Landesbank Berlin AG | Berliner Sparkasse

2022

Annual Financial Statements and Management Report

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A. Background

1. Organisation and structure

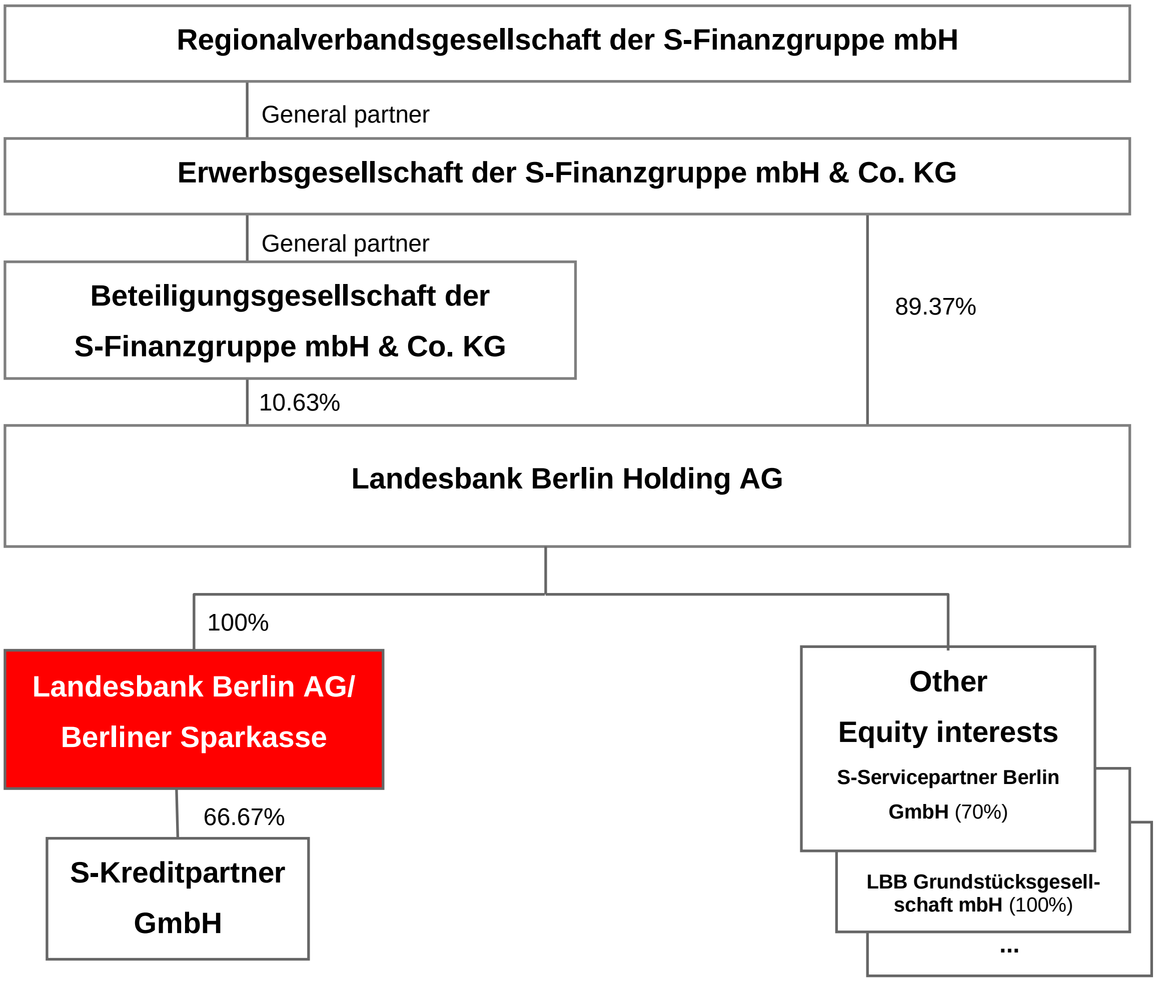
This management report encompasses Landesbank Berlin AG including Berliner Sparkasse, so that in the following these designations are used: Landesbank Berlin AG / Berliner Sparkasse (LBB/BSK).

Landesbank Berlin AG (LBB) is a non-listed stock company and a credit institution in the meaning of the German Banking Act (*Kreditwesengesetz*, hereinafter KWG). It is the legally and economically responsible body for Berliner Sparkasse (BSK) and, in accordance with the Berlin Savings Bank Act (*Berliner Sparkassengesetz*), is deemed its own association of savings banks. Sparkassenverband Berlin, the Berlin association of savings banks, is a member of the German Savings Bank Association (*Deutscher Sparkassen- und Giroverband*, hereinafter DSGV) and therefore one of 12 regional associations of savings banks. It represents the interests of LBB/BSK within the Sparkassen Finance Group and towards the State of Berlin. Berliner Sparkasse is an institution with partial legal capacity under public law and is a branch of Landesbank Berlin AG.

Sec. 2 para. 1 of the Berlin Savings Bank Act defines the duties relating to the public purpose of Berliner Sparkasse, which was formed in 1818: “It is incumbent on Berliner Sparkasse to promote saving and to satisfy the local demand for credit, particularly that of medium-sized companies and the economically weaker sections of the population.” The business strategy is guided by Sec. 4 of the Berlin Savings Bank Act: “The commercial operations of Berliner Sparkasse are to be conducted in accordance with commercial principles subject to compliance with general economic considerations.” It is within this meaning that LBB/BSK operates. Its work is focused on the fulfilment of its public purpose at all times. The requirements of customers form the primary focus of its business operations. LBB/BSK routinely aligns its products and services with the latest market requirements.

LBB/BSK is a member of the protection scheme for banking institutions of the Sparkasse Finance Group, which is recognised as a deposit guarantee scheme. The key objective of such scheme is to protect member institutions. This is to guarantee the continuation of each member institution in order to uphold the institutions’ business relationships with its customers as agreed upon contractually. Additionally, the protection scheme of the Sparkassen Finance Group also meets the legal requirements for the protection of deposits. According to this, all customers are entitled to compensation from the relevant deposit guarantee scheme up to the amount of € 100,000 per depositor and per credit institution.

LBB/BSK within the Group as at 31 December 2022*



*The organisational chart shows key equity interests and affiliated companies only.

2. Supervision and regulatory issues

The supervising authority competent for LBB/BSK as well as for the group of the acquisition company of S-Finanzgruppe mbH & Co. KG (S-Erwerbsgesellschaft-Gruppe) is the European Central Bank (ECB). The ongoing oversight is performed by the so-called Joint Supervisory Team composed of employees from the ECB, from Germany's Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, hereinafter BaFin) and from the German central bank, and is co-ordinated by the ECB.

By European Central Bank resolution of 13 December 2022, Landesbank Berlin AG is appointed as the parent institution with supervisory authority starting 1 January 2023 and is therefore responsible for the control, the operation, and the decision-making as well as for securing that supervisory requirements at Group level are fulfilled.

As at 31 December 2022, the CET 1 (Common Equity Tier 1) capital ratio at LBB/BSK came to 18.9%. LBB/BSK's capital ratio benefits from the use of an internal ratings-based approach (IRBA) and an advanced measurement approach (AMA) as recognised under regulatory provisions. After the Basel Committee on Banking Supervision finalised in December 2017 the package regarding the reform on the regulatory framework for banks – frequently referred to as Basel IV – it is to be expected that future advantages in terms of capital ratio inferred from the application of internal approaches will be limited. Moreover, amendments to the credit risk standardised approach (CRSA) and to operational risks will likely result in slightly increased capital requirements. LBB/BSK will take suitable measures to maintain the capital ratios in good time to counter this effect.

3. Business Operations

As a full-service bank, LBB/BSK advises its customers on all material financial matters. The primary focus here rests on private and corporate clients, regional commercial property financing, business with major corporate clients as well as Private Banking. The service offering covers everything from payment transactions and financial investments to the financing of private or business investments to structured asset management as well as structured investment. Moreover, LBB/BSK offers retirement planning and insurance products.

Private customer transactions tap a combination of sales channels. At the top of these channels are traditional branches that offer in-person advice and an on-site appointments team that welcomes customers at regional points of contact.

Contact and consultations by video, chat or telephone plus comprehensive online banking for use by smartphone or tablet round off the available sales media.

Private Banking provides personalised wealth management services on all financial matters to high-net-worth customers. Within the framework of this integrated approach, traditional topics include asset investment and financing; inheritance management and foundation management with cross-generational consultancy are also to be emphasised here.

The *HeilberufeCenter* is a further specialised service format which is available to resident doctors and therapists. Personalised consultations include both business-related concerns such as the financing of a practice or payment transactions, as well as matters of personal finance.

LBB/BSK has pooled its competence in mortgage lending for private customers at its five real property centres (ImmobilienCenter) and one special sales unit for business professionals who are looking to finance a personal construction loan. Also, the subsidiary BSK Immobilien GmbH operates as a real estate agency. Customers requiring personalised advice away from the branch offices and outside of business hours may refer to mobile consultations regardless of opening hours. The *Klub zur hohen Kante* is a team of consultants that caters specifically to the savings needs of a younger clientele. Next to personalised banking services, LBB/BSK has the largest network of ATMs in Berlin's city region that cater to day-to-day needs.

The credit card portfolio is composed especially of Amazon EU S.à.r.l. and ADAC Finanzdienste GmbH, both co-operation partners, and is rounded off by LBB's proprietary credit card brand. Due to changes to the strategic purpose of LBB/BSK and its concentration on core operations as well as on maintaining the typical organisation of a metropolitan savings bank, the co-operation with co-branded cards is to be discontinued. Activities will be advanced specific to the individual portfolios. In 2022, a contract for sale was signed for the ADAC portfolio. The legal and economic transfer and migration to the buyer is scheduled for 2023. LBB/BSK is closely co-ordinating the further approach with Amazon.

In terms of transactions with corporate clients, LBB/BSK is a partner to and service provider for businesses of any size and from any sector within the greater Berlin area. This includes next to corporate clients also industrial and business clients.

Company founders and innovative start-ups that settle in the region will find a financial service provider in LBB/BSK, as will associations and foundations, public undertakings and regional authorities. BusinessLine is a hotline offering telephone advice to business customers with an annual turnover of up to € 500,000.

Larger industrial clients and corporate clients may tap both the regional as well as specialised company centres (so-called *FirmenCenter*) to receive customised consultation services. These FirmenCenter specialise on one hand on Digital Economy, Retail Trade and Hospitality, Trades and Media and Creative Industries, and on the other on Formations and Succession or Start-ups. Services for key corporate clients are personalised and provided by a dedicated unit.

Expert advice is furthermore provided on subjects such as Foreign Countries, Digitalisation, Leasing and Subsidies as well as Payment Transactions.

With years of expertise and a regional focus, LBB/BSK is active also in the Berlin market as a financing institution for real property. It backs all customer groups with financing needs, be they investors, home owners, or affluent private customers. Commercial properties are financed at a scale of between € 5 million and € 50 million. Large-scale financing tends to be arranged in collaboration with syndicate partners from the Sparkassen Finance Group.

Treasury and Corporate Clients field of activity has a set up typical of savings banks with core functions encompassing the hedging and refinancing of customer business, solvency management, bank owned securities (Depot A) substituting loans in the context of traditional asset allocation as well as the strategic transformation of maturities. Moreover, operations with corporate clients as well as public sector institutions are located there.

Additional services are rendered by the central and back-office units Compliance, Lending, Finance, Risk Control, Organisation and Productivity Management, Business Development, Customer and Product Management, Risk Management and Legal, Internal Auditing as well as Human Resources.

LBB/BSK is also part of a tight network of specialised affiliated partners from the Sparkassen Finance Group.

S-Kreditpartner GmbH (SKP) is the affiliated partner specialised in car loans and consumer lending of the Sparkassen Finance Group. As at 31 December 2022, 343 of 361 savings banks are tied to SKP via a co-operation agreement. Next to LBB/BSK, Deutsche Sparkassen Leasing AG & Co. KG is a shareholder of SKP. LBB/BSK holds more than 66.67% of the voting shares. Decisions taken by the circle of shareholders require a majority of 75% of the votes.

SKP provides the respective products to the partnering savings banks and comprehensively supports customer advice services. All technical processes and the personal support provided by SKP are geared towards creating the freedom for on-location savings bank advisors that they require to offer optimum advice to their customers on personal loans and car loans from the savings bank. Especially with regard to online operations, SKP provides an additional service offer to its partnering savings banks under the S Kredit-per-Klick brand, which is also accessible with a current account (facility based on account balance) as well as the S-App (express loan). Moreover, SKP focuses on financing the procurement activities of dealerships that trade in cars and recreational vehicles.

LBB/BSK and Landesbank Berlin Holding AG (LBBH) perform risk controlling for SKP under an agency agreement.

S-Servicepartner Berlin GmbH (S-Servicepartner) is a further affiliated partner which assists LBB/BSK in further strengthening its core competencies in sales as a back office. LBB/BSK thus persistently follows the strategic instructions provided by the Sparkassen Finance Group. S-Servicepartner offers a broad and balanced range of back office services in such fields as Assets and Liabilities, SEPA and foreign payment transactions as well as in international transactions.

4. Strategic Goals

LBB/BSK's strategic direction is focused on the shared business strategy of German savings banks. The following shared strategic goals of the savings banks are to be achieved: fulfilment of the public purpose; the widest possible market coverage and customer satisfaction; a high proportion of digital offers for customers; a stable risk situation and the highest possible degree of efficiency. At the same time, the savings banks have decreed sustainability as a primary focus for the years to the come.

Six strategic goals have been formulated for LBB/BSK on this which it aims to have achieved by 2027:

(1) BSK secures its prime market position in Berlin through a high degree of **customer satisfaction**. BSK promptly provides digital offers from affiliates.
(2) BSK uses the **Group standard** only. Its complexity exists merely in the shape of an ECB institution.
(3) BSK supports its customers with their sustainable transformation and develops new fields of earnings in line with a sustainable business portfolio. At the same time, it pursues **sustainability** on all levels of its business operations.
(4) **Human Resources** at BSK are well-positioned for the future: recruiting, qualification, transformation and management of the human resources are focused and constantly advanced through standard offers.
(5) BSK is a **profit-oriented**, viable institution.
(6) BSK operates under a persistent **cost management**. With help from the cost programme, it aims to achieve ambitious cost savings in the short term by 2025 to position itself amongst the G10 savings banks in the long term.

Even the external structure of LBB/BSK is to become much simpler by 2025, thereby aligning itself with all other savings banks. For this, measures simplifying the structures were rolled out in the context of the future programme titled Z25!.

Persistent cost management with ambitious structural cost savings to the amount of € 250 million also forms part of this future programme. The achievement of this goal will stretch to parts of 2025 and 2027, partly due to contractual commitments that extend beyond 2025 and also because of the extended downsizing of human resources for socio-demographic reasons.

The strategic goals are operationalised with a five-year horizon and achieving them is closely accompanied and monitored by applying appropriate timelines and milestones.

5. Control

The control of LBB/BSK's operations is based on an annually recurring strategy and planning process which is subject to regulatory specifications. It is therefore risk-based and value-oriented and on principle follows the following process stages: planning; implementation; analysis; and update. Central control instruments include especially the financial statements which are prepared in accordance with commercial law and regulatory rules, budget reports, finance reports and risk reports as well as cash flow, new business and portfolio reports. Possible deviations and their respective causes are continuously analysed based on budgeted/actual or budgeted/forecast comparisons.

Therefore, the following relevant **financial performance indicators** apply for LBB/BSK:

- Profit transfer to Landesbank Berlin Holding AG (LBBH)
- Administrative expenses
- CET 1 capital ratio: proportion of CET 1 capital attributable under a regulatory framework in relation to the aggregate risk total
- Balance sheet total
- Loans and advances to customers
- Liabilities owed to customers
- Cost-income-ratio (CIR): the ratio from administrative expenses and income (net interest income, net commission income and other operating profit/loss)
- Return on equity: the ratio from Earnings before Tax and Profit plus any changes to the special item for general banking risks in accordance with Sec. 340g of the German Commercial Code (*Handelsgesetzbuch,* hereinafter HGB) and the average balance sheet equity including the special item for general banking risks pursuant to Sec. 340g HGB

The following **non-financial** performance indicators are added to this:

- Employee capacities
- As of this year, customer satisfaction was added as a further non-financial performance indicator. It is measured every other year based on a market survey using the DSGV index. Since the last survey was conducted in 2021 by a new market research institute, 2021 will also serve as the reference point for future comparisons. The anonymous survey represents the population living in the

metropolitan area of Berlin and was conducted as a mix between telephone and online interviews.

For the financial year 2022, LBB/BSK prepared a separate non-financial statement in accordance with Secs. 289 b and c HGB (Sustainability Report) whose content will be developed further in the years to come. This report is not part of the management report, yet will be disclosed and published together with it at https://www.berliner-sparkasse.de/de/home/ihre-sparkasse/ihre-sparkasse-vor-ort.html

6. Social Responsibility*

Russia has been at war of aggression against Ukraine since 24 February 2022. As a public savings bank for Berlin with a social purpose, LBB/BSK has been living up to its mission and already opened around 17,000 accounts for persons fleeing the war in Ukraine to ensure that these displaced persons may swiftly and lastingly partake in the economic life and draw on social benefits. These basic accounts are provided free of charge for a period of six months.

Since 24 May 2022, displaced persons fleeing the Ukraine are entitled to exchange the one-time amount of up to 10,000 Ukrainian hryvnia to euros in Germany. Berliner Sparkasse is participating city-wide with 19 branches in this campaign.

