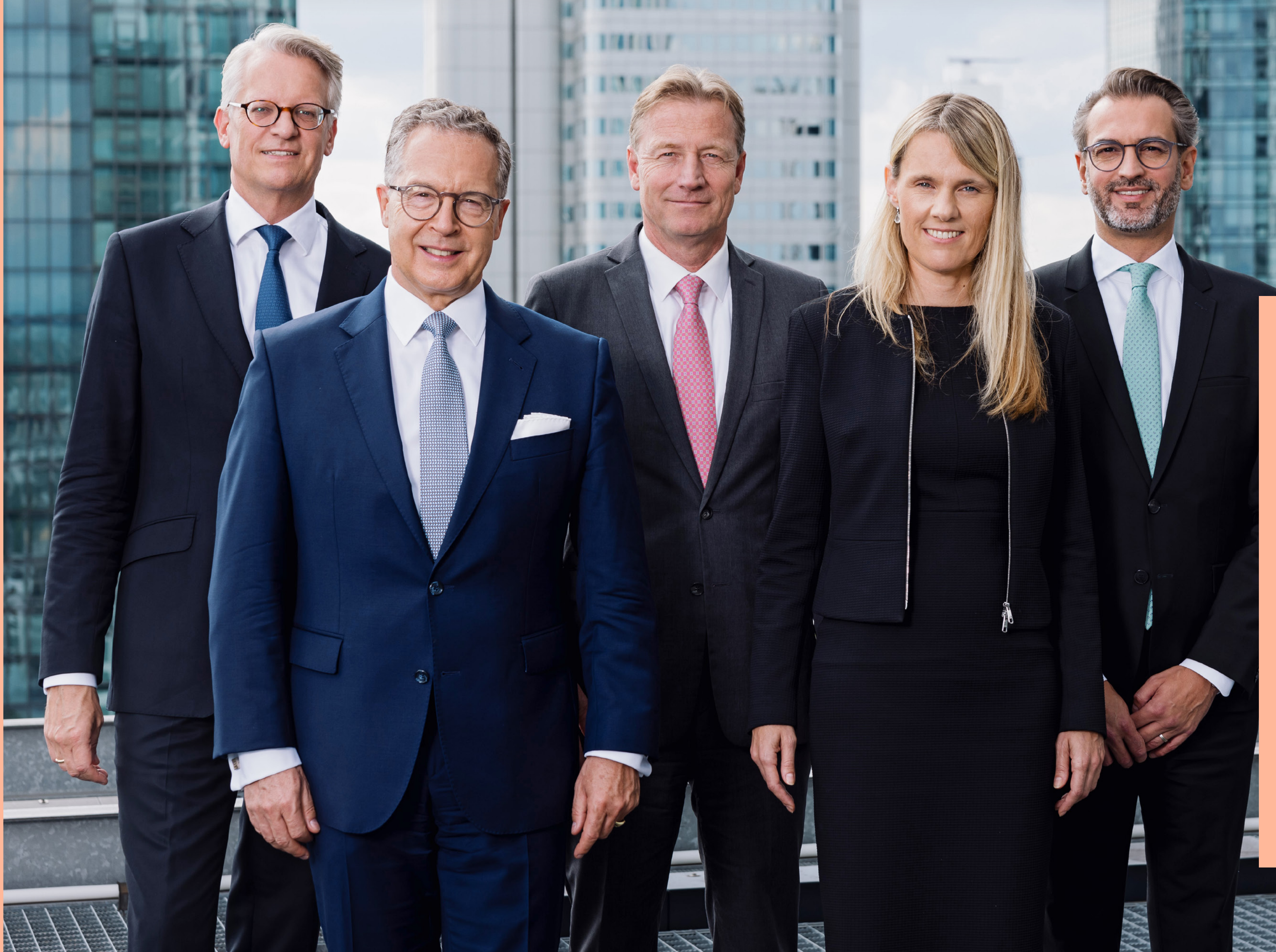
The Management Board of Hauck Aufhäuser Lampe Privatbank AG 2023



From left to right

Oliver Plaack
Member of the Management Board

Dr. Holger Sepp
Member of the Management Board

Michael Bentlage
Chairman of the Management Board

Madeleine Sander
Member of the Management Board

Gordan Torbica
Member of the Management Board

Message from the Management Board

Dear customers
Dear business partners,

For Hauck Aufhäuser Lampe, the 2023 financial year was all about growth. Our bank once again achieved excellent results, continuing the successful development of recent years at an undiminished pace. Despite a challenging environment characterized by numerous geopolitical and economic uncertainties, we have succeeded in further expanding our position in the German private banking market, and we see this as a testament to our strong strategic positioning and diversified business model.

A key driver of our success in the reporting year was the positive business development in Private & Corporate Banking. Our motto here is: "Creating value together." We understand this to mean an absolute focus on the customer, combined with a commitment to act as a partner to our customers when it comes to matters of wealth management and financing and to find solutions that match their unique situations. With this in mind, we have further expanded our capacities in the 2023 financial year and have launched several growth initiatives to meet the specific requirements of individual target groups.

Here are some of the key developments in our business division:

- Increased capacity: We have recruited additional personnel at our nationwide branches, which in turn has strengthened our regional market position.
- Next-generation wealth management: We have expanded our range of services for clients in both the founder and successor generations. This includes the development of tailored solutions and the establishment of corresponding communities and networks.
- Comprehensive support for key clients: We have expanded our existing capacities in cooperation with key clients. This involves addressing and supporting single- and multi-family offices, entrepreneurs, successors, founders, and senior executives.
- Strengthening our Entrepreneur division: We have bundled our services for entrepreneurs and companies in order to offer them even better holistic, comprehensive support for both the professional and private spheres.

We have also added new features to our digital asset management service Zeedin in order to optimally serve our customers. These include, in particular, the introduction of a fixed-term deposit account that customers can use to take advantage of the attractive interest rate environment for savers and benefit from interest rates in line with the market. Like the Zeedin asset management service, the Zeedin fixed-term deposit account is available starting with a minimum investment of EUR 25,000. In addition, we now also offer Zeedin users the option of setting up a savings plan to achieve their own goals across individual capital market cycles.

In the Asset Servicing division, the latest results of the BVI depositary statistics in Germany are impressive proof of our efficiency and success: we have achieved an excellent 10th place overall ranking for the third year in a row. What's more, in terms of the growth in funds under management, we have exceeded the pace of the market, making us one of the fastest-growing custodians in Germany. In fact, we are in third place in terms of real assets, in second place among the largest custodians for special funds in the category of open-ended real assets, and in fourth place among the largest custodians for mutual funds in the category of open-ended securities. These are extremely pleasing results – especially when you consider the large field of competitors.

With more than 1,000 funds and around 650 colleagues, the Asset Servicing division remains a cornerstone of our bank. In 2023, we also had the pleasure of celebrating the 50th anniversary of our Luxembourg branch with all of its employees.

Looking to the future, we pushed ahead with digital client initiatives in the Asset Servicing division, including digital onboarding for new standard and securities accounts, the HAL Smart Order interface, and the use of artificial intelligence for data analysis. Furthermore, the reorganization of our Luxembourg subsidiaries Hauck & Aufhäuser Fund Services (HAFS) and Hauck & Aufhäuser Alternative Investment Services (HAAS) paved the way for further growth initiatives in the business division.

Internally, we have made progress in terms of our organizational and technical development at the bank level. It started with the Executive Board: Gordan Torbica was appointed to as Chief Risk, Technology & Operations Officer with effect from October 1, 2023. In this role, he succeeded Robert Sprogies, who, after many successful years with the bank, will now continue to support us as Head of Risk and Credit. The change was made as part of a long-term succession plan. Gordan Torbica will pay particular attention to the ongoing optimization of the client experience in line with current requirements as well as to the topic of cybersecurity.

Another aspect is providing a modern and agile environment for our clients and employees using the latest technologies such as artificial intelligence and assistive “robots”, i.e., software. The goal of these technological initiatives is to create a working environment that promotes efficient workflows, creativity, and satisfaction.

More than anything, our employees, their dedication and – not least – their excellent, efficient teamwork are the foundation for our success. Spread across seven countries, our employees are our most important asset and offer us a competitive edge. This is why it is so important for us to retain highly qualified employees over the long term while at the same time attracting new employees. We have therefore further expanded our long-term talent management approach for employees with specialist, management, and project ambitions. In addition, we have developed and launched a talent program to help experienced colleagues achieve their professional goals. Naturally, hard work should also be rewarded accordingly, which is why we once again decided to make use of the legal framework and pay our employees a second tax-free allowance during the reporting year – after 2022 – to compensate for inflation.

“Change is the defining principle.” – We remained true to this motto in the 2023 financial year, and we can confirm that it has proven its value. Now, in the third year of our existence, we are operating as one bank following the merger of

Hauck & Aufhäuser and Bankhaus Lampe. This bank is not only successful, but – thanks to its growth initiatives and diverse range of services – is proving to be highly resilient to major economic and geopolitical influences.

We have set ourselves ambitious growth targets that will remain in place in the current financial year: We will continue to pursue our strategy with vigor, focusing on organic and inorganic growth while also expanding innovative digital technologies and further strengthening our capacities. As we continue to grow, we never lose sight of our goal of offering our clients highly individualized and innovative services and products to meet their individual requirements as effectively as possible.

We would like to thank all of our employees for their hard work and their dedication to ensuring that our clients are satisfied day after day. And we would like to thank you, our clients, for your trust and support. We look forward to continuing to provide you with individual advice and standing firmly by your side in the future!

The Management Board of Hauck Aufhäuser Lampe Privatbank AG

Michael Bentlage,
Chairman of the Management Board

Dr. Holger Sepp,
Member of the Management Board

Oliver Plaack,
Member of the Management Board

Gordan Torbica,
Member of the Management Board

Madeleine Sander,
Member of the Management Board

Report of the Supervisory Board

The Supervisory Board of Hauck Aufhäuser Lampe Privatbank AG met eight times in 2023. The Supervisory Board received ongoing reports on the management and development of the bank and monitored the management of the bank. At the meetings of the Supervisory Board and in numerous discussions between its Chairman and the Management Board, fundamental and individual issues were discussed. The business performance of the bank and its subsidiaries in Germany and abroad as well as the market situation were discussed in depth. In addition to the further improvement of the earnings situation, the measures taken by the management to identify and monitor risks were also the subject of detailed discussions at the meetings. In addition to the current economic situation in Germany and abroad, the Supervisory Board always discussed in detail the future development of the bank and its risk situation. The Board also dealt extensively with changes in legislation and the resulting requirements for the bank, as well as external audit reports, and, in addition, addressed sustainability topics.

The Audit Committee of the Supervisory Board dealt with the monitoring of the accounting process, the effectiveness of the internal control system (ICS) and the proper conduct of the audit of the financial statements. The Audit Committee also discussed in detail the annual reports of the Heads of Internal Audit and Compliance.

The Risk Committee of the Supervisory Board decided on the loans requiring approval and also dealt with the risk structure of the loan portfolio. The guidelines of the Minimum Requirements for Risk Management were complied with. Particular attention was paid to the recording of various risk aspects and appropriate risk provisioning.

At the spring meeting on March 28, 2023, the auditor reported on the 2022 annual financial statements and was available to answer questions. In addition, the Supervisory Board approved the report of the Supervisory Board for the 2022 financial year and the invitation to the Annual General Meeting on April 28, 2023. It dealt in depth with the bank's annual financial statements and the auditors' reports. The Supervisory Board then adopted the 2022 annual financial statements.

On April 28, 2023, the Annual General Meeting acknowledged the 2022 annual financial statements and approved the proposal for the appropriation of profits; the actions of the Management Board and Supervisory Board were ratified. It also approved an amendment to the Articles of Association to enable the holding of virtual shareholders' meetings in accordance with Section 118a of the German Stock Corporation Act (Aktiengesetz).

At its meeting on May 17, 2023, the Supervisory Board resolved, among other things, to set up a Governance Committee and elected the members and the Chairman of the Governance Committee.

At its autumn meeting on September 13, 2023, the Supervisory Board analyzed the earnings figures for the current financial year in detail, both for the Group as a whole and for the individual divisions. It also dealt with the bank's remuneration system and appointed Mr. Gordan Torbica as a member of the Management Board with effect from October 1, 2023.

At its year-end meeting on December 13, 2023, the Supervisory Board focused on the preliminary annual result for 2023 and the planning for 2024 and subsequent years. It also discussed the bank's risk and business strategies.

Dr. Thomas Duhnkrack resigned from his position as a shareholder representative on the Supervisory Board and left the Supervisory Board at the end of the Annual General Meeting on April 28, 2023. Mr. Ralf Bedranowsky was appointed as a member of the Supervisory Board for the remaining term of office of Dr. Duhnkrack at the same Annual General Meeting.

The consolidated financial statements and the annual financial statements as of December 31, 2023 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The auditors included the accounting records and management reports and, following the audit, issued unqualified audit opinions on the consolidated financial statements, the annual financial statements and management reports, and the dependency report.

At its meeting on April 12, 2024, where the auditors were available to answer questions, the Supervisory Board examined the consolidated financial statements, the annual financial statements, the management reports, the proposal for the appropriation of net income, the auditor's reports and the dependency report without raising any objections. Following the final results of its examination, the Supervisory Board raises no objections to the management of the company or the content of the audited documents, approves the annual financial statements and declares its agreement with the management reports of the Management Board and its proposal for the appropriation of profits. The annual financial statements of Hauck Aufhäuser Lampe Privatbank AG are thus adopted.

Frankfurt am Main, April 12, 2024

The Supervisory Board

Wolfgang Deml
Chairman

Wolfgang Deml
Chairman

Qiang Liu
Deputy Chairman

Ralf Bedranowsky
Member
(since April 28, 2023)

Xiaomin Chen
Member

Dr. Thomas Duhnkrack
Member
(until April 28, 2023)

Carmen Herbstritt
Member

Hualong Jin
Member

Nils Becker
Employee Representative

Michael Mannig
Employee Representative

Ingo Repplinger
Employee Representative

02 Management report of Hauck Aufhäuser Lampe Privatbank AG

Business activities of the bank

Hauck Aufhäuser Lampe Privatbank AG offers a comprehensive range of services. 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 specializing 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 99.69 percent 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

Macroeconomic environment

In the fight against high inflation rates, central banks in many regions of the world continued to tighten monetary policy in 2023. The mostly very restrictive monetary policy and the fall in energy prices have driven the decline in inflation. However, inflation rates mostly remained well above the price targets set by central banks. In addition, energy prices and the particular structural challenges in China and elsewhere weighed on the global economy. As a result, global economic momentum remained subdued over the course of the year and developed very differently in the major economic areas – the US, EU and China. Despite the tightening of monetary policy, the US economy proved to be extremely robust. In the third quarter, gross domestic product (GDP) even rose again by an annualised 3.3 percent, and the economic momentum remained high at the end of the year. In China, the growth spurt triggered by the lifting of coronavirus restrictions did not last long. According to our economic research calculations, the global economy grew by 3.1 percent in 2023.

Monetary policy

Leading central banks have further tightened their monetary policy in 2023 in order to work towards a weakening of overall economic demand and thus a reduction in high inflation rates. The US Federal Reserve (Fed) has increased its key interest rate target range by a further 100 basis points to 5.25 to 5.50 percent by July 2023 and has left it unchanged since then. In addition, the Fed has no longer fully reinvested proceeds from maturing bonds that it holds in its portfolio of up to USD 95 billion per month. This balance sheet shrinkage has continuously withdrawn liquidity from the financial system and further tightened the monetary policy stance. At its December meeting, the Fed's Open Market Committee began discussing the possibility of lowering key interest rates in 2024 and reducing the pace of balance sheet shrinkage.

The European Central Bank (ECB) increased its key interest rates by 200 basis points in six steps in 2023. Since September, the deposit rate has remained unchanged at 4.00 percent and the interest rate on the main refinancing operations at 4.50 percent. The central bank is determined to bring inflation back to the medium-term target of 2 percent in the near future and to keep key interest rates at a sufficiently restrictive level for as long as necessary.

In addition, the ECB began to reduce its bank balance sheet at a moderate and predictable pace in March 2023. To this end, redemption amounts of maturing securities from the former Asset Purchase Programme (APP) will not be reinvested. At its December meeting, the ECB Governing Council announced further measures to shrink the balance sheet: Redemption amounts from bullet securities purchased under the Pandemic Emergency Purchase Programme (PEPP) will be reduced by €7.5 billion per month in the second half of 2024 and will no longer be reinvested at all from the end of 2024.

