BERENBERG
PARTNERSHIP SINCE 1590

DISCLOSURE REPORT

pursuant to Article 431 in conjunction with Article 433c (2) CRR (Capital Requirements Regulation) including disclosure pursuant to *InstitutsVergV* (German Remuneration Regulation for Institutions)

Reporting date: 31.12.2022

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PARTNERSHIP SINCE 1590

Preface

This Disclosure Report as at 31 December 2022 is being published in accordance with the regulatory requirements of the CRR (Capital Requirements Regulation /EU Regulation 575/2013 in conjunction with EU Regulation 2019/876/ supplemented by the EBA Technical Standards EBA/ITS/2020/04).

This report provides a comprehensive view of the current risk profile and risk management of Berenberg. It specifically contains information on:

- its regulatory and commercial-code structure,
- its capital base,
- its general risk management system of Berenberg, and
- its risk management of individual types of risk

Article 431 *et seqq.* CRR obligates institutions to publish qualitative and quantitative information on a regular basis on equity capital, risks taken, the risk management procedures implemented, as well as on credit risk mitigation techniques, and have formal procedures and regulations in place to fulfil these disclosure duties.

In accordance with Article 431 *et seqq.* CRR, the disclosure requirements of the CRR apply to institutions that fall within the scope of Article 4 (1) no. 148 CRR. Through the amendment of the CRR, the principle of proportionality was extended, which is reflected by the disclosure duties for “other”, “non-listed” institutions in Article 433c (2) (a-f). In compliance with Article 432 CRR, the information disclosed in this report is subject to the materiality principle. Information that is legally protected or confidential is not subject to disclosure. On an annual basis, Berenberg checks whether its selected procedures for assessing materiality are appropriate or whether its disclosure duties need to be expanded.

Factors such as the following are used for assessing materiality: business model analysis, Group risk strategy, shares in risk-weighted assets and the earnings contribution to consolidated earnings.

The adequacy and suitability of the institution’s disclosure practice must be reviewed on a regular basis. To this end, Berenberg has drawn up a framework for the Disclosure Report. The operational requirements and responsibilities are also regulated in work instructions.

The Disclosure Report is updated annually and is published in a timely manner on the website, in addition to the annual financial statements and the management report, as an independent report.

Please note that, when rounded amounts and percentages are used, commercial rounding differences may occur.

1. Motivation and objectives of disclosure

In accordance with the legal principles indicated in the preface, Berenberg is required to publish qualitative and quantitative information on the following points on an annual basis:

- Risk management objectives and policies,
- Scope of application,
- Capital base and capital requirements,
- Countercyclical capital buffer,
- Credit risks/counterparty default risks, incl. non-performing loans,
- Market price risks,
- Interest rate risks in the banking book,
- Operational risks,
- Governance rules,
- Debt, and
- Remuneration policy.

This report's purpose is to fulfil the disclosure requirements for Berenberg as at the reporting date of 31 December 2022. The Bank's website is used as a disclosure medium for this report.

Pursuant to Article 432 CRR and in conjunction with EBA/GL/2014/14 regarding materiality and confidentiality of disclosure, the report contents presented are subject to the principle of materiality. This report does not deal with legally protected or confidential information. The contents of the report are reviewed at regular intervals to ensure adequate disclosure practices. The relevant responsibilities and framework conditions are set out in the work instructions. The following report contents provide comprehensive information on Berenberg's overall risk profile.

2. Statement by the Bank's Board of Management on the adequacy of the risk management procedures

Article 435 (1) (e) CRR

It is Berenberg's objective to generate sustainable, risk-adequate returns on capital employed for its shareholders. The Bank takes advantage of opportunities arising on the market in a targeted manner. To this end, it is prepared to consciously take risks at an economically viable level.

The structure of the Bank's risk management system is determined by its business and risk strategy. The Board of Management is responsible for devising and implementing these strategies. The risk strategy is derived consistently from the Bank's sustainable business strategy. It defines the rules for handling risks that arise indirectly or directly from the Bank's business activities. These rules form the basis for a Bank-wide, uniform understanding of the corporate objectives in connection with risk management.

This risk strategy specifically covers the risk diversification goals of the main business activities and is an instrument based on market activities and internal controlling, which is reviewed annually and adapted where necessary. Risk sub-strategies are defined for specific risk types and documented separately. Risk may only be taken within the scope of the risk-bearing capacity. The required risk awareness is supported by functioning communication. This is only achieved to a limited extent with instructions, control measures and sanction mechanisms. In fact, risk awareness is much more an expression of a corporate culture that is opportunity-oriented and risk-based. In turn, this is decisively defined by the management style and how the Board of Management handles risks.

The risk management process encompasses all activities for the systematic handling of risks in the business sector. These include identifying, analysing, evaluating, controlling and documenting the risks within the company, operationally monitoring the success of the controlling measures, and monitoring the effectiveness and adequacy of the risk management measures.

In summary, Berenberg assumes that the measures, models and processes implemented are suitable for ensuring a risk management system that, at all times, is geared towards the strategy and the overall risk profile.

3. Statement by the Bank's Board of Management on the risk profile

Article 435 (1) (f) CRR

The Bank's risk management is carried out against the background of the framework specification of Basel Pillar II. This predominantly takes account of the national legislation within the scope of Section 25 KWG (German Banking Act) and the various topic-specific circulars. We have been implementing the requirements of BaFin's capital adequacy assessment guidelines (supervisory assessment of bank-internal risk-bearing capacity concepts and their integration into the overall bank management process "ICAAP" – revised) since the end of 2018 (see Section 6 Risk management). The risk management processes ensure that risk-bearing capacity is available at all times in accordance with the current requirements from both the normative and economic perspectives.

The Bank has identified the following material risks on the basis of the risk inventory, which is performed on a regular basis:

- Counterparty default risk
- Market price risk (including interest rate risk / IRRBB)
- Operational risk / Non-financial risks
- Liquidity risk

With the exception of liquidity risk (see 6.7 Liquidity risks), the potential losses of the various business units are quantified for these risk categories mainly based on the value-at-risk (VaR) principle, at a very high confidence level of 99.9%, and compared to the defined risk-covering assets from the economic perspective. In addition to this, we regularly conduct appropriate stress tests. These tests also look at ESG aspects and are refined as required.

At the end of the year, the economic perspective for the 99.9% confidence level shows the following utilisation of risk-bearing capacity:

	Market price risk	Credit risk	Operational risk	Utilisation of risk-covering assets
Wealth Management and Asset Management	0.00%	0.54%	1.99%	**2.54%**
Corporate Banking	0.00%	10.67%	1.07%	**11.74%**
Investment Bank	3.27%	5.67%	5.35%	**14.29%**
Own-account investments/other	3.84%	1.76%	0.55%	**6.15%**
Total	**7.11%**	**18.65%**	**8.96%**	**34.72%**
Buffer (available risk-covering assets)				65.28%

Figure 1: Utilisations of risk-bearing capacity (Article 435 (1) (f) sentence i CRR)

As at 31 December 2022, the risk-covering assets amounted to €458.8 million and were 34.72% utilised.

4. General requirements

The group of companies that is consolidated for regulatory purposes to calculate capital adequacy is defined according to Section 10a KWG in conjunction with Article 18 *et seqq*. CRR.

In contrast, the group of companies consolidated under commercial law is set up exclusively according to the provisions of the German Commercial Code (HGB).

4.1 Name of the bank

Joh. Berenberg, Gossler & Co. KG
Article 436 (a) CRR

Berenberg operates in the business units of Investment Bank, Wealth and Asset Management and Corporate Banking.

4.2 Basic differences in consolidation for accounting and regulatory purposes, including presentation of the scopes of consolidation

Disclosures pursuant to Article 436 (b) CRR

Pursuant to Section 340a (1) in conjunction with Section 290 (1) 1 HGB, the Bank is required to prepare consolidated financial statements in accordance with the principles of commercial law.

Consolidation principles

Capital consolidation took place on the basis of the revaluation method pursuant to Section 301 (1) 2 HGB, by offsetting the book values of the Bank against the proportionate share of the subsidiaries' capital. The offsetting is performed on the basis of the valuations at the time of acquiring the subsidiaries.

Scope of consolidation under commercial law

The following companies are included in the consolidated financial statements of the Berenberg Group:

- Joh. Berenberg, Gossler & Co. KG, Hamburg - Berenberg
- Berenberg Beteiligungsholding GmbH, Hamburg
- Berenberg Capital Markets LLC, New York
- Berenberg Asset Management LLC, New York
- Berenberg Private Capital GmbH, Hamburg
- Berenberg Real Estate Asset Management GmbH, Hamburg
- AHO6 GmbH, Hamburg

IPA Copa Entwicklungsgesellschaft mbH, Hamburg was founded in 2021 and has been included in the consolidated financial statements since this date according to the equity method, pursuant to Section 311 HGB in conjunction with Section 312 HGB.

No further Group companies have been included in consolidation, as these companies and the associated companies are immaterial for the net assets, financial position and results of operations pursuant to Section 296 (2) HGB and Section 311 (2) HGB, respectively.

Receivables and liabilities, as well as income and expenses resulting from mutual business relationships, were offset. There are no intercompany profits or losses.

Regulatory consolidation

For regulatory purposes, institutions, investment companies, finance companies and providers of ancillary services are consolidated pursuant to Article 18 CRR in conjunction with Section 10a (1) KWG. The difference in treatment in the financial statements is presented below:

	Regulatory treatment					
Name	**Full consolidation pursuant to Article 18 CRR**	**Exclusion pursuant to Article 19 CRR**	**Inclusion pursuant to Article 470 (2b) and (3) CRR (threshold method)**	**Deduction from CET1 pursuant to Section 32 SolvV**	**Risk-weighted participating interests**	**Full consolidation according to accounting**
Bank pursuant to Article 4 (1) no. 1 CRR						
Joh. Berenberg, Gossler & Co. KG	x					x
Bank pursuant to Article 4 (1) no. 26 CRR						
Berenberg Beteiligungsholding GmbH	x					x
Berenberg Capital Markets LLC	x					x
Berenberg Asset Management LLC	x					x
Berenberg Private Capital GmbH		x			x	x
PBG Parkhausfonds Beteiligungsges. mbH		x			x	
Berenberg Treuhand G.m.b.H.		x			x	
Diligentia Beteiligungsgesellschaft m.b.H.		x			x	
Diligentia Erste Treuhand GmbH		x			x	
Berenberg Asset Holding GmbH		x			x	
Universal-Investment Gesellschaft mbH					x	
Provider of ancillary services pursuant to Article 4 (1) no. 18 CRR						
Berenberg Real Estate Asset Management GmbH		x			x	x
BPC Grundbesitz Verwaltungs GmbH		x			x	
Other companies						
IPA Copa Entwicklungsgesellschaft mbH					x	
Beteiligungsgesellschaft Berenberg GmbH					x	
Parkhausfonds Equity Invest GmbH & Co. KG					x	
Parkhausfonds Objekt Villingen GmbH & Co. KG					x	
Parkhausfonds Objekt Potsdam GmbH & Co. KG					x	
Parkhausfonds Objekt Flensburg GmbH & Co. KG					x	
Parkhausfonds Objekt Feldberg GmbH & Co. KG					x	

	Regulatory treatment					
Name	**Full consolidation pursuant to Article 18 CRR**	**Exclusion pursuant to Article 19 CRR**	**Inclusion pursuant to Article 470 (2b) and (3) CRR (threshold method)**	**Deduction from CET1 pursuant to Section 32 SolvV**	**Risk-weighted participating interests**	**Full consolidation according to accounting**
Berenberg Real Estate Services GmbH					x	
AHO6 GmbH					x	x

Figure 2: Regulatory consolidation (pursuant to Article 436 (a) CRR)

There were no subsidiaries without adequate capital cover at the reporting date (Article 436 (c) and (d) CRR).