Beyond this, LBB/BSK participated in a number of projects that collected financial and non-financial donations as well as support projects both in Berlin as well as on location in Ukraine. As a sign of appreciation, LBB/BSK gave all employees who volunteered for Ukraine relief projects during their holiday paid time off work of up to three days.

One of the pillars of LBB/BSK's social commitment are Stiftung Berliner Sparkasse, Stiftung Brandenburger Tor and Berliner Sparkassenstiftung Medizin, all of which are foundations. They support social projects, education and equal opportunities for children and young people, art and cultural projects as well as medical research with a focus on rare diseases.

Funds taken from *PS-Sparen und Gewinnen* – a prize draw that is based on a saving format – support children and youth projects as well as facilities caring for people with disabilities and the elderly in collaboration with the Senate administration for integration, labour and social affairs as well as education, youth and family.

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* marked as unaudited

LBB/BSK awards the Roman Herzog Prize to further grow co-operation within society and participates in various accolades, such as, for example the Prize for Understanding and Tolerance from the Jewish Museum Berlin and the Margo Friedländer Prize which distinguishes schools for their culture of upholding the memory of the Holocaust, as well as the Inclusion Award initiated by the State of Berlin.

A broadly set up neighbourhood support programme boosts a number of small projects organised at schools, sports clubs, social and cultural facilities in all of Berlin's districts. The offer available for financial education extends from fiat money for the first day at school to *Planspiel Börse*, a stock exchange simulation game to the money and household lecture service.

LBB/BSK acts as a sponsor of sports, culture, business and social affairs as well as of important historical events of the city. For example in sports, it backs the efforts of the handball club *Füchse Berlin* for junior players as well as *BR Volleys* and together with the national sports association sponsors high-performance as well as popular sports.

We cooperate with the *Komische Oper Berlin* in order to sponsor cultural diversity and participation of all social groups in opera performances. The partnership with the Museum of Natural Sciences Berlin encompasses different event and podcast series aiming at transfering knowledge. LBB/BSK sponsors the Berlin Zoo and its educational offer roofed under the Zoo School and is committed to protect the diversity of species with its animal sponsorships.

There is also a close co-operation with the Freie Universität Berlin on sponsoring start-ups as well as an endowed professorship on the topic of digitalisation. An endowed professorship on the subject of banking regulation is sponsored jointly with the University of Applied Sciences for Finance of the Savings Bank Finance Group. Moreover, LBB/BSK supports the network of the Berlin Music Commission and the Businessplan-Wettbewerb Berlin-Brandenburg where young entrepreneurs are supported. With HTW Berlin – University of Applied Sciences, LBB/BSK supports potential start-ups on their path to becoming independent.

B. Economic Report

1. Economic framework

Despite a significant rise in consumer spending following the 2021/22 winter which was marred by Covid, Germany's gross domestic product (GDP)[1] merely rose by 1.8% for the whole year. Next to personal consumption, investments also grew while foreign trade and construction activities declined noticeably.

Over the year, there were substantial shifts which in large parts are in the least indirectly due to Russia's attack on the Ukraine. In Germany, the supply of energy was most and for all affected by this as the supply of energy from Russia ceased gradually. Procurement costs experienced a sharp rise, bringing uncertainty to both consumers and businesses. Two-digit inflation rates in autumn reflected the significant loss in purchasing power. Especially in relation to household energy prices they were not yet felt across long periods of the year. Initially, above average savings created during the pandemic helped to cover additional expenses.

Berlin's economic performance[2] rose in the first half of 2022 by 3.7% compared to the previous year, thus stronger than Germany's overall GDP. However, the increase in employment liable to social security contributions slowed in Q3 in Berlin to 0.5% compared to Q2 so that the lead compared to Germany's overall rate shrank (0.2%). Since the economic development in the geographic area of operation of LBB/BSK remained clearly above nationwide rates throughout the whole year, the increase of the percentage of the working population[3] once again was clearly higher in Berlin with 3.4% than that of Germany overall (1.3%). The year was defined by both a rebound effect following the end of pandemic-related restrictions as well as a steep rise in prices in almost all areas of life and the economy. Turnover and employment in the services sector[4] recorded strong growth in the first half year which spilled over to August at least. The retail trade[4] and the tourism sector[5] recorded increases in sales for the first three quarters which, however, was at the expense of e-tailing and mail ordering, two sectors which are likewise firmly established in Berlin.

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[1] Destatis: Communication no. 037 of 30 January 2023

[2] Government expenditure by the Lands as at 23 September 2022

[3] German Federal Employment Agency 2023

[4] Office for Statistics of Berlin-Brandenburg 2023

[5] Office for Statistics of Berlin-Brandenburg 2022

Displaced persons fleeing Ukraine as well as generally more active migration patterns exacerbated the situation in Berlin's very tense housing market. Net influx totalled 61,600 persons[4] by September, thus surpassing the previous record year of 2016. The housing offer could not keep up with demand-side pressures. The number of building permits[4] for flats fell by November by 6.5% to around 15,000. A rise in interest rates and higher living expenses diminished the affordability of residential property. As a result, the rise in property prices slowed[6] in the course of the year 2022. In the geographic area of operation of LBB/BSK, prices for condominiums fell for the first time by 1.7% in Q4 compared to the preceding quarter while all other top seven cities in Germany, they had already recorded a predominantly higher fall in prices before. The increase in rents accelerated significantly towards the end of the year, rising by 30% compared to the corresponding quarter of the previous year.

With an expected increase by 4.1%, employment figures once again clearly improved for the year as a whole. Unemployment[3] fell strongly in spring for Berlin, then rose again due to one-off effects from accommodating displaced persons fleeing Ukraine in summer. Compared to the start of the year, the unemployment rate thus remained the same at the end of the year with 8.9%. The add-on to the pre-pandemic unemployment rate, according to the German Federal Employment Agency, remained high in Berlin with 1.1 percentage points towards the end of year while it reached merely 0.6 percentage points nationwide.

The European Central Bank markedly raised its deposit rate throughout the year from -0.5% to 2.0%. Moreover, it suspended its bond purchase programmes, created incentives for the early repayment of its longer-term refinancing operations with banks (TLTRO) and initiated its balance sheet contraction at the end of the year with the announcement that it no longer intends to fully reinvest bonds from its portfolio that have reached maturity. As inflation appears to solidify clearly above the 2% target and, especially in relation to the US Dollar, additional negative devaluations have ensued, this late and brusque change of course had become neccessary. In this context, capital market interest also rose significantly. Based on the negative values at the beginning of the year, the average return on ten-year German government bonds increased by more than 2% in Q4. This was triggered by their short maturity. At the same time, more stringent financing conditions intensified fears of a recession, resulting in a flat yield curve which towards the end of the year even showed an inverted curve with a negative spread of around 20 basis points for two-year to ten-year

[4] Office for Statistics of Berlin-Brandenburg 2023

[6] Empirica 2023

[3] German Federal Employment Agency 2023

bonds. Despite this trend, loan portfolio growth of all banks in Germany[7] for domestic enterprises and private individuals has accelerated to almost 7%.

2. Business Performance

The war in Ukraine and the resulting trading restrictions and sanctions, energy supply shortages and rising energy costs, supply chain bottlenecks as well as high rates of inflation and follow-up expenses due to the Covid-19 pandemic are a considerable burden for the whole of Europe. Against this backdrop, the German economy performed well in 2022.

According to LBB/BSK appraisals, estimating the impact of these influences on loan portfolios is currently fraught with considerable uncertainties. Concrete, identifiable de facto defaults have been minor so far for both loan portfolios as well as regarding investment portfolios. The bank's solvency and refinancing situation, according to LBB/BSK, is currently stable.

However, especially in light of the current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession) there are significant risks which established assessment models are unable to fully and adequately take into consideration. Taking into consideration the possibility of time-related discrepancies regarding the latest information on the current financial situation of borrowers and the valuation of collaterals (e.g., determination of lending value) on the balance sheet date as well as of downgrades in rating or negative changes in the value of collaterals which have occured on the balance sheet date but only become known after the balance sheet date upon evaluation of the information presented on the financial situation of borrowers or when updating the collateral values, LBB/BSK has taken respective measures. Against this background and to shield against any latent default risks, LBB/BSK has created a management adjustment within the general loan loss allowance under commercial law in the additional amount of € 20 million (post-model adjustment).

A management adjustment for risks anticipated as a result of the Covid-19 pandemic which was created in 2020 has been dissolved.

Development of the most relevant performance indicators for LBB/BSK during the financial year 2022:

[7] Deutsche Bundesbank 30 January 2023

Performance indicators	ACTUAL 31 Dec. 2022	Forecast 2022[1]	ACTUAL 31 Dec. 2021
Profit transferred to LBBH (in mn. €)	132	85	42
Administrative expenses (in mn. €)	804	805	852
Employee capacity	2,883	2,948	2,992
CET 1 capital ratio in %	18.9%	16.0%	18.5%
Balance sheet total (in mn. €)	48,777	45,100	52,484
Loans and advances to customers (in mn. €)	29,223	29,900	27,381
Liabilities owed to customers (in mn. €)	35,144	32,100	34,395
Cost-income ratio in %	71.2%	80.9%	85.3%
Return on equity in %	7.6%	5.0%	10.1%
Customer satisfaction (individual/business)[2]	69 / 78		69 / 78

[1] Original 2022 forecast in last year's management report (31 December 2021)
[2] Indicators refer to 2021 when the measurement was realigned (therefore no comparative figures)

In the reporting year, LBB/BSK was able to transfer profits in the amount of € 132 million to LBBH. LBB/BSK profit was thus clearly above the previous year's level. The originally projected profit transfer in the amount of € 85 million was exceeded following a higher operating result due to the rise in the level of interest and the introduction of a new account-keeping model.

Administrative expenses totalled € 804 million and were thus as budgeted. Compared to the forecast there were higher costs in connection with ongoing personnel reductions while other administrative expenses were slightly lower.

Employee capacity continued to decline, falling below anticipated levels. Especially the area of customer care for portfolios of third-party cards which are to be sold in the years to come recorded higher departures.

CET 1 capital ratio as at 31 December 2022 totalled 18.9% and was thus higher than forecast (16.0%). The reasons for this were the allocation of more reserves to the fund for general banking risks and the reflection of fewer risk-weighted assets (RWAs) compared to the forecast.

The balance sheet total as at 31 December 2022 came to € 48.8 billion and was thus above the originally forecasted value of € 45.1 billion. The plan overrun is especially due to fewer funds having been repaid from the ECB's targeted longer-term refinancing operations, the TLTRO III refinancing programme, compared to the forecast scenario. The total amount of € 6.1 billion was repaid, while a repayment to the amount of € 7.8 billion had been forecast. Moreover, fixed-term deposits of LBBH AG to the amount of € 1.3 billion resulted in an increase.

Loans and advances to customers per product (in mn. €)	31 Dec. 2022	31 Dec. 2021	Change absolute	Change in %
Mortgage loans	11,862	11,111	751	6.8
Municipal loans	1,478	1,532	-54	-3.5
Other receivables	15,883	14,738	1,145	7.8
Total	**29,223**	**27,381**	**1,842**	**6.7**

As had already been foreseeable by the first half of the year, the forecast € 29.9 billion in Loans and Advances to Customers could not be fully reached due to less than anticipated new lending business.

Liabilities owed to customers per product (in mn. €)	31 Dec. 2022	31 Dec. 2021	Change absolute	Change in %
Daily deposits	28,448	29,204	-756	-2.6
Time deposits	1,856	189	1,667	> 100
Savings deposits	4,383	4,545	-162	-3.6
Registered pfandbriefe	454	454	0	0.0
Promissory note loans	3	3	0	0.0
Total	**35,144**	**34,395**	**749**	**2.2**

Liabilities owed to Customers exceeded the previous year’s expectations especially due to time deposits of affiliated companies (LBBH AG).

Higher income in particular led to a lower than previously forecast cost income ratio with 71.2%.

Return on equity with 7.6% was above the projected level due to income that exceeded the assumptions made in the forecast. The value as at 31 December 2021 in the amount of 10.1% had been higher amongst other things due to the substantial conversion of reserves in accordance with Sec. 340f HGB within the special items position pursuant to Sec. 340g HGB.

The market analysis which is conducted every other year to measure customer satisfaction showed a good DSGV index value of 69 for private customers, and an excellent DSGV index value of 78 for corporate clients. No forecast values were available for this last year.

3. Earnings situation

Profit/loss (in mn. €)	31 Dec. 2022	31 Dec. 2021	Change absolute	Change in %
Net interest income [1]	817	772	45	5.8
Net commission income	274	248	26	10.5
Administrative expenses	804	852	-48	-5.6
Personnel expenses	329	383	-54	-14.1
Other administrative expenses	451	447	4	0.9
Depreciation and value adjustments on intangible assets and property, plant and equipment	24	22	2	9.1
Other operating income	38	-20	58	> 100.0
Operating result before risk provisioning	**325**	**148**	**177**	**> 100.0**
Risk provisioning	129	-105	234	> 100.0
Risk provisioning in lending business (net)	112	-104	216	> 100.0
Profit/loss from securities of the liquidity reserve	17	-1	18	> 100.0
Operating result	**196**	**253**	**-57**	**-22.5**
Profit from financial investments	5	1	4	> 100.0
Fund for general banking risks	70	213	-143	-67.1
Profit/loss before tax	**131**	**41**	**90**	**> 100.0**
Other taxes	-1	-1	0	0.0
Profit transferred	132	42	90	> 100.0
Net income for the year	**0**	**0**	**0**	**-**

[1] Net interest income including ongoing earnings from stocks and other variable-yield securities, equity interests, shares in affiliated companies and earnings from profit pools, profit and loss transfer agreements or partial profit and loss transfer agreements.

Net interest income above the previous year

The net interest income to the amount of € 817 million increased compared to the previous year especially due to the increase in interest income from deposit business with customers. Income from equity investments increased by € 20 million compared to the previous year.

Net commission income higher than in previous year

The net commission income exceeded the previous year's value by € 26 million to reach € 274 million. Roughly more than half of this surplus is attributable to payment transactions and account-keeping. The increase in net commission income was achieved especially due to the new account-keeping pricing model in retail banking and the number of business accounts having increased. Net commission income from third-party card operations also rose because of an increase in turnover with card transactions.

Administrative expenses lower than in 2021

Expenses for administration totalled € 804 million and thus were € 48 million lower compared to the previous year at € 852 million. The reduction in personnel expenditure by € 54 million was primarily the result of outsourcing pension liabilities and the associated lower expenses for retirement benefit plans. An increase in the cost of personnel reductions had an opposite effect. For other administrative expenses, a heterogenous picture emerged within the cost element categories. To be emphasised here in particular are higher expenses for the banking levy and lower expenses in connection with services for third-party card portfolios.

Other operating profit/loss characterised by a decrease in accumulation effects

The balance for other operating income and expenses totalled € 38 million and exceeded the previous year's level by € 58 million. Other operating profit increased predominantly due to a fall in expenses relating to the accumulation of pension provisions. Also, the dissolution of provisions contributed to a further improvement of the profit.

Risk provisioning stepped up

Expenditure for risk provisioning amounted to € 129 million and was thus higher than in the previous year (earnings of € 105 million). The previous year's value was defined by the dissolution of contingency provisions in accordance with Sec. 340f HGB and a simultaneous backing of the special item for general banking risks connected to the outsourcing of the pension liabilities.

The general allowance for bad debt according to IDW RS BFA 7 was created for foreseeable but not yet individually specified credit risks. Compared with the previous year, the general allowance for bad debt deducted from the accounts receivable portfolio increased by € 58.9 million to € 78.6 million. The provisions for latent default risks relating to contingent liabilities and other liabilities increased by € 14.4 million to € 20.5 million. The first-time application of IDW RS BFA 7 resulted as at 31 December 2022 in an increase in the general allowance for bad debt by € 6.1 million, and an increase of provisions in lending business for contingent liabilities and other liabilities by € 15.8 million. This general allowance was calculated in line with the specifications of IDW RS BFA 7 and refers to an expected loss model which in relation to taking the latent credit risk into account applies the parameters PD (probability of default), secured recovery ratio (expected recovery from the utilisation of, if applicable, available collaterals), and unsecured recovery rate (expected recovery from available parts of assets/ liquidity) as well as credit conversion factors according to the risk management.

The current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession) are having a significant impact on the financial performance of companies and private households, which also affects the assessment of latent and, respectively, acute default risks. To this extent there are significant risks which established assessment models are unable to fully and adequately take into consideration. Therefore, a further management adjustment has been created for the general allowance for bad debt as these risks are not fully reflected in the ratings as at 31 December 2022 or in the collateral evaluations. The management adjustment was established on the basis of simulated changes to the relevant parameters for the evaluation of the respective sub-portfolios (and here in particular PD). The changes to the parameters were inferred based on the respective risk analyses for the bank's individual loan portfolios. As at 31 December 2022, the total management adjustment that has been created amounts to € 20 million. The management adjustment created in 2020 for risks resulting from the Covid-19 pandemic has been dissolved. € 91 million were attributed to the contingency reserves pursuant to Sec. 340f HGB.

An analysis of securities held as liquidity reserve showed for the year under review a liability to the amount of € 17 million (previous year € 1 million in profit). This is predominantly due to a fall in prices for short-term securities following the increase in interest rates.

Profit from financial investments improved

In terms of profits from financial investments, the result improved compared to the previous year by € 4 million, totalling € 5 million. Here, income from equity investments exceeded expenses from investment securities.