Fixed-income securities

The global bond markets were under considerable pressure at times in 2023, primarily because leading central banks continued to tighten their monetary policy in the fight against high inflation rates. In the first quarter, the yield on the ten-year US Treasury fluctuated between 3.40 and 3.80 percent as market participants adjusted their view in favour of a longer-lasting restrictive US key interest rate level due to the robust US economy. Concerns about the persistently high US fiscal deficits also had the effect of increasing yields at times. In the fourth quarter, however, the financial markets' expectation that the peak in US key interest rates had been reached solidified and expectations of a reduction in key interest rates increased. As a result, the ten-year Treasury yield fell to around 3.80 percent by the end of the year. The yield on the ten-year German government bond showed a similar trend. Its increase was less pronounced than in the USA, partly due to the subdued economic outlook. Nevertheless, the level of fluctuation was high at times. Over the course of the year, it ranged from just under 1.90 percent to almost 3.00 percent. Here, too, the growing market expectation that the ECB would soon cut its key interest rates led to a marked decline in yields, with the ten-year Bund yield reaching its low for the year of 1.90 percent at the end of December.

Shares

In the first half of 2023, stock markets around the world generally recorded a significant upward trend, which was temporarily interrupted due to emerging concerns about the US regional banking system. In the third quarter through to the beginning of the fourth quarter, prices on the international stock markets initially fell significantly as market participants increasingly believed that key interest rates could remain at a restrictive level for an extended period of time. The Middle East conflict also weighed on the stock markets. Towards the end of the reporting period, the opposite occurred on the financial markets. Due to tighter financing conditions and falling inflation rates, higher economic downside risks were priced in and market participants were betting on earlier key interest rate cuts. In the course of the incipient recovery rally, important share indices were generally well above their levels at the beginning of the year. The German share index (DAX) rose from 14,069 points to just under 16,470 points by the end of July and then fell back below 14,700 points by the end of October. In the course of the subsequent rally, the DAX closed the year slightly below the high of almost 16,800 points reached in mid-December at 16,752 points. The S&P 500 started at 3,839 points and reached an interim high of 4,589 points at the end of July. Following the setback to 4,117 points it recovered to 4,770 points.

Industry environment

Overall, the industry environment for financial services institutions in 2023 continued to be characterized by a high but declining inflation rate with persistently high interest rates and an associated return of deposit and interest-bearing products. In addition, the Real Estate and FinTech crisis shaped the business environment for banks in 2023, while the breakthrough of generative artificial intelligence in the form of ChatGPT in 2023 may trigger further change processes for the coming years.

The macroeconomic developments described above, with high inflation and the resulting interest rate hikes by central banks, led to an increase in banks' net interest margins in 2022, which continued into 2023. In Europe, net interest margins rose by an average of 22 basis points depending on the profile of the individual financial institutions' portfolios.

Furthermore, the trend that began in 2022 of private households consistently shifting demand deposits into term deposits with short terms of up to one year continued in 2023. At the same time, savings bonds and other fixed-interest securities once again represented attractive investment opportunities due to higher yields. Investment behaviour in investment and pension funds remained unchanged compared to the previous year, while there was little demand for investments in shares.

The interest rates for home loans, which also rose in 2023, continued to cause a crisis on the Real Estate market. After the volume of new financing had already fallen to its lowest level since 2011 in 2022, this negative trend continued in 2023 with an average of EUR 13.4 billion per month. The high financing costs and declining demand for condominiums and single-family homes caused prices for these properties to fall by 10 percent compared to the peak in the first half of 2022. In addition, high land costs and a low number of residential building permits weighed on the property market.

The rise in interest rates has also led to drastic changes in the FinTech sector. Higher financing costs have led investors to recalibrate the relationship between expected returns and risk appetite. Excessive growth expectations returned to a long-term trend level with the changed macroeconomic environment and geopolitical shocks, but this was accompanied by a destabilization of the industry. Total global investment in FinTechs fell to USD 209.3 billion in 2022 and reached a low of USD 52.4 billion in the first half of 2023. Within a year, financing rounds were extended by an average of five months, while the average financing volume fell by 50 percent.

FinTechs in Germany were unable to decouple themselves from these developments. They suffered a 75 percent decline in investment volume to USD 634 million in the first half of 2023. FinTech sectors such as banking, InsurTech, WealthTech and capital markets recorded sharp declines. Nevertheless, individual FinTech sectors such as financial management solutions and generative AI technologies, attracted the interest of investors and recorded growth rates in financing activity.

In addition to the topics already outlined we see the breakthrough of generative AI in the specific form of ChatGPT as another key development that shows how Generative AI can potentially lead to major changes in the banking market. The release of GPT-3 in November 2022 by OpenAI was already a tipping point. By January 2023, the bot was already recording 100 million monthly users. While GPT-3 processed 175 billion parameters, this figure rose to 100 trillion parameters with the release of version GPT-4 in March 2023. With this improved version at the latest, ChatGPT achieved a level of performance that also made it highly attractive for use in banks.

In Germany, banks were often reluctant to use ChatGPT. Individual institutions banned the use of the bot due to data protection and security concerns. As the data protection review of ChatGPT by German data protection authorities is ongoing, as is the legislative process for an EU AI directive, it is currently not possible for banks to use it in a legally compliant manner.

Numerous banks are working intensively on developing their own generative AI solutions. The solutions focus on enhancing the customer experience, the automated summarization of extensive customer situations or market developments, the generation of personalized content and software development. The implementation and scaling of applications pose significant challenges for banks, for example in terms of modelling and data quality. Nevertheless, common applications were already used effectively after a short time.

CONCLUSION

Hauck Aufhäuser Lampe operates in an industry environment that is subject to constant change. In 2023, this included the impact of macroeconomic developments on the profitability of banks and client behaviour, the Real Estate and FinTech crisis and the breakthrough of generative AI. We continuously monitor the risks, challenges and opportunities arising from these changes for our organization. We endeavour to derive strategic impulses at an early stage and actively address them. This helps us to maintain our market position or improve it by becoming more competitive.

Financial performance

Overall, the bank achieved a positive result before taxes of EUR 113.7 million which corresponds to an improvement of EUR 6.4 million compared to the previous year. After taxes, the 2023 financial year closed with a result of EUR 89.2 million, which was significantly higher than the previous year's level (previous year: EUR 66.7 million).

Net interest income totalled EUR 137.2 million (previous year: EUR 91.5 million), up EUR 45.7 million due to the turnaround in interest rates in the previous year and the associated expiry of negative interest rates.

Interest income in the previous year included EUR 18.9 million in negative interest from receivables and totalled almost zero in the reporting period. Interest expenses include negative interest from liabilities totalling EUR 0.6 million (previous year: EUR 32.6 million).

Net commission income declined to EUR 171.5 million after EUR 192.3 million in the previous year.

General administrative expenses fell by EUR 21.5 million compared to the previous year to EUR 246.1 million (previous year: EUR 267.6 million). The continuation of specific digitalization and automation projects was largely offset by the implementation of optimization and stabilization measures.

The other operating result closed with a balance of EUR 34.5 million (previous year: EUR 91.4 million). The decline in the reporting year was mainly due to the reversal of provisions and the elimination of the accretion gain of EUR 52.9 million recognized here in the previous year.

Loan loss provisions including write-downs and write-ups on certain securities decreased compared to the previous year to EUR 5.9 million (previous year: EUR 13.0 million). In the reporting year, there was an offsetting effect from the increase in risk provisions in the lending business and the positive result from securities.

The balance of write-downs and value adjustments or write-ups on investments, shares in affiliated companies and securities treated as fixed assets resulted in an expense of EUR 6.2 million in the reporting year (previous year: income of EUR 0.6 million). This mainly relates to increased write-downs on equity investments.

Expenses from income taxes and other taxes totalled EUR 24.5 million (previous year: EUR 40.7 million).

Financial position and financial performance

Just as in previous years, numerous measures were taken in the reporting year to keep pace with the trend towards digitalization and thus technical progress as well as the significant increase in regulatory requirements. The bank has maintained a catalogue of measures for several years, which is adjusted annually and adapted to new developments. Cost-saving and optimization measures are regularly implemented to counteract the resulting increase in costs. All planned measures are successively implemented over several years in a large number of internal projects. The implementation of sustainability reporting and the recruitment of specialized staff in particular continue to pose major challenges.

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 Hauck Aufhäuser Lampe Privatbank AG increased by EUR 55.9 million to EUR 11,814.4 million compared to 31 December 2022.

The cash reserve increased by EUR 74.8 million to EUR 122.2 million in the reporting year (previous year: EUR 47.5 million). The volatility is related to the reporting date.

At EUR 5,714.1 million, loans and advances to banks were EUR 461.5 million below the previous year's level. In the reporting year, the change was mainly due to alternative investments in debentures and bonds.

Loans and advances to customers fell slightly and totalled EUR 2,058.7 million (previous year: EUR 2,181.5 million).

The portfolio of bonds and other fixed-interest securities closed at EUR 3,135.0 million on the reporting date (previous year: EUR 2,509.5 million). The increase is the result of new investments due to the interest rate turnaround.

The portfolio of shares and other variable-yield securities increased by EUR 1.6 million to EUR 179.5 million compared to the previous year.

Other assets totalled EUR 350.3 million (previous year: EUR 405.5 million). The decline was mainly due to the reduction in receivables from cash collaterals and derivatives.

Liabilities to banks fell by EUR 12.2 million to EUR 174.9 million (previous year: EUR 187.1 million). This decrease is mainly due to the reporting date. Liabilities to customers increased by EUR 230.7 million to EUR 10,369.2 million (previous year: EUR 10,138.5 million).

As of reporting date, there were KEUR 1,804,034 (previous year: KEUR 1,643,622) in assets denominated in foreign currencies and KEUR 1,823,070 (previous year: KEUR 1,665,536) in liabilities denominated in foreign currencies.

The subscribed capital remains unchanged from the previous year at EUR 28.9 million and is divided into a total of 556,031 registered shares (previous year: 554,603 shares) with a notional value of EUR 52.00 each.

The Bank has reported equity of EUR 648.7 million (prior year: EUR 599.6 million) as of reporting date.

As of 31 December 2023, the Bank's own funds pursuant to Article 72 CRR amounted to EUR 673.2 million (previous year: EUR 643.2 million) and consisted of common equity tier 1 capital, which mainly comprised subscribed capital, reserves (core tier 1) and the special items for general banking risks pursuant to Section 340g and Section 340e HGB in the amount of EUR 133.9 million (previous year: EUR 134.1 million).

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 standardized approach.

As a trading book institution, Hauck Aufhäuser Lampe recognizes equity price, foreign currency, commodity and interest rate risks as market risk positions. The standard regulatory procedures are used for this purpose. Interest rate risk is quantified using the maturity method. The delta-plus method is used for option price risk.

The Banks'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 standardized method.

In the reporting year, risk-weighted assets fell by EUR 487.4 million to a total of EUR 3,125.0 million (previous year: EUR 3,612.4 million) and are broken down as follows:

Risk-weighted assets

in EUR million	31 Dec 2023
Risk-weighted assets	**3,125.0**
Counterparty risk	2,507.3
Market risk	4.3
Operational risk	594.2
Total risk amount on account of the credit valuation adjustment (CVA)	19.2

The resulting total capital ratio was 21.54 percent (previous year: 17.81 percent).

The leverage ratio amounted to 5.15 percent (previous year: 4.97 percent).

The regulatory requirements were met in full.

Off-balance sheet obligations totalled EUR 168.0 million (previous year: EUR 291.3 million) and consist of contingent liabilities of EUR 38.9 million and irrevocable loan commitments of EUR 129.1 million.

Funding

As in previous years, in the year under review the traditionally high levels of customer deposits bolstered the Bank's funding base.

Business situation in financial year 2023

Overall, we can look back on a financially successful 2023 in the context of economic and political factors such as the continuation of the war in Ukraine and a persistently high inflation rate. While net interest income developed positively, net commission income and earnings after taxes fell slightly compared to the previous year.

For this reason, our efforts in 2024 will be increasingly focussed on generating further growth in net commission income in all business areas. To this end, we are working with organic growth initiatives combined with the examination of inorganic growth opportunities.

As a basis for growth, we are constantly reviewing options for the digitalization and automation of both our internal processes and customer interfaces, which we also implement if suitable.

In addition to traditional private banking solutions, we continue to offer our clients numerous other services. We strive to continuously recognize the needs of wealthy private individuals, financial intermediaries, entrepreneurs and institutional investors and to create an innovative range of services for them.

The expected further developments in the banking market, such as the increasing importance of artificial intelligence but also sustainability aspects in business activities, the challenges in personnel recruitment and future monetary policy but also client expectations on interest bearing products require a continuous evaluation of Hauck Aufhäuser Lampe's business and operating model.

The bank's focus is on the following challenges:

- Close customer relationships
- Company size
- Strategic growth
- Sustainable profitability

We have achieved our goal of a more balanced business mix in terms of both business areas and earnings components. This must be further stabilized in the future.

Performance in core business segments

Hauck Aufhäuser Lampe conducts its business activities primarily in Germany and Luxembourg, although some of these activities are also carried out by subsidiaries. We have one office in Luxembourg itself and a total of eleven representative offices in Germany in the key economic centres of Frankfurt am Main, Berlin, Düsseldorf/Cologne, Hamburg, Munich and Stuttgart. Other locations in Europe are in Dublin, Paris, Vienna and Zurich as well as in China in Nanjing and Shanghai.

Hauck Aufhäuser Lampe's activities at these locations are divided into the core business areas of Asset Servicing, Private & Corporate Banking, Investment Banking and Asset Management.

Asset Servicing

The Financial Assets, Real Assets and Digital Assets divisions together form the core business area of Asset Servicing, in which we offer a comprehensive set of services relating to the administration of investment products. Our target customers are asset managers, institutional investors, capital management companies (KVG), independent asset managers and other financial service providers. Our asset servicing activities are focussed on Germany, Luxembourg, Switzerland, Austria and Ireland. Some of these services are provided by subsidiaries within the Hauck Aufhäuser Lampe Group.

In the Financial Assets division, fund initiators receive support in the design, realization and establishment of their financial market products, whereby we act as a full-service provider offering a wide range of services. The Real Assets division acts as a depositary for alternative investment funds (AIFs) for both German and Luxembourg fund structures. We manage a broad spectrum of asset classes in the real assets sector such as Real Estate, Private Equity & Venture Capital, Infrastructure and Renewable Energies. In Luxembourg, we also offer additional services such as central administration and fund administration as an Alternative Investment Fund Manager (AIFM), either as a complete package or as individual modules. The third area in Asset Servicing – Digital Assets – comprises our fund services and portfolio management services for digital assets.

The year 2023 in Asset Servicing was characterized in the Financial Assets division by a further rise in capital market interest rates with a simultaneous recovery in valuations on the financial markets, while the Real Assets division came under greater pressure in 2023 due to the ongoing Real Estate crisis. Nevertheless, we were able to realize further growth in both divisions compared to the previous year. The Digital Assets division continued to expand in 2023 and was able to support its first transactions, for example as registrar and paying agent for the issue of a crypto security in accordance with the German Electronic Securities Act (eWG) and as registrar, paying agent and crypto custodian for the issue of a digital Real Estate bond.

Financial performance in the core Asset Servicing business area was in line with expectations in the reporting period.

Private & Corporate Banking

At Hauck Aufhäuser Lampe, our solutions in the core business area of Private & Corporate Banking address the needs of wealthy private individuals and families, entrepreneurs and companies. The range of products and services is geared equally towards the private and corporate spheres and, in addition to asset management and investment advice, also includes alternative investment solutions and financing.

We attach the utmost importance to developing holistic wealth solutions and see this as one of our traditional core competences, regardless of whether this takes the form of asset management or investment advice. The starting point is always the investment objectives, values and investment mentality of our clients. Based on this, we work with our clients to define the intended balance between profitability, security and availability of assets as well as specific sustainability risks.

Our digital asset management service Zeedin is firmly established alongside our advisory services at our local offices. Via Zeedin, clients also have direct digital access to Hauck Aufhäuser Lampe's investment management expertise combined with hybrid advisory approaches using personal relationship managers.

If our clients' needs extend beyond traditional wealth solutions, we also advise them on financial and liquidity planning, succession planning, foundation consulting and execution of wills.

In the area of financing solutions, we focus on entrepreneurial loans and individual financing solutions for companies and entrepreneurs, asset management companies and family offices, as well as financing for real estate properties and projects.

After focussing on the integration of Bankhaus Lampe in 2022, we concentrated fully on expanding our business in the core Private & Corporate Banking segment in 2023 with the aim of generating further growth momentum. In 2023, we were able to recruit a double-digit number of new advisors who can provide local support to clients in the regional offices. In addition, further initiatives were launched to support growth in Private & Corporate Banking, for example in advising NextGen or providing digital support for advisors in customer service via a new client suite. Overall, new business in wealth solutions in Private & Corporate Banking increased again compared to the previous year.