There are no existing or foreseeable actual impediments, either legal or material, to the prompt transfer of the capital base or the repayment of liabilities by the bank to the subsidiary.

5. The Bank’s capital base

5.1 Equity structure

Disclosures pursuant to Article 437 (a) CRR

The capital base is calculated on the basis of the KWG and the CRR. The consolidated financial statements method is used to calculate the capital base and risk exposures. The capital base of the Group of institutions is as follows:

Disclosure of capital base		Amount at 31.12.2022 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
	Common Equity Tier 1 capital (CET1): instruments and reserves		
1	Capital instruments and the related share premium accounts	165.3	h)
	Of which: Subscribed capital	157.9	Equity capital 1
	Of which: Capital reserve	7.4	Equity capital 2
	Of which: Type of financial instrument 3	0.0	
2	Retained earnings	100.8	Equity capital 3+5
3	Accumulated other comprehensive income (and other reserves)	5.5	
3a	Fund for general banking risks	13.1	Liability 9
4	Amount of qualifying items referred to in Art. 484 (3) and the related share premium subject to phase-out from CET1	0.0	
5	Minority interests (amount allowed in consolidated CET1)	0.0	
5a	Interim profits audited by an independent party, less any foreseeable charges or dividends	0.0	
6	Common Equity Tier 1 capital (CET1) before regulatory adjustments	284.7	
	Common Equity Tier 1 capital (CET1): regulatory adjustments		
7	Additional value adjustments (negative amount)	0.0	
8	Intangible assets	-6.2	
9	Not applicable	0.0	
10	Deferred tax assets that rely on future profitability, excluding those resulting from temporary differences (less related tax liabilities, where the conditions laid down in Article 38 (3) CRR are met) (negative amount)	0.0	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0.0	
12	Negative amounts resulting from the calculation of expected loss amounts	0.0	
13	Increase in equity resulting from securitised assets (negative amount)	0.0	
14	Gains or losses on liabilities designated at fair value resulting from changes in own credit standing	0.0	
15	Defined benefit pension fund assets (negative amount)	0.0	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	0.0	
17	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities, where those entities have reciprocal cross holdings with the institution, designed to artificially inflate the capital base of the institution	0.0	

	Disclosure of capital base	Amount at 31.12.2022 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
18	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities in which the institution does not have a significant investment (more than 10%, less eligible short positions)	0.0	
19	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities in which the institution has a significant investment (more than 10%, less eligible short positions)	0.0	
20	Not applicable	0.0	
20a	Exposure amount of the following items which qualify for a risk weight of 1,250%, where the institution deducts that exposure amount from the amount of CET1 items as an alternative	0.0	
20b	Of which: Qualifying holdings outside the financial sector	0.0	
20c	Of which: Securitisation positions	0.0	
20d	Of which: Free deliveries	0.0	
21	Deferred tax assets arising from temporary differences (amount above the 10% threshold, less related tax liabilities where the conditions in Article 38 (3) CRR are met) (negative amount)	0.0	
22	Amount exceeding the 17.65% threshold (negative amount)	0.0	
23	Of which: Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities in which the institution has a significant investment		
24	Not applicable	0.0	
25	Of which: Deferred tax assets arising from temporary differences	0.0	
25a	Losses for the current financial year	0.0	
25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0.0	
26	Not applicable		
27	Amount of the items to be deducted from Additional Tier 1 (AT 1) capital that exceeds the AT 1 capital of the institution	0.0	
27a	Other regulatory adjustments	0.0	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-6.2	
29	Common Equity Tier 1 capital (CET1)	278.5	
	Additional Tier 1 capital (AT1): instruments		
30	Capital instruments and the related share premium accounts	40.0	i)
31	Of which: Classified as equity under applicable accounting standards	0.0	
32	Of which: Classified as liabilities under applicable accounting standards	40.0	Liabilities 8a
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium subject to phase-out from AT1	0.0	
34	Qualifying Tier 1 capital included in consolidated AT 1 capital instruments (including minority interests not included in line 5) issued by subsidiaries and held by third parties	0.0	
35	Of which: instruments issued by subsidiaries subject to phase-out	0.0	
	Additional Tier 1 capital (AT1)		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	40.0	
37	Not applicable		

Disclosure of capital base		Amount at 31.12.2022 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
38	Direct, indirect and synthetic holdings by the institution of the AT 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the capital base of the institution	0.0	
39	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (more than 10%, less eligible short positions)	0.0	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (less eligible short positions) (negative amount)	0.0	
41	Not applicable	0.0	
42	Qualifying Tier 2 (T2) deductions that exceed the T2 items of the institution	0.0	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0.0	
44	Additional Tier 1 capital (AT1)	40.0	
45	Tier 1 capital (T1 = CET1 + AT1)	318.5	
	Tier 2 capital (T2): instruments and reserves		
46	Capital instruments and the related share premium accounts	40.0	Liability 8b
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium subject to phase-out from T2 as described in Article 486 (4) CRR	0.0	
47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase-out from T2	0.0	
47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase-out from T2	0.0	
48	Qualifying capital base instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties	0.0	
49	Of which: instruments issued by subsidiaries subject to phase-out	0.0	
50	Credit risk adjustments	0.0	
51	Tier 2 (T2) capital before regulatory adjustments	40.0	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	0.0	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the capital base of the institution	0.0	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold, less eligible short positions)	0.0	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (less eligible short positions)	0.0	
56	In the EU: blank field	0.0	
56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution	0.0	
57	Total regulatory adjustments to Tier 2 (T2)	0.0	
58	Tier 2 capital (T2)	40.0	

Disclosure of capital base		Amount at 31.12.2022 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
59	Total capital (TC = T1 + T2)	358.5	
60	Total risk amount	2,248.6	
	Capital ratios and buffers	**Amount 31.12.2022 in %**	
61	Common Equity Tier 1 capital ratio	12.38	
62	Tier 1 capital ratio	14.16	
63	Total capital ratio	15.94	
64	Institution-specific capital buffer requirement (minimum requirement for the Common Equity Tier 1 capital ratio pursuant to Article 92 (1) (a), plus the requirements for the capital conservation buffer and countercyclical capital buffer, systemic risk buffer and buffer for systemically important institutions, expressed as a percentage of the total exposure amount)	7.40	
65	Of which: Capital conservation buffer	2.50	
66	Of which: Countercyclical buffer	0.12	
67	Of which: Systemic risk buffer	n.a.	
67a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n.a.	
67b	Of which: Additional capital base requirements to address risks other than the risk of excessive debt	0.28	
68	Common Equity Tier 1 capital ratio (as a percentage of risk-weighted assets) after deducting the values required to fulfil the minimum requirements	7.44	
69	[not relevant in EU Regulation]	n.a.	
70	[not relevant in EU Regulation]	n.a.	
71	[not relevant in EU Regulation]	n.a.	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings in capital base instruments or instruments of eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10% threshold, less eligible short positions)	n.a.	
73	Direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 17.65% threshold, less eligible short positions)	n.a.	
74	In the EU: blank field	n.a.	
75	Deferred tax assets arising from temporary differences (amount below the 17.65% threshold, less related tax liability where the conditions in Article 38 (3) CRR are met)	n.a.	
	Applicable cap on the inclusion of provisions in Tier 2 capital		
76	Credit risk adjustments included in T2 in respect of exposures subject to the standardised approach (prior to the application of the cap)	n.a.	
77	Cap on inclusion of credit risk adjustments in T2 under the standardised approach	12.62	
78	Credit risk adjustments included in T2 in respect of exposures subject to the internal ratings-based approach (prior to the application of the cap)	n.a.	
79	Cap for inclusion of credit risk adjustments in T2 under the internal ratings-based approach	n.a.	
	Capital instruments subject to phase-out arrangements		

Disclosure of capital base		Amount at 31.12.2022 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
80	Current cap on CET1 instruments subject to phase-out arrangements	n.a.	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	n.a.	g)
82	Current cap on AT1 instruments subject to phase-out arrangements	n.a.	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	n.a.	
84	Current cap on T2 instruments subject to phase-out arrangements	n.a.	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	n.a.	

Figure 3: EU CC1 – Composition of regulatory capital base (Article 437 (a) CRR)

The capital base consists of Tier 1 capital and Tier 2 capital.

Tier 1 capital consists of the subscribed capital and the reserves. The non-current subordinated liabilities are attributable to Tier 2 capital.

Composition of capital base pursuant to CRR

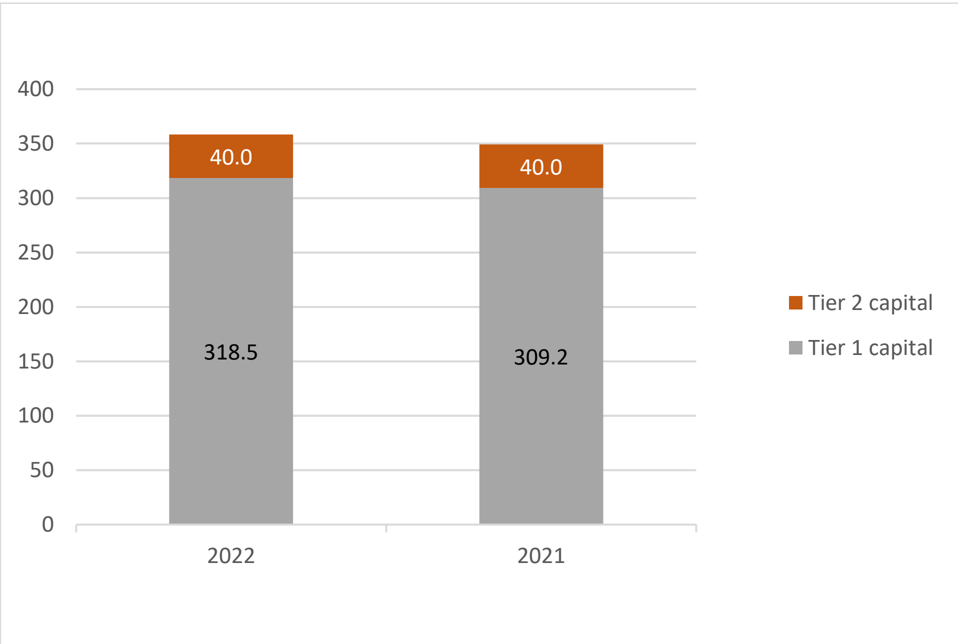


Figure 4: Composition of capital base pursuant to CRR (in € million)

5.2 Capital base instruments

Capital base structure

The capital base instruments included in the summary view pursuant to Section 10a (5) KWG and Section 10a (4) KWG comprise the Common Equity Tier 1 capital and Tier 2 capital attributable to the affiliated enterprises in the regulatory scope of consolidation, as well as the AT1 capital from the AT-1 bonds issued for the first time in 2021.

The capital base of the regulatory Group amounted to €358.5 million (349.2 million). A significant component of the capital base is €278.5 million (269.2 million) of Common Equity Tier 1 capital (CET1). The subordinated liabilities are taken fully into account for regulatory purposes as Additional Tier 1 capital (AT1 capital) in the amount of €40.0 million (40.0 million) and as Tier 2 capital (T2 capital), also in the unchanged amount of €40.0 million.