The income from equity investments was predominantly characterised by the partial sale of preference shares of Visa Inc. in the context of a VISA-initiated conversion (+ € 17 million).

The negative effects from investment securities reflect a decline in prices in fund positions which are on one hand due to higher interest rates and on the other due to broader credit spreads.

Fund for general banking risks strengthened

The fund for general banking risks pursuant to Sec. 340g HGB was strengthened by € 70 million to cover general banking risks.

4. Net Asset Position

Assets (in mn. €)	**31 Dec. 2022**	**31 Dec. 2021**	**Change**	
			absolute	in %
Loans and advances to banks	9,282	1,837	7,445	> 100.0
Loans and advances to customers	29,223	27,381	1,842	6.7
Bonds	7,839	8,028	-189	-2.4
Shares and other variable-yield securities	221	236	-15	-6.4
Equity interests/ shares in affiliated companies	634	592	42	7.1
Property, plant & equipment	61	68	-7	-10.3
Other assets	1,517	14,342	-12,825	-89.4
Total assets	**48,777**	**52,484**	**-3,707**	**-7.1**

Compared to the previous year's balance sheet date, the **Balance Sheet Total** decreased by € 3.7 billion, to € 48.8 billion as at 31 December 2022.

Loans and Advances to Banks totalled € 9.3 billion and were thus € 7.4 billion above the previous year's level of € 1.8 billion. The rise is due to tapping the deposit facility with Deutsche Bundesbank.

Loans and Advances to Customers rose compared to the previous year's balance sheet date by € 1.8 billion and amounted to € 29.2 billion. New lending business, however, was slower than expected.

The portfolio of **Bonds and other Fixed-Income Securities** fell slighty by € 0.2 billion, to € 7.8 billion.

Equity Shares and other Non Fixed-Income Securities were mainly shares in investment funds from proprietary investing on the balance sheet date.

The changes in the position **Equity Interests/ Shares in Affiliated Companies** resulted predominantly from a payment towards the capital reserve of S-Kreditpartner GmbH to the amount of € 39 million.

The distinct decrease of **Other Assets** results from the reduction of the liquidity reserve held with Deutsche Bundesbank compared to the previous year.

Liabilities (in mn. €)	**31 Dec. 2022**	**31 Dec. 2021**	**Change**	
			absolute	in %
Liabilities owed to banks	4,460	10,464	-6,004	-57.4
Liabilities owed to customers	35,144	34,395	749	2.2
Securitised liabilities	3,922	3,110	812	26.1
Provisions	534	498	36	7.2
Subordinate liabilities	385	393	-8	-2.0
Equity	2,161	2,161	0	0.0
Share capital	1,200	1,200	0	0.0
Reserves	961	961	0	0.0
Other liabilities	2,171	1,463	708	48.4
Total liabilities	**48,777**	**52,484**	**-3,707**	**-7.1**

The decrease in **Liabilities owed to Banks** by € 6.0 billion to € 4.5 billion was primarily due to the partial repayment of funds from the ECB tender (TLTRO III).

Liabilities owed to Customers increased by € 0.7 billion to € 35.1 billion compared to the previous year. € 1.7 billion of this increase is due to fixed-term liabilities, while saving deposits declined by € 0.2 billion and liabilities due on demand fell by € 0.8 billion.

Certain new issuances increased the volume of **Securitised Liabilities** by € 0.8 billion to € 3.9 billion.

Provisions rose slightly compared to the previous year. After the transfer of major parts of pension liabilities to a non-insurance type pension scheme in 2021, pension provisions still amount to € 165 million.

Equity of LBB/BSK as at the balance sheet date remained the same at € 2.2 billion compared to the value of the previous year's balance sheet date. No balance sheet profit/loss was incurred by the profit and loss transfer agreement with LBBH.

The increase of **Other Liabilities** results mainly from higher collaterals due to the development of interest rates.

5. Financial Position

Liquidity management of relevance to banks and savings banks is based on the principles set forth in Sec. 11 KWG; the Minimum Requirements for Risk Management (MaRisk in the version as in effect on 16 August 2021); as well as on the stipulations contained in the Capital Requirements Regulation (CRR) (Part VI, Articles 411 to 428). Liquidity management is overseen by Treasury and Corporate Clients. Throughout 2022, the liquidity coverage ratio (LCR) was always above the regulatory target value of 100% on the relevant reporting dates; it reached 160% on 31 December 2022. LBB/BSK's financial solvency was thus always guaranteed.

LBB/BSK works under forward-looking liquidity planning and maintains a liquidity reserve to secure day-to-day payment requirements. For the refinancing of its lending business, it applies a mix of instruments. This includes savings, demand and time deposits of customers, bonds in the form of pfandbriefe, other securitised liabilities as well as liabilities owed to banks. For refinancing operations with the ECB, LBB/BSK maintains corresponding collateral with ECB to be able to use these if and when needed. To meet minimum reserve requirements, the respective deposits are held with the Deutsche Bundesbank, central administration Berlin and Brandenburg. In 2022, LBB/BSK drew on the Eurosystem's

TLTRO III programme. The funds from the ECB tender, however, have been repaid to a substantial degree.

Market conditions described as extremely challenging by LBB/BSK, which throughout the financial year 2022 were impacted by inflation, recession, central bank policies and the conflict in Ukraine, never thwarted compliance with regulatory requirements and in-house requirements in relation to LBB/BSK's liquidity and refinancing situation. Next to meeting the LCR and NSFR, internal risk limits and early warning stages for the liquidity risk of LBB/BSK were equally never exceeded during the financial year. Customer deposits as a key element of LBB/BSK's refinancing proved to be stable even in an inflation and recession-plagued environment. Fluctuations in deposits always remained within the bank's customary limits. A material change in the refinancing structure came from the early partial repayment of funds borrowed under the TLTRO III refinancing programme as at 21 December 2022 following the ECB's retrospective single-sided amendment of conditions. Bonds in the form of pfandbriefe were issued as a fine-tuning instrument during the financial year. An overall volume of € 900 million in pfandbriefe with different terms were issued.

A more detailed deliberation on the liquidity status has been set out in the risk report.

The balance sheet equity as at 31 December 2022 remained unchanged at € 2.2 billion, totalling 4.4% of the balance sheet total. It encompasses the share capital (€ 1.2 billion) and reserves (€ 1.0 billion).

LBB/BSK's capital resources under supervisory law requirements subject to the Capital Requirements Regulation (CRR) totalled € 3.0 billion (capital resources after approval of the annual financial statements) as at 31 December 2022 (previous year's balance sheet date: € 2.9 billion). In relation to the risk situation under the CRR, the total capital ratio computed therefrom for LBB/BSK comes to 21.5% (previous year: 21.3%). CET 1 capital after approval of the annual financial statements totals € 2.6 billion as at 31 December 2022. In relation to the weighted risk situation, this results in a CET 1 capital ratio as at 31 December 2022, the balance sheet date, of 18.9% (previous year's balance sheet date: 18.5%).

6. Human resources report*

LBB/BSK offers many interesting and qualified activities to its employees which include in most cases also direct customer contact. Flexible working time models and remote working,

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* marked as unaudited

diverse and target audience-optimised formats and programmes supporting the personal and professional advancement, plus innovative feedback and dialogue tools promote motivation and business-minded behaviour of employees. Additionally, offers and services beyond collectively agreed obligations boost the attractiveness of LBB/BSK as an employer. LBB/BSK is committed to a family-centric corporate culture. In 2021 and in 2022, it received the seal for participating in the progress index on family as a success factor (*Erfolgsfaktor Familie*), an initiative by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth.

Employee capacity and staffing levels

LBB/BSK's employee capacity came to 2,883 as at 31 December 2022. The share of female employees totalled 61% of the total workforce. As at 31 December 2022 (balance sheet date), 1,091 employees worked under a part-time contract, which corresponds to a rate of around 33% of the total workforce.

The shortfall within the sales department for private and corporate banking can no longer be offset by junior staff alone. Therefore, additional outside recruitment programmes were initiated in 2021 and 2022 for the sales department which will continue in 2023. These outside recruitments, which target in particular career changers, form an increasingly important pillar in personnel recruitment.

Training, professional development and qualification

LBB/BSK is one of Berlin's biggest institutions to train apprentices, offering a range of opportunity to school leavers and university graduates. The qualification to become a trained banking clerk with a specialist qualification in real property encompasses, next to sales and technical content, also events and programmes that promote the societal and political education of the trainees. In addition, a co-operation with the Berlin School of Economics and Law has produced a dual study course, Bachelor of Arts, with a focus on banking.

On top of such initial professional training, LBB/BSK provides a trainee programme for the direct recruitment of university graduates. 161 apprentices, dual programme students and trainees will be selected from the recruits at the end of the year. This brings the rate of junior staff within the workforce to 4.6%.

A co-operation with the North East German Savings Bank Academy (NOSA) provides courses to talented recruits studying to become a Savings Bank Specialist and a Savings Bank Business Economist. Funding is also available for other study paths pursued in tandem with a working commitment.

Employees may choose between programmes for a career in leadership or as a specialist. To take into account current challenges, new in-house CPD formats have been devised. The digital format centre covers topics with a range of different titles: Effective Leadership – even when Remote; Growing Digital Competencies; Agile Working; How to deal with Change; Healthy Leadership; as well as Expertise. Again, LBB/BSK works closely with the North East German Savings Bank Academy and other providers from within the savings bank sector.

Expanding the co-operation with NOSA constitutes a further step towards a co-operation within the network.

Occupational health and safety

LBB/BSK protects and pro-actively promotes health-related concerns amongst its employees. This includes, amongst other things, in-company medical care, company sports programmes and ergonomic workplaces. Crucial to health management is an established, independent psychosocial care offer for employees experiencing a difficult personal situation in life.

7. Corporate governance statement

LBB/BSK is an equal opportunity employer and has enshrined this in its HR policies. Promoting diversity is also part of a corporate culture, as is a working environment in which acceptance, tolerance and mutual trust are a given. LBB/BSK complies with the requirements set out in the German Act on Equal Treatment (AGG). People with and without disabilities, of different ethnicity, sexual orientation, religious affiliation and all ages work together. LBB/BSK signed the Diversity Charter in 2015 and is a member of the anti-homophobia alliance and of the *Erfolgsfaktor Familie* corporate network. Furthermore, LBB/BSK endorsed the charter promoting equality to create a new corporate culture in Berlin (*Gleichstellung gewinnt – für eine neue Unternehmenskultur in Berlin*).

Women and men are to equally take up leadership positions. A family-friendly corporate culture, which includes part-time offers, flexible working time models as well as mentoring programmes for women, together contribute towards further growing the share of women taking up a leadership position. This also includes the setting of key indicators in accordance with the law on the equal participation of women and men in leadership positions in the private sector and in public service (Federal Participation Act, or *Bundesteilhabegesetz*), which came into force in 2015.

The Management Board is the first tier; the second tier encompasses regional management, with the third tier serving managerial and expert positions with leadership and specialist responsibilities. The Supervisory Board had established key indicators for the share of women to join the Supervisory Board and the Management Board in accordance with Sec. 111 para. 5 of the German Stock Corporation Act. When assessing potential candidates and proposed nominees, the Supervisory Board pays attention to an adequate share of women.

Concurring with the legal requirements, the Supervisory Board set itself the goal in June 2022 to reach a female representation of 20% over the next five years (by June 2027). The share of women on the Management Board of LBB/BSK amounts to 25% and is at least to be upheld by June 2027.

As regards the share of women in tier two and tier three leadership positions, the Management Board, in accordance with Sec. 76 para. 4 AktG, determined 35% to be the target to be achieved between 2017 and 30 June 2027. These target values were complied with as at 31 December 2022. Tier 2 with 41% shows a slightly better picture than that of tier 3 with 36%.

In summer 2022, new target values were established for the period between 1 July 2022 and 30 June 2027. As regards the share of women in tier two and tier three leadership positions, the Management Board determined the target to be 40%.

8. Overall statement

The financial year 2022 closed with a profit that exceeded expectations. Expectations regarding net interest income and net commission income as well as the other operating profit were exceeded while at the same time implementing the intended progress regarding a reduction of administrative expenses. Risk provisioning for individual commitments evolved better than planned. Latent default risks in lending, especially in light of current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession) were taken into account by means of an additional general allowance for bad debt in the context of management adjustments. This good result which defied the existing circumstances was used to increase reserves and equity above budget and at the same time transfer a profit to LBBH which was clearly above budget. In view of current economic circumstances, all apparent and latent risks in lending were taken adequately into account.

C. Accounting-related Internal Control and Risk Management

Next to the ongoing financial accounting, LBB/BSK’s accounting in the financial year 2022 encompassed in particular the preparation of the annual financial statements, of a half-year financial statement as well as of the associated management reports. LBB/BSK Finance is responsible for accounting. Accounting follows standardised processes which are regularly monitored in the context of the general risk mitigation approach.

Accounting-related internal controls encompass policies, measures and procedures (regulations) to secure the regularity and the dependability of accounting, compliance with the relevant legal regulations as well as safeguarding the efficiency of controls in relation to accounting. Accounting-related internal risk management measures in relation to the identification, evaluation, and limitation of risks are to vouch for an accounting-compliant preparation of annual financial statements and management reports.

The controls are implemented following an analysis of their suitability, validity, and economic efficiency.

The goal of the accounting-related internal controls is to completely, promptly and accurately record, process, and document business transactions that occur in compliance with legal requirements, the Articles of Association, and other internal policies. Assets and liabilities are to be accurately quantified, itemised, and rated in the financial statements. Results are to be identified properly. The controls also serve the purpose of providing the information for these financial statements promptly, reliably, and completely.

Integral elements of accounting-related internal controls include process-integrated and process-independent measures. Process-integrated measures encompass organisational safeguards such as the segregation of functionalities, restricted access, arrangements regarding guidelines and competencies as well as controls through target/actual comparisons and programmed plausibility checks. Process-independent measures are composed of reviews of the internal audit department and superordinate reviews by the Management. Accounting-related internal risk management is consistent with the aggregate risk strategy based on quantitative and qualitative methods of risk identification (loss event database, self assessment as well as risk indicators), measures to control risk and risk monitoring as well as routine reporting.

To evaluate the financial instruments, Finance relies on the respective price information provided by Risk Controlling. Loan risks are rated by the Loan Department as well as by Risk Management and Legal, with the result being adopted to complete the financial statements.

Finance centrally specifies the default standards for preparing the annual financial statements, the management reports and the tax balance sheet.

LBB/BSK applies process and procedural documentation for the preparation of financial statements and management reports which also incorporates the controls that are to be conducted. Business transactions are processed and posted in IT systems. Account books and other inventory evidence are managed in electronic form.

LBB/BSK uses One System Plus (OS Plus) as its central financial accounting system. Financial accounting has been set up as such that an overview of business transactions and of the financial situation can be imparted to an expert third party in a reasonable period of time.

Controlling risks in accounting is integral to controlling operational risks. Operational risk management is described in detail separately.

An integral part of the accounting processes refers to controls that perform system-based reconciliation, individual controls, spot checks, plausibility checks as well as an alignment with available data sources. In the case of a deviation to the target process, the accounting processes concerned as well as the relevant controls are evaluated and revised. A review of these processes and the appropriateness of accounting-related internal controls is also conducted in the case of changes to the accounting-related systems applied as well as changes to the tasks in the individual divisions.

In 2022, the German Federal Financial Supervisory Authority (BaFin) audited the Finanz Informatik (FI) department which is the central IT service provider of the Sparkassen Finance Group, in accordance with Sec. 44 para. 1 (2) KWG. The Management Board of LBB/BSK was informed of the audit outcome as well as the further procedure as regards reporting. The audit established material deficiencies in specific IT processes and thus in the internal control system for the outsourced service.

Measures to remedy the defects and a schedule with individual measures were discussed with BaFin representatives as well as with the Deutsche Bundesbank. Working through the measures is done on a risk-oriented basis and key measures have already been launched.

The routine follow-up on audit findings including communication of the agreed measures by LBB/BSK is secured by respective reporting by Finanz Informatik based on a corresponding contract. LBB/BSK receives quarterly reports on the status of processing of the findings and the implementation of measures; likewise, the outcome of audit procedures implemented by the auditing units is shared quarterly.

To ensure that established shortcomings with regard to controls do not impact accounting, additional plausibility assessments, analyses and manual control measures were conducted within the process of preparing the annual financial statements. This did not produce any findings and indications of potential errors in accounting.

Internal Auditing – an independent in-house department – carries out non-process related measures and evaluations to monitor compliance with accounting-related regulations and thus the effectiveness of the implemented controls. Internal Auditing takes this into account in its rolling annual budgeting and regularly audits Finance as well as Organisational and Productivity Management. Additionally, high-level controls have been installed in the shape of management reporting and instructing.

D. Risk Report

1. Risk management approach

Risk management is based on the Minimum Requirements for Risk Management (MaRisk) subject to the additional specifications resulting from ECB supervision.

Risk controlling in accordance with MaRisk is exercised by LBB/BSK's Risk Controlling. LBB/BSK carries out risk controlling for default risks, liquidity risks and market price risks. Reporting and the bank's general management including the control of operational risks, on the other hand, have been outsourced to Landesbank Berlin Holding AG (LBBH) under an agency agreement. The risk controlling function is kept separate all the way to the level of the Management Board from those areas in charge of initiating and concluding business transactions.

LBB/BSK, as a subsidiary of LBBH, is integrated in the regulatory group of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG (Group). LBBH was the Group's parent according to regulatory requirements as at 31 December 2022; on 1 January 2023, LBB/BSK assumed this function.