The financial performance in the core Private & Corporate Banking business area significantly exceeded expectations in the reporting period.

Investment Banking

The Investment Banking core business area comprises the Investment Banking and Financial Markets divisions, which we describe below:

Investment Banking business field

The Investment Banking division at Hauck Aufhäuser Lampe concentrates on the niche of medium-sized mid-cap companies on the capital market and offers a broad range of services in the equities value chain and capital markets solutions for this market segment.

In the area of the equities value chain, we offer research to institutional investors such as investment and hedge funds, private equity investors, family offices, asset managers, banks and insurance companies, specializing in the niche of mid-cap companies. Corporate Brokerage in turn advises and supports listed companies in the secondary market. We are also active as a designated sponsor on the Deutsche Börse trading platform (Xetra) and as a market maker on the Austrian stock exchange (Xetra Vienna). In Equities Sales, we offer our clients access to securities in our mid-cap niche in both the primary and secondary markets, while our Sales Trading team executes buy and sell orders from institutional investors.

In the Capital Markets business, we primarily advise medium-sized companies in the DACH region on capital market transactions and support them in raising equity and debt capital.

The IPO business in 2023 was characterized by even greater restraint than in 2022. Business development in Investment Banking therefore fell short of the targets set in 2023.

Financial Markets business field

We have bundled a broad range of financial market services in the Financial Markets business division, focussing on financial markets sales and interest rate and currency management.

Our Financial Markets Sales focusses on traditional bond products and advice on structured products and derivatives in this area. Our clients include insurance companies, pension funds, health insurance funds, savings banks, co-operative banks, asset managers and asset managers along the entire value chain of traditional bonds and bond products.

In the area of interest rate and currency management, the focus is on structured solutions for hedging our clients' interest rate and currency risks, with the aim of also serving the business sphere of entrepreneurial private individuals holistically and comprehensively.

In addition to our own customers, the Financial Markets division also supports our asset servicing customers in the area of securities trading. We offer them a comprehensive range of services including cross-asset execution, fixed income sales trading, FX trading and fund trading and pooling for mutual funds and exchange-traded funds.

The Financial Markets business benefited from the recovery of the financial markets in 2023 and business performance exceeded expectations.

Overall financial performance in the core business area of Investment Banking was below expectations in the reporting period.

Asset Management

In the core business area of asset management, Hauck Aufhäuser Lampe offers asset solutions for wealthy private individuals as well as for institutional and professional investors. Our range of services includes the management of both liquid and illiquid alternative assets in private capital markets.

Our liquid asset management offers the active management of individualized, globally oriented bond, equity and multi-asset mandates in the fundamentally oriented investment approach. For the systematic, rule-based investment approach, on the other hand, we rely on analyzing market, fundamental and alternative data using modern capital market research models. Transparent and risk-managed investment processes form the basis for both approaches.

The 2023 financial year in liquid asset management fell short of expectations in terms of generating new business, although we believe that one driver here was the interest rate environment, which made savings products more attractive for investors while at the same time reducing the perceived risk compared to capital market investments.

In illiquid asset management for Real Estate (Real Estate Investment Management), we offer niche strategies in the areas of food retail and social infrastructure with manage-to-core approaches.

The Private Markets division also offers illiquid asset management with direct investment strategies for Private Equity and fund-of-funds investment strategies for the Venture Capital and Private Debt asset classes.

The overall financial performance in the core business area of Asset Management was below expectations in the reporting period.

Opportunities and outlook

Outlook – Macroeconomic environment

Processing the global turnaround in interest rates is one of the major challenges for 2024, with capital being raised under restrictive conditions and the refinancing of loans and bonds remaining difficult. This creates tension for banks, especially as leading central banks are tightening liquidity as part of their balance sheet reductions. The restrictive monetary policy is accompanied by declining stimulus from fiscal policy. This often occurs automatically, as the aid that cushioned the recent rise in energy prices is no longer available. This is an unfavourable policy constellation for the global economy. The politicisation of global trade is an additional burden. Geopolitics will continue to affect supply chains in 2024 and remain a significant brake on growth. Our economic research expects gross domestic product (GDP) in the USA to grow by 1.9 percent in 2024, following growth of 2.5 percent in 2023. The People's Republic of China is likely to grow by 5.0 percent (2023: 5.2 percent) and the global economy by 2.8 percent, following growth of 3.1 percent in 2023.

Eurozone/Germany

Key sentiment indicators point to stagnating economic output for the time being. Over the course of 2024, however, domestic economy is likely to improve slowly. This is supported by the firm labour market and moderate real wage increases, which will open up opportunities for consumption. The NextGenerationEU program will also provide a slight boost to investment, even if the high level of interest rates is still a burden. In the wake of weak global economic development, foreign trade is unlikely to provide much impetus. Economic development will probably be greater in the second half of the year than in the first, while the member states of the eurozone are likely to continue to develop heterogeneously. For the eurozone, our economic research expects GDP growth of 0.4 percent in 2024 (2023: 0.5 percent) and a GDP contraction of 0.1 percent for Germany after a decline of 0.3 percent in 2023, partly due to government austerity measures.

Consumer prices

Measured against the ECB's 2% price target, the inflation situation remains tense. A sluggish decline in inflation is on the cards for the eurozone. The 2% price target should be reached at least temporarily in the second half of 2024. Average annual inflation is expected to rise by 2.4 percent (2023: 5.4 percent).

Government bonds

If inflation continues to fall, the US Federal Reserve and the European Central Bank will probably hold out the prospect of key interest rate cuts in 2024. However, the key interest rate levels will probably still have a restrictive effect even then. Key interest rate cuts and lower long-term inflation expectations are keeping the focus on lower yields on first-class government bonds. However, the high level of US government debt is having a negative impact. Our economic research expects the yield on ten-year German government bonds to range between 1.80 and 2.60 percent in 2024. The corresponding US Treasury yield is likely to be in a range of 3.30 to 4.20 percent.

Stock markets

In view of the prospect of key interest rate cuts in the USA and the eurozone and somewhat lower yield levels for first-class government bonds, economic momentum should gradually pick up again slightly from the second half of the year. This will also increase the potential for stable corporate profits. All of this creates fundamentally favourable conditions for higher share prices in the second half of 2024. Risks of increased volatility remain, primarily due to geopolitical developments.

Outlook – Market and competition

We see five key topics and developments for the banking market in 2024 and beyond. These are the impact of macroeconomic developments, sustainability, artificial intelligence, the transition to off-balance sheet banking by non-banks and the battle for talent.

In the context of macroeconomic developments, we expect increasing pressure on banks' results. Due to the prevailing inflation, the central banks are currently still pursuing a restrictive monetary policy, which is accompanied by less stimulus from fiscal policy following the expiry of aid to cushion the rise in energy prices in particular. However, the first interest rate cuts are expected from mid-2024, which will lead to increasing pressure on banks' earnings on the liabilities side. At the same time, growth in the volume of deposits is expected to be weaker than in the last decade due to the gloomier economic situation. This will also lead to increased competition for deposits for refinancing with rising credit requirements and further increased margin pressure on the liabilities side. In addition, FinTechs and Neobanks will continue to target the generation of new customers via deposits and lure customers with correspondingly attractive conditions. In addition to the deposit side, banks' lending business will also come under pressure due to the ongoing crisis on the Real Estate markets. In Real Estate financing itself, this is reflected in a low level of new business due to falling prices and demand and the deterioration in credit quality. In addition, price falls and declines in the present value of expected rental income will also have a negative impact on the collateral values of properties in the lending business.

As a result, we expect banks' interest income to stagnate or fall overall in 2024 and subsequent years, a slight increase in risk provisioning and therefore – unless commission business picks up again – a renewed decline in profitability in the banking market.

As in recent years, sustainability will continue to be a key issue for banks and the entire financial industry in the future. In our opinion, regulatory pressure in particular will remain high. In 2024, banks with 500 employees or more will have to prepare to report on sustainability issues in their business activities in 2025 in accordance with the Corporate Sustainability Reporting Directive (CSRD), which replaces and expands the previous sustainability reporting in accordance with the Non-Financial Reporting Directive (NFRD). In this way, financial flows in green transactions are to be made visible and measurable. In addition, regulators are also expected to increase the pressure on banks to integrate ESG risks into their risk management processes. This includes both general risk management processes in accordance with MaRisk, whose 7th amendment of June 29, 2023, now also includes ESG risks, as well as processes specific to risk types such as lending and loan monitoring. The focus of implementation will be on the coming years 2024 and 2025. At the same time, however, developments in the area of sustainability can also be seen on the market side. For example, the global (new) issue of green bonds has risen continuously in recent years to EUR 80 billion in 2023. However, this is only a small proportion of the estimated financing volume required for a transition of the global economy to net zero by 2050 of more than USD 4 trillion annually or cumulatively more than USD 100 trillion by 2050. We therefore expect increasing demands on banks to make a significant contribution to supporting the economy in the transition to net zero, both in the area of sustainable credit and investment products.

We see the further establishment of artificial intelligence (AI) in banking as a third key area of development. This is driven by the prospect of using AI to increase revenue through greater personalization of services for customers, reduce costs through AI-supported automation, allocate resources more efficiently and discover new opportunities by processing and analyzing large volumes of data. McKinsey & Company, for example, estimates the potential value generated by AI in banking worldwide at around USD 1.2 trillion per year. Following their breakthrough in 2023, generative AI applications will play a central role in this in the future. Applications of this kind account for an estimated USD 200 to 340 billion in potential value generation per year. The main areas of application are expected to be in customer interaction and engagement, coding and software as well as the generation of customized content on a large scale.

We believe that a key structural development in the banking market will continue in the coming years. This refers to the transition of balance sheet business, transactions and sales away from traditional banks and towards other institutions. In balance sheet terms, this means, for example, the shift from traditional bank lending products to direct lending and private debt offerings from other market participants. Similarly, assets are also increasingly flowing from the liabilities side of banks' balance sheets to other market participants. This development is also taking place in the area of transactions, subdivided into payment transactions, capital market business and wealth and asset management, as well as in sales, where market participants such as comparison portals and other platforms are playing an increasingly important role in the sale of financial products. It remains to be seen what answers the banking sector can find to this development in the future.

The final set of topics on the development of the banking market relates less to the banks' external view of the market and more to a central point of their internal view of themselves: Their own employees in the context of demographic developments. The key driver here is that many baby boomers will be retiring in the coming years, and with them bank employees. The consultancy zeb estimates that banks and insurance companies will lose around 30 percent of their workforce to retirement by 2030. In addition, higher fluctuation rates are expected among the remaining employees. In the context of these developments, it will be important for banks to invest in staff recruitment in the coming years, while at the same time strengthening staff retention and generally reducing staff requirements through efficiency gains.

The banking market as a whole will therefore face major challenges in 2024, but also in general over the next few years. However, these also offer opportunities for Hauck Aufhäuser Lampe, which we discuss below.

Outlook – Opportunities

As part of our strategy definition, we at Hauck Aufhäuser Lampe have deliberately adopted a business model that focuses on the core business areas of Asset Servicing, Private & Corporate Banking, Asset Management and Investment Banking. Looking ahead, this offers us the opportunity to achieve a balanced business mix in which the stronger business areas, depending on market developments, can offset the weaker results of business areas that are not performing so successfully due to market developments. Specifically, we believe that we are well equipped in 2024 to offset declining interest income from deposits in the event of a fall in interest rates or margins in this area through commission income, for example in Investment Banking. In addition, we also see potential for success in commission business in Private Banking due to increased awareness on the market.

The transition of the economy to greater sustainability also offers banks great opportunities by helping to finance this change. Accordingly, Hauck Aufhäuser Lampe also sees these opportunities in a variety of ways. On the one hand, we see these opportunities in the direct financing of transition projects in the area of sustainability in the lending business with companies as well as property developers in the Real Estate industry. Similarly, there are opportunities in asset servicing through the increased launch of sustainability-oriented funds that require our services such as capital management, custodian or fund administration. As a third area, we also see opportunities in Private Banking and Asset Management from increased demand from our customers for sustainable investment products. We are continuously evaluating further product innovations in the area of sustainability and assessing them for potential market opportunities in order to be able to respond quickly to new demand trends.

We see further opportunities for us in 2024 and beyond in the area of our digitalization activities, which also include artificial intelligence. On the one hand, this relates to initiatives that essentially aim to automate or provide greater digital support for internal processes and thus improve efficiency. On the other hand, there are also initiatives at the interface with our customers, particularly in Private and Corporate Banking, with the aim of improving the customer experience in digital and hybrid customer contact with us. In the area of artificial intelligence in particular, we anticipate great potential for further improving processes and reducing the workload on employees. This relates, for example, to use cases in information procurement for pitches or meeting preparation, automated document processing for reporting, the personalization of customer communication or the improvement of our customer understanding based on the analysis of unstructured data such as meeting minutes.

As a final point, we do not believe that the above-mentioned development of an increasing shortage of skilled labour in the banking sector due to demographic trends offers any direct opportunities for banks per se. However, we believe that we are well positioned for the future overall. Studies on the age structure of our own workforce show a significantly lower proportion of employees retiring by 2030, in the single-digit percentage range, while estimates for the market are around 30 percent. In 2023, we also established and successfully implemented new approaches in recruiting to approach candidates directly. The automation efforts through digitalization outlined above are also aimed at reducing staffing requirements, thereby easing the burden on employees and making the shortage of skilled workers more manageable.

As a result, we see a wide range of opportunities for our bank in the developments on the banking market.

Outlook – Operational planning and earnings components

In the following, we discuss the integrated overall plan of Hauck Aufhäuser Lampe for 2024 in the outlook for operational planning and earnings components.

Risk factors for forecasts include: a different than expected interest rate development, political or regulatory measures affecting banks, geopolitical and global economic developments as well as possible negative economic effects as a result of far-reaching political decisions.

Developments in the sector environment play a decisive role in planning. The macroeconomic consequences resulting from political and economic factors, such as the ongoing Ukraine crisis or the unrest in the Middle East, are not yet fully foreseeable.

In our operational planning for the 2024 financial year, we anticipate a moderate increase in income overall compared to the previous year.

The projects to implement regulatory requirements, such as sustainability reporting, as well as to further optimize and increase the scalability of our platform and drive forward digitalization by incorporating the opportunities of AI and improving the user experience on our digital customer channels – particularly in the Private & Corporate Banking and Asset Servicing business areas – will continue to result in significant investments in administrative expenses.

Financial performance indicators

Overall bank management is carried out via the HAL Group. The resulting key performance indicators for us and the expected development in the 2024 financial year according to current planning are shown in the following table:

Group financial indicator	2023 target in %	2023 actual in %	2024 target in %
Cost Income Ratio	79	71.6	<72
Return on equity (after taxes)	11	13.3	>13
Total capital ratio	>16	19.2	>16
Leverage ratio	4	4.8	>4

Cost Income Ratio

The cost/income ratio (CIR) includes operating expenses in relation to operating income. Operating expenses consist of administrative expenses including amortization, depreciation and impairment losses on intangible assets and property, plant and equipment. Operating income is the sum of net interest income, net commission income, net income from the trading portfolio and other operating income.

In 2023, the target was significantly exceeded thanks to net interest income exceeding the target while administrative expenses remained stable.

Due to the expected scaling as part of the planned business growth and simultaneous inflationary pressure, we are assuming a slightly lower cost/income ratio.

Return on equity

The return on equity is calculated as the ratio of earnings after taxes to equity at the beginning of the year, taking into account capital increases and dividend distributions.

In the reporting year, the target value was exceeded due to the higher net profit for the year as a result of the effects mentioned above for the CIR.

Due to a moderate increase in earnings after taxes and a slight increase in equity, we expect the return on equity to remain constant.

Total capital ratio

The total capital ratio is the ratio of own funds (core capital and supplementary capital) to risk-weighted assets in accordance with Article 92 (2) (c) CRR.

At the end of 2023, the target value for the total capital ratio was significantly exceeded due to the 12 percent decline in risk-weighted assets.

We assume that the total capital ratio and core capital ratio (CET1 ratio) will exceed 16 percent even after the dividend payment. Based on current planning, risk-weighted assets will only increase marginally beyond 2024.

Leverage Ratio

Core capital is shown here in relation to the business volume in accordance with Art. 429 (2) CRR.

The improved leverage ratio at the end of 2023 resulted from an unchanged balance sheet volume and a simultaneous increase in core capital.

Further balance sheet growth as a result of further growth in deposits from our institutional investors will result in a further increase in the debt position in the long term without a simultaneous increase in the overall risk position. We do not expect any significant change in the leverage ratio in 2024, which should remain at around 4 percent at the end of 2024.

In detail, we expect the following development of our earnings components:

Interest income

Due to the expected interest rate trend, net interest income is not expected to increase further in 2024, but should remain more or less unchanged.