Capital ratios

The total capital ratio according to CRR (Capital Requirements Regulation) and SolvV (German Solvency Regulation) amounted to 15.94% (17.34%), the core capital ratio was 14.16% (15.35%), and the Common Equity Tier 1 capital ratio was 12.38% (13.37%).

The following table shows the reconciliation of the elements of the capital base in the audited consolidated financial statements of the Berenberg Group to the regulatory capital base pursuant to Article 437 (a) CRR in conjunction with Annex I of Commission Implementing Regulation (EU) No. 1423/2013 dated 20 December 2013:

Reconciliation of capital base structure with the audited financial statements

The Bank prepares commercial financial statements in accordance with the regulations of the German Commercial Code (HGB).

Comparison of capital base components in the Group's consolidated balance sheet and regulatory balance sheet (in €'000)

		Balance sheet in the published financial statements	in the regulatory scope of consolidation	Reference
		At the end of the period	At the end of the period	
Assets – Breakdown by equity and liability classes according to the balance sheet in the annual financial statements				
1	Cash reserve	3,144,783	3,144,783	
2	Receivables from banks	458,817	458,817	
3	Receivables from clients	1,336,679	1,351,863	
4	Bonds and other fixed-income securities	2,473,766	2,473,766	
5	Shares and other variable-yield securities	182,765	182,765	
6	Trading portfolio	12,516	12,516	
7	Participating interests	1,285	326	
8	Shares in affiliated companies	2,977	9,944	
9	Trust assets	3,429	3,429	
10	Intangible assets	3,536	3,536	
11	Tangible fixed assets	49,275	35,434	
12	Other assets	40,016	39,698	
13	Prepaid expenses and deferred income	10,638	10,638	
14	Excess of plan assets over pension liabilities	8,850	8,850	
15	**Total assets**	**7,729,330**	**7,736,363**	
Liabilities – Breakdown by equity and liability classes according to the balance sheet in the annual financial statements				
1	Liabilities to banks	215,282	215,282	
2	Liabilities to clients	6,903,728	6,913,909	
3	Trading portfolio	0	0	
4	Trust liabilities	3,429	3,429	
5	Other liabilities	62,605	62,426	
6	Prepaid expenses and deferred income	509	509	
7	Provisions	131,806	129,326	
8	Subordinated liabilities	80,000	80,000	
8a	Of which: AT1 bond	40,000	40,000	32
8b	Of which: Other subordinated liabilities	40,000	40,000	46
9	Fund for general banking risks	8,100	8,100	EU-3a
10	**Total liabilities**	**7,405,459**	**7,412,981**	

Equity				
1	Subscribed capital	157,895	157,895	1
2	Capital reserve	7,447	7,447	1
3	Other retained earnings	102,061	100,793	2
4	Net profit for the year/unappropriated profit	51,011	51,791	
5	Adjustment item from currency conversion	5,457	5,457	2
6	**Total equity**	**323,871**	**323,382**	

Figure 5: EU CC2 – Reconciliation of regulatory capital base to balance sheet in the audited financial statements (pursuant to Article 437 (a) CRR)

The equity components of the regulatory balance sheet are supplemented below, such that all components are presented as in "Table: Equity structure". At the same time, an allocation is made by referring to the corresponding line number in the above-mentioned table.

5.3 Capital base requirements

Disclosures pursuant to Article 438 CRR

The adequacy of the capital base used for backing future activities is assessed as part of the annual planning process. The capital base is subject to risk-adjusted planning, based on the Bank's business and risk strategies. The planning process serves to highlight capital shortages, so that timely preventive measures can be taken. If necessary, new capital base resources are raised. In this way, we ensure that a sufficient capital base is on hand at all times to cover all material risks in accordance with Berenberg's individual risk profile.

Furthermore, the Board of Management is informed about the current development of the allocation of the capital base on a monthly basis. The regulatory capital requirement that is compliant with the CRR is used for this capital allocation and monitoring.

Berenberg calculates the regulatory capital base requirement in accordance with the rules of the CRR

The requirement for counterparty default risk is calculated in accordance with the Credit Risk Standardised Approach set out in Part 3 Title II Chapter 2 CRR; for operational risk, in accordance with the Basic Indicator Approach set out in Part 3 Title III CRR; for market risk, in accordance with the Standardised Approaches set out in Part 3 Title IV CRR; and for settlement risk, in accordance with Part 3 Title V CRR.

The regulatory capital base requirement for credit valuation adjustment risk is calculated on the basis of the Standardised Method set out in Article 384 CRR.

5.4 Key indicators

The following table shows Berenberg's total capital ratio and Tier 1 capital ratio:

Disclosures pursuant to Article 438 CRR

in %	Total capital ratio	(Common Equity) Tier 1 capital ratio
Joh. Berenberg, Gossler & Co. KG	15.72	12.04
Joh. Berenberg, Gossler & Co. KG Group	15.94	12.38

Figure 6: Total and Tier 1 capital ratio for Berenberg

This capital base means that Berenberg is comfortably in excess of the statutory requirements.

5.5 Total risk amounts

Disclosures pursuant to Article 438 (b) CRR

		Total risk amount (TREA) (€'000)		Total capital base requirements (€'000)
		a	b	c
		31.12.2022	31.12.2021	31.12.2022
1	Credit risk (excluding counterparty credit risk)	927,773	803,070	74,222
2	Of which: Standardised approach	927,773	803,070	74,222
3	Of which: Foundation IRB approach (F-IRB)	0	0	0
4	Of which: Slotting approach	0	0	0
EU 4a	Of which: Equities under the simple risk-weighted approach	0	0	0
5	Of which: Advanced IRB approach (A-IRB)	0	0	0
6	Counterparty credit risk - CCR	108,381	111,881	8,670
7	Of which: Standardised approach	81,251	83,963	6,500
8	Of which: Method based on an internal model (IMM)	0	0	0
EU 8a	Of which: Risk exposures to a CCP	421	183	34
EU 8b	Of which: Credit valuation adjustment (CVA)	26,708	27,735	2,137
9	Of which: Other CCR	0	0	0
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	1,018	631	81

16	Securitisation exposures in the banking book (after the cap)	0	0	0
17	Of which: SEC-IRBA	0	0	0
18	Of which: SEC-ERBA (including IAA)	0	0	0
19	Of which: SEC-SA	0	0	0
EU 19a	Of which: 1,250% / deduction	0	0	0
20	Position, currency and commodity risks (market risk)	142,367	222,456	11,389
21	Of which: Standardised approach	142,367	222,456	11,389
22	Of which: IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	1,069,031	875,608	85,522
EU 23a	Of which: Basic indicator approach	1,069,031	875,608	85,522
EU 23b	Of which: Standardised approach	0	0	0
EU 23c	Of which: Advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	**Total**	2,248,570	2,013,645	179,886

Figure 7: EU OV1 – Overview of the total risk amounts

5.6 Key metrics

Disclosures pursuant to Article 447 CRR

		31.12.2022	31.12.2021
	Available capital base (amounts) (€’000)		
1	Common Equity Tier 1 capital (CET1)	278,474	269,175
2	Tier 1 capital (T1)	318,474	309,175
3	Total capital	358,474	349,175
	Risk-weighted exposure amounts (€’000)		
4	Total risk amount	2,248,570	2,013,645
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 capital ratio (CET1 ratio) (%)	12.38	13.37
6	Tier 1 capital ratio (%)	14.16	15.35
7	Total capital ratio (%)	15.94	17.34
	Additional capital base requirements to address risks other than the risk of excessive debt (as a percentage of risk-weighted exposure amount)		

EU 7a	Additional capital base requirements to address risks other than the risk of excessive debt (%)[1]	0.50	0.50
EU 7b	Of which: to be made up of CET1 (percentage points)	0.28	0.28
EU 7c	Of which: to be made up of T1 (percentage points)	0.38	0.38
EU 7d	Total SREP capital base requirement (%)	8.50	8.50
	Combined buffer requirement and total capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5	2.5
EU 8a	Capital conservation buffer due to macro-regulatory or systemic risks identified at the level of a Member State (%)	0	0
9	Institution-specific countercyclical capital buffer (%)	0.12	0.04
EU 9a	Systemic risk buffer (%)	0	0
10	Global systemically important institution buffer (%)	n.a.	n.a.
EU 10a	Other systemically important institution buffer (%)	n.a.	n.a.
11	Combined capital buffer requirement (%)	2.62	2.54
EU 11a	Total capital requirements (%)	11.12	11.04
12	CET1 available after meeting the total SREP capital base requirements (%)	7.44	8.84
	Debt ratio (Leverage ratio)		
13	Total risk exposure measure (€'000)	8,128,670	4,090,875
14	Debt ratio (%)[2]	3.92	7.56
	Additional capital base requirements to address the risk of excessive debt (as a percentage of total risk exposure measure)		
EU 14a	Additional capital base requirements to address the risk of excessive debt (%)	0	0
EU 14b	Of which: to be made up of CET1 (percentage points)	0	0
EU 14c	Total SREP debt ratio (%)	3.00	3.23
	Debt ratio buffer and overall debt ratio requirement (as a percentage of total risk exposure measure)		
EU 14d	Debt ratio buffer requirement (%)	0	0
EU 14e	Overall debt ratio (%)	3.00	3.23

[1] Change in EU7a compared to 2021 due to the amended definition of the indicator to be reported
[2] Change in the debt ratio due to the removal of privileged status from balances held with the German Bundesbank

	Liquidity coverage ratio (LCR)		
15	Total high-quality liquid assets (HQLA) (weighted value – average)	5,288,726	4,394,053
EU 16a	Cash outflows – total weighted value	3,335,872	2,570,701
EU 16b	Cash inflows – total weighted value	188,443	219,592
16	Total net cash outflows (adjusted value)	3,147,429	2,351,108
17	Liquidity coverage ratio (%)	168.36	190.83
	Net stable funding ratio		
18	Available stable funding, total	3,892,330	3,265,184
19	Required stable funding, total	1,719,454	1,228,098
20	Net stable funding ratio (NSFR) (%)	226.37	265.87

Figure 8: EU KM1 – Key metrics pursuant to Article 447 CRR (€'000)

6. Risk management

As a partnership, Berenberg has an Advisory Board alongside its Board of Management. However, this is not a body of the company within the meaning of the CRR and only performs advisory functions.

Diversity strategy for selecting members of the management body

Diversity is one of the criteria used in the composition of management bodies. The concept of diversity is also taken into account when selecting members of the Board of Management. The selection strategy is established in the Berenberg Partnership Agreement, alongside the legal provisions stipulated in the KWG (German Banking Act) and the CRR. Members of the Board of Management are appointed on the basis of their individual expertise and performance, against the backdrop of the corporate values. There is no set diversity strategy.

Corporate governance rules

Article 435 (2) (a) to (e) CRR

Number of management and supervisory functions held by members of the management body

The number of management and supervisory functions held by the general partners is shown below:

	Number of management functions as of 31.12.2022	Of which: management functions in the Berenberg Group as of 31.12.2022	Number of supervisory functions as of 31.12.2022	Of which: supervisory functions in the Berenberg Group as of 31.12.2022
Christian Kühn	5	5	1	0
David Mortlock	2	1	0	0
Hendrik Riehmer	5	1	0	0

Figure 9: Number of management and supervisory functions held by members of the management body (pursuant to Article 435 (2) (a))

Description of the information flow to the management body on risk issues

Risk reporting to the Board of Management and the Advisory Board takes the form of a detailed quarterly risk management report. In addition, information is provided to the Board of Management and additional stakeholders in the form of individual monthly, weekly and daily risk reports from the Risk Controlling business unit. Given its importance for the successful continuation of the Bank as a going concern under risk considerations, the risk-bearing capacity represents the starting point for the risk management report. To this end, the calculation is presented of the available risk coverage potential, the limit utilisation, and the current percentage breakdown of the overall risk by individual risk type.