There are Group-wide risk policy principles and a Group-wide risk management. Likewise, risk measurement approaches are uniform across the Group. Risk management is composed of a number of interrelated principles and regulations. The aim of the specifications is to be a stable and reliable business partner to customers and counterparties while complying with all legal and regulatory requirements. The owners should feel that LBB/BSK is an attractive investment with high potential. Towards the public, the fulfilment of the savings bank's public purpose in accordance with the Berlin Savings Bank Act is paramount.

As the superordinate arrangement, the **Business Strategy** creates the strategic framework. It specifies that engaging in risk in a controlled manner within the context of a risk strategy forms an integral part of banking. The risk policy principles and technical risk policy measures ensure that risks taken do not threaten the essence of LBB/BSK and can be controlled at any time.

LBB/BSK and its organisational units must endeavour to ensure that all risks remain transparent and measurable under a standardised Group method.

The concrete allocation of available risk resources – capital and liquidity reserve – of LBB/BSK secures the risk tolerance and liquidity.

The **Risk Strategy** of the LBBH Group establishes a strategic risk framework for LBB/BSK business activities. They are set out in detail for LBB/BSK in a risk strategy which is specific to the institution and which is the responsibility of the Management Board. This is also, amongst other things, where risk that are non-approach conform, i.e. risks which on principle are to be avoided, are established. Compliance with the risk strategy is permanently monitored.

LBB/BSK incorporates opportunities into its strategy outline by way of the Management promoting activities in regions or types of business that are now or in the future deemed to be profitable. At the same time, activities in business segments that are deemed to be too high-risk or less profitable are limited by being defined as to be avoided on principle. Risk Management, which reports to Risk Controlling, deals with the identification, analysis, control, documentation, and reporting of risks.

The **Risk Guide** which outlines the framework for operational risk controlling for both LBBH Group as well as LBB/BSK defines in detail the framework conditions, responsibilities and methodologies of the individual risk management phases. The methodologies applied refer to risk measurement. The manual and the supplementary detailed documentation also set out existing limit systems and escalation processes for every risk type.

The **Risk Inventory** is an independent activity that regularly determines the aggregate risk profile. For this, a number of established processes, such as the updating of the remediation plan, are examined to see if potential risks exist or may occur which had not been taken into account prior. The findings are documented and, where appropriate, the necessary measures are derived therefrom. The risk inventory establishes the key risks for LBB/BSK.

As independent units, the responsible Risk Controlling units are tasked with identifying and rating the risks, supporting risk management within the company and informing Management regularly. The identification, measurement, analysis, management and also the prompt and qualified monitoring and control of the risks are carried out in line with the Risk Strategy and the Risk Guide.

The risk management system encompasses both risk analyses under regulatory specifications as well as a risk assessment from an economic perspective.

In 2022, LBB/BSK's risk management, as before, was determined by the default specifications of the LBBH Group. The Business Strategy, Risk Strategy and Risk Guide of the LBBH Group define the framework of the business activities as well as risk measurement methodologies.

Current developments

General information on the current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession) have been detailed in the Economic Report. According to LBB/BSK appraisals, estimating the impact from these influences on loan portfolios as well as the risk situation is currently fraught with considerable uncertainty. Concrete, identifiable de facto defaults have been minor so far for both loan portfolios as well as regarding investment portfolios. The impact on the individual types of risk is described in the relevant chapters on the respective risk categories.

1.1 Responsibilities and organisational structures in the risk management process

The Management Board is responsible for the risk profile, the risk strategy, the risk-bearing capacity approach including the spread of potential risks and the definition of the limits, the orderly organisation of risk management, monitoring of the risk in all transactions as well as for risk control. It receives its information from a monthly risk report prepared by Risk Controlling. A series of additional reports are prepared within the framework of the risk management process and submitted to the Management Board.

The Supervisory Board is regularly informed by the Management Board of the complete risk and capital profile. The Credit Committee is composed of members of the Supervisory Board and together with the Management Board, advises on business policies for lending under consideration of creditworthiness risks and risk management, and here in particular default risks, market risks, liquidity risks and operational risks.

Internal Auditing is integral to the business and process-independent monitoring system and performs a regular review and assessment of the risk management processes for all types of risk. Internal Auditing is assigned in terms of organisation to the Chairman of the Management Board and reports independently to the Management Board.

The following bodies have been set up to control and monitor the risk situation:

- The **Disposition Committee** controls the strategic interest rate risk items in the banking book.
- The **Risk Management Committee** of the LBBH Group oversees at Group level the risk strategy including default capital control criteria, capital and risk allocation (risk-bearing capacity, limit systems), risk measurement methodologies and their validation, the assessment of the current risk situation, the reconstruction plan and

the solvency, loan and liquidity reporting topics to be managed with a connection to the Committee's other tasks. Recommendations are issued to the decision-makers or their respective bodies, for example, LBB/BSK.

- The **Credit Risk Committee** discusses and votes on the risk strategy as well as key topics within Credit Controlling and Credit Risk Controlling against the background of legal frameworks, especially the evaluation and approval of analyses to validate ratings.
- The **New Products Committee** co-ordinates the approval process for pursuing activities relating to new products, new markets (including new distribution channels) as well as new product varieties (including new currencies).
- The **OpRisk Committee** is responsible for risk management and the early risk detection system for operational risks.
- The **RepRisk Committee** controls reputational risks which are detected under an early detection system or on an ad hoc basis.

Risk Controlling is an independent risk monitoring unit for all types of risk. It is tasked with the methods and models for the identification, measurement, aggregation and limiting of risks as well as the advancement of the risk management system. This unit takes charge of operational risk controlling.

The responsibility for operational risk control in terms of taking a specific position is allocated to the defined responsible parties. For example, it is for the Board of Directors to manage the bank's overall risk, while Treasury controls market risks subject to the binding specifications issued by the Disposition Committee. Risk management within lending to individual borrowers, for example, is carried out by the individual decision-maker in accordance with the attributed competency, while Treasury is in charge of the liquidity reserves.

Amongst other things, there is a fixed **Crisis Task Force** at LBB/BSK for potential emergencies that threaten the bank's existence. This is a special cross-organisational unit which, as a central body, merges the required competencies under a uniform management. The Crisis Task Force operates under rules of procedure which have been released as an integral part to the rule book. The rules stipulate the specific distribution of tasks in the event of crisis.

The Crisis Task Force controls activities of individual units aimed at overcoming a crisis, arranges the provision of the relevant resources needed to overcome the crisis and informs internal bodies (Supervisory Board, contingency teams, specialist departments) and external offices (supervisory authorities, the press, service providers, business partners, customers).

On principle, the Crisis Task Force is composed of the following permanent members:

- Chairperson of the Board (Chairperson of the Crisis Task Force);
- Other members of the Management Board (deputy chairs of the Crisis Task Force);
- Head of Internal Auditing;
- Head of Organisational and Productivity Management;
- Head of Compliance;
- Head of Human Resources;
- Head of Customer and Product Management;
- Head of Corporate Development;
- Head of Corporate Communications;
- Head of Board Staff;
- Chairperson of the Works Council;
- Information Security Officer of Berliner Sparkasse.

Since the beginning of the Covid-19 pandemic, the Crisis Task Force has been convening as needed. The Crisis Task Force did not convene in 2022. In September 2022, a Crisis Task Force drill was staged. Also, the current risk situation with regard to existing macroeconomic and geopolitical threats as well as the resulting measures were routinely the object of scheduled Management Board meetings.

1.2 Control of aggregate risk

In line with the orientation of the business policy and taking into account the economic risk-bearing capacity and regulatory risk mitigation requirements, the Management Board performs risk mitigation and risk allocation approaches with, for example, limits, ceilings, or default structures. Risk reporting in accordance with MaRisk is carried out through regular reporting which covers and consolidates all types of risks. Accordingly, Management Board as well as Supervisory Board meetings discuss the latest aggregate risk situation and furthermore review if any response action is required.

LBB/BSK performs the review of risks that may significantly impair the asset status, earnings status, or liquidity status (risk inventory) through various Group-wide activities. This includes, for example, a medium-term plan as well as the regular review of the entities belonging to the Group. Various commissions and committees likewise discuss potential risks and their possible impact as well as, where applicable, any necessary action to be taken. Beyond this, risks are systematically identified and analysed in the context of ongoing reporting activities. For example, within the framework of the limit process or when co-ordinating the risk strategy, planning or future activities with the individual business units, it is debated whether new risks may arise therefrom.

LBB/BSK defines key risks according to the Minimum Requirements for Risk Management as those whose impact may be so serious that they threaten the continuity of LBB/BSK as whole. Such a review is conducted at least once a year. It includes:

- Default risks;
- Liquidity risks (risks of insolvency);
- Market price risks (incl. interest rate changes and credit spread risks in the banking book);
- Operational risks.

Default risks are also evaluated on the basis of country risks, while market price risks also include the consideration of share price risks, options risks, and currency risks. LBB/BSK does not regard risks such as the shareholder risk, property risk, and the risk arising from the cost of refinancing as key types of risks within the meaning of MaRisk as they are not significantly relevant. This decision was validated by the risk inventory 2022; these risks are merged under the separate item termed Residual Risk and are taken into account as part of the aggregate risk in the risk-bearing capacity computation.

For the purposes of risk-bearing capacity, the types of risks are divided into monetary and non-monetary risks. Within the framework of quantitative consolidation, monetary risks are taken into account when considering the aggregate risk (internal risk-bearing capacity approach).

Insolvency risk is attributed to non-monetary risk types since, due to its specific character, it cannot be delimited by risk coverage potential in a meaningful way. The risk arising from the cost of refinancing is covered under risk-bearing capacity with the residual risks.

LBB/BSK did not issue any new letters of comfort in the financial year 2022. A risk due to claims drawn from legacy comfort letters is not apparent. This issue is monitored regularly. A more detailed explanation on this is stated in the notes under Contingent Liabilities and Irrevocable Loan Commitments.

By endorsing the Self-Commitment of German Savings Banks for a climate-friendly and sustainable management, LBB/BSK has committed itself to the named goals, for example the alignment of its financing with and proprietary investing in climate targets. Overall, climate and environmental risks are not seen as an independent type of risk but as drivers impacting on existing types of risks (and here in particular on default risk). LBB/BSK is facing increased exposure from commercial property financing as well as the financing of construction loans for private customers due to the size of these portfolios. LBB/BSK does not yet recognise any acute physical risks in these portfolios, however it is aware of the existence of transitory risks (risks from switching to a low-carbon economy) for the construction sector. It cannot be ruled out that due to the climatic circumstances in Berlin and its surrounding area, caused by higher temperatures and further forest fires, this risk exposure may increase. The potential impact of transitory risks and possibly resulting second-round effects applies equally to all business and private customers. Moreover, there may be default risks due to a fall in the value of properties as a result of restrictions and regulations relating to climate and environmental requirements (e.g., the German Buildings Energy Act (GEG)). Additionally, the policy on ethics provides for an action framework to exclude non-ethical and non-sustainable business transactions. The sustainability project implementation pursues an integrated approach to sustainability in relation to the offer of financial products, the bank's own sustainability actions and the roll-out of adequate risk management in light of sustainability aspects, climate change mitigation and environmental risks.

The internal risk-bearing capacity approach encompasses a measurement and limitation system for all material and insignificant risks (monetary risks) which can be covered by risk-covering assets. It excludes overrunning the specified maximum asset loss up to a low residual probability (99.9% level of confidence from an economic perspective). The underlying assumptions for this are regularly reviewed, just like the respective limits, in the least however annually and where necessary adjusted by Management Board resolution. Changes to the risk-bearing capacity approach, just like changes to the risk measurement method are subject to a model change policy which defines clear assessment criteria for the materiality of a model change and where the roles and responsibilities for the discussion and for decisions regarding model changes are clearly allocated and documented.

Building on the individual risk types that have been recorded, the aggregate risk is established by gathering the individual risks (scaled, if applicable) for a one-year review period. To rate the aggregate risk situation, capital that is available to cover the risks (risk-covering assets) is compared with the total bank risk. Additionally, the findings from a range of stress tests are taken into account which include both the risks as well as the capital.

In 2022, the macroeconomic and geopolitical risk situation (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession) resulted in a macroeconomic framework which diverged from the original forecasts. The in-house stress testing programme was methodologically advanced taking the special situation into consideration. This affected especially the scenario design as well as the consideration of impact analyses. The latest findings from the lending divisions and economics department were incorporated into the risk simulation. The methodology of in-house stress tests was also developed further. As provided for in the ICAAP and ILAAP guideline, the stress tests for liquidity and capital are procedurally and methodologically dovetailed in a shared cross-risk scenario analysis. The scenario analyses performed on these grounds did not produce any need for action regarding the capital and liquidity status.

In light of the current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession), a further management adjustment has been created for the general allowance for bad debt as these risks are not fully reflected in the ratings as at 31 December 2022 and in the collateral evaluations. The management adjustment was based on simulated changes to the relevant parameters for the evaluation of the respective sub-portfolios (especially PD). The changes to the parameters were inferred based on the respective risk analyses for the bank's individual loan portfolios. As at 31 December 2022, the total management adjustment that has been created amounts to € 20 million. The management adjustment created in the previous year for risks resulting from the Covid-19 pandemic has been dissolved.

According to Sec. 27 of the German Mortgage Bond Act (*Pfandbriefgesetz*), every bank dealing with pfandbriefe must have a risk management system in place that is suitable for such activities. Risk management for the cover register is incorporated in the risk management system for all of LBB/BSK for default risks, market price risks, and liquidity risks as well as for operational and other risks. Moreover, there are limits that are specific to regulatory specifications. Compliance with these limits is monitored daily for the cover register's risk management and shown to the Management Board within the framework of the aggregate risk report in accordance with MaRisk.

2. Overall Risk Situation and Internal Capital Adequacy

The established risk management procedures, methods and systems proved a success in the reporting year and always put LBB/BSK in the position of deriving and implementing adequate measures to control risks.

The risk-bearing capacity approach at the level of individual institutions is applied along the same lines for LBB/BSK to that at Group level. For this, the aggregate risk is compared to the risk-covering assets for LBB/BSK. On any relevant balance sheet date and according to the internal standards as well as from a regulatory viewpoint, LBB/BSK's risk-bearing capacity was always adhered to with enough non-utilised capacities left.

LBB/BSK's capital resources under the Capital Requirements Regulation (CRR) following approval of the annual financial statements totalled € 2,978 million (at the previous year's balance sheet date: € 2,948 million) as at 31 December 2022. In relation to the risk situation under the CRR, the total capital ratio calculated therefrom for LBB/BSK comes to 21.5% (previous year's balance sheet date: 21.3%) and a CET 1 capital ratio of 18.9% (previous year's balance sheet date: 18.5%). The ratios were thus clearly above the minimum requirements stipulated by regulatory laws.

This applies also to the liquidity coverage ratio (LCR) as well as the net stable funding ratio (NSFR) of LBB/BSK. The LCR amounted to 160% as at 31 December 2022 (previous year's balance sheet date: 180%). The NSFR totalled 131% on the same balance sheet date (previous year's balance sheet date: 135 %).

On-balance-sheet risk provisioning of LBB/BSK totalled € 426 million (previous year's balance sheet date: € 364 million).

The following figures on the risk situation are based on the management approach. This means that the risk situation is shown based on information according to which internal risks are managed. The risk situation – structured by risk type – is reported to the Management Board and the respective bodies. The in-house risk perspective partly digresses from the on-balance-sheet approach. The key reasons for the differences between internal values and external accounting are rooted in the definition of the term "exposure" (defined as utilisation or market values plus outstanding external commitments).

To establish the risk-bearing capacity, the going concern perspective is referred to which is pursued in accordance with the ECB's internal capital adequacy assessment process (ICAAP) of November 2018. The calculation of the RDM continues to be based on core capital under regulatory requirements; in line with the continuity approach, subordinated liabilities (supplementary capital) are not taken into account. The risks of S-Kreditpartner GmbH (SKP) as the sole major subsidiary of LBB/BSK are integrated in the calculation of risk-bearing capacity in line with their respective share.

In the reporting year the risk-covering assets (LBB/BSK including SKP) increased from € 2,760 million as at December 2021 to € 2,878 million as at 31 December 2022. The increase is primarily due to the rise in core capital.

The aggregate risk including that of S-Kreditpartner GmbH (SKP) at the end of the year totalled € 1,639 million (2021: € 1,441 million), whereby € 353 million (2021: € 311 million) were attributable to SKP.

Moreover, the results from the 2022 risk inventory were also incorporated into the risk assessment; for example, the results from the validation of the risk models were taken into account.

Aggregating the individual types of risk into a single aggregate risk was carried out by applying the simple addition method. Diversification effects were not taken into account.

Utilisation by risk type, the aggregate risk, and the resulting non-utilised capacities at LBB/BSK were as shown below as at 31 December 2022.

Utilisation by risk types for LBB/BSK incl. SKP in million euros as at 31 Dec. 2022

	31 Dec. 2022	31 Dec. 2021
Non utilised capacities	**1,238**	1,319
Utilisation	**57 %**	52 %
Risk-covering assets	**2,878**	2,760
Utilisation of risk		
Overall risk	**1,639**	1,441
Default risk	891	869
Market price risk	415	288
Operational risk	94	95
Residual risks	240	188

Risk-covering assets and the aggregate risk increased; the biggest impact was seen on the market risk and the residual risk. Material changes to the risks are explained in the paragraphs on the individual risk types.