Net commission income

As a result of the expansion of our sales capacities launched in the previous year and the expansion of our services (including Asset Servicing Germany), we expect significant growth in net commission income compared to the previous year.

In 2024, we anticipate a recovery and noticeable increase in earnings in all four core business areas of Private & Corporate Banking, Asset Management, Asset Servicing and Investment Banking.

Administrative expenses

Due to targeted investments in business growth and inflationary pressure, personnel expenses are likely to increase slightly in 2024. By contrast, we expect other administrative and operating expenses to stabilise due to the implementation of optimization and scaling measures and the continuation of targeted digitalization and automation projects.

Risk provisions

Following the consolidation and streamlining phase that began in the reporting year, we expect risk provisions in the lending business to decline slightly.

Earnings before tax

In our planning for 2024, we assume that the positive trend will continue and forecast an operating result before taxes that is moderately higher than in the previous year.

Risk report

Our risk management pursues the overriding goal of managing the material risks associated with business operations in accordance with the risk-bearing capacity in order to enable a risk-adequate return on the capital employed.

Hauck Aufhäuser Lampe uses the “Three Lines of Defence” model for risk management. The first line of defence is operational management, which is responsible for identifying, assessing, managing and mitigating risks in the course of day-to-day business.

In the second line of defence, control units such as Risk Controlling and Compliance monitor and evaluate the implementation and effectiveness of risk management. They ensure independent risk reporting to the Executive Board.

As the third line of defence, Internal Audit independently monitors the effectiveness of risk management in the interaction between the first and second lines of defence.

With the Risk Appetite Statement and the Code of Business Conduct, the Management Board of Hauck Aufhäuser Lampe has defined binding standards of behaviour for all employees and thus the benchmark for the Group’s risk culture.

Accordingly, the annually updated remuneration principles ensure that there are no incentives for individual employees or business units to take inappropriate risks. The promotion of an open and critical dialogue takes place, among other things, through the quarterly meetings of the Risk Executive Committee, which supports the Management Board and the Risk Committee of the Supervisory Board in communicating and monitoring the risk situation and risk culture at an operational level.

In addition to the Risk Executive Committee, the Asset/Liability Management Committee (ALCO) has been established as a second risk committee at Hauck Aufhäuser Lampe. The monthly meetings of the ALCO discuss, among other things, the management of economic and normative risk-bearing capacity and liquidity risk management.

The normative perspective takes into account all regulatory and supervisory requirements as well as the internal requirements based on these, particularly with regard to capital adequacy. The relevant key figures are determined by the Regulatory Reporting unit in accordance with the provisions of the Capital Requirements Regulation (CRR). This is also the basis for the three-year capital planning for a plan scenario and an adverse scenario. The plan scenario is derived from the multi-year balance sheet and income statement planning and takes into account the effects of binding or already adopted legal/regulatory changes. In the adverse scenario, which corresponds to a severe recession, the effects of economic risks on the normative perspective of risk-bearing capacity are determined. The waiver of dividend payments is taken into account as a countermeasure. In both the plan scenario and the adverse scenario, all regulatory minimum capital requirements are met over the entire observation period.

The main risks at bank level are promptly identified, assessed, managed, monitored, communicated and capitalized. Risk concentrations are taken into account appropriately. The annual risk inventory is intended to ensure the completeness of all risks. ESG risks were taken into account for the first time as part of a risk driver analysis. The Group's economic risk-bearing capacity calculation and the monitoring of the target ratios defined in the normative perspective as part of the annual capital planning are carried out on a monthly basis.

As part of the economic risk-bearing capacity calculation, all risk types included are estimated at a confidence level of 99.9 percent with a risk horizon of one year. All individual risks are added to the bank's overall risk without taking risk-reducing correlations into account. The overall risk contribution at bank level must always be below the risk coverage potential, whereby positive plan results are conservatively not recognized.

In the 2023 financial year, the overall risks determined at bank level were always within the defined risk-bearing capacity.

Risks decreased by EUR 9 million compared to 2022. This decrease is due to the reduction in market price risks (EUR –17.7 million), business risks (EUR –13.6 million) and operational risks (EUR –6.8 million), which were partially offset by the increase in counterparty default risks (EUR +29.1 million).

As a result of the EUR 17 million increase in risk coverage potential, mainly due to increased retained earnings, the overall utilization of risk-bearing capacity fell to 39.7 percent (42.2 percent as at December 31, 2022).

As of December 31, 2023, the total risk contribution of EUR 161.3 million was broken down by risk type as follows:

Utilization

Risk type	Actual in EUR million	Limit in EUR million	Utilization
Total utilization	261.3	431.0	60.6%
Counterparty risk	219.8	300.0	73.3%
Market price risk	21.1	62.0	34.1%
Operational risk	20.4	52.0	39.2%
Business risk	0.0	17.0	0.0%

In addition, cross-risk-type stress testing is carried out at bank level on a quarterly basis. The following scenarios are taken into account:

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

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, as in the previous year, no risks jeopardizing the bank's continued existence or impairing its development were identified at Bank level either on the balance sheet date or in the reporting year. Risk coverage was consistently in place on all reporting dates. The validation procedures carried out confirmed the appropriateness of the risk controlling methods.

The risk types defined as material for the Bank are described in more detail below.

Counterparty risk

Counterparty risks mainly result from the lending business with corporate and private clients and property project developers, from investment and interbank business with institutional clients and from the derivatives business with various client groups.

Counterparty risks include in particular

- the default of a debtor: the inability of a debtor or several debtors to fulfil their loan obligations (in particular interest and redemption payments),
- credit risk: the possible 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.

Precisely defined competence rules and standards for credit and investment decisions ensure risk diversification and minimize counterparty default risk. The rating procedures of CredaRate Solutions GmbH, Cologne, are used to assess the credit rating of customers. Collateral is assessed on the basis of standardized procedures using the dual control principle. Lending values for securities collateral are determined on a risk-adjusted basis using current market values.

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 authorized persons. The Risk Controlling and Credit Risk Management units work intensively together here. The customer loan portfolio is characterized 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,
- a variance-covariance approach for individual fund investments,
- sensitivity-based estimates of potential changes in valuation adjustments for unsecured OTC derivative positions,

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 jeopardizing 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 utilizations. Ad hoc reporting completes the reporting. During the entire year under review, there were no indications that either the overall limit or the limits at portfolio level had been exceeded in terms of counterparty risk in the risk-bearing capacity.

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.

Possible changes in valuation adjustments of material unsecured OTC derivative positions are included.

Market price risks for all risk positions in the trading and banking book 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 percent.

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 utilization 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 mainly consist of floating rate positions. Fixed-interest positions in the assets are generally hedged by means of interest rate swaps, which are usually micro-hedges of bonds in the bank's banking book. Both the underlying and hedging transactions are included in the risk calculation for interest rate risk and are reflected in the relevant limit utilizations, which are monitored on a daily basis.

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 were 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, various interest rate shock scenarios are simulated across the bank. The regulatory interest rate shock (+200/-200 basis points, bp.) would lead to a negative change in present value in the banking book of EUR 1.5 million in the +200 bp. scenario at bank level at the end of the year, which corresponds to 1.3 percent of equity.

Investment risk

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, organizational 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.

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

Hauck Aufhäuser Lampe invests in special funds to support sales via sponsor participations within Lampe Alternative Investments (LAI).

The capital charge in the framework of internal risk management is determined for investments of Hauck Aufhäuser Lampe using the credit portfolio model at a confidence level of 99.9 percent and a risk horizon of one year.

A variance-covariance approach is also used for various fund investments within these holdings.

Liquidity risk

Liquidity risks include insolvency, market liquidity and refinancing risks, whereby the latter are defined as immaterial.

One focus of the business strategy of Hauck Aufhäuser Lampe is placed on generating commission income without organic growth in the balance sheet. 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.

Market liquidity risks are monitored implicitly via the credit portfolio model for counterparty default risks in the investment portfolio and by determining the hidden reserves and charges in market risk reporting on a daily basis. Insolvency risks are determined daily by calculating the available net liquidity for various periods in a normal scenario and three different stress scenarios.

In addition to liquidity management in accordance with the Liquidity Regulation, 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 and an internally developed procedure. This compares all cash flows over time on a daily, monthly and annual basis, takes into account the fungibility and ECB eligibility of the individual items in the investment and trading portfolio as well as liquidity outflows from contingent liabilities and enables a prospective analysis of liquidity on the basis of defined scenarios. All liabilities due within certain defined periods are 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. 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 standardized 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 handling legal risks. In some cases, particularly in the event of legal disputes, external law firms are also engaged. Appropriate provisions have been made for existing legal disputes. Risks for the Bank also result from investigations carried out in previous financial years regarding possible cum/ex successor models or cum/cum transactions by the criminal investigation and tax authorities. As the Bank itself has never invested in such schemes or initiated them for clients or third parties, potential material risks to the Bank's financial position and results of operations relate exclusively to our role as a custodian bank and any associated liability claims by the tax authorities. As far as the Bank is aware, the criminal investigations are currently directed exclusively against third parties, former employees of the Bank, and not against the Bank or current employees. Based on the current legal situation and expert assessments of the tax valuation of the transactions, we are of the opinion that we have acted in accordance with the legal requirements.

The particularly sensitive area of IT and cyber risks is taken into account through protective measures of a technical and organizational nature. The Information Security Officer is responsible for managing information security and business continuity planning. Outsourcing is also controlled by the centralized outsourcing management system.

Appropriate processes and emergency concepts have been implemented to ensure the security of IT systems and the continuation of relevant business activities in the event of system failures. Other processes such as the regular assessment of employees and the standardization of contracts used also have a risk-mitigating effect.

Business risks and reputational risks

According to the internal definition, strategic risks include business risks and reputational risks, which are seen as a possible amplifier of business and liquidity risks.

Business risks represent the danger of material failure to meet income and cost targets due to internal or external causes. Possible reasons include inadequate implementation of strategic targets or changes in the macroeconomic environment and the competitive situation.

Responsibility for managing these risks lies with the core business areas and their respective Management Board members and is based on independent financial controlling figures.

Reputational risks describe the risk of declines in earnings or disruptions to the liquidity situation due to events that damage the trust placed in Hauck Aufhäuser Lampe by its stakeholders.

Responsibility for the management of strategic risks lies with the core business divisions and their respective members of the Executive Board. With regard to the management of reputational risks, they are supported in this task by the units responsible for complaints management.

Strategic risks are quantified at Hauck Aufhäuser Lampe using a VaR approach based on the historical deviations from the operating result plan.

The effects of reputational risks are taken into account with specific stress tests with regard to their impact on earnings and liquidity.

Corporate governance statement

In accordance with German legal requirements, the auditor has not audited the content of the following corporate governance statement (women's quota).

Hauck Aufhäuser Lampe has not yet fully achieved its target of increasing the proportion of women in management positions to 30 percent by 2023. As of December 2023, 32 percent of management positions are held by women. However, the proportion of women at Management Board level is only 20 percent. Overall, 41 percent of the workforce is female. Women hold 38 percent (previous year: 27 percent) of team management positions. Compared to the previous year, the proportion of women in department management positions increased by 7 percentage points. This means that a total of 29 percent (previous year: 22 percent) of department management positions are held by women and the target of 30 percent has not yet been fully achieved.

Hauck Aufhäuser Lampe is an employer with more than 500 employees in accordance with Section 21 (1) EntgTranspG and is bound by collective agreements in accordance with Section 5 (4) EntgTranspG. Accordingly, Hauck Aufhäuser Lampe prepares the equal pay report every five years in accordance with Section 22 (1) EntgTranspG. A report on pay transparency will be prepared for the completed financial year 2023 in accordance with the statutory provisions during the second quarter of 2024 and published on the Hauck Aufhäuser Lampe website.

Non-financial statement

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 advising and managing the assets of private and corporate clients, fund services for financial and real assets and co-operation with independent asset managers. The bank also executes trading orders in all common asset classes on and off stock exchanges. Research, sales and trading activities are offered with a specialisation in small and mid-cap companies in German-speaking countries as well as services for IPOs and capital increases.

The value foundation of Hauck Aufhäuser Lampe Privatbank AG is based on responsibility, performance and innovation. The bank's strategic orientation is geared towards continuous value creation. Sustainability is also anchored in the business activities.

Hauck Aufhäuser Lampe's binding values of responsibility, performance and innovation are based on fundamental business practices. These fundamental requirements must be adhered to by all employees. The canon of values provides support in day-to-day work and thus offers guidance. Strict compliance with the law forms the basis; building on this, there are further requirements that are of fundamental importance in 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 programme 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 organizational instruction for dealing with conflicts of interest, while all customer relationship managers have to comply with the principles of customer service.

Implementation of compliance

The Executive Board ensures that the bank adheres to the implementation of and compliance with the relevant laws, rules, regulations and relevant market practice when carrying out its business activities. To achieve this, it promotes a strong compliance culture and has enshrined these values in the Code of Business Conduct, which was updated and adopted by the Executive Board in 2023. The Compliance department advises and supports the Executive Board as part of the proper business organization in complying with legal provisions, good market practice and the Code of Conduct and ensuring business necessities. It is also the task of the compliance functions to establish appropriate, effective and suitable procedures and systems that enable the bank to avoid undesirable threats from risks in the area of responsibility of Compliance.

The Compliance department, which combines various compliance functions, is part of the so-called second line of defence in the three lines of defence model. In addition to capital market compliance and the functions for combating money laundering, terrorist financing and fraud (central unit), the MaRisk compliance function, the information security officer, the data protection officer and the officer for the protection of customer financial instruments are all located independently in the Compliance department. Compliance with sanctions and embargoes is also part of the remit.

The compliance functions are designed appropriately and effectively. Dangers and risks arising from a violation of legal requirements or criminal acts are thus detected at an early stage. This serves to protect the interests and assets of customers, business partners and Hauck Aufhäuser Lampe Privatbank AG.

The aim of all compliance functions is to be responsible for systematic compliance with laws and regulations throughout the group. They aim to identify compliance risks before they arise and to manage them if they do arise. Risk analyzes relating to the bank's core tasks and processes form the basis for assessing and minimizing potential compliance risks. They are generally carried out once a year and in some cases also cover Group companies and compliance-relevant business units in Germany and abroad. The preventive measures derived from the analyzes are regularly reviewed, further developed in the light of new requirements, and their compliance is checked for effectiveness and appropriateness as part of controls carried out by the compliance functions.

Other key prevention systems include employee training, support and advice for business units on process development and transactions, compliance-integrated committees, case-by-case approvals by the compliance function, background checks on potential employees, third-party due diligence, and an internal whistleblower system.

Capital market compliance

Capital market compliance ensures compliance with all regulatory requirements for the securities business, adherence to rules of conduct and the avoidance of conflicts of interest. This includes the prevention of the illegal use of insider information, market abuse, the prevention of unfair treatment of customers, and the identification and investigation of such cases. Capital Market Compliance also ensures that the Bank complies with the relevant monitoring scenarios for trade monitoring and – where applicable – communication monitoring. The measures of Capital Market Compliance have been established in the Bank to protect against financial losses and reputational damage caused by misconduct of customers, employees and business partners. The compliance function of Hauck Aufhäuser Lampe Privatbank AG has extensive rights of instruction and escalation as well as information and investigation powers to enforce the internal regulations throughout the group.

Anti-money laundering, sanctions, combating terrorist financing and fraud prevention

The core tasks of the anti-money laundering, sanctions, combating terrorist financing, and fraud prevention unit include fulfilling regulatory requirements for preventing and combating money laundering and terrorist financing, corruption, and avoiding violations of sanctions and embargoes. Performing the duties of the central office pursuant to Section 25a of the German Banking Act (KWG) is also part of the scope of duties.

In addition to locally applicable laws, regulatory requirements and industry standards, we take into account internationally recognized standards. These requirements and standards are implemented internally both during the customer acceptance process and in the further course of the customer relationship, not only through internal rules and controls, but also through the use of appropriate monitoring systems.

Data privacy and information security

In compliance, information security is independent of the bank's IT and ensures the necessary protection of systems and information assets. This enables information assets to be protected against threats such as unauthorized access or manipulation, thus preventing economic damage to the bank.

The data protection function ensures and documents compliance with data protection, in particular the GDPR, across the entire corporate group.

Commitment to customers

For Hauck Aufhäuser Lampe Privatbank AG, client satisfaction and loyalty are at the centre of the client advisory process. We achieve this goal by using innovative solutions to meet client needs. In addition, the bank works to optimize the value chain in the interests of clients.

Hauck Aufhäuser Lampe attaches great importance to a consistent, honest dialogue with clients based on trust. In order to be able to respond appropriately to customer needs, it is important to know the social, ecological and economic interests, expectations, needs, requirements and experiences of customers. In order to ensure a continuous and strategic dialogue with customers, trained product specialists are called in according to the customer's needs.