Strategy for the selection of the members of the management body and their actual knowledge, skills and track record

Alongside the legal requirements of the KWG, which apply to the appointment of a Managing Director for institutions, the partners drew up guidelines which must be taken into consideration for the selection of Managing Directors and Supervisory Board members.

The balance and differences of knowledge, skills and track records of all Managing Directors are taken into consideration for the selection. This ensures that the Managing Directors have extensive theoretical and practical knowledge, as well as expertise, in order to fully comply with their departmental management responsibility. Appropriate operating equipment and sufficient time are always made available to assist them in performing successfully. Through this environment and the existing theoretical and practical knowledge, it can be ensured that overall responsibility is properly exercised in all relevant departments of Berenberg.

6.1 Overview of the risk strategy and procedures for managing these risk categories

Article 435 (1) (a) CRR

We retained our cautious, defensive risk strategy in the year under review. Our approach of consciously tending to focus on lower risk, service-orientated business areas proved its worth against the backdrop of the war in Ukraine and the economic consequences of this. Our risk culture still revolves around an unchanged and extremely conservative risk appetite; this risk appetite is reviewed and defined by the Board of Management on an annual basis as part of the strategy and planning process. Typical banking risks are assumed to an appropriate extent, which safeguards the Bank's long-term ability to continue its business activities. This risk philosophy forms the basis of our extensive risk management and includes the allocation of risk limits for targeted implementation. The risk management for our branches is performed centrally at our head office in Hamburg.

The Bank enjoyed a very comfortable liquidity situation throughout 2022, which was further improved, despite already being at a very high level, as a result of the large volume of deposits. We invest our excess liabilities in a highly liquid portfolio dominated by securities of German public-sector issuers with short remaining maturities. This liquidity reserve is supplemented by Pfandbriefs/covered bonds with a strong credit rating. The majority of surplus liquidity not invested in bonds is deposited with the Bundesbank.

Our risk management process is characterised by its strategic focus on service-based business units, combined with the use of cutting-edge risk measurement methods which are perfectly aligned with our corporate structure. The key risk types which we analyse within the framework of our risk management processes are counterparty default, market price, operational and liquidity risk. Reputational risks are evaluated as part of the management of operational risks. Potential declines in earnings are also taken into account This takes place as part of the analysis of adverse scenarios, as well as indirectly through the conservative definition of the risk-covering assets in the ICAAP (Internal Capital Adequacy Assessment Process).

Our management-oriented implementation of the regulatory requirements for risk-bearing capacity (ICAAP) has once again proved effective in the year under review. The merger of capital planning, income statement planning and risk-bearing capacity, together with the parallel consideration of a normative perspective and an economic perspective, have been firmly integrated into the standard processes of the Risk Controlling unit. This enables us to extensively safeguard the two strategic goals associated with this: "the institution's continued existence" and "protection of creditors". Both perspectives are based on the fundamental principle of calculating risk-bearing capacity, which involves comparing the risks that have been detected with the risk cover available.

The normative perspective is based on regulatory requirements, particularly with respect to the institution's capital base. Various different scenarios are analysed as part of our three-year integrated capital planning. On the one hand, we analyse a baseline scenario, which assumes business performance under normal economic conditions. On the other hand, an adverse scenario is investigated, which assumes a severe economic downturn that will have an impact significantly beyond one year. This scenario is based on extensive macro-economic assumptions, along with assumptions for the specific institution. It is not merely simulated in isolation for individual parameters. Instead, the adverse scenario constitutes an integrated stress test, with an impact on all relevant parameters, as defined by the Minimum Requirements for Risk Management (MaRisk). It also includes control measures taken by the management to counter the crisis. The results clearly show that the Bank could even comfortably navigate a scenario of such an extreme nature using its own assets and earnings power. Current decisions made by the banking supervisory authorities regarding changes in the capital requirements are analysed as required in terms of their impact on the Bank's capital situation and included in planning. All prescribed regulatory capital ratios are comfortably met.

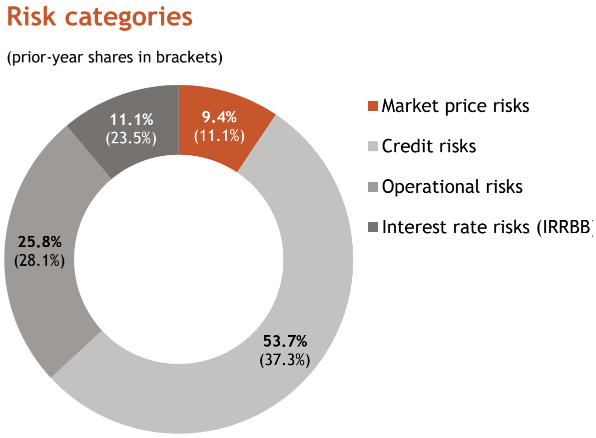
For the economic perspective, the risk coverage potential is calculated at close to fair value. HGB capital indicators in the balance sheet, together with hidden reserves and/or liabilities, are the starting point. Under our very conservative approach, budgeted profits are not credited. We quantify the potential losses suffered by our business units for the above risk types on the basis of the value-at-risk (VaR) principle, which thereby represents the upper loss ceiling for a given probability level. The risk quantification is performed using established model calculations at a high confidence level of 99.9% and with a risk assessment horizon of one year. In principle, the VaR calculations reflect potential losses on the basis of normal market conditions. To gain a more extreme perspective on the risk situation, we supplement risk evaluations with appropriate historical and hypothetical stress tests.

The risk and risk cover are compared on a regular basis, with an eye to these two different ways of assessing the Bank's overarching risk exposure. Risk-mitigating diversification effects across the various risk types are consciously ignored by conservatively aggregating the covering amounts for the various categories of risk.

Monthly and quarterly analyses, carried out in parallel, see us compare the results of various stress scenarios specific to risk types, as well as of general stress scenarios, with the available economic risk cover. The results of these analyses cannot exceed the risk capital. We also perform ad hoc stress tests, as required, to evaluate crisis situations as they arise. In line with the approach of an inverse stress test, we define combined scenarios which would tie up all of the available risk-covering assets if they were to occur.

In the year under review, the economic capital available to the Bank was far from fully tied up by its business units. This highlights the commercial prudence built into the Bank's risk management process and expresses the appropriateness of the relationship between the opportunities arising from business activities and the risks assumed with regard to overall profit or loss. The Bank's overarching management only permits its business units to take on risk when it is commensurate with the potential rewards.

The figures below show the distribution of the committed economic capital across the Bank's risk categories and business units.



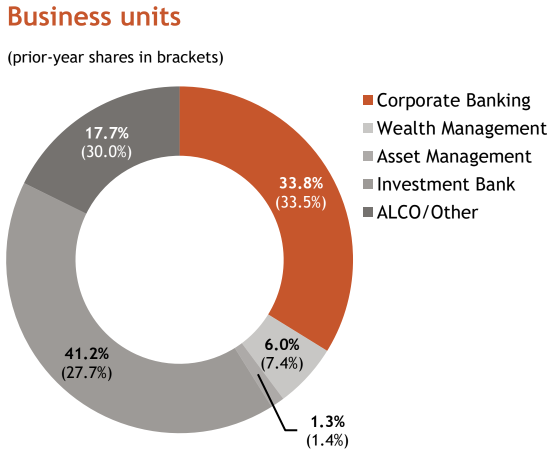


Figure 10: Economic capital commitment by business units

Figure 11: Economic capital commitment by risk categories and business units

The Board of Management bears overall responsibility for the risk management process and defines the general conditions for managing the various risk types. The Risk Controlling business unit acts independently of all front offices in organisational terms, in accordance with MaRisk, and ensures the constant and timely flow of information to the Bank's Board of Management, the audit committee and Advisory Board in close collaboration with other organisational units. Risk Controlling is responsible for developing and overseeing the systems used in overall bank and risk management. It carries out a comprehensive risk inventory at regular intervals and compares the amounts of the various risk types with the available risk cover. As part of the risk management processes, it is ensured that excessive risk concentrations exist neither within the various risk categories, nor across the risk types, in line with the strategy.

In its risk management, Berenberg uses the proven model of three lines of defence. In the first line of defence, the operational managers in the Bank's various units are risk owners with responsibility and accountability for assessing, managing and mitigating risk. This includes the implementation and monitoring of organisational hedging measures, as well as control activities anchored in the processes.

In the second line of defence, the Risk Controlling and Compliance units facilitate and monitor the implementation of effective risk management and ensure independent risk reporting to the Bank's Board of Management.

The third line of defence consists of the independent Internal Audit unit, which employs a risk-oriented approach to evaluate how effectively Berenberg controls its risks and how well the first and second lines of defence perform their tasks.

In the year under review, the uncertainties sparked by the global COVID-19 pandemic abated and were replaced by increased upheaval caused by the war against Ukraine. This gave rise to considerable uncertainty on a political and economic level, which also led to substantial movements in the financial and capital markets. The macroeconomic environment has worsened significantly since the war began. However, the Bank's strategic business area meant that it was not impacted by its existing risk exposures to a noteworthy extent. Our cautious position in respect of market risk means that the substantial movements in the market have a very limited impact on the Bank. That said, we keep a close eye on the volatilities in the financial and capital markets and also perform ad hoc analyses as required. For credit risks, similarly, it was not possible to identify any need that exceeded existing stress tests: our Credit Risk Management team (organisationally independent from the client-facing teams) keeps a close eye on the development of our activities, both in terms of direct effects as well as secondary effects, such as inflation. Once again, operational risks have not increased to an unusual extent this year. The Bank's set-up with respect to the ICAAP is extremely robust, from both an economic and a normative perspective. The risk cover provides a sufficient buffer to counter the impact that the crisis situation could exert on the Bank. The existing stress tests cover the current scenario, but will be supplemented and adjusted as needed in the respective situation. Current regulatory developments (CRR III, ESG etc.) are monitored closely, and their influence on the overall Bank is analysed.

6.2 Material risks

Our Credit Risk Management team uses an extensive limit system to monitor the **counterparty default risk**. The management of default risks at the overall portfolio level is supported by targeted analyses by Risk Controlling.

Market price risks arise not only from short-term positions in the trading book but also from strategic positions in the liquidity reserve; they are closely monitored by Risk Controlling. **Interest rate risks** in the banking book represent a further addition to the risk profile.

Using advanced methodologies, Risk Controlling also quantifies **operational risk**, the extent of which is limited by stringent processes, the appropriate training of our employees, and a comprehensive set of rules, including contingency plans.

The Treasury unit is responsible for the management of **liquidity risk**, together with the Money Market unit. Risk Controlling is systematically integrated into the monitoring process and validates the results at regular intervals.

An overall calculation is performed on a monthly basis to track the profit and loss of the business units, in consideration of the risks taken. This also includes an analysis of volatile return components and possible changes in returns resulting from these components. Daily reports on the most important profit & loss components and scenario planning serve as an early warning system. In line with the strategy, targeted diversification is executed across business areas and markets. Risk Controlling provides management with reports that enable recipients to analyse the results and risks at various aggregation levels.

The Bank's Internal Audit department regularly examines the organisational precautions for managing, monitoring and controlling the various categories of risk, based on defined standards.

Risk Controlling and Credit Risk Management (non-market) regularly provide information to the Risk Monitoring Committee set up by the Bank's Advisory Board, which holds three scheduled meetings each year. It also meets ad hoc as required.