The residual risk rose especially by way of taking into account a risk surplus from expected effects for the economic deterioration of the situation of borrowers (Ukraine war and energy crisis). Additionally, following the sale of Berlin Hyp in July 2022, a risk resulting from the comfort letter issued for Berlin Hyp was taken into account. In turn, risks for the market risk model fell. The non-utilised capacities decreased in the reporting year; the utilisation of risk-covering assets in relation to the aggregate risk remains very comfortable with 57%. The risk-bearing capacity was thus guaranteed both in terms of utilisation and also for the event of a theoretical full utilisation of capacities of the overall limit throughout the entire reporting period on the respectively relevant balance sheet dates.

A limit system and escalation processes derived therefrom are in place to hedge the risk-bearing capacity. In the event of an approximation towards one of the limits, i.e. if the risk is being utilised at more than 90%, the Management Board will decide on measures to prevent the limits from being surpassed.

As a result of the military conflicts in Ukraine as well as the sanctions that have been issued against Russia and Belarus as a result of this, markets have responded nervously and at times with considerable discounts. Accordingly, the VSTOXX indicator under the Minimum

Requirements for the Design of Recovery Plans for Institutions (MaSan) surpassed the early warning threshold (at least 24h > 40) multiple times between 4 March 2022 and 15 March 2022. Since intense analyses had been prepared and measures had been launched in relation to the Russia/Ukraine crisis, the early warning indicator did not trigger any further action.

Because of the military conflicts in Ukraine and the related uncertainties as well as the interest rate hikes by the ECB, the indicator “Proprietary Credit Spread Senior Unsecured” also surpassed the 100 bps early warning indicator since 27 June 2022. The indicator is no longer being observed as an early warning threshold since 31 October 2022. Notwithstanding this, the current liquidity status of BSK from the perspective of LBB/BSK continues to be assessed as highly sufficient.

The indicator “Development of Consumer Insolvencies in Berlin” at times clearly surpassed the early warning threshold between Q2/2021 and Q3/2022 with a 30% increase compared to the corresponding quarter of the previous year, however has now been seen moving below the threshold value. It is the assessment of LBB/BSK that the former steep increase is primarily presumably based on the special factor of the changes in insolvency laws, and here in particular a shorter period to clear any residual debt. Still, this matter will continue to be observed.

No further action was considered necessary in relation to the implementation of a course for options regarding the reconstruction plan. Oversight has been informed of the issues in the context of the monthly risk report (MRR).

3. Risk Categories

Particularities of credit risk control in light of current macroeconomic and geopolitical threats

In light of current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession) the credit risk control continues to be challenging as the burden for businesses and thus the increased credit risk is only reflected to a limited extent in the available information and figures. The same applies to collateral evaluations.

According to LBB/BSK appraisals, estimating these macroeconomic and geopolitical threats on loan portfolios as well as the risk situation is currently fraught with considerable uncertainty. Concrete, identifiable de facto defaults have been minor so far for both loan portfolios as well as regarding investment portfolios.

To this extent, relevant loan losses are to be expected in 2023 and possibly even later. The bank has maintained its cautious approach. Amongst other things, the status indicator report was extended to include the evaluation of the different sectors and industries especially in light of their vulnerability to crises from Russia's war of aggression against Ukraine with a view to any possible consequences as a result of the significant rise in energy costs. Furthermore, new performance indicators were included in the report. Moreover, since March 2022, a monthly management report has been drawn up on the effects of the war which provides Management with a comprehensive overview of all key aspects as well as possible consequences for LBB/BSK. In conclusion, the 2022 credit risk situation has proven to be more positive than had to be feared in 2021.

LBB/BSK has accounted for this risk with a view to time-related discrepancies regarding the latest information on the current financial situation of borrowers on the balance sheet date and the deterioration of ratings which occurred on the balance sheet date and which only become known post-balance sheet date upon evaluation of the information presented on the financial situation of borrowers especially in light of the current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession) which in conclusion considerably impact the financial situation of companies and private households. There is an additional general allowance for bad debt of € 20 million for this to shield against any latent default risks.

3.1 Default risks

The default risk is defined as the risk of a loss from a defaulting business partner. This may mean that a contracting partner of the institution fails to pay at all or on time or the institution itself is obliged to effect a payment following the failure of a third party to perform. Moreover, this definition contains the shareholder risk which results from the provision of equity capital. The shareholder risk is rated separately; the annual review confirmed that this risk is a minor one.

In commercial lending, the default risk in the case of extending a loan is identical with the actual credit risk of the loan. Issuer risks, counterparty risks and borrower's risks from capital market transactions are based on market prices of the underlying financial instruments. Issuer risk arises when securities are held in lieu of a loan. In the case of counterparty risks (the risk of a potentially disadvantageous replacement of a derivatives contract in case of default of a business partner), product-specific add-ons for the potential future exposure are made in addition to the market price – unless there are individual collateral agreements. Borrower's risks refers to money market investments. Additional risk categories that are customary in trading and part of the default risk include the settlement risk (the risk of failing to receive any value from a trade despite having delivered according to the contract terms) as well as the country risk (transfer risk).

The bank's measurement and control approaches also incorporate the credit risks of off-balance-sheet transactions.

Further credit exposure arises as a result of LBB/BSK having extended loans to intra-Group borrowers. As at 31 December 2022 (balance sheet date), the credit exposure of SKP totalled € 1,347 million.

In terms of regulatory law, this borrower is operating within the LBBH Group of which LBB/BSK is an affiliate. A look-through approach is applied for all risk positions of SKP in the context of reporting. LBBH, the internal borrower, does not have a banking licence itself and therefore no active loans, however, holds equity interests in LBB/BSK. Thus, the look-through approach extends to the underlying business transactions here as well. This look-through approach forms the basis for the risk management.

Due to the described issue, loans extended to these in-house borrowers take a special position. In the interest of completeness, these risks from in-house transactions within the LBBH Group are outlined here. They are not included in the quantity-based outline on default risks.

Other credit risks Credit exposure[7] outline of in-house borrowers of LBB/BSK

	31 Dec. 2022		31 Dec. 2021		Change	
	in mn. €	%	mn. €	%	mn. €	%
Landesbank Berlin Holding AG	0	0	0	0	0	0
Berlin Hyp AG	0	0	0	0	0	0
SKP	1,347	100	1,462	100	-115	-8
Total	**1,347**	**100**	**1,462**	**100**	**-115**	**-8**

For computational reasons, rounding differences may occur in the tables.

LBB/BSK's loan volume towards SKP decreased in 2022 following the further development of the Treasury function at SKP and the associated broadening of the base for refinancing.

Appraisal of creditworthiness/ risk

The creditworthiness of each borrower is appraised by continuously applying internal rating and scoring procedures. These procedures are geared towards defaulting probabilities and

[7] Credit Exposure: including utilisation, open external limits and book values of equity interests

result in a rating based on a standardised master rating scale with the grades ranging between 1 and 18, whereby additional differentiation is possible within individual grades.

LBB/BSK applies customer group-specific rating and scoring systems based on statistics which were developed in projects with other regional savings banks, the German Savings Bank Association or specialised service providers. The merit of the systems is routinely reviewed and optimised. Credit Risk Controlling assumes the tasks of “the unit in charge of credit risk oversight” in accordance with Article 190 CRR.

As a rule, the scoring/ rating category of the applicant is decisive for the determination of the competency level, the lending guidelines, and the intensity of credit monitoring. The system of loan responsibilities and accountabilities contains the individual loan decision-making competencies and the loan decision-making competency board.

Loan Portfolio Model

For loan portfolios, the quantitative analysis of the default risks based on statistics systems is conducted by means of an in-house loan portfolio model, CVaR. This model is based on a Group-specific adaptation of standard models and allows for the aggregation of borrower-based default risks under a risk indicator at portfolio level, the so-called credit value at risk (CreditVaR). This indicator is established daily on the basis of a 99.9% confidence level with a one-year holding period for portfolios of LBB/BSK and its business units. The unexpected loss resulting from the CreditVaR minus the expected loss is reported. The unexpected loss at a 99.9% confidence level amounted to € 691 million as at 31 December 2022.

The loan portfolio model estimates the probability of major losses by means of correlated loan defaults based on borrower-specific exposures, the rating category, the collateralisation as well as correlation estimates. Because of its structure the model applied is sensitive towards cluster risks or industry concentrations and also takes into consideration risks due to country transfer events.

The credit portfolio model considers both migration risks of capital market instruments as well as of commercial transactions.

Risk limitation

Default risks are limited and controlled both at the level of the individual borrowers as well as at portfolio level in the context of a strategic loan portfolio management.

Risk concentrations are limited operationally with ceilings by group of affiliated customers. The ceilings are derived from fixed rules under the risk-covering assets, the ratings of borrowers and the collateralisation situation of the individual credit exposures. The approach was approved by the governing bodies, put into force, and is regularly reviewed. The largest risk concentrations are outlined quarterly, amongst other things, in the monthly risk report (Long MRR).

Regional and sector-related risk concentrations are to be kept as low as possible. However, due to the the business model, this is not always possible, for example due to the focus on LBB/BSK on the Greater Berlin area. Country risks are measured continually on the basis of a suitable exposure definition and are strictly limited. The country limits are reviewed annually and, if necessary, updated.

Individual borrower limits and their monitoring

Default risks in trading at the level of individual borrowers are limited by individual limits for borrowers in relation to amount, term, and line of business. These limits are systematically recorded and monitored on a daily basis.

Retail lending, which encompasses standardised loans such as instalment credits and overdraft facilities, largely employs IT-assisted procedures for approval. Larger exposures require an additional vote from the back office. Individual credit decisions for transactions that are not processed via standardised processes are taken with due consideration of the exposure and the risk level attached within the framework of clearly defined processes. Decisions on larger exposures are made by the respective authorised person and are then carried out by the back office.

To spot credit risks early and to proactively manage them, the borrowers' individual risk is monitored with both manual and automated procedures. Generally, the borrower's ratings are updated at least annually. The regular review of inventory and recoverability of collaterals is also carried out in this context in order to conduct a re-appraisal, if necessary. If the rating worsens, a decision is made on the way in wich the exposure is to be continued.

Early warning systems are used to identify borrowers who show the probability of an increased risk. Based on quantitative and qualitative early warning indicators, watch lists are created that name borrowers who are to be monitored separately. Conspicuous credit exposures as well as the measures already initiated or intended to mitigate risks are detailed in a so-called risk dialogue including an early warning round. The Credit, Risk Service, Risk Controlling as well as Sale units participate in this.

To accelerate decisions-taking and to improve the quality of available information for identifying and appraising potential risks, the quality of credit monitoring is updated and fine-tuned as an ongoing process. Internal Auditing regularly verifies the lending business, the risk measurement methods employed and especially the lending processes. Measures are derived therefrom to further improve the quality in credit analysis and monitoring.

Portfolio management

New business and credit portfolios are limited by portfolio limits based on the loan portfolio model. For this there are limits for any unexpected loss at a confidence level of 99.9% of the portfolios of the business units.

	Expected loss		Unexpected loss (99.9 %)		Unexpected loss limit		Limit utilisation	
in mn. €	2022	2021	2022	2021	2022	2021	2022	2021
Private customers	23	21	113	109	170	200	66 %	55 %
Direct bank service	18	20	97	109	150	190	65 %	57 %
Corporate customers	22	22	147	149	240	300	61 %	50 %
Real property financing	14	15	227	239	350	410	65 %	58 %
Private Banking	2	2	18	18	27	23	67 %	78 %
Treasury	7	6	143	155	240	290	60 %	53 %
Corporate customers	9	10	163	172	250	220	65 %	78 %
LBB/ BSK	**95**	**98**	**691**	**725**	**1,100**	**1,250**	**63 %**	**58 %**

Risk mitigation

Various risk mitigation elements are applied to mitigate default risks. The business units formulate their individual collaterals strategy within the framework of the risk strategy.

According to the different types of default risk (issuer risk, counterparty risk, borrower’s risk), different risk mitigation techniques are applied.

In terms of the credit risks, impersonal and personal collaterals of a total value of € 20.8 billion form the principal item as at 31 December 2022. The scope of collateral is oriented towards the amount of the exposure and PD. The collaterals are rated based on firmly prescribed criteria. Further risk mitigation is created by compensation agreements.

The responsibility for the management of collaterals in connection with credit risks rests with the back office. The back office is responsible for the approach, the review, and the regular valuation of the collaterals as well as for the administration of the credit risk mitigation techniques. For this, the back office records and manages the collaterals in a central IT-supported collaterals system.

In its rule book, LBB/BSK has defined criteria for the rotating and event-related monitoring and review of real property evaluations.

LBB/BSK distinguishes between monitoring on the basis of market fluctuations and the rotating and event-related review when it comes to the monitoring and review of real property appraisals.

The respective property portfolios undergo an annual monitoring based on a statistical method (market fluctuation concept). LBB/BSK uses the market fluctuation analysis of Deutsche Kreditwirtschaft (DK) and of the Verband Deutscher Pfandbriefbanken (vdp) for monitoring based on observed market fluctuation. The concept is prepared for national commercial properties and residential real property.

In addition, LBB/BSK's portfolio continues to apply the LORA market fluctuation analysis module for real property as a support tool. When surpassing the set range of fluctuation, the individual expert opinions need to be reviewed. Insofar as such review or any other form of monitoring (for example, property rating update) produces a fall in value, a review of the market and collateral values is initiated by the loan officer in charge. In 2022, DK saw a critical negative market fluctuation for the Hotel property class. A review showed that there was no immediate need for action; however, a closer observation of the Hotel property class was recommended as, due to the Covid-19 pandemic, this asset class surpassed the set fluctuation ranges over the three-year period. Since the beginning of 2022, the market has noticeably recovered but market evidence still remains limited.

Property types that cannot be monitored at LBB/BSK with the market fluctuation concept require an individual monitoring by the valuation experts in accordance with the property type list. This monitoring must also be initiated by the loan officer.

Next to an annual monitoring of the real property collaterals based on market observations, the valuation of the real property in line with the cycles disclosed in the property type list are to be reviewed by the valuation experts.

Risk mitigation for issuer risks is performed by offsetting long positions and short positions. Additionally, guarantee relations are taken into consideration. There was no longer any collateralisation from credit derivatives.

For counterparty risks, risk mitigation is achieved by clearing opposing risk items through netting agreements. For this, LBB/BSK applies what is termed a close out netting which tends to be carried out if a counterparty's credit situation worsens to the point of insolvency. Receivables are offset against liabilities in this case. The resulting claims are settled by an entitlement to compensation that amounts to the net market value of these transactions, or by the inferred unrealised gain or loss for both parties with the respective amounts being balanced. In addition, individual collateralisation agreements may be concluded for OTC derivatives, security loans and repo transactions in addition to the already concluded netting contracts. In the reporting year, counterparty risks were reduced through netting agreements to the amount of € 968 million and accepted collaterals to the amount of € 865 million.

Transfer risks

LBB/BSK limits country and transfer risks through volume-based country limits. A country risk is shown as the total sum of a country's exposure.

It is for the Management Board to decide on the individual country limits by taking the level of risk of the respective economy as well as the development of the individual credit portfolio into consideration.

Country exposures are shown below. Customers are allocated to the regions via the risk country, while the transfer risk is evaluated via the rating category.

International exposure in mn. €	**31 Dec. 2022**	**31 Dec. 2021**
European Union	4,111	3,842
Western Europe (without EU)	869	931
Eastern Europe (without EU)	14	16
Americas including USA	958	1,092
Other	23	38
International exposure LBB/ BSK	**5,975**	**5,918**
International exposure weighted per		
minor transfer risk	5,930	5,877
medium transfer risk	20	18
major transfer risk or without rating	26	23
International exposure LBB/ BSK	**5,975**	**5,918**

Organisations with the highest creditworthiness, such as for example the European Investment Bank, are not regulated by country limits. Because of their pan-regional activities, they cannot be allocated directly to a region such as, for example, Europe. The exposure of organisations with the highest creditworthiness totalled € 0.3 billion on the balance sheet date. The exposure of all countries including the above organisations totalled € 6.3 billion.

Handling of nonperforming loans

In principle, exposures that are at default or at risk of being defaulted are processed by, and the responsibility of, Risk Management which either restructures or liquidates these loan facilities.

The current credit exposure (CCE) and here in particular, any outstanding payments from defaulting problem loans (nonperforming loans) at LBB/BSK are largely shielded by specific valuation allowances and provisions as well as by collaterals accepted.

Forming a provision for credit losses (PCL)

Risk Management competencies include, amongst other things, the creation of specific allowances for bad debt. If pre-defined value thresholds are exceeded, it is for individual members of the Management Board or the Management Board as a whole to decide on the amount of the respective value adjustments.

The proposals on the amount of individual value adjustments are based on fixed criteria that depend, amongst other things, on the type of collateral or the status of the exposure (restructuring or liquidation).

Even for non-defaulting exposures without a specific value adjustment, credit risk provisioning requirements are established within the meaning of a portfolio approach for latent default risks (general allowance for bad debt) in accordance with IDW RS BFA 7. Its quantification draws on various risk parameters such as PD, exposure at default and loss ratio. In light of current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession) and the resulting risks which are not fully taken into account in the context of current assessment models, a further management adjustment for the general allowance for bad debt has been created as these risks are not fully reflected in the ratings as at 31 December 2022 and in the collateral evaluations.

Reporting

Individual borrower-based default risks at various aggregation levels as well as indicators from the credit portfolio model are reported in the monthly risk report (Long MRR) to the Management Board. To identify risk concentrations promptly, they are organised by sector and country. Additionally, evaluation lists on risk concentrations within the cluster of the Group Affiliated Customers level are included.