In addition, dialogue with customers is regularly sought in the context of lecture events, which generally focus on current specialist topics. With these events, the bank also pursues the goal of providing added value for customers through networking with each other.

Bank employees also demonstrate their commitment through regular lecturing activities at universities such as Frankfurt School as well as the Chambers of Industry and Commerce and other associations.

Sustainability

Overview – Society and regulation

As in previous years, environmental protection, and climate protection in particular, remained a dominant topic in political and social discourse in 2023. New record levels of global warming further emphasized the urgency of taking action. According to the Copernicus "climate change service", 2023 was the warmest year globally since records began in the mid-19th century. And the same applies to the oceans. Back in the summer, Copernicus reported a new record for the average surface temperature of the oceans: 20.98 degrees – well above the long-term average for this time of year.

At the UN Climate Change Conference in Dubai (COP28), the international community agreed to make the transition away from fossil fuels in order to achieve net-zero emissions by 2050. Specifically, the goal of tripling global renewable energy capacity by 2030 was formulated. Another important outcome of COP28 is the establishment of a fund to support developing countries in coping with the loss and damage caused by climate change.

In Europe, the adoption of the Corporate Sustainability Reporting Directive (CSRD) and the reporting standards based on it (07/2023) marked important milestones in sustainability reporting. With the CSRD, the European regulator is making it clear that reporting on sustainability issues will in the future be an integral part of the management report and of comparable importance to corporate financial reporting. The expansion of the reporting obligation alone from the current 12,000 to around 50,000 companies in Europe emphasizes the role that the European legislator – the EU Commission, Council and Parliament – is assigning to the topic of sustainability.

In Germany, the so-called Heating Act passed by the federal government has become the subject of much public debate. The Real Estate sector makes a significant contribution to greenhouse gas emissions in Germany through its heat consumption. By switching from fossil fuels in heat generation to alternative heating concepts, such as heat pumps, greenhouse gas emissions can be reduced in the long term. Against this background, the Heating Act regulates how high the proportion of renewable energy sources must be in heat generation in the future. The requirements will apply to new buildings in new construction areas from 2024 and will be gradually extended to existing buildings over the next few years.

Sustainability at Hauck Aufhäuser Lampe

The anchoring of sustainability along the entire value chain was further consolidated in 2023. The governance structure was strengthened by establishing centralized responsibilities in the specialist departments. This will also ensure the implementation of sustainability topics required by supervisory law in the future and also serves the strategic further development of the topic.

The development of a training concept for sustainability topics ensures the continuous development of knowledge in this area. The key elements of this training concept are the inclusion of a sustainability seminar in the seminar catalogue and a mandatory online module for the majority of employees to teach key regulatory ESG requirements.

For the second year in a row, the greenhouse gas balance sheet has made the effects of implemented CO_2 reduction measures transparent by comparing them with the previous year and providing insights for further reduction measures.

Numerous regulatory requirements have been implemented or their implementation has begun. The following are just a few examples:

A preliminary study was conducted to prepare for the future CSRD requirements. The result of the preliminary study was comprehensive project planning to ensure compliance with the requirements for the first-time reporting in 2025 for the 2024 financial year.

In preparation of the obligation to apply the Supply Chain Due Diligence Act (LkSG) from January 1, 2024, necessary measures have been identified and the necessary requirements have already been implemented on time. The Group's whistleblower system, known as @WARD, is now also used to receive complaints relating to the LkSG, and the role of a human rights officer has also been created.

As a first major step towards implementing the requirements of the 7th MaRisk amendment, the risk inventory for 2023 was expanded to include an ESG risk driver analysis for the first time.

Reporting obligations from the EU taxonomy

The European Green Deal has created the political foundation for the transformation of the European economy towards greater sustainability and sets long-term goals. It emphasizes the need for a holistic and cross-sectoral approach in which all relevant and closely interlinked policy areas contribute to the overarching goals. This has resulted in numerous laws and initiatives. As public funds will not suffice for these plans, sustainable finance has a decisive role to play. The course for sustainable finance regulation at EU level has been set in the Action Plan on Financing Sustainable Growth. The three building blocks for a sustainable finance framework are:

- Channelling capital flows towards sustainable investments to achieve sustainable and inclusive growth
- Managing the financial risks arising from climate change, natural disasters, environmental degradation and social problems
- Promoting the transparency and long-term nature of financial and economic activity

This results in specific regulatory measures such as the EU Taxonomy, the Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR), which on the one hand characterize credit institutions as a key factor and on the other hand pose major challenges for achieving the objectives.

The EU taxonomy is of central importance for the transformation of the economy and the mobilization of capital for sustainable activities. The regulation, which came into force in 2020, defines what can be considered environmentally sustainable economic activity in line with the Paris Climate Agreement and the EU Green Deal.

The reporting obligation for credit institutions under Article 8 of the EU Tax Regulation is that financial companies that fall within the scope of the "Non-Financial Reporting Directive" (NFRD) must provide information on how and to what extent their activities are linked to economic activities that can be categorized as environmentally sustainable. The EU Tax Regulation is to be understood here as a standardized classification system of numerous economic activities that are categorized as taxonomy-eligible or taxonomy-aligned.

Banks and companies must apply the sustainability definitions of the taxonomy to their balance sheets or sales and investment expenditure and determine their taxonomy-eligible and taxonomy-compliant shares.

The main implementation steps result from the

1. Assessment of **taxonomy eligibility**

2. Assessment of **taxonomy alignment**

3. The economic activity must make a **significant contribution to one of the six environmental and climate objectives** and fulfil the technical assessment criteria

4. The economic activity must not have a significant negative impact on any of the other environmental objectives (**DNSH = Do-No-Significant-Harm**)

5. The company carrying out the economic activity must comply with **minimum social safeguards** based on recognized frameworks (UN Guiding Principles and OECD Guidelines for Multinational Enterprises)

and, as a result, make the progress of the transformation measurable and comprehensible through the constantly evolving sustainability-related reporting and disclosure requirements.

In the reporting year, the European Commission revized the "Disclosure Delegated Regulation" (EU 2021/2178) and thus the structure of the reporting forms as part of the amendments to the existing Delegated Regulations on content and presentation.

Amendments were made to the technical assessment criteria for the climate-related environmental objectives "Climate Delegated Regulation" (EU 2021/2139) by adding further economic activities to the catalogue and making changes to individual existing technical assessment criteria for economic activities. Other changes to Annex C concerned the use and presence of certain chemicals.

The "Environmental Delegated Regulation" (EU 2023/2486) on environmental objectives 3 to 6 was also adopted in the reporting year. This contains the technical assessment criteria for economic activities that make a significant contribution to one or more of the other four, non-climate-related environmental objectives:

Of the six environmental objectives of the European Union, the first two are to achieve taxonomy eligibility and taxonomy alignment

- Climate change mitigation
- Climate change adaptation

and on environmental objectives 3 to 6 only on the taxonomy eligibility

- Water and marine resources
- Circular economy
- Environmental pollution
- Biodiversity and ecosystems

are to be reported on.

For banks, taxonomy reporting establishes the Green Asset Ratio (GAR), which quantifies the proportion of the banking book that is taxonomy-compliant and therefore "green".

For Hauck Aufhäuser Lampe, we are currently developing a comprehensive data repository that is necessary for reporting and goes beyond the core processes of finance and controlling, and therefore requires data with different characteristics, definitions and backgrounds for ESG reporting. Collaboration with external ESG data providers is of great importance in order to be able to prepare the sustainability reports in full.

In accordance with Articles 19a and 29a of Directive 2013/34/EU in conjunction with Article 8 of Regulation 2020/852/EU, our reporting is carried out at Group level. We present all disclosures from the EU Tax Regulation in our Group management report.

Employees

In the past financial year, our employees achieved exceptional performance in a complex market environment and thus made a significant contribution to the bank's success.

As at the balance sheet date, the bank employed 1,119 people, 923 of whom were full-time employees and 196 part-time. As at the balance sheet date, we employed 453 women and 666 men.

Development and support

Recruitment

In times of a shortage of skilled labour, personnel management is associated with major challenges. The Hauck Aufhäuser Lampe Group meets this challenge with efficient personnel management.

It is a constant challenge to be perceived both internally and externally as an attractive employer and to retain highly qualified employees in the long term. To achieve this goal, Hauck Aufhäuser Lampe has set clear priorities: Systematically planning and implementing junior staff development, developing managers, organizing processes in a lean manner and investing the training budget in a targeted manner. Investments were therefore made in the 2023 financial year and recruiting was increased and further professionalized.

Training and continuous professional development

Hauck Aufhäuser Lampe sees added value in a high-quality and constant level of further training for employees. The declared aim is to retain and develop employees at the bank in the long term.

Hauck Aufhäuser Lampe offers its employees interesting opportunities for in-service training - from qualifications in banking and business administration to bachelor's and master's degrees. Development and training opportunities are available through seminars organised exclusively for Hauck Aufhäuser Lampe in collaboration with experienced trainers and training institutes. Employees also have access to further seminars and training program for professional, methodological and personal development through external partnerships, such as the Frankfurt School of Finance & Management.

In 2023, employees therefore once again took part in a large number of internal and external seminars in line with the requirements and development plan. The events can essentially be divided into the following subject areas:

- Events for exchanging experiences and specialised conferences
- Seminars on new legal requirements
- Seminars on skills development (Personal Development, Leadership Development, Professional Development, Health & Self-Leadership and International Skills)

The Hauck Aufhäuser Lampe Group also attaches great importance to the topic of “employee management”, as we see management as a key lever for sustainable development, performance and satisfaction. Motivated, well-trained, competent and satisfied employees are essential to our corporate success as a client-focussed service provider. It is therefore in the long-term interests of the entire bank to invest in the qualification and development of managers and to systematize this. In addition to individual professional and personal development, which is open to all employees, managers are prepared for their role through internal and external training, regular management feedback and, if necessary, professional coaching measures (leadership development) and are continuously supported and developed in the fulfilment of their tasks. In 2023, the first cohorts of the Hauck Aufhäuser Lampe LeaderSkills leadership development program were launched, which has a program duration of two years and is designed to strengthen and continuously develop leadership skills at Hauck Aufhäuser Lampe.

Our long-term talent management approach to employee retention, motivation and development via the Transformer program was also expanded further in 2023. The program focuses on strengthening interdisciplinary skills and thus offers development options for employees with specialist, management and project ambitions in equal measure. Both personal and professional development are taken into account, as participants work on and implement a bank-related project as well as undergoing a needs-based individual development program.

In addition, a talent program was developed and launched in 2023 to support senior colleagues in reviewing their focus and achieving their goals. In the Navigator program, individual skills are strengthened and a special role or task is taken on.

Work-life balance

To promote a good work-life balance, the group endeavours to offer employees opportunities to work during their parental leave so that they can return to their demanding professional environment as easily as possible. Flexible working time models and a company agreement on flexoffice also have a favourable effect in this regard.

In the 2024 financial year, the bank will increasingly expand the flexibilization of work, opportunities to reconcile work and family life and measures in the field of diversity, equity and inclusion.

Health management

The bank currently uses the in-house 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. Furthermore, the bank offers a free flu vaccination once a year.

An Employer Assistance Programme (EAP) also gives all employees and their close family members living in the same household access to extensive professional coaching, counselling and other services (e.g. specialist doctor service, therapy placement, family service). EAP use is free of charge for all authorized users, available around the clock and strictly confidential. With the EAP, the bank aims to stabilise the workforce by providing quick and uncomplicated access to professional support for private and professional issues and crises. In addition, employees are offered a wide range of lectures on topics relating to health, exercise and stress management, as well as many other impulses.

In 2023, the bank once again endeavoured to promote participation in joint sporting events. At the J.P. Morgan Corporate Challenge, for example, numerous runners from the Hauck Aufhäuser Lampe Group showed their team spirit and their enjoyment of exercise. More and more employees also took advantage of the cooperation with a national provider of back training and a nationwide sports studio chain.

The bank will further expand its health management programme in the 2024 financial year.

Social and charitable commitment

Hauck Aufhäuser Lampe is involved in cultural and social projects, and in 2023 many employees continued to support a good cause. For example, by participating in the Malteser Social Day, in which charitable activities were carried out on a working day, and in the J. P. Morgan Corporate Challenge company run, in which a high proportion of the participants' contributions go to local charitable organizations. We would also like to expressly thank our employees and the members of the Works Council for their commitment to campaigns such as setting up collection points for glasses or smartphones that are no longer needed, which are passed on to those in need after being recycled.

In addition, the Group has refrained from giving Christmas presents to customers and employees for several years and instead donates to charitable organizations. In 2023, the focus of donations was once again on institutions that are primarily active locally. The charitable activities are also pooled in the Hauck & Aufhäuser Kulturstiftung, which celebrated its 15th anniversary in the reporting year.

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.

03 IS/BS of Hauck Aufhäuser Lampe Privatbank AG

Income statement of Hauck Aufhäuser Lampe Privatbank AG for the period from January 1 to December 31, 2023

	EUR	EUR	EUR	2023 EUR	2022 TEUR
Interest income from					
a) Lending and money market buisness	363,053,582.04				100,724
less negative interest from money market business	–837.13				–18,931
		363,052,744.91			81,793
b) Fixed-interest securities and government-inscribed debt		95,134,862.88			17,717
			458,187,607.79		**99,510**
Interest expenses					
Interest expenses from banking business		–321,573,391.22			–40,582
less positive interest from banking business		587,088.87			32,572
			–320,986,302.35		–8,010
				137,201,305.44	**91,500**
Current income from					
a) Shares and other variable-yield securities			5,105,644.56		115
b) Equity interests			400,107.00		1,356
c) Shares in affiliated companies			25,438,859.26		9,962
				30,944,610.82	**11,433**
Income from profit pooling, profit transfer or partial profit transfer agreements				**8,260,211.19**	**4,468**
Commission income			**195,530,934.50**		**212,607**
Commission expenses			**–24,027,687.62**		**–20,348**
				171,503,246.88	**192,259**
Net income from the trading portfolio				**4,263,635.60**	**8,980**
Other operating income				**37,383,443.75**	**96,738**
General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		–129,097,875.95			–132,175
ab) Social security, pension and other benefits		–21,328,132.67			–24,758
thereof: for pensions (EUR -4,570,728.16)					–7,914
			–150,426,008.62		–156,933
b) Other administrative expenses			–95,683,158.30		–110,678
				–246,109,166.92	**–267,611**
Amortization, depreciation and impairment of intangible assets and property, plant and equipment				**–11,902,750.96**	**–10,922**
Other operating expenses				**–2,919,579.90**	**–5,367**
Write-downs and value adjustments on receivables and certain securities and Allocations to provisions in the lending business				**–5,874,935.86**	**–13,035**
Depreciation and value adjustments on equity interests, shares in affiliated companies and securities treated as fixed assets				**–6,158,093.93**	**0**
Income from write-ups on investments, shares in affiliated companies and securities treated as fixed assets				**0.00**	**632**
Expenses from loss absorption				**–2,882,517.55**	**–1,716**
Result from ordinary activities				**113,709,408.56**	**107,359**
Taxes on income and earnings			–24,621,702.84		–40,592
Other taxes not recognized under recognized under “Other operating expenses”			84,145.65		–94
				–24,537,557.19	**–40,686**
Net income for the year				**89,171,851.37**	**66,673**
Profit carryforward from the prior year				**43,130,673.36**	**43,131**
Net retained profit				**132,302,524.73**	**109,804**

Balance sheet as at December 31, 2023

ASSETS			2023	2022
	EUR	EUR	EUR	KEUR
1. Cash reserve				
a) cash on hand		0.00		107
b) Balances at central banks		122,237,314.03		47,359
of which: at Deutsche Bundesbank EUR 75,607,879.22				(166)
			122,237,314.03	**47,466**
2. Loans an advances to banks				
a) payable on demand		4,794,663,719.70		6,160,753
b) Other loans an advances		919,426,725.99		14,861
			5,714,090,445.69	**6,175,614**
3. Loans and advances to customers			**2,058,721,658.52**	**2,181,549**
thereof: Public-sector loans EUR 144,025,122.41				(83,174)
4. Debt securities and other fixed-income securities				
a) Money market securities				
ab) by other issuers	0.00	0.00		0
of which: eligible as collateral with Deutsche Bundesbank EUR 0.00				(0)
b) Bonds and debt securities				
ba) issued by the public sector	1,400,230,844.47			1,187,331
of which: eligible as collateral with Deutsche Bundesbank EUR 823,071,567.24				(655,538)
bb) by other issuers	1,734,752,172.03	3,134,983,016.50		1,322,141
of which: eligible as collateral with Deutsche Bundesbank EUR 1,421,422,087.72				(1,076,007)
			3,134,983,016.50	**2,509,472**
5. Equities and other variable-yield securities			**179,536,540.79**	**177,959**
5a. Trading book positions			**1,371,200.58**	**4,827**
6. Equity interests			**403,938.14**	**3,425**
of which: to banks EUR 6,136.50				(6)
of which: to financial service providers EUR 0.00				(3,021)
7. Shares in affiliated companies			**117,583,517.96**	**120,259**
of which: to banks EUR 0.00				(0)
of which: to financial service providers EUR 15,273,881.55				(17,166)
8. Trust assets			**2,000,000.00**	**21,325**
of which: trust loans EUR 0.00				(0)
9. Intangible assets				
a) Purchased concessions, industrial and similar, rights and assets		18,870,899.60		19,267
b) Goodwill		0.00		1,207
c) Advance payments		478,943.46		1,206
			19,349,843.06	**21,680**
10. Property, plant and equipment			**21,727,563.80**	**20,658**
11. Other assets			**350,325,695.19**	**405,452**
12. Prepaid expenses			**82,090,458.27**	**54,712**
13. Deffered tax assets			**8,805,504.27**	**12,399**
14. Excess of plan asstes over pebnsion liability from asset offsetting			**1,210,635.50**	**1,726**
Total assets			**11,814,437,332.30**	**11,758,523**