The principles of our risk management are laid out in a risk strategy document available to all employees.

6.3 Counterparty default risks

Disclosures pursuant to Article 439 CRR

6.3.1 General information

Counterparty default risks arise, on the one hand, from the lending business involving our clients in the Corporate Banking (business clients), Wealth and Asset Management (private clients and institutional clients), and Investment Bank (strategic clients) business units. On the other hand, counterparty default risks arise from our own securities holdings (issuer risks, spread risks), derivative transactions (counterparty risks), as well as from the investments made by our Money Market department in interbank business. Investment risks are of lesser significance to Berenberg, but existing participating interests are integrated into the risk management processes.

In our unchanged conservative credit risk strategy, we have specified volume and maturity limits for the individual segments of the credit business, in accordance with the risk appetite defined by the Bank's Board of Management. Important elements include stringent credit processes, good collateral, the use of syndication possibilities, appropriate risk premiums, and the avoidance of structural subordination, as well as the consideration of ESG risks.

As in previous years, the very high level of client deposits once again led to strong demand for investments, as only part of the existing liabilities are required in the traditional credit business. In accordance with our investment strategy, only a relatively small part of the liquidity surplus was placed in the money market, with the investments made under the following conditions:

- Trading only with selected, top-rated banks
- Deliberate targeting of development banks with guarantee obligations
- Low limits per institution (or group of institutions) with the goal of achieving the broadest possible diversification

The majority of the structural liquidity surplus from client operations is invested in bonds with the very best ratings. In this context, we continue to have high standards for the credit security and market liquidity of these investments, to keep possible price volatility to a minimum.

Our liquidity reserve (including promissory notes) is dominated by securities issued by German public-sector issuers, which account for 37.6% (2021: 37%) and those guaranteed either by the Federal Republic of Germany or a German state, which account for 60.8% (2021: 56%). Our portfolio also includes German *Pfandbriefs* and Scandinavian covered bonds, albeit only to an insignificant extent. The Bank did not hold European government bonds at the end of the year. The average remaining maturity of the portfolio was 1.3 years (2021: 1.6 years), meaning that there are only minor spread change risks in the portfolio. Due to the improved but limited investment opportunities in the preferred investment universe, a substantial portion of the liquidity surplus, €3.1 billion, remained in the ECB deposit facility.

The Board of Management receives regular reports about the bank exposure. The allocated bank limits are monitored regularly in order to allow counter-measures to be initiated promptly, if required. In this context, we not only rely on the appraisals by the rating agencies when assessing the institutions, but we also support our decisions by analysing annual reports and evaluating current market data.

Counterparty default risk is managed using a wide-ranging limit system by means of which we achieve various objectives, including limiting risk concentrations. The counterparty default risk arising from derivatives is addressed by taking account of re-placement risks. We reduce counterparty default risks by practising comprehensive collateral management with our counterparties in this segment. This standard market form of ongoing collateralisation of OTC transactions is practised not only with banks, but also with a wide range of institutional clients.

Credit Risk Management is responsible for monitoring credit risk independently of our sales units. In addition to performing regular control activities, this unit provides a second opinion in addition to the front office teams, as required by the MaRisk rules, on the basis of our authority's regulations for credit decisions. These regulations restrict the scope of individual account managers to act, while ensuring that the entire Board of Management is involved in all major credit decisions. All credit exposures are subject to a constant resubmission cycle with an annual credit rating review. The specified limits are supplemented by a series of organisational measures and rules regarding collateral for credit exposures.

A credit risk report that is prepared on a quarterly basis serves to inform both the Board of Management and the Advisory Board about the structure of the credit business and its related risks. Extensive analyses performed by the Risk Controlling unit support the management of credit risk at the overall portfolio level.

For the management of the overall portfolio, the historical defaults of the past financial years, which have a very modest scope at the Bank (average default rate equal to 0.2% of credit volume over the course of the year, declining volume of individual loan loss provisions since 2010), are collected and analysed. We also check the model's results with reference to default history by validating our credit risk calculations on a regular basis. The statistical loss expected for each financial year at the portfolio level ("expected loss") is derived from the data taken from our credit portfolio model and the long-term historical average for defaults. This "expected loss" of the credit exposure is integrated into the credit terms by calculating the standard risk costs.

The standard risk costs of a credit exposure are particularly influenced by the borrower's credit rating, as well as by the size of the loan and the collateral provided. A rating system for our corporate clients, available to the account managers and the back office teams on the Bank's intranet, facilitates a prompt credit analysis using the borrower's balance sheet data. In addition to the balance sheet ratios, qualitative factors relating to the borrowers are also included when determining the rating class. For exposures of a project finance nature in the property and shipping segments, we employ internally developed rating procedures that include the cash flow projections for the assets to be financed as a key parameter. Structured financing is likewise measured using an internally developed rating tool that explicitly takes account of the debt ratio (leverage). In our portfolio of shipping loans – which is limited in magnitude compared with the overall portfolio (average share of 10% for the shipping segment over the course of the year) – we notably pay attention to short loan periods in view of the current market environment and prioritise outstanding collateral for the exposures.

The standard risk costs arising from the rating analysis can be obtained from our IT systems in all necessary aggregation levels.

The standard risk costs which, when aggregated, give rise to the statistical expected loss at the overall bank level, merely represent a long-term default average over time around which the actual defaults fluctuate. Consequently, a potential deviation of defaults from this expected value needs to be taken into account as an additional risk component. A statistical credit portfolio model built on the CreditRisk+ methodology is used to quantify the size of an unexpected loss at the portfolio level, which flows into the analysis of the Bank's ability to bear risk (ICAAP) with the respective quantile. This close to fair value approach is currently supplemented with a comparison that serves to safeguard the approach used compared to a purely fair value approach. The Bank's economic capital serves as the Bank's risk-covering assets for unexpected credit risks. Within MaRisk parameters, our analyses of the committed economic capital are supplemented by additional stress observations, such as a substantial deterioration of the probabilities of default or a decline in collateral values, the default of individual key accounts or negative influences due to ESG developments (sustainability risks). We are developing special scoring processes so that we can manage ESG risks in the credit portfolio even more effectively in the future. Our aim is for every borrower to be categorised on the basis of suitable ESG characteristics going forward, with plans to integrate the findings into our credit process and risk reporting.

The quantitative methods that we use to assess counterparty default risks are validated regularly and refined when required. However, because of the lack of an adequate number of defaulting borrowers for statistical purposes, these methods are still not recognised for regulatory purposes as an IRB approach. The Bank has made a deliberate decision to employ the standard approach (CRSA), which is defined in the relevant regulations for regulatory purposes. This includes the comprehensive method for taking into account financial collateral pursuant to CRR. Under this approach, the tied capital from counterparty default risk totalled €80.8 million at 31 December 2022 (2021: €71.0 million).

6.3.2 Non-performing loans and loans in arrears

The risk relating to non-performing loans and loans in arrears is defined as a contractual party being permanently unable to meet their obligation to service the debt. If a credit exposure gives rise to aspects that require separate observation/monitoring, the relevant account blocks and corresponding disposal notes are put into place. The decisions to be made in the disposal system or on the basis of manual disposal documents are recorded by means of electronic approval or hand-signing by the employee responsible for the client. From a system perspective, a list is drawn up every day of all credit overdrafts of more than €5,000. This is processed without delay by the relevant employee in the market area. The overdrafts are reported to the relevant head of market and the back office on a regular basis. As soon as an exposure is added to the observation list, the need for risk provisions is to be reviewed. To this end, the collateral is also to be reviewed and, if appropriate, revalued. Any newly required risk provisions or changes to existing risk provisions are reviewed quarterly by Credit Risk Management. This mid-year review and adjustment is recorded in the Risk Report.

The Bank aims to use risk provisions on the basis of cautious commercial assessment, drawing on the applicable accounting norms in a way that is justifiable for a third party, to ensure that the valuation is appropriate and realistic for the current risk content of the loan portfolio. The valuation of receivables under the provisions of the German Commercial Code (HGB) is undertaken in line with the principles that apply to current assets. As a result, we use the principle of valuations at the strict lower of cost or market principle under Section 340e (1) in conjunction with Section 253 (3) German Commercial Code. The risk provisions include individual value adjustments, provisions, interest adjustments and amortisation on receivables (known as consumption or direct amortisation). Uncollectible receivables are written off. An unsecured receivable is deemed uncollectible if it is generally assumed that the borrower is no longer going to repay the credit, or this is exceptionally uncertain. Conversely, individual value adjustments/provisions are created for receivables where their collectability is in doubt. This is the case when inadequate financial means and insufficient collateral lead to justified doubts that the receivable could be covered by the borrower's income or assets or the collateral. The aim of the interest adjustment is to ensure that our Bank's income statement is corrected to take any likely uncollectible (interest) income into account. The need for an interest adjustment is always to be reviewed when an individual value adjustment/provision is formed. If the interest payments can still be covered by the client (for example, through rent, capital earnings) and, as a result, no loss of interest is to be assumed but a loss of capital is likely, no interest adjustment is to be undertaken. When assessing the acute default risk in each instance, firstly the likelihood of a borrower no longer being able to meet their contractual payment obligations is important. The likelihood of default is primarily assessed with regard to the financial circumstances and payment behaviour of the borrower. Secondly, an appraisal should be carried out to ascertain the payments that can still be expected when the issues with repayments arise; the revenue anticipated from the collateral is crucial in this respect. As an exception, an interest adjustment can be undertaken for clients without risk provisions if the client ceases paying the interest on a permanent basis but a capital loss is not expected due to the collateral provided. We have undertaken flat-rate value adjustments in the amount of the procedure recognised for tax purposes for the deferred default risk. The individual risk provision is only dissolved if the financial circumstances of the borrower have clearly improved with permanent effect, to the extent that their ability to repay the capital is unlikely to be at risk or there is no doubt that the loan can be settled using the collateral provided. Pursuant to Section 286 German Civil Code, a transaction is "in default" if payments in the form of interest payments, redemption payments or other receivables have not been made. "Non-performing" loans are loans for which there is a certain likelihood that the borrower will default on the receivable, be it in whole or in part, or there will be justified concern regarding the ability of the borrower to pay.

Reporting sheet EU CQ1: Credit quality of forborne exposures (€'000)									
		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairments, accumulated negative changes in fair value due to credit risk and provisions on		Collateral received and financial guarantees received on forborne exposures	
		of which performing forborne	of which non-performing forborne			performing forborne exposures	non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance
				Of which defaulted	Of which impaired				
5	Cash balances at central banks and other demand deposits								
10	Loans and advances	4,000	0	0	0	0	0	0	0
20	*Central banks*								
30	*State sector*								
40	*Banks*								
50	*Other financial corporations*								
60	*Non-financial corporations*	4,000						0	
70	*Households*								
80	Debt securities								
90	Loan commitments given								
100	*Total*	4,000	0	0	0	0	0	0	0

Figure 12: Credit quality of non-settled risk positions (includes forbearance measures in accordance with Article 47b CRR)

The risk position listed amounting to €4.0 million is fully related to receivables that were covered by a state guarantee via KfW in conjunction with COVID-19 measures and are not "non-settled", strictly speaking. This risk position has already been repaid in full in the 2023 business year.