A comprehensive credit risk report containing an annotated outline of the largest risk concentrations at LBB/BSK at the Group Affiliated Customers level is prepared quarterly.

Next to monthly and quarterly reporting, the Management Board is informed in accordance with the Minimum Requirements for Risk Management of any limits that potentially exceed a pre-defined value on a daily basis.

Internal reporting indicators on default risk

The measurement and control of default risk is based on a risk-adjusted display of credit-risk-bearing transactions. Credit risks as well as counterparty risks, issuer risks and borrower’s risks are measured specific to the product and are quantified based on the current credit exposure (CCE).

Next to the CCE, internal controlling also considers the credit exposure (CE) which includes additional commitments made to the customer which, however, have not yet been drawn on. The respective commitments may be both uncommitted as well as committed. Internal reporting on default risk to the Management is largely based on this value. Therefore, the outlines below have been based on the credit exposure.

LBB/BSK's entire credit exposure excluding the internal borrowers, SKP and LBBH, totalled € 60.7 billion as at 31 December 2022 (previous year's balance sheet date: € 63.8 billion).

€ 30.7 billion of this were attributable to CCE from credit risks from commercial lending (previous year's balance sheet date: € 41.5 billion).

The CCE of issuer risks, counterparty risks and borrower's risks from capital market transactions is included in the credit exposure to the amount of € 17.1 billion (previous year's balance sheet date: € 9.2 billion). Depending on the aggregation level, netting or offsetting effects may impact this amount differently.

The table below outlines the credit exposure as at 31 December 2022 by sector. According to the taxonomy of the economic sectors, LBB/BSK allocates each customer to a sector. These sectors are grouped and pooled into principal sectors. Just as the years before, the credit volume with lending institutions and local authorities concerned mainly the treasury business. The retail banking and real property financing volume consisted of credit risks driven by the inherent product.

LBB/BSK Credit exposure outline by sector excluding the internal borrowers SKP and LBBH as at 31 December 2022

	Credit exposure		thereof CCE Credit risks		thereof CCE Issuer, counterparty and borrower's risks	
	in mn. €	in %	in mn. €	in %	in mn. €	in %
Equity investment companies	793	1	512	2	190	1
Chemical industry	159	0	11	0	141	1
Services	5,571	9	4,388	14	251	1
Municipal authorities	1,320	2	22	0	1,282	8
Health & Social Services	827	1	673	3	0	0
Retail & Commerce	2,476	4	1,519	5	281	2
Real property financing	16,963	28	14,869	48	7	0
Banking business	16,742	28	1,751	6	14,916	87
Individuals	15,610	26	6,714	22	0	0
Other	234	0	173	1	0	0
Insurance companies	39	0	32	0	0	0
Total[1]	**60,734**	**100**	**30,663**	**100**	**17,068**	**100**

For computational reasons, rounding differences may occur in the tables.

Credit quality

The following schedule lists the credit exposure by rating category in accordance with the applied master scale; the internal borrowers SKP and LBBH are excluded.

Credit exposure outline by rating category in million euros as at 31 December 2022

Rating categories	in mn. €	in %
1 (AAAA)	9,657	7 %
1 (AAA)	3,423	7 %
1 (AA+)	2,643	4 %
1 (AA)	4,370	10 %
1 (AA-)	4,109	6 %
1 (A+)	3,207	6 %
1 (A)	4,022	4 %
1 (A-)	3,936	7 %
2	3,436	6 %
3	4,943	6 %
4	4,298	6 %
5	3,713	6 %
6	2,891	6 %
7	1,654	6 %
8	1,147	4 %
9	1,040	2 %
10	783	2 %
11	343	1 %
12	293	0 %
13	167	1 %
14	206	0 %
15	85	0 %
15 (B)	15	0 %
15 (C)	12	0 %
16	14	0 %
17	172	0 %
18	110	1 %
no rating category available	45	0 %
Total CE rating categories	**60,735**	**100.00 %**

3.2 Liquidity risks

The liquidity risk encompasses the risk of insolvency and the risks arising from the cost of refinancing, each taking into account the market liquidity risk.

The market liquidity risk is the risk of a financial position not being tradeable at a specific time or at the expected price in the financial markets.

The risk of insolvency, which is also a liquidity risk in a narrower sense, constitutes the risk of not being able to meet due payment obligations in full or on time.

The risks arising from the cost of refinancing is the risk of not being able to source refinancing funds at the expected conditions.

Securing liquidity and refinancing capacity is of utmost priority to LBB/BSK.

The task of Treasury is to vouch for LBB/BSK’s liquidity supply. Liquidity Planning and Controlling must secure the solvency and compliance with regulatory liquidity ratios even during times of crises. Accordingly, a comprehensive range of instruments is available for the recording, controlling, and monitoring of liquidity risks which is continually updated.

In the financial year 2022, LBB/BSK always remained solvent in all scenarios under observation. Regulatory liquidity ratios were always adhered to.

Measurement and limitation of liquidity risks

The risk of insolvency is measured and limited under a funding matrix and a 365-day view (limit: € 0; early warning stage: € 800 million). The stress test outcomes on the risk of insolvency are defined as survival period and, again, are limited (limit: 30 calendar days; early warning stage: 90 calendar days).

To measure the liquidity risk, a standard method as well as a standard system is applied Group-wide.

The risks arising from the cost of refinancing are incorporated into the risk-bearing capacity.

The market liquidity risk is measured when establishing the risks of insolvency and shows in the liquidity risk reports as a reduction in the value of the liquidity reserve.

Controlling of liquidity risks

LBB/BSK's liquidity risk policy relies on holding a sufficient inventory of assets that can be converted to cash to be able to cover existing liquidity strains or liquidity strains calculated on the stress test basis.

The goal of liquidity management is to always sufficiently secure liquidity in accordance with the described method even for short-term squeezes or ongoing general or institution-specific liquidity crises.

There is a contingency plan in the event of a liquidity squeeze.

Reporting on liquidity risks

In 2022, the economic liquidity risk situation was reported on monthly. The liquidity risk reports were provided to the Senior Management of Risk Controlling and Treasury and the competent officers. The Board of Directors is informed once a month in the context of the monthly risk report (MRR). Monitoring of the early warning stages where defined escalation action is triggered when reached, was performed daily.

The capacity utilisation of the limits did not raise any concerns throughout the year of 2022.

The ratios under regulatory law, i.e. liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are routinely reported to the Board of Directors in the context of the MRR. A monthly rotation is stipulated for the LCR. Following the inclusion of the NSFR as an early warning indicator into the regulatory recovery plan, the NSFR will also be reported to the Board of Directors monthly as from October 2022. Previously, the NSFR was expected to be reported on quarterly at the end of the respective quarter. If regular monitoring identifies that the threshold values for relevant internal and regulatory requirements are underrun, a separate ad hoc reporting will go out to the Risk Controlling management. In the course of 2022, all regulatory thresholds were always adhered to.

Risk concentrations/ refinancing

A concentration of refinancing exists if refinancing funds are overly concentrated on certain areas. Inadequate diversification may lead to refinancing difficulties if individual areas default which results directly in an increased liquidity risk.

LBB/BSK applies a balanced mix of instruments for the refinancing of its lending business. This includes as a first line, savings, sight deposits and time deposits of customers, and as a second line, bonds in the form of pfandbriefe. Other securitised liabilities as well as liabilities owed to credit institutions are added to this. The regional origin of the refinancing funds concentrates mainly on the German geographic area with a particular concentration on deposits from customers from the core region of Berlin and the surrounding area.

Share of key balance sheet items in balance sheet total (liabilities) of LBB/BSK

in %	31 Dec. 2022	31 Dec. 2021
Liabilities owed to banks	9.1	19.9
Liabilities owed to customers	72.1	65.5
Securitised liabilities	8.0	5.9
Trading portfolio	0.0	0.0
Provisions	1.1	0.9
Subordinate liabilities	0.8	0.7
Equity	4.4	4.1
Other liabilities	4.5	2.8
Total liabilities LBB/BSK	**100.0**	**100.0**

For computational reasons, rounding differences may occur in the tables.

Quantitative liquidity risk

The regulatory requirements regarding the liquidity ratios of LBB/BSK were always adhered to on the relevant balance sheet dates. At the end of the year, the liquidity coverage ratio (LCR) amounted to 160% (previous year's balance sheet date: 180%) and the net stable funding ratio (NSFR) to 131% (previous year's balance sheet date: 135%).

Net liquidity at the end of 2022 totalled € 5.5 billion (previous year: € 5.3 billion), the shortest survival period in a stress test scenario was 122 calendar days (previous year: 115 calendar days).

Structure of residual term

The table below outlines the financial obligations of LBB/BSK as at 31 December 2022 structured by their respective contractually stipulated residual terms. The outline is based on additional monitoring metrics for liquidity reporting (AMM) without other cash flow such as, for example, guarantees and credit lines.

Liabilities by residual term and refinancing structure

in mn. €	2022
Hedged refinancing	
<= 1 month	0
> 1 month and <= 1 year	527
> 1 month and <= 5 years	1,215
> 5 years	0
Total	**1,743**
Own issues	
<= 1 month	5
> 1 month and <= 1 year	680
> 1 month and <= 5 years	2,484
> 5 years	1,145
Total	**4,315**

Liabilities derivatives	
<= 1 month	15
> 1 month and <= 1 year	109
> 1 month and <= 5 years	228
> 5 years	81
Total	**433**
Liabilities owed to financial customers	
<= 1 month	3,286
> 1 month and <= 1 year	59
> 1 month and <= 5 years	237
> 5 years	541
Total	**4,122**
Liabilities owed to customers	
<= 1 month	28,118
> 1 month and <= 1 year	4,640
> 1 month and <= 5 years	412
> 5 years	754
Total	**33,925**

3.3 Market price risks

Market price risks means the potential loss in value caused by negative changes to market prices or price-impacting parameters.

In particular, market price risks are credit spread risks, interest risks, share risks, options risks, and currency risks in the treasury business. Moreover, they exist in connection with the Metzler Pension Scheme as well as the outsourced pensions liabilities. The market risk is calculated, limited, and controlled under an integrated approach. This means that both general as well as special interest risks are incorporated into the established value at risk (VaR). Industry-specific and sector-specific categories and credit spread risks are accounted for. Fluctuations in the bank's own credit spreads have been excluded in line with the business model and the controlling philosophy.

To the fore of the management of interest rate risks is the equalisation of interest rate risks from customer transactions and long-term refinancing as well as the long-term generation of income from the transformation of maturities as a result of the interest structure. Additionally, the interest rate risks from on-balance-sheet pension liabilities are reflected.

Interest rate risks from pension liabilities outsourced to the Metzler Pension Scheme and other market risks from the assets of the Metzler Pension Scheme are accounted for under BSK's economic risk-bearing capacity within the framework of the consolidated financial statements.

Methodology for measuring market price risks

A historical simulation based on a ten-year comparison is the method applied to calculate the value at risk. The metrics of the scenarios are established with the help of a delta gamma approximation. All market price risk factors including options risks are included. The value at risk is established based on a one-day holding period and a 99% level of confidence.

Currently there are around 1,200 risk factors (e.g., exchange rates, interest curve points, volatility points, etc.) which are taken into account for each business unit and for the bank's consolidated return. Beyond the named approaches, the level of risk of the items is reviewed daily in stress tests applied to a number of different scenarios (historical, fixed scenarios as well as exposure-related scenarios) and outlined in a monthly market risk report on the last day of the month.

The market risk model is reviewed regularly. The model validation conducted in 2022 confirmed the model's adequacy.

LBB/BSK falls short of the limits for trading book activities to a limited extent in accordance with Article 94 CRR.
Capital adequacy of the market risk position under regulatory law is established following a standard approach pursuant to Article 351 et seqq CRR and encompasses foreign currency items of the banking book. As the de minimis threshold of 2 % of total capital resources was not reached for the foreign currency item, the foreign currency risk was not backed by equity in 2022.

Next to a primary control on the basis of their present value, the monthly simulation of the net interest income of the bank as a whole is based on the assumption of a constant balance sheet for the following 12 months. Both a continuity scenario for the current interest situation as well as interest change scenarios are simulated here. The deviations compared to the status quo are viewed in relation to the risk-covering assets.

The growing interest level throughout the reporting year resulted in the warning mark for the net interest income threshold being exceeded following which, however, no action was needed. Market price limits were not breached despite higher daily interest fluctuations.

Next to a primary control on the basis of their present value, the monthly simulation of the net interest income of the bank as a whole is based on the assumption of a constant balance sheet for the following 12 months. Both a continuity scenario for the current interest situation as well as interest change scenarios are simulated here. The deviations compared to the status quo are viewed in relation to the risk-covering assets.

Controlling of market price risks

Activities of the Treasury unit are incorporated in the risk strategy. Based on the risk-bearing capacity approach and the annual budget, the strategic framework is implemented through specific market price risk limits which are approved by the Management Board.

Market price risks are controlled by the Treasury unit based on market price risk limits/ capacity utilisations, the outcomes from the stress tests, and the sensitivity analyses. Controlling of market price risks is complemented by annual loss warning points and other reports, which differ depending on the respective business activity and are geared towards the respective departments (e.g., maturity profiles and risk profiles).

Investment decisions within the Metzler Pension Scheme are made by the fund managers who are independent from the bank and are not bound by instructions. In this regard, the fund managers take into account the investment policies established with the bank's agreement. LBB/BSK appoints representatives to attend the investment committee of the Metzler Pension Scheme which as a rule convenes twice a year.

The Treasury unit fulfils the typical functions of liquidity management, of Depot A investment transactions within asset allocation and the strategic transformation of maturities. The retirement of historical portfolio structures to a dimension that is typical of savings banks is realised within the management of the portfolios to be discontinued.

It is for the Management Board's Disposition Committee to control the interest book. It advises under a monthly rotation on any business policy reassessment and, if applicable, realignment of the interest rate risk. For this, the named processes on controlling market price risks are also applied. Moreover, controlling under present value and term aspects as well as in light of net interest income is facilitated.

The Committee convenes regularly or when needed for the New Product process in order to rate risks and the organisational impact from new business and monitor the necessary steps until their launch. The final approval for a new product is issued by the respective Management Board in response to the unanimous proposal from the New Product process committee. Comparable procedures apply to activities in new markets.

Controlling of market price risks

Market price risks are controlled by Risk Controlling without involvement from Treasury.

Monitoring of market price risks comprises a system based on risk and loss limitations and the correlated procedural arrangements. The regular monitoring of market price risks is fundamental as this secures the information flow. It facilitates any necessary short-term control measures.

Market price risk reporting

Risk ratios and earnings ratios are reported to all members of the LBB/BSK Management Board.

The differentiated market price risk reporting encompasses:

- the monthly report in accordance with MaRisk (comprehensive outline of risk aspects) which shows the reporting for Disposition Committee meetings as well as the Credit Committee and Risk Committee meeting;
- the reporting with notes on the development of the quarter in the context of the quarterly long monthly risk report as well as the material ratios in the short monthly risk report.

Market price risks limit and utilisation

The table below outlines the value as at the balance sheet date.

Value at Risk* of LBB/BSK (one-day holding period, confidence level 99%)

	VaR	
in mn. €	**31 Dec. 2022**	**31 Dec. 2021**
Share risk	1	1
Foreign currency risk	0	0
Interest rate risk	10	11
Credit spread risk	7	4
LBB/BSK	**12**	**12**

* Due to the diversification effects, the LBB/BSK value is not calculated as the sum total from all individual activities.

At the turn of 2021/2022, the method for the evaluation of pension liabilities in the market risk was switched to a more near-market approach which, compared to the previous year, resulted in a higher risk. This increase was overcompensated by a switch-over in the reporting structure according to which the pension liabilities outsourced to the Metzler Pension Scheme were no longer taken into account in the market risk as an integral part of LBB/BSK. Yet at the same time, LBB/BSK is liable for these outsourced pension liabilities. LBB/BSK's total VaR was limited at the start of the year initially to the amount of € 27 million; in connection with the above switch-over in the reporting structure the limit was reduced to € 20 million in January 2022. All the limits were approved by the Management Board. The risk of the Metzler Pension Scheme is now also reflected which is largely comprised of interest risks from the outsourced pension liabilities. Partial risks under the individual asset classes are not separately restricted by VaR limits.

Interest rate risks

Uncertainty regarding changes in market interest rates and any potential related loss constitutes a major risk of banks. At LBB/BSK, this risk is also determined under the framework of VaR calculations and the net interest income simulation and thus is subject to limitation as well as regular monitoring. The management of interest change risks in the interest book is based on an integrated approach and accounts for all arising cash flows.

At the end of the year 2022, interest rate fluctuations for terms of up to 20 years were primarily reflected on the assets side of the balance sheet, while for longer terms due to the remaining on-balance-sheet pension liabilities, slightly more on the liabilities side. The recognition of pension liabilities is also the reason for the liabilities-side positioning in the long-term segment.

Foreign currency risks

LBB/BSK does not hold any material foreign currency items. The foreign currency risk indicated in the LBB/BSK value at risk overview to the amount of k€ 42 (in the previous year: k€ 41) originates mainly from present value incongruencies between foreign currency assets and liabilities.

Share risks and other fund risks

The share risks reflected result primarily from the assets of the Metzler Pension Scheme which are taken into account under a look-through approach in regard to funds. Additional share risks result from the fund shares held in treasury by Berliner Sparkasse for which for the purpose of risk controlling no look-through approach is being applied for reasons of materiality but which are treated like shares. In order to take the composition of the fund portfolio into account, further monitoring of the risk is subject to specific stress tests for different fund categories.