Balance sheet as at December 31, 2023

LIABILITIES AND EQUITY			2023	2022
	EUR	EUR	EUR	KEUR
1. Liabilities to banks				
a) payable on demand		140,403,341.52		153,776
b) with an agreed term or period of notice		34,535,031.53		33,372
			174,938,373.05	**187,148**
2. Liabilities to customers				
a) Savings deposits				
aa) with an agreed period of notice of three months		53,503.70		54
b) Other liabilities				
ba) payable on demand	8,577,561,825.88			8,885,473
bb) with an agreed term or period of notice	1,791,610,428.78	10,369,172,254.66		1,252,985
			10,369,225,758.36	**10,138,512**
3. Securitised liabilities				
Debt securities issued			38,858.17	39
4. Trust liabilities			**2,000,000.00**	**21,325**
of which: trust loans EUR 0.00				(0)
5. Other liabilities			**258,844,945.12**	**407,187**
6. Deffered income			**44,141,769.42**	**43,176**
7. Provisions				
a) Provisions for pensions and similar obligations		61,140,628.46		58,048
b) Tax provisions		24,472,711.85		40,960
c) Other provisions		97,008,433.61		128,453
			182,621,773.92	**227,462**
9. Fund for general banking risks			**133,937,000.00**	**134,123**
10. Equity				
a) Subscribed capital		28,913,628.00		28,914
b) Capital reserves		276,666,159.45		276,666
c) Revenue reserves				
ca) statutory reserve	2,900,000.00			2,900
cb) other revenue reserves	207,906,542.08	210,806,542.08		181,269
d) Net retained profit		132,302,524.73		109,802
			648,688,854.26	**599,551**
Total equity and liabilities			**11,814,437,332.30**	**11,758,523**
1. Contingent liabilities				
Liabilities from guarantees and indemnity agreements			38,909,174.56	34,242
2. Other obligations				
Irrevocable loan commitments			129,055,317.75	256,989

04 Notes to the Financial Statements

General information

Accounting principles

Hauck Aufhäuser Lampe Privatbank AG has its registered office in Frankfurt am Main.

The company is listed in the commercial register under HRB 108617 at Frankfurt am Main Local Court.

Hauck Aufhäuser Lampe Privatbank AG is 99.69 percent owned by Bridge Fortune Investment S.à r.l. based in Luxembourg. Bridge Fortune is an indirect holding of the Hong Kong-listed Fosun International Ltd. based in Hong Kong.

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

The Bank's financial statements for the 2023 financial year have been prepared in accordance with the provisions of the German Commercial Code (HGB), the German Banking Act (KWG), the German Stock Corporation Act (AktG) and the German Bank Accounting Regulation (RechKredV). In addition to the annual financial statements – consisting of the income statement, balance sheet and notes – a management report was prepared in accordance with Section 289 HGB. The report is published in the company register of the Federal Gazette.

Unless indicated otherwise, all amounts are stated in thousands of euros (KEUR). Due to rounding, it is possible in some cases that individual figures do not add up exactly to the totals provided.

Accounting and valuation methods

The cash reserve is recognized at nominal value.

Loans and advances to banks and loans and advances to customers are carried at amortized cost. Adequate provision has been made for all identifiable risks by recognizing specific valuation allowances and provisions. Adequate general value adjustments have been made for latent risks.

We generally apply the IFRS 9 methodology and have thus implemented the stage transfer logic. The transfer between Stage 1 – loans without identifiable risks – and Stage 2 – increased risk of default since initial recognition – is defined on the basis of qualitative and quantitative parameters. For Stage 3 – exposures at risk of default – a specific valuation allowance is recognized after deduction of the available collateral.

When forming general loan loss provisions, the amount of the receivable, known as the exposure at default (EAD), includes commitments and guarantees in addition to utilization. To determine the probability of default (PD), we use lifetime point-in-time PDs, where available, which are validated annually. Alternatively, we use the rating class-specific average PD in accordance with the master scale. The default rate, the loss-given default (LGD), is calculated at the level of the financial instrument, taking collateral into account.

Securities in the liquidity reserve are recognized at the lower of cost and fair value in accordance with the regulations for current assets, taking into account the strict lower of cost or market principle, unless they are shown as a valuation unit. Securities held as fixed assets are valued according to the moderate lower of cost or market principle, whereby the premiums and discounts incurred on the purchase of the securities, spread over the remaining term, are reported in the interest result in the income statement.

Derivative financial instruments are used to hedge the fair value of inventories and are initially measured individually on the balance sheet date. The fair values of derivative financial instruments are determined using the discounted cash flow method. The underlying interest rate curves correspond to the market standard. The valuation is carried out by an external provider. Within a valuation unit, the valuation results are offset against the valuation results of other transactions to the extent permitted, insofar as losses are incurred. In the case of interest rate-induced underlying transactions, fluctuations in value are recognized in the income statement on an imparity basis using the net hedge presentation method.

To offset opposing changes in value, we mainly form micro valuation units for promissory note loans and other fixed-interest securities and for interest rate derivatives in accordance with Section 254 HGB and in compliance with IDW RS HFA 35 to hedge the resulting interest rate risk using the net hedge presentation method. In the same way, valuation units are formed for bonds sold forward and other fixed-interest securities. Furthermore, macro valuation units are formed in the portfolio of forward exchange transactions and currency options, which are not used to hedge interest-bearing balance sheet items, but to hedge the currency risk. The opposing changes in value are hedged for both groups over the entire period.

When forming micro valuation units for promissory note loans and other fixed-interest securities in the bank's own portfolio, interest rate risks are hedged using interest rate derivatives. Interest rate derivatives with customers are hedged with offsetting back-to-back interest rate derivatives. Macro valuation units for forward exchange transactions and currency options with customers are hedged with offsetting FX derivatives.

The effectiveness of the valuation units for hedging balance sheet transactions is verified retrospectively and prospectively using regression analysis. If there are not at least seven observation dates retrospectively, the dollar offset method is applied. Only the dollar offset method is used retrospectively to demonstrate the effectiveness of the valuation units for hedging derivatives. For all valuation units, the critical term match method is applied prospectively for justification and subsequent measurement.

Risks from the fulfillment of unsecured OTC derivatives are taken into account through valuation adjustments. A credit valuation adjustment is recognized for expected credit losses due to third-party credit risks. A debit valuation adjustment for the Bank's own credit risk is not recognized due to the imparity principle; in addition, the Bank's own financing conditions are taken into account by means of a funding valuation adjustment.

We measure the trading portfolio at fair value. The result from the market valuation is reduced by a risk discount in accordance with Section 340e (4) HGB, which is deducted from the trading portfolio on the assets side. The risk discount is based on the value-at-risk approach determined in accordance with supervisory law, with the proviso that the maximum loss from the trading book with a probability of 99 percent and a holding period of 10 days is not exceeded. The historical observation period is one year.

An allocation in the reporting year to the fund for general banking risks (Section 340 HGB) is charged to net income from the trading portfolio. The reversal of this balance sheet item is charged to the net expense of the trading portfolio. 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 amortized 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 recognized in accordance with the applicable provisions of Section 340b HGB. In the case of securities lending transactions, securities lent are still recognized in the balance sheet due to the beneficial ownership of Hauck Aufhäuser Lampe Privatbank, while securities borrowed are not recognized in the balance sheet.

Intangible assets and property, plant and equipment are reported at acquisition or production cost and, if depreciable, reduced by scheduled depreciation. The underlying useful lives and depreciation rates are based on the general depreciation table published by the tax authorities. Goodwill included in intangible assets is amortized over a period of 5 to 10 years. In the event of permanent impairment, an impairment loss is recognized. Assets whose acquisition cost excluding VAT exceeds EUR 250 but does not exceed EUR 1,000 are combined in a collective item for each financial year and were depreciated at 20 percent in the financial year in which they were created and in each of the four subsequent financial years (pool depreciation). Low-value assets whose acquisition costs do not exceed EUR 250 excluding value-added tax are fully depreciated in the year of acquisition.

Prepaid expenses consist of expenses deferred in the financial year for future financial years. Liabilities are recognized at the settlement amounts. Differences between the repayment and payment amounts are recognized as prepaid expenses and released pro rata temporis to profit or loss.

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

The plan assets to secure the pension obligations are measured at fair value and netted with the provisions recognized for this purpose in accordance with Section 246 (2) sentence 2 HGB. The offsetting against the plan assets is carried out for partial retirement obligations in the amount of the settlement arrears in accordance with IDW RS HFA 3. If the offsetting of plan assets against the provisions for pensions or partial retirement recognized for this purpose results in an asset surplus, this is reported in the item excess of plan assets over pension liability. The required addition to provisions for pensions in accordance with Art. 67 (1) EGHGB will be made by December 31, 2024 at the latest.

Provisions for taxes and other provisions are recognized at the settlement amount required according to prudent business judgment; provisions with a remaining term of more than one year are recognized at their present value. The discount rates used correspond to the interest rates published by Deutsche Bundesbank for December 2023 for the respective remaining terms of the provisions. The expense for compounding the provisions is recognized in other operating income. Provisions for impending losses from pending transactions have been recognized in the commercial balance sheet.

All interest-related transactions outside the trading book were measured on a loss-free basis in accordance with the regulations of IDW RS BFA 3. We applied the present value approach to the loss-free measurement of the banking book. We compared the present value calculated from the discounted cash flows of the relevant financial instruments as at the reporting date with the carrying amount. Risk and administrative costs expected to be incurred were taken into account as an adjustment to the (gross) present value calculated without these components.

Deferred taxes are recognized for all temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the financial statements and their tax base. Deferred taxes are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled.

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

If there is a surplus of deferred tax assets, deferred tax assets are recognized in accordance with the option under Section 274 HGB.

Contingent liabilities are reported at their nominal amount less any provisions recognized.

Negative interest from receivables is reported under interest income, negative interest from liabilities is reported under interest expense.

Currency translation

Foreign currency translation is carried out in accordance with the provisions of Section 256a in conjunction with Section § 340h HGB. Assets and liabilities denominated in foreign currencies are translated at the ECB reference rate or, alternatively, if our external provider of market data is not available, forward exchange transactions are translated at the forward rate on the balance sheet date. Income and expenses are recognized in the income statement at the exchange rates of the respective day. When measuring forward exchange transactions used to hedge interest-bearing balance sheet items, the Bank makes use of forward rate splitting and marks off the agreed swap rates pro rata temporis. Due to the special cover, losses and gains from currency translation are recognized in the income statement under other operating income in accordance with Section 340h HGB.

Changes in accounting and valuation methods

We have not made any accounting and valuation changes compared to the previous year.

Events after the reporting period

There are no events of particular significance to report that occurred after the end of the financial year and have not yet been recognized in the income statement or balance sheet.

There was a change in the shareholding in the bank after the reporting date with no effect on the balance sheet and income statement, as the stake held by Bridge Fortune Investment S.à r.l. increased from 99.686 percent to 99.743 percent as at February 29, 2024 following the acquisition of further shares.

Notes to the income statement

Incoming by geographical market

The total amount includes the following items in the income statement:

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

Breakdown by geographical markets

in KEUR	Germany	Luxembourg	Great Britain
Income 2023	655,941	82,793	0
Income 2022	370,359	69,192	24

Other operating result

In the reporting year, other operating income amounting to KEUR 37,383 (previous year: KEUR 96,738) mainly comprised

- the passing on of intragroup expenses in the amount of KEUR 13,476 (previous year (previous year KEUR 9,615)
- income relating to other periods from the reversal of provisions in the amount of KEUR 13,240 (previous year KEUR 22,190)
- Result from foreign exchange transactions of KEUR 3,444 (previous year KEUR 4,948)

A significant item in the previous year related to the accretion gain of KEUR 52,927.

Other operating expenses in the amount of KEUR 2,920 (previous year: KEUR 5,367) mainly include interest accrued on provisions in the amount of KEUR 1,060 (previous year: KEUR 2,225) and additions to other provisions in the amount of KEUR 500 (previous year: KEUR 1,012).

Auditor's fee

The fee for auditing services includes the audit of the annual financial statements of Hauck Aufhäuser Lampe Privatbank AG. Other assurance services include in particular fees for statutory, contractually agreed or voluntarily commissioned audit and assurance services. This also includes audits in accordance with Section 89 (1) WpHG. The fees for other services mainly comprise fees for project-related consulting services. We disclose the amount of the auditor's fee 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, the administration of fiduciary loans, the processing of payment transactions and securities commission business.

Notes on the statement of financial positions

Breakdown of loans and advances and liabilities by residual maturity

Loans and advances broken down by residual maturity

in KEUR	Loans and advances to banks		Loans and advances to customers	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
With an indefinite term	0	0	1,310,445	1,401,435
With a remaining term of				
up to three months	567,238	9,861	417,755	529,095
more than three months and up to one year	297,189	0	179,949	107,259
more than one year and up to five years	55,000	5,000	110,573	123,760
more than five years	0	0	40,000	20,000
Total	**919,427**	**14,861**	**2,058,722**	**2,181,549**

Liabilities broken down by residual maturity

in KEUR	Liabilities to banks		Liabilities to customers	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
With an indefinite term	0	0	0	0
With a remaining term of				
up to three months	34,535	33,371	1,480,140	954,236
more than three months and up to one year	0	0	300,545	287,169
more than one year and up to five years	0	0	10,925	11,580
more than five years	0	0	0	0
Total	**34,535**	**33,371**	**1,791,610**	**1,252,985**

Related party disclosures

The following table shows receivables from and liabilities to companies in which participations are held and to affiliated companies:

Relationships with affiliated companies

in KEUR	to investees		to affiliated companies	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Receivables from customers	2,050	0	31,095	22,504
Other assets	0	0	35,577	16,553
Total	**2,050**	**0**	**66,672**	**39,057**
Liabilities to customers	1,270	12,080	66,594	50,502
Total	**1,270**	**12,080**	**66,594**	**50,502**

Securities

As at December 31, 2023, the marketable securities break down as follows

Securities

in KEUR	Listed		Not listed	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Debt securities and other fixed-income securities	3,119,250	2,134,020	15,733	375,452
Equities and other variable-yield securities	52	26	9	0
Total	**3,119,302**	**2,134,046**	**15,742**	**375,453**

Of the bonds and other fixed-interest securities amounting to KEUR 3,134,983 (previous year: KEUR 2,509,472), KEUR 648,165 will fall due in the 2024 financial year.

For bonds and other fixed-income securities in the investment portfolio with a carrying amount of KEUR 1,642,452 (previous year: KEUR 515,228) and a fair value of KEUR 1,635,050 (previous year: KEUR 506,619), write-downs of KEUR 7,402 (previous year: KEUR 8,609) were not recognized due to the moderate lower of cost or market principle in accordance with section 253 para. 3 sentence 5 HGB and taking into account the valuation units, as the impairments are temporary. These are exclusively marketable bonds.

Similarly, write-downs of KEUR 366 (previous year: KEUR 448) were not recognized on non-marketable shares and other variable-yield securities with unchanged carrying amounts compared to the previous year of KEUR 11,651 with fair values of KEUR 11,286 (previous year: KEUR 11,203) due to 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 German Capital Investment Code, of which the Group holds more than 10 percent of the shares in each case. Due to their allocation to the Bank's fixed assets, we apply the moderate lower of cost or market principle.

The fair value of the special funds corresponds to the net fund assets and is determined by the market value or liquidation value of the individual fund components. Of the carrying amounts of KEUR 167,825 (previous year: KEUR 166,282) and fair values of KEUR 170,701 (previous year: KEUR 164,894), write-downs of KEUR 2,366 (previous year: KEUR 3,845) were not recognized as the impairments are temporary due to market volatility.