EU CQ3 reporting form: Credit quality of performing and non-performing risk positions by extent overdue in days (€'000)							
		a	b	c	d	e	f
		Gross carrying amount/nominal amount on					
		Performing exposures			Non-performing exposures		
			Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days		Of which: Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days
005	Cash balances at central banks and other demand deposits	3,245,564	3,245,564		0		
010	Loans and credit	3,332,965	3,332,965	0	1,576	0	1,576
020	*Central banks*	0			0		
030	*State sector*	1,155,480	1,155,480		0		
040	*Banks*	1,175,141	1,175,141		0		
050	*Other financial corporations*	242,799	242,799		606		606
060	*Non-financial corporations*	592,569	592,569		0		
070	*Of which: SMEs*	65,718	65,718		0		
080	*Households*	166,976	166,976		970		970
090	Debt securities	790,059	790,059	0	0	0	0.00
100	*Central banks*	0					
110	*State sector*	193,976	193,976				

120	*Banks*	596,083	596,083				
130	*Other financial corporations*	0					
140	*Non-financial corporations*	0					
150	Risk positions not on the balance sheet	1,214,851	1,214,851	0	0	0	0
160	*Central banks*	0					
170	*State sector*	0					
180	*Banks*	12	12				
190	*Other financial corporations*	379,605	379,605				
200	*Non-financial corporations*	579,887	579,887				
210	*Households*	255,347	255,347				
220	**Total**	8,583,439	8,583,439	0	1,576	0	1,576

Figure 13: Credit quality of performing and non-performing risk positions by extent overdue in days

Reporting sheet EU CR1: Performing and non-performing exposures and related provisions (€'000)		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount on performing exposures						Kumulierte Wertminderung, kumulierte negative Änderungen beim beizulegenden Zeitwert aufgrund von Ausfallrisiken undRückstellungen						Accumulated partial write-off	Collateral and financial guarantees received on	
		Performing risk positions			Non-performing risk positions			Performing exposures – accumulated impairment and provisions			Non-performing – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				performing exposures	non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
5	Cash balances at central banks and other demand deposits	3,245,564	3,245,564					325	325						1,195	
10	Loans and advances	1,714,226	1,714,226		1,576	1,575	971	5,647	5,067		580	2	578		381,312	34,610
20	*Central banks*															
30	*State sector*	208,798	208,798					711	711							
40	*Banks*	471,112	471,112					1,074	1,074							
50	*Other financial corporations*	270,750	270,750					824	824						54,340	12,724
60	*Non-financial corporations*	595,619	595,619		606	605	1	1,893	1,891		2	2			184,989	21,594
70	*of which SMEs*	78,454	78,454					267	267						40,211	4,000
80	*Households*	167,946	167,946		970	970	970	1,145	568		578		578		141,983	292
90	Debt securities	2,473,766	2,473,766													
100	*Central banks*															
110	*State sector*	1,144,017	1,144,017													
120	*Banks*	1,329,708	1,329,708													
130	*Other financial corporations*	20	20													
140	*Non-financial corporations*	20	20													
150	Off-balance-sheet exposures	1,219,851	1,219,851													
160	*Central banks*															
170	*State sector*															
180	*Banks*	12	12													
190	*Other financial corporations*	384,605	384,605													
200	*Non-financial corporations*	579,887	579,887													
210	*Households*	255,347	255,347													
220	Total	8,653,407	8,653,407		1,576	1,575	971	5,973	5,393		580	2	578		382,507	34,610

Figure 14: Performing and non-performing risk positions and the associated provisions

Reporting sheet EU CQ7: Collateral obtained by taking possession and execution processes (€'000)			
		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
10	Property, plant and equipment (PP&E)	0	0
20	Other than PP&E	0	0
30	*Residential immovable property*		
40	*Commercial immovable property*		
50	*Movable property (auto, shipping, etc.)*		
60	*Equity and debt instruments*		
70	*Other collateral*		
80	*Total*	0	0

Figure 15: Collateral obtained via seizure and enforcement proceedings

6.4 Market price risks

Disclosures pursuant to Article 445 CRR

Market price risks for positions in the trading and banking book of the Bank result from fluctuations of the prices and volatilities in the interest, equities and currency area.

Traditional proprietary trading continues to only have the purpose of supplementing our service-oriented business activities and takes place within very strictly defined limits. The market risks arising from proprietary trading positions are managed using an efficient risk measurement system. Value-at-risk figures are calculated using a Monte Carlo simulation on a daily basis for all positions containing market price risks. The model is based on a refined method that depicts the edges of the value change distribution using a "fat tail" approach. This means that certain unusual market movements can be taken into account more cautiously in the individual financial instruments. For ongoing management with a short-term focus, a confidence level of 99% and a holding period for the financial instruments of ten trading days are assumed for these value-at-risk calculations. In accordance with the regulatory requirements, extremely conservative parameters are additionally applied within the framework of risk-bearing capacity with a confidence level of 99.9% and holding periods that are differentiated by asset classes (under the economic perspective). As risk factors, discount factors in interest rates, equity time series or equity indices in equities, and exchange rates in foreign currencies, are used, with a historical observation period of at least one year. The value-at-risk calculation is carried out using exponentially weighted historical observations for equity risks, for example. Under this approach, the value-at-risk reacts faster to current changes in market events than with equally weighted historical observation values. This proved its worth once again against the backdrop of the crisis-related developments that arose in the financial year.

The following chart shows the percentage distribution of the value-at-risk limit capacity over the past financial year for the positions of the trading book.

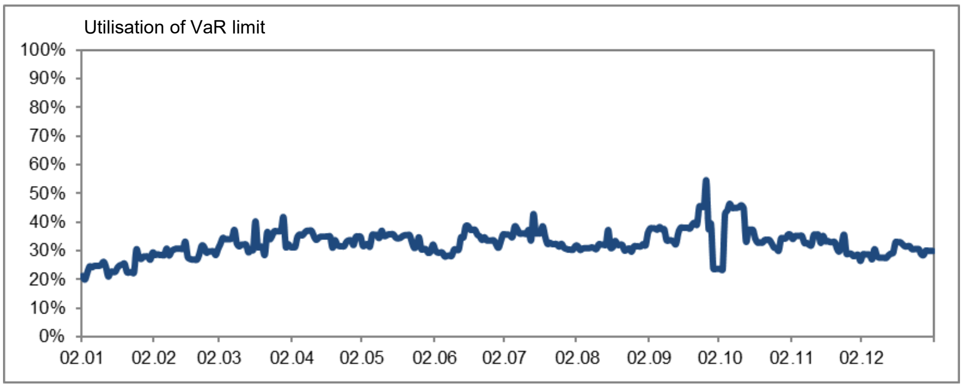


Figure 16: Limit utilisation market price risk in 2022

Figure 16illustrates the moderate risk potential arising from our trading activities. The Bank's trading book that is defined for regulatory purposes is dominated by traditional equity positions (cash equities). Optional products play a strategically subordinated role and are mainly offers in client trading (particularly FX Trading) in the form of back-to-back transactions, which, as closed positions, do not hold any own market price risk for the Bank. Compared with the results achieved by the trading units, a beneficial risk/reward ratio is indicated. The largest portion of the allocated value-at-risk limits relates to the Sales unit. These activities, which are allocated to the trading book to meet regulatory requirements, are not proprietary trading, strictly speaking. Rather, this segment settles orders for institutional clients.

The quality of the value-at-risk measurement is checked and analysed over time using daily back-testing, during which the forecast on the subsequent trading day is compared against the actual changes in value of the positions and analysed over time.

Figure 17: Daily back-testing market price risk in 2022 shows the progression of the daily back-testing results of the past financial year over time. In 2022, our risk model proved its worth under volatile market conditions; the conservative parametrisation is reflected in the non-existence of outliers in the period under review.

Comparison of daily value-at-risk with a hypothetical P&L

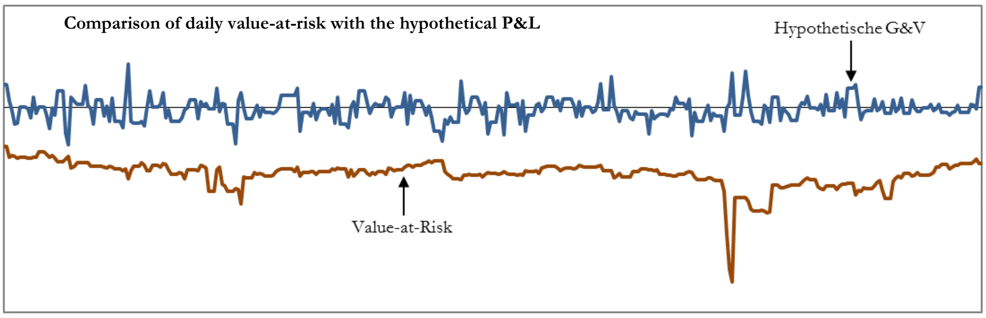


Figure 17: Daily back-testing market price risk in 2022

In contrast to the limit utilisation, which is measured with a 10-day holding period, we apply the VaR with a one-day holding period for daily back-testing. The value-at-risk for the trading portfolio had the following structure in the year under review:

Trading portfolio	VaR at end of reporting period	VaR values during the year		
		highest value	lowest value	Average for reporting period
	€'000	€'000	€'000	€'000
VaR	**5,403** (3,755)	**17,016** (9,061)	**3,755** (1,564)	**6,511** (3,455)
(with 1 day holding period, previous year's values in brackets)				

Figure 18: Trading book VaR indicators

Since the value-at-risk method only provides information about the risk content of positions under "normal" market conditions and does not take account of extreme market situations, the analyses are supplemented by daily worst-case calculations. This involves examining how current trading positions would behave in historically extreme situations. This stress test analyses the potential effects on the current trading positions.

Additional worst-case limits that must be observed on a daily basis exist for each trading segment alongside value-at-risk limits. In the methodology applied for risk-bearing capacity (economic perspective) and in line with the requirements for depicting market risk, the current limit utilisation is compared to the risk-covering assets using a very high confidence level of 99.9% and holding periods that are differentiated by asset classes on the basis of the liquidity horizons for internal models prescribed by CRR (FRTB). We have retained our market risk model that we developed further in 2019, which performs calculations on the basis of a "fat tail" distribution. This methodology models unusual market movements (e.g., extreme price changes in the equity markets), which results in a lower number of potential back-testing outliers.

As realised losses have a limit-reducing effect, the allocated limits imply a stop-loss limit and therefore determine the maximum loss potential per financial year. Whereas the value-at-risk values are used to analyse the 99% and 99.9% confidence level, the worst-case limit utilisation is included in the stress test. The limits for the individual trading segments are manageable in comparison to the available risk-covering assets and are approved by all Managing Directors jointly. This approach ensures that no individual trader is in a position to enter into large risk positions through his/her activity for the Bank.

Positions in the trading book are taken predominantly in liquid and linear financial instruments, for which a market price can be determined on a daily basis. Models are used only for the purpose of measuring the value of derivatives. On the one hand, derivatives may be used to hedge linear trading book positions. However, since only spot positions are entered into the proprietary trading book, the risks arising from the use of models are limited. There has been an internal ban on the proprietary trading of non-linear products (derivatives) in this area for a little while now, as proprietary trading of this nature does not align with the Bank's business model. Mechanisms are in place to review the quality of the models used on a regular basis.

The strategic positions of the liquidity reserve are managed by our Asset Liability Committee (ALCO), which includes representatives of Treasury and Risk Controlling, in addition to members of the Board of Management. The market price risk arising from positions in the liquidity reserve is measured using the same methods as the positions in the trading book. Furthermore, potential risks for spread fluctuation are analysed on the basis of historical data for the investment classes represented in our portfolio and additionally backed by risk-covering assets.

6.5 Interest rate risks

Disclosures pursuant to Article 448 CRR

For the most part, no increased interest rate risk was assumed for the large proprietary investments in securities described in section 6.3 on counterparty default risk. The investments were largely made in either floaters or securities with a fixed coupon, with interest rate risks generally hedged by means of interest swaps for terms of more than two years.