Hedge accounting

Economic hedge accounting, unless an element of controlling the whole bank and being taken into account within the framework of the loss free evaluation of the banking book in accordance with IDW RS BFA 3, is shown as a combined item for valuation purposes in accordance with Sec. 254 HGB.

3.4 Operational risks

Operational risk is defined as the risk of losses that occur as the result of inadequacy or the failure of internal procedures and systems, people or as a result of outside events. Operational risk encompasses, amongst other things, risks from a breach against employee and social rights, human rights as well as risks resulting from inappropriate management in the fight against corruption and bribery. The definition includes legal risks, however, does not include strategy risks and reputational risks.

Within the framework of Reputational Risk Management, it is for Compliance to assess the risks to the reputation of LBB/BSK.

The goals to be defined at business division level and measures aimed at risk mitigation are determined by the responsible decentralised risk managers.

Organisational structure

The controlling of operational risks is a central responsibility under Risk Controlling.

In accordance with the operational risk strategy, the implementation of the default framework and the daily management of operational risks are incumbent on the divisions and their profit responsibility.

The OpRisk Committee is a body for all queries regarding the controlling and management of operational risks. It assists the Management Board in exercising its monitoring function.

Risk control and monitoring

Operational risk is part of the risk-bearing capacity approach for the control of LBB/BSK's aggregate risk. For this, the operational risk profile is established in comparison with LBB/BSK's risk appetite. Moreover, risk mitigation action as well as priorities are defined. The Management Board is informed about the current situation of operational risks on a quarterly basis.

Special detailed reports on operational risks for the individual business divisions are compiled annually and provided to the responsible Management Board and the decentralised OpRisk Managers.

To efficiently control the operational risk, different instruments are applied which are largely also integral to the calculation model for operational risks. Key instruments include:

- a scenario analysis which is applied to determine the loss potential in case of LBB/BSK's critical scenarios;
- a collection of loss events (internal/external)
- the early warning system (recording and monitoring of risk indicators);
- action controlling (recording and monitoring of identified actions from loss events);
- the risk transfer under an insurance cover.

To record loss events, LBB/BSK uses standard software and the tool developed by central OpRisk Controlling for calculating the OpVaR as well as data management and reporting.

Measurement of operational risks

The economic and regulatory capital for operational risks is calculated by applying the advanced measurement approach. Under this approach, the amount of € 91 million (previous year: € 93 million) was established in 2022 for both LBB/BSK's regulatory equity adequacy as well as for the risk-bearing capacity allowance. This value is the 99.9% quantile of the spread of the annual loss and accordingly, is estimated conservatively.

The model accounts for pandemic-related risks in the scenario analysis. In 2022, just as in 2021, no further losses were reported due to the Covid-19 pandemic.

LBB/BSK currently is not suffering from any system failures or performance losses due to crisis situations; a rise in cyber events or fraudulent acts cannot be recorded.

Remote working remains an option. Currently, this can be voluntarily pursued for up to 40% of the weekly working time. There are internal guidelines and especially specifications on data protection and information security. The remote working model is a standard procedure provided by FinanzInformatik, an IT service provider for the savings banks.

Personnel risks

Personnel risks are controlled by risk factors that differentiate between fluctuation risks, availability risks, qualification risks, and motivational risks. The aim is to identify negative tendencies and initiate suitable action to prevent or minimise risks.

IT and system-related risks

Currently, no threatening IT and system-related risks are expected to occur with a high probability of occurrence.

IT risk management follows a centralised and integrated approach which encompasses a risk awareness programme for employees and a regular risk assessment with the help of established methods. To identify risks, periodically defined risk indicators are examined.

Security and contingency management, outsourcing

LBB/BSK has a written contingency plan for critical business processes. To co-ordinate, control and manage information security, LBB/BSK follows the DIN standard ISO27001/2013. To implement the requirements under the standard, LBB/BSK applies the tool *Sicherer IT Betrieb* (SITB) by SIZ GmbH, a company of the German Savings Bank Organisation. A crisis task force has been established which assumes the decision-making and management functions in the event of crisis.

All MaRisk-relevant outsourcing activities of LBB/BSK are controlled and monitored by the Group for Partner and Service Provider Management within the Organisation and

Productivity Management division. As a centralised function, the Group for Partner and Service Provider Management has no technical responsibility regarding outsourced activities and processes. This rests with the individual technically responsible process owner at LBB/BSK, which in addition may refer to a performance-monitoring unit (LüS). The Group for Partner and Service Provider Management engages in a close exchange with the LüS which it monitors for compliance with the outsourcing specifications. Within the risk analysis framework which is to be reviewed annually, the risk from outsourcing business activities is ascertained, its materiality is determined and risk mitigating measures are established.

Legal risks

Risk Management and Legal assume the function of legal risk control. The setting of risk-limiting standards as well as relevant legal and contractual concerns and their handling are paramount here.

Key projects (e.g., implementation of EU Directives, launch of new products) are co-ordinated with the Legal department under legal aspects. For risk prevention, the Legal department provides specimen contracts and other legally relevant language. In the case of deviations or novel arrangements, the Legal department is to be involved. Insofar as support from outside lawyers nationally or internationally is referred to, the fundamental control still rests with the Legal department.

Within the framework of its supporting activities, the Legal department designs the contracts, general terms and conditions of business and other legally relevant language in co-operation with the other business units. Insofar as legal texts are provided by third parties, Legal is always to be involved.

If there are unforeseen developments (e.g., due to changes in legislation) or if mistakes have been made, the Legal department will partake in the identification, remedy, and future prevention of the issues or mistakes. In this case, the Legal department reviews and assesses the legally relevant facts and circumstances and controls any potential legal action. This applies especially to the defence against any claims asserted.

The Legal department reports on legal risks by submitting documents to the Management Board in addition to documenting ongoing legal action by means of institutionalised reporting to the areas concerned.

In conjunction with the price adjustment clause under the General Terms and Conditions, provisions were made in 2022 to the amount of € 3.3 million. By virtue of the ruling by the Federal Court of Justice (BGH) on GTCs, the legal situation remains unclear which is why currently any price adjustment requires substantial input. A partial amount of € 3.7 million of the provisions for interest on long-term savings contracts in the amount of € 31.8 million was dissolved in 2022. As at 31 December 2002, the provision thus totals € 27.8 million (including the drawdown from 2022). The provisions for the currently relevant legal risks from the BGH rulings on the adjustment of prices under GTCs and interest payable on long-term savings contracts therefore amount to € 36.0 million in total as at 31 December 2022.

3.5 Other risks

Sale of third-party card operations

In connection with the intended sale of third-party card operations and the winding-up of the associated DirektBankService business division, there is uncertainty as to whether timelines can be met, when which purchase price amounts are to be paid for portfolios that have not yet been sold as at the balance sheet date, and what the remaining remnant costs are. Moreover, transaction risks may arise from this. Other operational risks may arise from a possibly faster departure of personnel than expected.

Business policy and strategy decisions

Failure to fulfil the long-term corporate goals due to strategy decisions based on incomplete, inaccurate, or incorrect information is deemed a strategic risk. It is for the Management Board to control the strategic risk; also, certain decisions are subject to approval from the Supervisory Board.

The strategy which was approved by the LBB/BSK Management Board and which is updated regularly specifies the binding strategic direction of LBB/BSK which can be fleshed out in separate functional strategies.

The strategic goals are monitored and controlled once a year based on the defined goal achievement indicators and target values (target-actual comparison). Additionally, the Management Board deals with the most relevant strategic projects and action in a PULS meeting (PULS = the Management Board oversees strategic measures three times a year) to make in-year adjustments and ensure that the strategic goals are attained. Moreover, selected financial and risk targets are monitored based on standardised reports throughout the year.

Strategic and general business risks are derived once a year from the corporate strategy and are taken into account in the medium-term planning. The findings are incorporated into the risk inventory.

The Management Board assumes the strategic lead.

E. Opportunities and Forecast Report

The future-oriented statements in the forecast report are based on assessments and conclusions taken from information available in this moment. Statements lean on a number of assumptions relating to future events that flowed into the operational business planning. There are uncertainties and risks in relation to the occurrence of such future events of which many factors are beyond LBB/BSK's possibilities of influence. Accordingly, de facto events may digress from the outlook as outlined in the forecast report.

In particular, indirect consequences from Russia's war against Ukraine and the resulting geopolitical consequences as well as the impact from high inflation, high energy prices and disruptions to the supply chain as well as the noticeable rise of interest rates in our area of business and LBB/BSK's earnings performance are currently difficult to gauge. In this context, the prognosis outlined below is characterised by a high degree of uncertainty.

The development of the past years has shown that forecasting in a volatile environment is possible to a limited degree only. LBB/BSK will address in detail the material opportunities and threats for central control in the forecasts below. Opportunities are defined in this context as possible future developments or events which may lead to a digression from the outlook or target which is positive for LBB/BSK. Risks, on the other hand, are defined as possible future developments or events which may lead to a digression from the outlook or target which is negative for LBB/BSK. The long risk report explains in detail the types of threats specific to the bank.

1. Outlook on the framework and competitive conditions

The forecast values which had been prepared in 2022 and which refer to 2023 are outlined in the following chapter and thereafter are evaluated in relation to the current assessment of LBB/BSK.

Although inflation[8] should noticeably recede from extremely high manifestations in the past, it will continue to considerably exceed the ECB's reference target. The increased pricing pressure will continue to persist in many areas which will entail an offsetting adjustment of wages. Still, falling real incomes are likely to lower consumption. Economic strain will also arise from less favourable financing conditions which ensue from the strong rise in interest as well as the normalisation of previously low risk premiums. Government subsidies and

[8] Statement by the Joint Economic Forecast on the 2023 Annual Projection Project Group by the Federal Government of 25 January 2023

overall high investment incentives in connection with the proclaimed *Zeitenwende* (turning point) as well as climate policy necessities should, however, prevent a more pronounced economic slump.

It is expected that central banks, including the European Central Bank (ECB), will further increase key interest rates and, moreover, by reducing their balance sheet will actively target the throttling of price hikes. Since capital markets anticipated these expectations, returns in long-term investments should have already edged close to their above turnaround. Moreover, future key interest rate increments are likely to be smaller than those of 2022.

Since last year's performance of Berlin's economy was predominantly characterised by a catching-up effect, the negative cyclical impact from rising prices will be felt more and more. Job growth[9] is now expected to slow down despite an increasingly challenging labour shortage and it will become progressively difficult to recruit much needed professionals, also due to a lack of housing. Moreover, the catching-up effect will not continue in consumer-centric economic sectors such as tourism, hospitality, and the brick-and-mortar retail trade since purchasing power has declined. The decrease in consumption is also likely to affect those previously benefitting from the pandemic, such as for example online trading, which is very strong in Berlin. Business-centric services as well as the information and communication industry will also be affected by cutbacks, however they will maintain their role as a long-term growth driver of the Berlin economy.

Prospects for the real property sector are likely to become significantly mired, at least temporarily. Construction and the required investments into housing due to a continued strong influx of people moving to Berlin will be curbed. The reasons for this, next to the general economic uncertainty, include a rise in construction prices and interest rates, as a result of which fewer and fewer people will be able to afford buying a home. The years-long rise in real property prices, according to expectations of LBB/BSK – contrary to the development of residential rental prices – will come to a halt, at least for a while. Price corrections in Berlin's housing property market, according to LBB/BSK's estimates, however, will most likely be much less apparent to those in other German metropolitan cities. The anticipated macroeconomic downturn for Berlin in 2023 is likely to be slightly less than for the whole of Germany.

[9] The Official Employment Statistics of the Länder Governments 01/2023 work group

2. Forecast

The forecast on the macroeconomic development for the financial year 2023 is based on the underlying data from LBB/BSK's medium-term planning from 2023 to 2027 which was prepared in November 2022. They are in detail:

- GDP growth for Berlin: 3.8%
- GDP growth for Germany: 2.6%
- Rate of inflation for Germany: 2.4%
- Savings ratio for Berlin: 7.8%
- Unemployment rate for Berlin: 9.0%
- Collective salary increases in the banking sector: 2.0%
- 3-months' Euribor rate: 2.45%
- 10-year SWAP rate: 3.2%

The assumptions are continually updated in the context of the economic monitoring by Berliner Sparkasse.
Below, the trends for the most relevant performance indicators are outlined based on a comparison of the 2023 forecast with actual figures from the financial year 2022.

For 2023, LBB/BSK is expecting **Earnings before income tax** resp. a profit transfer to LBBH in the amount of € 201 million, which therefore would be € 69 million higher than 2022. Profit for the year 2023 will be impacted in relation to net interest income by currently strong changes in the underlying conditions. Risk provisioning remains at a high level, however, will slightly decrease following the expected sale of a third-party card portfolio. This is in contrast to the anticipated proceeds from a further partial sale of an equity interest. The stringent cost programme will be continued; however, strains stem from growing energy prices.

Administrative expenses for 2023 at € 790 million are expected to fall below those of the previous year (31 December 2022: € 804 million) which is mainly due to an anticipated decrease of personnel expenses. Interest rates dictate that less expenditure is budgeted for pension provisions.
In terms of **employee capacities**, LBB/BSK expects a further reduction to 2,844 for the end of 2023 (as at 31 December 2022: 2,883) which primarily will be achieved through contracts

that have already been signed. The intended backsourcing of tasks and employees from S-Servicepartner Berlin GmbH has an opposite effect.

For the end of 2023, a **CET 1 Capital Ratio** in the amount of 16.9% (31 December 2022: 18.9%) is projected. Pivotal for the expected reduction of the ratio are especially RWA-increasing effects due to a rating downgrade and a decline in collateral values caused by the existing macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession). Scenario computations that rely on conservative macroeconomic assumptions form the basis for this.

LBB/BSK's **Balance Sheet Total** at the end of 2023 is forecast to be € 44.7 billion (31 December 2022: € 48.8 billion). The anticipated reduction is based, amongst other things, on the scheduled repayment of large-volume deposits from institutional customers.

Loans and Advances to Customers are expected to total € 29.5 billion, which is the year-end level of 2022 (31 December 2022: € 29.2 billion) Despite the current macroeconomic development we are counting on stable growth which, however, will be offset by the scheduled divesture of material parts of the third-party card portfolio.

LBB/BSK anticipates year-end **Liabilities owed to Customers** to be largely stable at € 34.1 billion (31 December 2022: € 35.1 billion). Due to the decline in available income, the deposits will no longer grow along the same lines as seen over the past years.

2023's **Cost-Income-Ratio** with 69.0% is anticipated to be slightly below the value as at 31 December 2022 (71.2%).

Return on Equity is forecast with 11.0% above the previous year's value (31 December 2022: 7.6%), thus reflecting the development as commented on under earnings before income tax.

Customer Satisfaction is a key strategic goal. The reference survey in 2021 produced an index value for retail customers of 69, and for corporate and business clients of 78. A consistent level is expected for 2023. In 2027, a value of 81 for retail customers and 83 for corporate and business clients in relation to customer satisfaction compared to the overall DSGV index is being pursued. The next survey will take place in 2023.

3. Opportunities and Threats

- **Macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession)**

The forecasts outlined in the management report are characterised by major uncertainty in light of macroeconomic and geopolitical threats. Consequently, unexpected developments in the external economic, geopolitical, and sector-related frameworks or developments in international financial markets which are budgetable on a limited scale only may present opportunities and threats to the risk result of the treasury business as well as the risk result in lending. Moreover, despite cautious planning, a further negative development of external framework conditions, for example in the event of a distinct decline in real property prices following a further rise in interest rates, may lead to a deterioration of borrowers' credit standing as well as a depreciation of collaterals that have been supplied and may thus cause additional need for risk provisioning or allowances, especially for commercial real property financing. It is possible that in such a situation, the transfer of profit to LBBH in 2022 may be clearly below the result in 2022 as a result of growing risk provisioning expenses and a burdening of the interest and commission result. In this case, any further central control parameters, such as for example the cost-to-income-ratio and the return on equity, may possibly also perform less favourably than outlined in the forecast report. Also, negative consequences may arise for the regulatory capital and regulatory ratios, in particular for the CET 1 capital ratio following a rise in RWA due to a rating downgrade and a decline in collateral values. Moreover, this may produce liquidity risks. It cannot be excluded that the further developments also have a significantly negative impact on the risk control parameters.

In addition, it is also possible that, under more favourable economic framework conditions, the need for risk provisioning will be lower than anticipated.
This is to be expected in the event that the pricing pressure from international supply contracts as well as from the energy supply and raw materials markets diminishes faster than presumed. Moreover, the proclaimed *Zeitenwende* (turning point) may produce a demand for financing that exceeds the budgeted parameters. Such opportunities may occur for a range of reasons, starting from higher demand for operating loans to the desired increase of entrepreneurial resilience to action aimed

at strengthening critical infrastructures through to additional investments which become necessary in the wake of the ecological transformation, for example in such areas as traffic, and the modernisation of existing real property.

Potential threats may arise from failure to attain the sales goals, for example due to macroeconomic and geopolitical threats or bleaker real property markets. Cancelled or delayed investments may result in a decline in the demand for financing – especially also for commercial real property financing – and, depending on the real property market and interest development, increase non-scheduled loan repayments.
This may also reduce new business and inventories for the bank's financing transactions. Therefore, it cannot be excluded that future developments will negatively impact the amount of existing loans and advances to customers (important financial performance indicator) as well as budgeted result parameters, the cost-to-income-ratio and the budgeted profitability parameters.