In the current financial year, distributions amounting to KEUR 4,644 (previous year: KEUR 0) were made. No further impairment losses were recognized in the reporting year.

Trading book positions

In the reporting year, the criteria for the allocation of financial instruments to the trading portfolio were not changed compared to the previous year.

KEUR 186 (previous year: KEUR 3,110) was released from the fund for general banking risks (in accordance with Section 340e (4) HGB) and charged to net expenses in the trading portfolio. Due to the excess cover of the balance sheet trading assets by the provision formed in accordance with Section 340e (4) HGB, the risk discount was only formed in the amount of the reserves in the trading portfolio, as in the previous year.

No securities were transferred from the trading portfolio to the investment portfolio in the reporting year.

Assets held for trading

in KEUR	31 Dec 2023	31 Dec 2022
Shares and other variable-yield securities	1,379	4,985
Value at risk discount	–8	–158
Total	**1,371**	**4,827**

Designated hedges

To offset opposing changes in value, micro valuation units are formed to hedge the resulting interest rate or currency risks:

- Interest rate risks for promissory note loans and other fixed-interest securities in the bank's own portfolio were hedged using interest rate derivatives. The average remaining term was 3 years (previous year: 4 years). Valuation units were also formed for the portion of the bonds and debentures that were sold forward. The average remaining term of the underlying transactions was 24 years (previous year: 36 years).
- Interest rate derivatives with customers were hedged with offsetting back-to-back interest rate derivatives. The average remaining term amounted to 9 years (previous year: 9 years).
- Forward exchange transactions and currency options with customers are hedged with offsetting FX derivatives. As in the previous year, the average remaining term was less than 3 months.

Hedge accounting

in KEUR	Book values		Nominal values		Amount of the hedged risk	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Bonds and debentures	2,819,333	1,994,943	2,851,433	1,981,065	78,126	186,975
Loans and advances to customers (promissory note loans)	801,643	20,708	789,800	20,000	3,019	437
Interest rate derivatives			2,777,053	3,010,978	71,875	101,762
Currency options			20,317	66,472	56	697
Forward exchange transactions			9,665,668	8,030,123	90,939	139,461
Total	**3,620,975**	**2,015,651**	**16,104,271**	**13,108,638**	**244,016**	**429,332**

Trust business

Trust assets

in KEUR	31 Dec 2023	31 Dec 2022
Loans and advances to banks	2,000	21,325
Total	**2,000**	**21,325**

Trust liabilities

in KEUR	31 Dec 2023	31 Dec 2022
Liabilities to customers	2,000	21,325
Total	**2,000**	**21,325**

Statement of changes in fixed assets

in KEUR	Intangible assets	Property, plant and equipment	Securities in the banking book	Equity interests	Shares in affiliated companies
Acquisition/production costs 1 Jan 2023	**64,103**	**43,778**	**2,183,788**	**3,425**	**121,344**
Additions	5,183	6,204	1,113,391	0	2,100
Disposals	0	613	215,287	3,021	0
Exchange rate changes	0	0	– 20,626	0	0
Acquisition/production costs 31 Dec 2023	**69,286**	**49,369**	**3,061,267**	**404**	**123,444**
Accumulated amortization, depreciation and impairment 1 Jan 2023	**42,423**	**23,120**	**0**	**0**	**1,085**
Additions	7,513	4,702	0	0	4,775
Disposals	0	181	0	0	0
Accumulated amortization, depreciation and impairment 31 Dec 2023	**49,936**	**27,641**	**0**	**0**	**5,860**
Residual book values 31 Dec 2023	**19,350**	**21,728**	**3,061,267**	**404**	**117,584**
Residual book values 31 Dec 2022	**21,680**	**20,658**	**2,183,788**	**3,425**	**120,259**

The land and buildings with a total carrying amount of KEUR 7,848 (previous year KEUR 7,871) are mainly used by the company itself. The operating and office equipment included in property, plant and equipment amounted to KEUR 13,880 (previous year: KEUR 12,787).

Other assets

Other assets amounted to KEUR 350,325 (previous year: KEUR 405,452). The decrease is mainly due to the following changes:

- Assets from derivatives including option premiums in the amount of KEUR 95,504 (previous year KEUR 132,850)
- Cash collateral management payments in the amount of KEUR 177,906 (previous year: KEUR 218,595) in connection with the institutional fund and derivatives business
- Receivables from affiliated companies in the amount of KEUR 35,736 (previous year KEUR 16,693),
- Trade receivables in the amount of KEUR 22,482 (previous year KEUR 21,551)
- Tax receivables amounting to KEUR 10,268 (previous year: KEUR 6,436).

Prepaid expenses

Prepaid expenses

in KEUR	31 Dec 2023	31 Dec 2022
Upfront payments and premiums	66,526	43,365
Other prepaid expenses	15,564	11,347
Total	**82,090**	**54,712**

Subordinated assets

Subordinated assets

in KEUR	31 Dec 2023	31 Dec 2022
Receivables from customers	18,258	20,725
Securities	0	65,386
Total	**18,258**	**86,111**

Deferred tax assets

As at the reporting date, deferred tax assets amounted to KEUR 8,805 (previous year: KEUR 12,399). The calculations in the reporting year were based on a tax rate of 31.88 percent (previous year: 31.88 percent) for corporation tax, solidarity surcharge and trade tax. The temporary differences on which the deferred taxes are based are mainly attributable to provisions for pensions and impending losses as well as tax adjustment items for investments and funds.

Minimum Taxation Directive Implementation Act – (GER: MinBestRL-UmsG)

At the end of 2023, the implementation of EU Directive 2022/2523 to ensure global minimum taxation (the Minimum Tax Directive) was adopted by the Federal Council in the form of the Minimum Tax Act (MinStG).

The Act provides for a mandatory exemption from the recognition and measurement of deferred taxes resulting from the application of this Act, foreign minimum tax laws based on the Minimum Tax Directive or the OECD model rules on which it is based. The exception corresponds to the exception in IAS 12.4A and is intended to reduce the complexity of the German Minimum Tax Act and prevent any disadvantages for HGB accountants.

In order to ensure a minimum level of transparency and information for users of the financial statements, a new disclosure requirement has been created for the notes, in which the actual tax expense or tax income for the financial year must be disclosed.

The Hauck Aufhäuser Lampe Group is to be included in the minimum taxation calculations (Pillar 2) of the FOSUN Group with Hauck Aufhäuser Lampe Privatbank AG as well as with the companies which, directly or indirectly through the shareholding structure, always have a shareholding of > 50 percent.

The FOSUN Group is covered by this new tax legislation with entities in numerous different jurisdictions. The legislation was enacted in certain countries, including Germany, only shortly before the reporting date. The Group is therefore still in the process of assessing the potential risk of a possible additional minimum tax.

Regardless of the impact, there was no effect on the tax expense for the 2023 financial year.

Foreign currency assets and liabilities

As at the balance sheet date, there were KEUR 1,804,034 (previous year: KEUR 1,643,622) in assets denominated in foreign currencies and KEUR 1,823,070 (previous year: KEUR 1,665,536) in liabilities denominated in foreign currencies.

Other liabilities

Other liabilities of KEUR 258,844 (previous year: KEUR 407,187) mainly comprised liabilities from deposited collateral in the amount of KEUR 127,693 (previous year: KEUR 236,337), liabilities from derivatives including option premiums of KEUR 95,520 (previous year: KEUR 136,758) and taxes to be paid in the amount of KEUR 13,415 (previous year: KEUR 12,328).

Provisions

Changes in provisions

in KEUR	Opening balance	Additions	Reclassification*	Unwinding discounts	Utilization	Utilization	Additions	Closing balance	Closing Balance
	1 Jan 2023	2023	2023	2023	2023	2023	2023	**31 Dec 2023**	**31 Dec 2022**
Pension provisions	58,048	0	1,791	825	1,290	2,357	4,124	61,141	58,048
Tax provisions	40,960	0	0	191	15,695	14,626	13,643	24,473	40,960
Other provisions	128,453	0	– 3,476	– 294	48,590	30,759	51,674	97,008	128,453
	227,461	**0**	**– 1,685**	**722**	**65,575**	**47,742**	**69,441**	**182,622**	**227,461**

[1] Includes currency differences and consolidation items

Other provisions mainly consist of provisions for personnel, for derivatives and for litigation and recourse risks. The provisions for personnel relate to bonuses, restructuring and partial retirement, among other things.

In addition to pension obligations, there were also obligations for partial retirement agreements. In the reporting period, the provision for partial retirement was partially offset against the cover assets from the individually concluded reinsurance policies. The asset-side difference from the offsetting of assets in the amount of KEUR 1,211 (previous year KEUR 1,725) was recognized as the difference between the plan assets of KEUR 2,665 (previous year: KEUR 3,422) to secure the retirement benefit obligation and the provisions of KEUR 1,454 (previous year: KEUR 1,697). The plan assets of the reinsurance policy are measured at the asset value. This value represents the fair value and at the same time the amortized cost of the reinsurance policy. No offsetting of expenses and income has taken place.

Provisions for pensions and similar obligations are calculated actuarially on the basis of biometric probabilities (Heubeck 2018G mortality tables) using the entry age normal method.

The reported pension provisions include fixed commitments. Pension increases are currently taken into account with an annual adjustment of 2.25 percent, unchanged from the previous year. Wage and salary increases and fluctuations were not taken into account. The discount rate used to discount pension obligations is 1.83 percent (previous year: 1.79 percent); the option to use the average market interest rate calculated and published by the Deutsche Bundesbank, which is based on an assumed residual term of 10 years, is exercised. The interest rate used for discounting is based on the projection of the actuarial interest rate published by the Bundesbank as at October 31, 2023 to the balance sheet date.

The difference in accordance with Section 253 (6) sentence 1 HGB between the recognition of provisions based on the corresponding average market interest rate from the past ten financial years and the recognition of provisions based on the corresponding average market interest rate from the past seven financial years was calculated for the financial year and is subject to a restriction on distribution and amounted to KEUR 791 as at the reporting date (previous year: KEUR 4,071).

Fund for general banking risks

The bank's fund for general banking risks in accordance with Section 340g HGB remains unchanged from the previous year at KEUR 129,648.

At the end of the year, the bank had formed contingency reserves in accordance with Section 340e (4) HGB amounting to KEUR 4,289 (previous year: KEUR 4,475).

Equity

Capital Structure

Equity

in KEUR	31 Dec 2023	31 Dec 2022
Subscribed capital	28,914	28,914
Capital reserve	276,666	276,666
Revenue reserves	210,807	184,169
Statutory reserve	2,900	2,900
Other revenue reserves	207,907	181,269
Net retained profits (+) / net accumulated losses (-)	132,302	109,802
Total	**648,689**	**599,551**

Subscribed capital

The subscribed capital (share capital and share capital) was recognized in the bank at nominal value. The share capital remains unchanged from the previous year at KEUR 28,914 and is divided into a total of 556,031 registered shares with a notional value of EUR 52.00 each.

Capital reserve

The capital reserve did not change in the reporting year and amounted to KEUR 276,666. Premiums from the issue of shares in Hauck Aufhäuser Lampe Privatbank AG are reported in the capital reserve.

Revenue reserves

Statutory reserves remained unchanged from the previous year at KEUR 2,900.

Other revenue reserves increased by KEUR 26,638 year-on-year to KEUR 207,907 (previous year: KEUR 181,269) due to retained earnings.

At the Annual General Meeting in April 2024, shareholders will be presented with a proposal for a resolution to appropriate the net retained profits from 2023 totaling KEUR 132,302 as follows

- Profit carried forward in the amount of KEUR 12,200
- Payment of a dividend in the amount of KEUR 120,102

Amounts subject to restriction on distribution

Amounts blocked from distribution totaling KEUR 10,807 (previous year: KEUR 18,195) in the reporting year result from the difference between the average market interest rate of 10 and 7 years for discounting provisions for pension obligations in accordance with Section 253 (6) sentence 1 HGB in the amount of KEUR 791, from the recognition of deferred taxes in accordance with Section 268 (8) HGB in the amount of KEUR 8,806 and from the asset-side difference from offsetting assets in accordance with Section 246 (2) sentence 2 HGB in the amount of KEUR 1,211.

Other disclosures

Contingent liabilities and other obligations

Liabilities from guarantees and indemnity agreements amounting to KEUR 38,909 (previous year: KEUR 34,242) mainly relate to original banking business with customers from which commission income is generated. The risk for the bank consists of a claim arising from the contractual obligations due to a deterioration in the debtor's creditworthiness. Credit risks are taken into account in the balance sheet by recognizing provisions. The risk of utilization from contingent liabilities is assessed on the basis of credit risk management parameters.

Irrevocable loan commitments are part of Hauck Aufhäuser Lampe AG's lending business and are reported below the balance sheet. As at the balance sheet date, irrevocable loan commitments amounted to KEUR 129,055 (previous year: KEUR 256,989).

Risks may arise from a deterioration in the creditworthiness of the customer, for which a corresponding provision is recognized in the balance sheet.

Other financial obligations

There were payment obligations from rental agreements for our locations in the amount of KEUR 13,826 (previous year: KEUR 14,349) for the 2024 financial year. The average remaining term of the rental agreements is 9 years (previous year: 8 years).

Risks for the Bank also result from investigations carried out in previous financial years with regard to possible cum/ex successor models or cum/cum transactions by the criminal investigation and tax authorities. As the Bank itself has never invested in such structures or initiated them for clients or third parties, potential material risks to the Bank's financial position and results of operations relate exclusively to our role as a custodian bank and any associated liability claims by the tax authorities. The criminal investigations are initially directed exclusively against third parties, former employees of our company, and not against the Bank or current employees. Based on the applicable legal situation and expert assessments of the tax valuation of the transactions, we are of the opinion that we acted in accordance with the legal requirements.

In addition, the Bank is proportionally liable for the fulfillment of the additional funding obligations of other banks belonging to the Bundesverband deutscher Banken e. V., Berlin.

Securities lending

The bank engages in securities lending transactions to improve liquidity management. The securities borrowed are not reported on the balance sheet, while the securities lent remain on the balance sheet. There is a settlement risk from these transactions, i.e. the risk of an unexpected loss of value during the settlement period, i.e. between the transfer of the advance payment and receipt of the consideration.

As at the reporting date, the Bank had bonds and debentures with carrying amounts totaling KEUR 907,241 (previous year: KEUR 824,708) and nominal values totaling KEUR 919,280 (previous year: KEUR 836,118).

At the end of the year, bonds and debentures with carrying amounts totaling KEUR 50,300 (previous year: KEUR 0) and nominal values totaling KEUR 50,000 (previous year: KEUR 0) were on loan.

As at December 31, 2023, shares with a total value of KEUR 18 were borrowed (previous year: KEUR 0).

Forward transactions

As at the balance sheet date, the following table shows outstanding forward transactions for which there is only a settlement risk as well as currency, interest rate and/or other market price change risks from open positions and, in the event of counterparty default, also from closed positions:

Volume of forward transactions as at December 31, 2023

in KEUR	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	1,230,925	1,658,384	2,760,455	**5,649,764**	181,447	111,894	69,554
Interest options	65,000	25,967	659,000	**749,967**	3,223	3,228	– 6
Forward transactions in foreign currencies							
OTC products							
Forward exchange cntr.	9,282,087	152,137	0	**9,434,224**	91,007	91,007	0
Currency options	20,317	0	0	**20,317**	56	56	0
Other forward transactions							
OTC products							
Security options – sales	79,000	199,000	0	**278,000**	42,346	5,283	37,063
Total	**10,677,330**	**2,035,488**	**3,419,455**	**16,132,272**	**318,079**	**211,467**	**106,612**

Volume of forward transactions as at December 31, 2022

in KEUR	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	729,038	1,468,750	2,317,409	**4,515,197**	228,550	104,429	124,121
Interest options	109,643	71,667	679,800	**861,110**	6,046	6,046	0
Forward transactions in foreign currencies							
OTC products							
Forward exchange contracts	9,000,161	60,835	0	**9,060,996**	141,386	148,089	–6,703
Currency options	66,472	0	0	**66,472**	697	697	0
Other forward transactions							
OTC products							
Security options – sales	135,300	84,300	0	**219,600**	66,039	0	66,039
Total	**10,040,613**	**1,685,551**	**2,997,209**	**14,723,374**	**442,718**	**259,261**	**183,458**

All transactions are concluded to cover fluctuations in interest rates, exchange rates or market prices; no part of these is attributable to trading transactions.