The effect of the interest rate shocks for interest rate risk in the banking book (IRRBB) defined for supervisory purposes is analysed regularly using internally developed procedures. This involves analysing the effect of a shift in the current interest rate, inter alia, on the present value of the banking book. A possible decline in the volume of deposits is simulated by regularly reviewed process scenarios. Equity components are not integrated into the analyses. KG Disclosure Report resulting change in the present value to the capital base, which according to the regulatory requirements should not exceed 20%, amounted to 10.6% at the end of the financial year (2021: 11.8%) and results from a scenario of heavily falling interest rates. In contrast, rising interest rates would lead to a positive change in the present value. The amount of this ratio is a reflection of our unchanged investment policy, which is characterised by short maturities in the lending and borrowing business. The scenario loss is due mainly to the growth in the EUR and USD deposit business in conjunction with increased interest rates. Both lead to a present value that is relatively higher, which would be lost again in a scenario of falling interest rates. The utilisation of the regulatory threshold continues to lie in a comfortable range; we invest in suitable interest-hedging instruments where necessary as part of our management process.

6.6 Operational risks

Disclosures pursuant to Article 446 CRR

Operational risk is generally defined as the danger of incurring losses as a result of the inappropriateness or failure of internal methods, people, and systems or external events. This definition also covers legal risks. Reputational risks are also covered in terms of quality as part of the management of operational risk. What are referred to as non-financial risks are also included to a large extent as part of our OpRisk management (including IT, compliance, and legal risks). Non-financial risks are taken into consideration also implicitly through the composition of the risk-covering assets.

The management of related risks is a high priority for the Bank, given its strategic focus on the provision of services. Accordingly, we use advanced risk measurement procedures that allow for appropriate management (internal OpVaR model, scenario analyses).

Operational risks are also limited by a wide-ranging set of instructions, process definitions, and authority rules. The various unit heads have direct responsibility for compliance with, and the ongoing updating of, these rules and regulations. A department responsible for process definitions across the whole Bank provides support in this regard. The Bank's Internal Audit unit audits the conformity of business activities with these rules and regulations at regular intervals.

A major component of operational risk relates to the functionalities and security of the IT systems we use. This segment is covered by special arrangements and precautions in the various technical units. These include constant technical refinement and market data together with a firewall concept to prevent viruses and attempted intrusions from outside and back-up systems used to ensure uninterrupted business operations in the event of system failures. In consideration of the growing challenges to banks in the realm of cyber-criminality, we constantly refine the existing procedures to reflect the latest state-of-the-art, in accordance with the German Supervisory Requirements for IT in Financial Institutions (BAIT), and ensure the security of our Bank. Among other activities, we conduct behaviour-based analyses (sandbox solution) of all e-mail attachments in addition to signature-based analyses. We also perform a SIEM ("Security Information and Event Management") analysis, which automatically analyses log sources according to constantly refined rules in order to detect and investigate any anomalies quickly. A central contingency management and business continuity management (BCM) function has been established for all areas of the Bank.

The employees of the Bank are appraised by their supervisors at regular intervals. Cooperation between the Human Resources unit and the managers ensures that the employees have the appropriate high qualifications and motivation for their position at the Bank.

Legal risk is limited by means of constant collaboration between the Legal business unit and the functional units together with the use of suitable forms and contracts, as well as the standardisation of input and settlement procedures in connection with IT operations. In addition, the Legal unit examines all concluded contracts in advance as part of a central contract management process.

A key aspect of our risk management approach for operational risk involves sensitising all employees to this type of risk. The values of our business activity are defined within the overall bank strategy. With respect to the risk culture, these values are particularly orientated to the three central points of risk appetite, risk monitoring and employee incentivisation (as per the Capital Requirements Directive IV). Risk appetite, which is defined by the Bank's Board of Management annually as part of the strategy planning process, also forms the basis for the assignment of risk limits to the trading units. The risk monitoring functions are designed in accordance with the MaRisk principles and ensure prompt reporting, free of external influences, by Risk Controlling, Compliance and Internal Audit, which operate independently of the markets. In general, we cultivate a culture where our employees can openly discuss mistakes made. Mistakes that occur are fundamentally seen as an opportunity to further optimise our processes and risk forecasts. Thus, operational risk is identified and managed in part on the basis of internal loss incidents, which are centrally recorded and processed in the loss incident database kept centrally by the Risk Controlling unit. This practice not only requires but also fosters a transparent way of dealing with any irregularities. It is particularly important to us that every employee takes responsibility for the Bank as a whole; in fact, individual career development is linked to these goals. Furthermore, we consistently avoid employee conflicts of interest by structuring our compensation principles accordingly and creating a discretionary variable compensation component, among other measures.

The database for systematically recording operational losses, which enables us to analyse losses incurred and draw up appropriate counter-measures, is very important in this context. The Board of Management is reported to on a regular basis using this database, regarding the extent and development of operational losses.

We applied our advanced methodology used to internally manage operational risk during the past financial year in the established way. Targeted scenario analyses are performed at regular intervals and adjusted as required. This involves asking experts from all areas of the Bank about a wide-ranging list of possible scenarios during structured workshops. Outsourcing arises in areas where it appears to be sensible given the financial scope and is overseen by our central outsourcing management team. All outsourced activities are evaluated, rated and documented. We also analyse scenarios involving potential difficulties with cooperation partners or suppliers. Furthermore, in the scenario workshops, we record the consequences of ESG criteria on the loss amounts and frequencies of the parameters underlying the model (for example, the influence of extreme weather conditions on the availability of buildings or data centres). The results enable an assessment of future operational risk potential and provide additional perspectives in this risk category.

The results of the loss incident database and the scenario analyses form the basis for calculating a value-at-risk for operational risks. For this purpose, we employ an internally developed calculating engine, the results of which are incorporated into the analysis of the Bank's ability to bear risk. The results of our VaR and expert estimates are regularly validated by reference to external data. The analyses did not identify any operational risks in excess of the allocated risk-covering assets. The scenario analyses are also used to draw up risk-reduction measures for significant risks. In addition, potential reputational risks for the Bank are listed when the expert surveys are conducted. If required, measures are discussed with a view to ensuring a constantly high level of public confidence in our organisation. At the time of implementation, we also engaged an outside institution to review the quality of the methods used to manage operational risks and the related processes. With the model established, we believe that we are well positioned to meet the regulatory requirements of Pillar II and the Supervisory Review and Evaluation Process (SREP).

Banks are required to hold adequate equity to cover the operational risks they assume. To date, methods with a different degree of accuracy have been authorised for use when quantifying the capital adequacy for this risk category. Although an efficient model is now used for internal management purposes, the Bank continues to use the less complex Basic Indicator Approach to calculate the capital required to cover operational risk.. The use of models to determine capital coverage requirements is expected to be discontinued with the introduction of CRR III. For operational risks, only a standardised approach will then be available for all institutions in regulatory Pillar I (Standardised Measurement Approach (SMA)). We have already analysed the changes associated with this and concluded that from a present perspective, relief tends to be expected (weighting factor of 12% instead of 15%).

With the Basic Indicator Approach that we used in the year under review, the average gross earnings from the last three financial years are weighted by a factor of 15%. By the end of 2022, the capital required to cover operational risk totalled €85.5 million (2021: €70.0 million). The increase in capital required to cover OpRisk results from the high Group profit in 2021.

6.7 Liquidity risks

Berenberg can fund itself completely from client deposits. There were no outstanding liquidity positions at any time during the year under review.

Liquidity risks play a relatively minor role in maturities of more than one year, due to the short-term structure of our business. There was a significant liquidity surplus mid-year due to a further increase in client deposits. This surplus was invested in highly liquid, short-term bonds (issued primarily by German states and development banks) or deposited with the Bundesbank, in accordance with our strategy. Some of the securities are deposited with the Deutsche Bundesbank as collateral, which would guarantee a large refinancing facility with the European Central Bank in the event of an unexpected liquidity requirement. The free credit line with the Deutsche Bundesbank amounted to €1.0 billion at 31.12.2022 (2021: €1.0 billion). We expect our liquidity situation to remain extremely comfortable in the new financial year.

To manage short-term liquidity, the Treasury unit continually analyses all relevant cash flows over the course of time. Stress tests are conducted on a daily basis as part of this. In addition to the simulation of general stress scenarios, further scenarios are analysed involving extreme additional stressing of individual liquidity components, e.g. the short-term, near-total loss of particularly large client deposits. The requirements for the regulatory Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) were also fulfilled at all times. Due to the Bank's liquidity situation as described above, no risk-covering assets are allocated for liquidity risk in the ICAAP at present. Only in the unlikely event of negative stress test results would it be necessary to provide economic capital to cover the potential costs of an increase in the procurement of liquidity.

The Bank monitors compliance with the liquidity ratios prescribed by the CRR on a daily basis. At the end of the year, the LCR was 1.7 (2021: 1.9), substantially above the minimum level of 1.0. The same applies to the NSFR, which was at 2.3 (2021: 2.7).

The risk of inadequate market liquidity for individual trading products defined in the MaRisk rules is monitored implicitly as part of market risk

6.8 Overall bank management

Our business strategy, which has proved successful over many years, is regularly reviewed, together with the corresponding risk strategy during the annual planning process. This process also involves an analysis of which measures the various profit centres wish to adopt to achieve their strategic targets and how the planned activities affect the projected development of earnings and the utilisation of risk-covering assets in the ICAAP.

The risk-bearing capacity calculation, with its comparison of calculated risks and available economic capital, represents a central component for managing the risks assumed at the level of the overall Bank. A conceptual merger of capital planning, income statement planning, and risk-bearing capacity is being conducted on the basis of the current RTF guidelines. The parallel consideration of a normative and an economic perspective makes it possible to take the continued existence of the institution into consideration, in parallel with the protection of creditors. Despite the current, crisis-hit state of the economy, both perspectives saw the capacity remain very comfortable over the course of the year. This reflects the Bank's robust financial situation and capitalisation as well as its conservative strategic risk profile.

The Recovery Plan, which is required of all banks by the regulator on the basis of the German Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz) is updated at regular intervals and updated as required. Due to the size of the institution, the plan is governed by the simplified requirements, in accordance with the German Minimum Requirements for Recovery Planning (MaSanV). The key indicators (recovery indicators) adopted in this context are monitored constantly and are part of the reporting to the Board of Management. All of the defined thresholds were met in the year under review, meaning that no management measures were necessary. However, the existing options for action and management processes for potential crisis situations are suitable for countering any financial deterioration at an early stage if required.

The risks and rewards of the banking business are constantly compared to one another in our processes for overall bank management. As a scarce resource, economic capital is allocated to those segments for which the business opportunities exceed the risks taken.

The quantitative information and control systems used by the Bank as part of the risk management process supply important information for assessing risks. Combining this with the employees' huge wealth of expertise ensures a comprehensive analysis of the risk situation. Therefore, we are convinced overall that the risks taken are proportional to the attainable returns and no risks have been taken that exceed the Bank's risk-bearing capacity.

7. Disclosures pursuant to Section 16 *InstitutsVergV*

According to Section 16 (2) of the Regulations Governing Supervisory Requirements for Institutions' Remuneration Systems (*InstitutsVergV*) in conjunction with Article 450 of Regulation (EU) No. 575/2013, our company is subject to a limited disclosure obligation. In the following, we therefore present our general remuneration principles, disclose the structure of our remuneration systems broken down by country and type, and provide quantitative information.