Employees

Average number of employees (heads)

	31 Dec 2023			31 Dec 2022		
	Female	Male	Total	Female	Male	Total
Part-time employees	162	34	196	180	30	210
Full-time employees	291	632	923	284	639	923
Total	**453**	**666**	**1.119**	**464**	**669**	**1,133**

Remuneration of and loans to executive bodies

Remuneration paid to members of the Supervisory Board amounted to KEUR 365 (previous year: KEUR 298).

Total remuneration for former general partners and their surviving dependants amounted to KEUR 98 (previous year: KEUR 96).

There were pension provisions of KEUR 642 (previous year: KEUR 752) for pension entitlements of former general partners and their surviving dependants.

The remuneration of the Management Board amounted to KEUR 3,980 in the reporting year (previous year: KEUR 4,224).

Advances and loans to executive bodies of the parent company

As in the previous year, there were no advances or loans to members of the Management Board or Supervisory Board as at the balance sheet date.

Members of the Executive Board/ Management Board

- Michael Bentlage, Chairman of the Management Board
- Dr. Holger Sepp, Member of the Executive Board
- Robert Sprogies, Member of the Executive Board (until September 2023)
- Madeleine Sander, Member of the Executive Board (since August 2023)
- Oliver Plaack, Member of the Executive Board
- Gordan Torbica, Member of the Executive Board (since October 2023)

Members of the Supervisory Board

- Wolfgang Deml, Rottach-Egern (Chairman)
- Qiang Liu, Managing Director Fosun Shanghai/China (Deputy Chairman)
- Ralf Bedranowsky, banker, Quickborn (since April 28, 2023)
- Xiaomin Chen, Managing Director Fosun, Shanghai/China
- Dr. Thomas Duhnkrack, entrepreneur, Kronberg im Taunus (until April 28, 2023)
- Carmen Herbstritt, independent consultant, Rottach-Egern
- Hualong Jin, Global Partner Fosun, Beijing/China
- Nils Becker, Mettmann (employee representative)
- Michael Mannig, Karben (employee representative)
- Ingo Repplinger, Konz-Könen (employee representative)

Legal representatives and other members of supervisory committees

In the reporting period, the following members of the Management Board held other management or supervisory board mandates:

Michael Bentlage:

Group mandates

- Angestellten-Unterstützungs-Verein von Hauck & Aufhäuser Privatbankiers AG Frankfurt am Main und Munich e. V., Chairman of the association (since June 20, 2018)
- Fosun Management (Germany) GmbH, Frankfurt, Vice President (since October 1, 2021)

Investment mandates

- Hauck Investment Management (Shanghai) Co. Ltd, Chairman of the Company's Board (since April 15, 2021)
- btov Industrial Technologies SCS, SICAR, St. Gallen/ Switzerland, Member of the Advisory Board

Supervisory Board mandates

- H&A Global Investment Management GmbH, Deputy Chairman of the Supervisory Board (since December 27, 2019)

Association activities

- Prüfungsverband deutscher Banken e. V., Member of the Advisory Board (since March 31, 2023)
- Bundesverband Deutscher Banken, Deputy Chairman (since May 11, 2022) of the Committee for Private Bankers
- Bundesverband deutscher Banken, Member of the Assembly of Delegates
- Bundesverband deutscher Banken, Member of the Deposit Protection Committee (since September 8, 2022)
- 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 Board of Directors and the Advisory Board
- Stifterverband für die Deutsche Wissenschaft, Member (Bavarian State Board of Trustees)

Further mandates

- Objektgesellschaft 1 Hardenbergstraße mbH, Managing Director (since January 14, 2020)
- 1796 Verwaltungs GmbH, Managing Director (since June 7, 2022)

Oliver Plaack:

Group mandates

- Dale Investment Advisors GmbH, Chairman of the Advisory Board (since January 1, 2022), Member (since September 1, 2016)

Supervisory Board mandates

- Atrium Invest S.A. SICAV RAIF, Chairman of the Board of Directors (since January 19, 2019)

Association activities

- Bankenverband Nordrhein-Westfalen e. V., Member of the Executive Board (since November 2, 2021)

Madeleine Sander:

Association activities

- Bundesverband deutscher Banken, Member of the Digital Finance Committee (since February 2022)
- Bankenverband Mitte e.V., Member of the working committee for the group of private bankers (since March 3, 2022)

Gordan Torbica:

Investment mandates

- CredaRate Solutions GmbH, Member of the Advisory Board, (since October 1, 2022)
- NuWays AG, Deputy Chairman of the Supervisory Board (since June 2022)

Association activities

- Bundesverband deutscher Banken, Member of the SSM2 Committee and Member of the Corporate Finance Committee (since October 1, 2023)

Dr. Holger Sepp:

Group mandates

- Hauck & Aufhäuser Fund Services S.A., Chairman of the Supervisory Board (since March 15, 2019)
- Hauck & Aufhäuser Alternative Investment Services S.A., Chairman of the Supervisory Board (since March 15, 2019)

Robert Sprogies:

Group mandates

- Angestellten-Unterstützungs-Verein von Hauck & Aufhäuser Privatbankiers AG Frankfurt am Main und Munich e. V., Deputy Chairman (since June 20, 2018)
- Hauck & Aufhäuser Kulturstiftung, Member of the Executive Board (since April 1, 2018)

Investment mandates

- Stella Verwaltungs GmbH, (since October 26, 2017) Managing Director
- CredaRate Solutions GmbH, Member of the Advisory Board (until September 30, 2023)

Association activities

- Bayerischer Bankenverband e.V., Member (until September 30, 2023)
- Association of German Banks, Member of the SSM2 Committee and Member of the Corporate Finance Committee (until September 30, 2023)

Further mandates

- 1796 Verwaltungs GmbH, Managing Director (since June 7, 2022)

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 (KEUR)	Annual result (KEUR)
I.	**Consolidated entities (Section 313(2) no. 1 HGB)**					
1.	Hauck Aufhäuser Lampe Privatbank AG, Frankfurt am Main		100 %	EUR	648,689	89,172[1]
2.	Competo Development Fonds No. 3 GmbH & Co. KG, Munich	8	100 %	EUR	12,499	–1,808[1]
3.	DALE Investment Advisors GmbH, Vienna (Austria)	1	95 %	EUR	1,034	762[1]
4.	FidesKapital Gesellschaft für Kapitalbeteiligungen mbH, Munich	1	100 %	EUR	24,628	2,755[1,4,5]
5.	Hauck & Aufhäuser Alternative Investment Services S.A., Luxembourg	7	100 %	EUR	13,939	5,398[1]
6.	Hauck & Aufhäuser Fund Platforms S.A., Luxembourg	1	100 %	EUR	114,622	24,514[1]
7.	Hauck & Aufhäuser Fund Services S.A., Luxembourg	6	100 %	EUR	34,331	12,389[1]
8.	Lampe Alternative Investments GmbH, Düsseldorf	1	100 %	EUR	3,539	2,785[1,4,5]
9.	Lampe Asset Management GmbH, Düsseldorf	1	100 %	EUR	4,900	5,505[1,5]
10.	LD Zweite Beteiligung GmbH, Düsseldorf	8	100 %	EUR	219	–906[1]
II.	**Non-consolidated companies (Section 296(2) HGB)**					
11.	ALH European Equity Management S.à r.l., Luxembourg	4	100 %	EUR	12	0[1]
12.	ALH European Debt Management S.à r.l., Luxembourg	4	100 %	EUR	12	0[1]
13.	BHL Equity Invest I Verwaltungs GmbH, Düsseldorf	35	100 %	EUR	68	6[1]
14.	BPE GB S.à r.l., Luxembourg	4	100 %	EUR	0	0*
15.	CLEC Vermögensverwaltungs GmbH, Bielefeld	45	100 %	EUR	13	–23[1]
16.	Competo Development Fonds No. 3 Verwaltungs GmbH, Munich	8	100 %	EUR	27	0[1]

* Company newly founded / newly acquired. No annual financial statements are available yet.
[1] Closing figures 2023
[4] Exemption pursuant to Section 264 (3) HGB
[5] There is a profit and loss transfer agreement with Hauck Aufhäuser Lampe Privatbank AG

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 (KEUR)	Annual result (KEUR)
17.	Core Energy Infrastructure Holding GP S.à r.l., Luxembourg	4	100%	EUR	12	7[2]
18.	Crossroads Corporate Services Ltd., Dublin (Ireland)	23	100%	EUR	0	0[2]
19.	DB PWM Private Markets I GP S.à r.l., Luxembourg	6	100%	EUR	13	0[2]
20.	Equity Invest Management II GmbH, Düsseldorf	35	100%	EUR	64	6[1]
21.	Fopex GmbH, Frankfurt am Main	4	100%	EUR	25	150[1,6]
22.	HAL Fund Services Ireland Limited, Dublin (Ireland)	7	100%	EUR	866	–1,018[2]
23.	HanseMerkur Grundwerte Deutschland II GP S.à r.l., Luxembourg	4	100%	EUR	0	0*
24.	HanseMerkur Grundwerte Deutschland II MLP S.à r.l., Luxembourg	4	100%	EUR	0	0*
25.	Hauck Aufhäuser Digital Custody GmbH, Frankfurt am Main	1	100%	EUR	917	–1,445[1]
26.	Hauck & Aufhäuser Innovative Capital Kapitalverwaltungsgesellschaft mbH, Frankfurt am Main	1	100%	EUR	750	–1,494[1,5]
27.	Hauck & Aufhauser IB Ltd., London (Great Britain)	41	100%	GBP	76	21[2]
28.	Hauck & Aufhäuser Pension Trust GmbH, Frankfurt am Main	4	100%	EUR	25	0[1,6]
29.	Hauck & Aufhäuser Verwaltungs GmbH, Munich	4	100%	EUR	48	0[1]
30.	Hauck Investment Management (Nanjing) Co., Ltd., Nanjing (China)	1	100%	CNY	502	54[1]
31.	Hauck Private Fund Management (Shanghai) Co., Ltd., Shanghai (China)	1	100%	CNY	698	–248[1]
32.	HI-Management S.à r.l., Luxembourg	4	100%	EUR	13	0[2]
33.	Kapital 1852 Beratungs GmbH, Düsseldorf	1	100%	EUR	159	–16[1]
34.	Kapital 1852 General Partner S.à r.l., Luxembourg	35	100%	EUR	112	0[2]
35.	Lampe Capital Finance GmbH, Düsseldorf	1	100%	EUR	392	–20[1]
36.	Lampe Investment Management GmbH, Düsseldorf	1	100%	EUR	1,032	12[1]
37.	Lampe Mittelstands Management GmbH, Düsseldorf	35	100%	EUR	26	0[2]
38.	Lampe Privat Advisory GmbH, Düsseldorf	4	100%	EUR	25	–2[1,6]

* Company newly founded / newly acquired. No annual financial statements are available yet.
[1] Closing figures 2023
[2] Closing figures 2022
[5] There is a profit and loss transfer agreement with Hauck Aufhäuser Lampe Privatbank AG
[6] There is a profit and loss transfer agreement with FidesKapital Gesellschaft für Kapitalbeteiligungen mbH

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 (KEUR)	Annual result (KEUR)
39.	Lampe Privatinvest Management GmbH, Düsseldorf	8	100 %	EUR	1,454	3,904[2]
40.	Lampe Privatinvest Verwaltung GmbH, Hamburg	39	100 %	EUR	76	7[2]
41.	Lampe Verwaltungs GmbH, Düsseldorf	1	100 %	EUR	1,330	56[1]
42.	Lending GP S.à r.l., Luxembourg	4	100 %	EUR	13	0[2]
43.	NuWays AG, Hamburg	1	85 %	EUR	1,391	126[2]
44.	SI Verwaltung GmbH, Frankfurt am Main	4	100 %	EUR	18	– 4[2]
45.	TETRARCH Aktiengesellschaft, Düsseldorf	1	100 %	EUR	55	– 7[1,5]
46.	Unterstützungskasse GmbH der Bankhaus Lampe KG, Bielefeld	1	100 %	EUR	26	0[3]
47.	Vilmaris Private Investors GmbH & Co. KG i.L., Hamburg	44+8	74 %	EUR	– 915	– 14[1]
48.	Vilmaris Private Investors Verwaltungs GmbH, Hamburg	8	100 %	EUR	14	– 4[1]
III.	**Non-consolidated companies (Section 296 (2) HGB)**					
49.	H&A „Green Office, Hamburg Hafencity“ GmbH & Co. KG, Hamburg	4+1	100 %	EUR	800	4[2]
IV.	**Non-consolidated entities (Section 296 (1) no. 2 and no. 3 HGB)**					
50.	Erste Vilmaris Komplementär GmbH, Hamburg	58	28 %	EUR	21	1[2]
51.	LPM ETW Invest Verwaltungs GmbH, Hamburg	39	20 %	EUR	29	1[2]
52.	MS „Alina“ Schifffahrtsgesellschaft mbH & Co. KG, Drochtersen	4	23 %	EUR	3,162	605[3]
53.	Sino EU Bridge Fortune S.à r.l., Luxembourg	4	50 %	EUR	– 77	– 37[2]
54.	Spielbank Wicker Beteiligungs GmbH, Ahnatal	4	20 %	EUR	38	2[2]
55.	Vierte Vilmaris Komplementär GmbH, Hamburg	58	28 %	EUR	31	1[2]
56.	VIL Atlantic GmbH & Co. KG, Hamburg	58	27 %	EUR	8,010	– 3,065[2]
57.	VIL Dardanelle GmbH & Co. KG i.L., Hamburg	58	25 %	EUR	604	– 331[2]
58.	Vilmaris GmbH, Hamburg	44+15	28 %	EUR	17,001	11,059[3]

[1] Closing figures 2023
[2] Closing figures 2022
[3] Closing figures 2021
[5] There is a profit and loss transfer agreement with Hauck Aufhäuser Lampe Privatbank AG

Responsibility Statement

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

Frankfurt am Main, March 27, 2024

The Executive 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

Gordan Torbica,
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 2023 and the income statement for the financial year from 1 January to 31 December 2023 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 2023.

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 2023 and of its results of operations for the financial year from 1 January to 31 December 2023 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 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Determination of the provisions for legal risks

The company's disclosures on the principles of valuation of provisions are provided in section 1.2 Accounting and valuation methods of the notes. For further information on legal risks, please refer to section 5.2 "Other financial obligations" in the notes and the "Risk report" section of the management report.

The Financial Statement Risk

Hauck Aufhäuser Lampe Privatbank AG is exposed to various legal risks as a result of its business activities. Legal claims by third parties are sometimes raised with a delay in relation to the underlying facts or risks arise from changes in legal opinion. The calculation of provisions for legal risks is discretionary. It requires assumptions about the prospects of success of the legal claims of third parties or the Bank's prospects of success for the claims raised, which are subject to uncertainties. It was therefore important for our audit that appropriate assumptions were made when determining 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 significant legal risk of the bank resulting from investigations of past financial years regarding possible Cum/Ex successor models or Cum/Cum transactions by the criminal investigation and tax authorities, we reviewed significant documents and correspondence with the tax authorities. We involved our own employees specializing in tax law in the audit team in order to assess the risk assessment of the legal representatives and the assessment of the external expert commissioned by them. In addition, we held discussions with the Executive Board and Internal Audit. Furthermore, we inspected expert opinions and statements and assessed them from a tax perspective against the background of current case law. Based on the current legal situation and expert opinions on the tax valuation of the transactions, the legal representatives are of the opinion that the bank has acted in accordance with the legal requirements. Based on our audit procedures, we have evaluated this assessment of the legal representatives with regard to the assumptions about the bank's prospects of success on the claims raised.

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 included in section "Non-financial statement" of the management report, and
- the declaration on corporate governance pursuant to Section 289f (4) HGB, which is included in the "Declaration on corporate governance" section of the management report

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.

If, based on our work, we conclude that there has been a material misstatement of such other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management Board 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 institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the Management Board 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 (i.e. accounting fraud or fraudulent misrepresentation) 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 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 or protective measures taken to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 28 April 2023 as auditor of the financial statements. We were engaged by the supervisory board on 23 November 2023. 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 audited 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 of June 30, 2023 of Hauck Aufhäuser Lampe Privatbank AG.
- Other audit services relate to ISAE audit opinions and statutory or contractual audits, such as the audit of the securities services business in accordance with section 89(1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and the depositary function in accordance with section 68(7) of the KAGB, as well as other contractually agreed audit services.
- Audit in accordance with the General Terms and Conditions of Deutsche Bundesbank in connection with the use of credit claims as collateral for central bank loans (credit submission procedure) at Hauck Aufhäuser Lampe Privatbank AG.
- The other services comprise support services for the appraisal of and advice on individual matters.
- Audit of the dependent company report of Hauck Aufhäuser Lampe Privatbank AG.

German Public Auditor Responsible for the Engagement

The auditor responsible for the engagement is Jan Möllenkamp.

Frankfurt am Main, 3 April 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

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