General remuneration principles

The Berenberg Group places the highest priority on sustainability and the avoidance of disproportionate risks in the remuneration system. This is also supported by its legal form of a limited partnership, which encourages long-term thinking and prevents short-term profit maximisation tendencies.

The Board of Directors (general partners) must, in compliance with *InstitutsVergV* Section 3, define the Principles of the Remuneration System of the Berenberg Group and notify the Executive Board about the specific form of the remuneration systems, even though the Executive Board is not a supervisory or administrative body as defined in the German Banking Act (KWG) or the German Stock Corporation Act (AktG).

In accordance with Section 11 *InstitutsVergV*, Berenberg has published principles for its remuneration system in its internal written procedures (*Signavio*). In accordance with Section 12 (1) *InstitutsVergV*, the Human Resources business unit reviews the remuneration systems and their underlying parameters once a year or on an ad-hoc basis, on behalf of the Board of Directors, to verify they are compatible with both the business and risk strategies.

To ensure the appropriate involvement of the control units and the Human Resources business unit in compliance with Section 3 (3) *InstitutsVergV* with regard to creating and monitoring the remuneration system, Group Compliance and Risk Controlling participate in the annual review of the Principles of the Remuneration System. In addition, Risk Controlling coordinates with Human Resources to define the total bonus pool as the biggest component of variable remuneration. Internal Audit and Group Compliance check the design of the remuneration system principles and the compliance of this with regulatory requirements on a regular basis.

In line with Section 4 IVV, the remuneration systems and remuneration strategies must be aligned with the goals set out in the business and risk strategies of the institution in question. The Berenberg Group also places the highest priority on sustainability and the avoidance of disproportionate risks in the remuneration system. This is also supported by its legal form of a limited partnership and the continuous management line-up (in particular, at the first level of management), which encourages long-term thinking and prevents short-term profit maximisation tendencies. Berenberg's strategy papers make clear that the Bank pursues a defensive risk policy and largely aligns its business activities with service provision.

Remuneration received by an employee in conjunction with the early termination of an employment relationship (Section 2 (5) IVV), generally severance payments, is granted in exceptional situations in line with set factors.

Berenberg has not set up a remuneration committee under Section 25d (7) KWG in conjunction with Section 25d (12) KWG and Section 15 *InstitutsVergV*.

Design of remuneration systems by country and type

Germany

Concerning fixed salaries, Berenberg's remuneration system in Germany makes a distinction between those employees who are subject to the framework collective agreement by way of reference in the employment contract (non-exempt staff) and those employees whose remuneration is in excess of the collective agreement (exempt staff and executives).

Non-exempt staff

The collective agreements for the private banking industry apply to the non-exempt staff by reference to their employment contracts. The size of the gross monthly salary is based on their salary group and length of service. This amount is disbursed to the non-exempt staff on the 15th of each month.

In addition, non-exempt staff receive a collectively agreed 13th month's salary, which is disbursed in November of each year. In the event that the employment does not exist for the full period during a calendar year, this payment is pro-rated.

Non-exempt staff also receive a voluntary bonus on top of the fixed salary (BeGo Tarif+). This amounts to three quarters of a monthly salary payment. The disbursement occurs in November, provided that the employment has not been terminated by 31 October. If the employment period does not exist for the full year, this payment is pro-rated.

Non-exempt staff may receive a discretionary bonus in addition to their fixed salary. Any determination to award employees such a bonus, and its extent, must be made at annual intervals by the general partners with responsibility for the company. Any negative contributions to the business results by an individual non-exempt employee are factored in when setting the bonus.

Exempt staff

Exempt staff receive a fixed salary disbursed in 12 monthly instalments on the 15th of each month.

Based on an agreement with the works council, exempt staff members (who are not executives; see below) currently receive a salary adjustment to account for inflation matching that of the highest salary group (9/11) on 1 January following any collective increase.

Exempt staff may receive a discretionary bonus in addition to their fixed salary. Whether, and to what extent, any bonus payment is paid out shall be determined and established annually by the business owners and the individual business unit head. Any negative contributions to the business results by an employee are factored in when setting the bonus.

Based on its historical traditions, Berenberg employs alternative payment systems for the fixed salaries of exempt staff, which only affects very small groups of exempt staff:

Staff who joined the company from 1 January 2001 to 1 August 2012: Fixed salary in 14 equal monthly amounts. The 13th and 14th monthly salaries are paid in May and November. They are paid pro rata if the employee has not served a full calendar year.

Executives

Executives receive a fixed salary disbursed in 12 equal monthly instalments on the 15th of each month.

Executives may receive a discretionary bonus in addition to their fixed salary. Whether, and to what extent, any bonus payment is paid out shall be determined and established annually by the business owners and the individual business unit head. Any negative contributions to the business results by an employee are factored in when setting the bonus.

Individual adjustments of the fixed salary

Individual adjustments of the fixed salary may be made for all three staff categories, either during the year in recognition of changed responsibilities and promotions, or as part of the annual planning process, taking effect on 1 January.

Switzerland

The employees in the Zurich representative office and Geneva representative office are not subject to a collective pay agreement. They receive a fixed salary in Swiss francs, which is disbursed in 12 monthly instalments on the 20th of each month.

The Bank may pay bonuses to the employee, in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement, even after it has been paid more than once. Whether, and to what extent, bonus payments are made is decided each year by the business owners and the individual business unit head. The bonus is determined in the same way as in Germany. The employment must not have been terminated at the disbursement date.

France

The employees in the Paris branch are not subject to a collective pay agreement. They receive a fixed salary, which is disbursed in 12 monthly instalments on the 25th of each month. The Bank may pay bonuses to the employee, in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement, even after it has been paid more than once. Whether, and to what extent, bonus payments are made is decided each year by the business owners and the individual business unit head. The bonus is determined in the same way as in Germany.

UK

The employees in the London branch are not subject to a collective pay agreement. They receive a fixed salary in pounds sterling, which is disbursed in 12 monthly instalments on the 25th of each month.

The Bank may pay bonuses to the employee, in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement, even after it has been paid more than once. Whether, and to what extent, bonus payments are made is decided each year by the business owners and the individual business unit head. The bonus is determined in the same way as in Germany.

Belgium

The employees at the branch office in Brussels are given a fixed salary, payable at the end of each month, in 14 equal monthly amounts. The 13th and 14th monthly salaries are paid in May and December. They are paid pro rata if the employee has not served a full calendar year.

Whenever a person is employed, salary classification is handled by Human Resources in coordination with the relevant manager. Individual salaries may be increased in connection with promotions and/or greater responsibilities. This is usually done under the annual salary review upon coordination between Human Resources and the business unit head.

The Bank may pay bonuses to the employee, in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement, even after it has been paid more than once. Whether, and to what extent, bonus payments are made is decided each year by the business owners and the individual business unit head. The bonus is determined in the same way as in Germany.

Sweden

The employees at the branch office in Stockholm are given a fixed salary, payable at the end of each month, in 12 equal monthly amounts.

Whenever a person is employed, salary classification is handled by Human Resources in coordination with the relevant executive. Individual salaries may be increased in connection with promotions and/or greater responsibilities. This is usually done under the annual salary review upon coordination between Human Resources and the business unit head.

The Bank may pay bonuses to the employee, in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement, even after it has been paid more than once. Whether, and to what extent, bonus payments are made is decided each year by the business owners and the individual business unit head. The bonus is determined in the same way as in Germany.

Subsidiaries

Berenberg Capital Markets LLC (BCM) and Berenberg Asset Management LLC (BAM)

The employees of BCM and BAM receive a fixed salary in US dollars, which is disbursed in 24 half-monthly instalments.

BCM and BAM may pay the employee bonuses in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement, even after it has been paid more than once. Whether, and to what extent, bonus payments are made is decided each year by the partner responsible for the company in consultation with the Board. The bonus is determined in the same way as at the Group level.

Fixed and variable remuneration

In accordance with Section 6 (1) *InstitutsVergV*, variable and fixed remuneration must relate to one another at an appropriate ratio. The ratio is appropriate if, on the one hand, the employee is not significantly dependent on the variable remuneration and if, on the other hand, the variable remuneration represents an effective incentive.

The most relevant variable remuneration at Berenberg is the bonus payment. With an eye to a sustainable corporate/Group strategy, in determining the amount of the bonus payment, due consideration is given to both the opportunities and the risks of the business activity of the individual business units and subsidiaries, as well as the protection of clients' interests.

The quantitative and qualitative individual performance of the employee (in accordance with Section 5 (1) 3 *InstitutsVergV*, particularly when consumers' interests are directly affected), and the success of the business unit and the overall bank are considered in determining the amount of the bonus. Qualitative factors include, but are not limited to customer satisfaction, consideration of sustainability factors, compliance with internal regulations, the assumption of additional tasks or responsibilities (including in projects, for instance), the qualitative personal contribution to the success of the team or department, and innovation initiatives and/or quality improvements. However, these factors are only guidelines because there is no single formula according to which the bonus is measured.

In addition, salary benchmarks are also part of the remuneration policy. For this reason, Berenberg participates in the salary comparison study of Willis Towers Watson for Europe and also monitors market developments by way of personnel consultants and considers these developments in determining the compensation structure. Additionally, the compensation system at Berenberg operates on a gender-neutral structure.

In accordance with Section 6 (2) *InstitutsVergV* in conjunction with Section 25a (5) KWG, the variable remuneration must not exceed 100 percent of the fixed remuneration for each individual employee. However, the partners may resolve to approve a higher variable remuneration that must not exceed 200 percent of fixed remuneration for each individual employee, in accordance with Section 6 (4) *InstitutsVergV* in conjunction with Section 25a (5)(5) *et seqq*. KWG. The partners adopt such a resolution every year anew.

If a bonus is guaranteed in connection with the establishment of a new employment, such a guarantee may not be made for longer than the first 12 months of employment, in accordance with Section 5 (5) *InstitutsVergV*.

According to Section 9 (2) *InstitutsVergV*, the remuneration of employees in the control units must be predominantly fixed in accordance with the nature of their responsibilities. Specifically, the variable remuneration may not account for more than one third of their total remuneration. Therefore, the fixed remuneration always represents the greater part of total remuneration. This is meant to ensure that the requirements of Sections 5 (1) 2 and 5 (4) *InstitutsVergV*, Section 9 *InstitutsVergV* and the compliance function according to BT 1.3.3.4 (6) MaComp are met. In addition, conflicts of interest are averted through the independence of the control units and the direct reporting line to the partners. The Credit Risk Management, Risk Controlling, Group Compliance and Internal Audit units are deemed to be control units within the meaning of Section 2 (11) *InstitutsVergV*.

The final decision on remuneration in every case, i.e., fixed salary increases and whether and in what amounts bonus payments are made, is decided by the partners on an annual basis.

Supplementary rules apply to "risk-takers" (i.e. employees whose professional activities have a substantial impact on a bank's risk profile, see KWG Section 1 (21), also known as "identified employees"), for instance, with respect to the determination and payment of bonuses.

The quantitative information is published separately on the Berenberg homepage.

We were supported by a law firm specialised in regulatory remuneration issues in designing and wording the "Principles of the Remuneration System of the Berenberg Group" for implementation of the "Regulations Governing Supervisory Requirements for Institutions' Remuneration Systems (*Institutsvergütungsverordnung – InstitutsVergV*)" of 4 August 2017.

8. Closing statement

In signing this document, the Board of Management hereby states that the risk management methods and processes used by Berenberg are suitable for providing a comprehensive picture of the Bank's risk profile. In particular, the models used make it possible to permanently ensure the Bank's risk-bearing capacity.

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