In particular as a result of Russia's war with Ukraine, costing pressures on many companies have increased. With a strong focus on service and fewer energy-intensive industries, Berlin's economy was initially less drastically affected by price hikes of electricity and gas. However, the impact from the crises – contrary to the prior pandemic – is not so clearly delimited to individual sectors and at times only becomes apparent much later. This bears risks in relation to our earnings and risk situation and may have a significantly negative influence on our relevant financial performance indicators, i.e., profit transfer to LBBH, equity ratio, cost-to-income-ratio.

Private households are also facing challenges from rising prices and falling real wages. The increase in energy prices burdens private households with a delay yet is partially cushioned by government intervention. This may have a negative impact on the repayment of existing loans. Once private reserves have been largely depleted, consumer-centric economic sectors will be particularly hard hit by the required cutbacks. This includes industries such as the brick-and-mortar retail trade, hospitality as well as tourism which only now managed to recover from the effects of Covid-related restrictions, but also the beneficiaries of the prior pandemic situation, such as, for example, Berlin's strong online trading sector. This may be reflected in clearly higher default ratios of our customers. These parameters may negatively impact the result of LBB/BSK before income tax, the profit transfer to LBBH, the equity ratio and the cost-to-income-ratio.

Business-centric services and here in particular the information and communication sector were also the drivers behind the growth of Berlin's economy in 2022. However, with the ongoing crisis, they may fall victim to business cutbacks and more unfavourable financing conditions. The sustainable transformation of the economy triggered by ongoing higher energy prices, however, provides new opportunities to Berlin-based start-ups offering the right solutions, which in turn may benefit our financing division for new business.

- **Rise in interest rates**

  The European Central Bank may be compelled to further increase key interest rates in order to counter a perpetuation of increased inflation values. It is also likely that the ECB will reduce the previously generous liquidity situation. Creditworthiness risks of businesses and private households may be given more attention by capital markets because the growing burden from interest rates is met with potential losses in earnings and falling real earnings. Generally, this climate of higher interest rates harbours opportunities for the cost-to-income-ratio of LBB/BSK. However, a potential threat in this regard is what at first is an extremely flat, even inverse yield curve.

  Any further rise in interest rates may result in a loss in value of the securities held by the bank. This, too, may negatively impact the result of LBB/BSK before income tax, the profit transfer to LBBH, the equity ratio and the Cost-Income-Ratio.

- **Growing regulatory pressure**

  Growing regulatory and legal requirements restrict any potential on the part of banks to effect change, and adversely impact their profitability as a result of a rise in equity and control costs. High capital and personnel requirements needed to fulfil regulatory specifications drive costs and, generally speaking, burden the performance indicator Administrative Expenses. This produces threats to LBB/BSK in relation to the development of existing and new business and thus, to the credit and securities portfolio. Threats may also exist In terms of competitive intensity and, consequently, for attaining the pursued return on equity.

  The ECB's focus is on the strategic and sustainable orientation of the business model as well as the risks engaged in, e.g., in the framework of the profitability

forecast exercise (PFE) and the supervisory review and evaluation process (SREP). The sustainability of the business models is furthermore challenged by additional regulatory provisions, such as the obligation to give third parties access to payment data (Payment Service Directive, PSD2). Here we see a risk in terms of reaching the scheduled cost-to-income-ratio as income will be lost due to the elimination of revenues from cross-selling products.
This is compounded by comprehensive expectations on the part of the German Federal Financial Supervisory Authority (BaFin) on how to handle sustainability risks in light of the organisation of the business and risk management. This may result in a modified assessment on achieving the CET 1 capital ratio. For the years to come, further, more tightening regulatory provisions, such as the establishment of macro-prudential capital buffers and Basel IV, have been planned which will also strongly burden LBB/BSK. Macro-prudential capital buffers include the anticyclical capital buffer whose ratio has been established in accordance with the General Administrative Act of the BaFin of 31 January 2022 as in effect from 1 February 2022 on 0.75% of the total amount of receivables to be determined pursuant to Article 92 para. 3 of the Capital Adequacy Ordinance, which must be applied as from 1 February 2023 to quantify the institution-specific anticyclical capital buffer, as well as the systemic risk buffer with 2% of the risk-weighted national assets collateralised with residential real property. Both capital requirements are to apply as from February 2023 and pose additional, new capital requirements. The introduction of these capital buffers or rather the additional capital requirements will reduce the available potential for RWA and consequently, possibilities for new business at LBB/BSK accordingly and harbours a risk potential when it comes to achieving the goal in terms of receivables.

A possibly required additional creation of reserves in accordance with Sec. 340g HGB – without any respective countermeasures – would further reduce earnings before income tax.

Moreover, future regulatory interventions could come with restrictions and thus with threats to earnings and the implementation of new regulatory requirements could trigger additional administrative expense. Furthermore, there are risks from the bank having joined the Institutional Protection Scheme of the Sparkassen Finance Group. In the context of compensation and support measures, institutions under the Protection Scheme may call on special payments which would burden the bank’s result. The same applies to potential obligations to make additional capital contributions to the restructuring fund for credit institutions. Whether and to which extent there will be such payments is currently not foreseeable.

- **Implementation of cost programme**

  A threat has been taken into account that measures under the cost programme which have already been taken into account cannot be implemented as planned or only with a delay and that therefore, the scheduled transfer of profit cannot be achieved. Reasons for this might be new regulatory requirements, non-budgeted price increases or additionally required personnel capacities.

  However, at the same time there is also the opportunity that the intended measures will be implemented faster and more swiftly with the result that the respective positive earnings effects can be achieved at an earlier point in time already and that more profit can therefore be transferred.

- **Digitalisation**

  The Covid-19 pandemic gave yet a further boost to the cross-sector digitalisation. This can be seen in the banking sector in increased requirements relating to digital banking and a growing demand for digital banking products and services. Customers are dealing more intensely with non-cash, therefore digital or contactless payment methods. The hub in this regard remains our online banking system which is in high demand. LBB/BSK and its central IT service provider are well positioned here; at the same time, fast growing customer requirements may result in out-of-schedule cost increases for the service provider and thereafter, for LBB/BSK in terms of administrative expenses. Digitalisation therefore comes with a risk to our performance indicator Administrative Expenses.

  LBB/BSK identified this customer trend early and was able to increase the share of online banking users with the help of a digital onboarding strategy clearly above 76% over the past years. A higher use of digital services reduces the use of brick-and-mortar services which frees up capacities in sales and accordingly improves the cost-to-income-ratio. Next to the S-App, Berliner Sparkasse has been offering a special app to commercial customers since the middle of the year, the *Sparkasse Business* app. The scope of the app’s functionalities leans on those from the popular app for retail clients. The goal of the app is to tie in key needs of small enterprises – from banking to bookkeeping – in a single solution. The opportunity presents itself here from the use of digital services towards a higher-than-budgeted sales acquisition and improved cost-to-income-ratio compared to the forecast.

Starting in 2023, LBB/BSK will be offering an independent digital sales and service channel to its commercial customers, the *S-Firmenkundenportal* (hereinafter S-FKP). With the S-FKP, Berliner Sparkasse is further expanding its omni-channel offer and provides a new online channel for commercial transactions to its customers. This may on one hand contribute towards increasing customer satisfaction while on the other, S-FKP and its self-service offer may alleviate customer service representatives of the Berliner Sparkasse. Additionally, the underlying pricing model and the newly created digital paths to closing on product sales are to open new sources of income.

Major changes in customer behaviour can also be identified from an increase in telephone contacts with the bank’s media units. LBB/BSK strives to move the services provided by employees to digital channels. The savings bank’s award-winning chatbot, Linda, is also used here. New digital offers such as the password and document manager, S-Trust, emphasise LBB/BSK’s mission to consolidate customer relationships and locate new sources of income even beyond traditional banking products in the future.

The omni-channel approach for customers is to mirror itself in new organisational processes, rendering the sales network more flexible and building further media units.

Building on its competitive lead as a major branch network, LBB/BSK has additional opportunities to secure and expand market shares with demand-based offers, an adequate value-for-money ratio, high visibility and consultation quality as well as audience-specific onboarding of customers into the digital world.

A more simplified and convenient process for customers to change banks presents both a threat, but also an opportunity, to LBB/BSK.

- **Real property market**

  A key threat to achieving the forecast parameters would be adverse developments in the real property market. Contrary to current expectations, a clear increase in interest rates, investors operating reservedly in real property markets, or a negative market development could lead to clearly negative value changes in market value and collateral values. This could have a negative impact especially in commercial real property financing ratings of borrowers as well as default risks with clearly adverse effects on individual and general allowances for bad debt. At the same time, rating downgrades and reduced collateral values may result in a rise in RWA. To this extent, negative developments in the real property markets may also negatively impact both the budgeted earnings and profitability parameters (including profit transfer to LBBH, the cost-income-ratio and return on equity) as well as the CET 1 capital ratio due to an increase in RWA.

Also, negative market developments in the real property markets may clearly reduce new business in real property financing and thus put the pursued goal regarding the amount of existing loans and advances to customers at risk.

Because of the experience during lockdown, commitments for hotel property, restaurant as well as event properties continued to be very reserved. Less than 5% of the asset volume of the commercial real property financing is attributable to these segments so that limited risks in relation to earnings before income tax exist. However, these businesses are currently running at excellent capacity and could raise their pricing so that the earnings position is at times even better than before the pandemic.

The demand for office property in Berlin remains unchanged. Peak and mean leases are above those of the pre-pandemic year, 2019 and continued to rise further last year. Working from home and new work trends may have long-term effects which currently cannot be reasonably estimated yet which are viewed by most market participants as negligible. In the medium run, no remarkable change in demand is therefore to be expected even if there is a potential threat in attaining the volume of new business and thus in the number of existing receivables.

Certain project developers delay the start of construction to postpone the time of completion to when the interest environment is more accommodating which, from their perspective, is expected starting in 2024. This comes with the threat to currently financed business in the development for new residential construction (rental) segment which, when expired, cannot be replaced with adequate new business and the target for loans and advances to customers will be missed.

The tried and tested quality requirements will continue to be adhered to which in an environment of increasingly margin and risk-aggressive competitors may adversely impact new business. Any future potential may be developed from the market position and the reputation that have been reached as a competent and reliable financing partner as well as the optimisation of internal processes.

- **Third-party card business**

  Whereas the sale of the ADAC portfolio has already been contractually fixed, the sale or a self-liquidation of the other portfolios is not yet certain. The termination of third-party card operations will result in a clear drop in earnings from interest and commission; at the same time, it comes with the opportunity to realise material cost savings, especially within IT, which are above budget. There is both the opportunity as well as the threat that proceeds from a sale, the timing of the sale or the liquidation of the other portfolios will not take place as scheduled and that therefore, achieving the cost-to-income-ratio, the budgeted administrative expenses, the planned profit transfer to LBBH and the budgeted return on equity as well as the expected receivables situation and expected balance sheet total will be positively or negatively impacted.

- **Business hub Berlin**

  Service sector enterprises characterise the business hub that Berlin is. The capital's economy was always able to realise a growth advantage compared to the rest of Germany over the past years. Even during the pandemic, this advantage was only reduced for a small period of time. Business-centric services and the information and communication sector in particular were outstanding growth drivers. The relevance of consumer-centric services for the development of the regional economy started to decline even before the onset of the pandemic and may lose out even further in the future. Berlin's start-up eco-system has produced a number of economically relevant businesses over the past years which now, however, will need to prove themselves in what has become a rougher macroeconomic environment. LBB/BSK offers Berlin-based companies sector-specific consultation offers. Together with its local networks, LBB/BSK can offer support to start-up companies and retain them in the long term. This is why LBB/BSK considers the Berlin market to be an opportunity in which it grows even better than forecast and therefore can positively influence our earnings parameters which flow into the cost-to-income-ratio. However, the economic environment which is becoming increasingly fierce may lead to a default risk and therefore to material strains on earnings, and therefore may have a considerable negative impact on the relevant control parameters (including profit transfers to LBBH, the cost-to-income-ratio, and the return on equity).

4. Overall statement

LBB/BSK as part of the LBB Group is transforming from a *Landesbank* (state bank) to a traditional savings bank. A milestone of this change was the sale of BerlinHyp AG as at 30 June 2022. Further steps on this path are summarised in a comprehensive programme for the future titled Z25!. Key elements encompass the concentration on core business operations with a focus on the capital of Germany as well as reduced complexity, lower costs and higher earnings from the retail banking segment. During the financial year 2023, LBB/BSK will consistently continue this future programme.

The primary focus in retail banking is to further strengthen the bank's leading market position in the capital region. Here, LBB/BSK is focusing on further expanding its media channels to be able to contact its customers directly and set the course to secure the economic future of LBB/BSK.

Measured in terms of recognisable actual loan defaults, LBB/BSK's business model has so far proven its robustness and viability even under the noticeable burden from a dramatically changing environment for banks and savings banks as well as the effects from current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession). According to LBB/BSK appraisals, estimating the concrete impact from these influences on loan portfolios as well as the risk situation is currently tied to nothing but considerable uncertainty. Multiple risk factors hamper a forecast. This includes ongoing uncertainties in relation to the future development of Russia's war against Ukraine and the resulting cyclical risks as well as further, more stringent regulatory and legal requirements. Moreover, it remains to be seen how inflation will affect the German economy and consumer behaviour.

In light of the changes in the economic and regulatory environment, LBB/BSK regularly reviews its business model. The structural and strategic changes as well as the future programme – also against the background of current high macroeconomic and geopolitical threats – contribute towards a viable and robust business model of LBB/BSK. The superordinate goal is and remains its viable economic efficiency.

For the financial year 2023, LBB/BSK is expecting no changes, i.e. the same orderly cash flow situation and thus the continued complete refinancing of the business volumes in the collateralised and non-collateralised money and capital markets.

In the financial year 2023, LBB/BSK is expecting earnings before tax in the amount of € 201 million which will be transferred to LBBH in full.

Balance Sheet of Landesbank Berlin AG as at 31 December 2022

Assets	Note Text no.	€ '000	€ '000	€ '000	€ '000	Previous year € '000
Cash reserve						
a) Cash				273.324		308.023
b) Balances with central banks				344.888		13.135.577
of which: at Deutsche Bundesbank		344.888				(13.135.577)
					618.212	**13.443.600**
Loans and advances to banks	1, 19					
a) Mortgage loans				0		0
b) Municipal loans				7.661.797		177.959
c) other receivables				1.620.088		1.659.034
of which:						
payable on demand		211.576				(221.868)
against securities as a collateral		0				(0)
					9.281.885	**1.836.993**
Loans and advances to customers	2, 19					
a) Mortgage loans				11.862.063		11.111.341
b) Municipal loans				1.477.820		1.531.851
c) other receivables				15.882.886		14.737.628
of which:						
against securities as a collateral		17.871				(12.379)
					29.222.769	**27.380.820**
Bonds and other fixed-income securities	3, 9, 19					
a) Money market instruments						
aa) from public issuers			0			0
of which:						
eligible as a collateral with Deutsche Bundesbank		0				(0)
ab) from other issuers			0			0
of which:						
eligible as a collateral with Deutsche Bundesbank		0				(0)
				0		0
b) Bonds and debentures						
ba) from public issuers			1.509.047			1.723.476
of which:						
eligible as a collateral with Deutsche Bundesbank		1.509.047				(1.723.476)
bb) from other issuers			6.329.594			6.304.995
of which:						
eligible as a collateral with Deutsche Bundesbank		6.028.236				(5.896.979)
				7.838.641		8.028.471
c) own bonds				0		0
Nominal amount		0				(0)
					7.838.641	**8.028.471**
Shares and other variable-yield securities	4, 9				**220.812**	**235.893**
Equity interests	5, 9				**161.699**	**156.716**
of which:						
in banks		31.362				(31.362)
in financial service providers		32.484				(32.484)
in investment firms		0				(0)
Investments in affiliated companies	5, 9				**471.840**	**435.307**
of which:						
in banks		429.693				(390.336)
in financial service providers		0				(0)
in investment firms		0				(0)
Assets held in trust	18				**206.509**	**227.726**
of which: trust loans		206.509				(227.726)
Intangible assets	6					
a) self-created industrial property rights and similar rights and assets				11.789		18.262
b) concessions acquired for a consideration, industrial property rights and similar rights and assets and licenses to such rights and assets				35.180		33.915
c) goodwill				0		0
d) prepayments made				0		0
					46.969	**52.177**
Property, plant and equipment	6				**61.242**	**67.997**
Other assets	7				**541.657**	**501.830**
Prepaid expenses/income	8					
a) from issuing and lending business				11.747		10.562
b) other				93.445		106.385
					105.192	**116.947**
				Total Assets:	**48.777.427**	**52.484.477**

Liabilities	Note Text no.	€ '000	€ '000	€ '000	€ '000	Previous year € '000
Liabilities owed to banks	10					
a) registered mortgage pfandbriefe issued				75.325		85.455
b) registered public pfandbriefe issued				0		0
c) other liabilities				4.384.648		10.378.835
of which:						
payable on demand		1.400.332				(1.422.453)
to secure loans taken out to the lender						
registered mortgage pfandbriefe handed out and		0				(0)
registered public pfandbriefe handed out		0				(0)
					4.459.973	**10.464.290**
Liabilities owed to customers	11					
a) registered mortgage pfandbriefe issued				453.545		453.545
b) registered public pfandbriefe issued				0		0
c) Savings deposits						
with agreed period of notice						
ca) of three months			4.376.131			4.537.316
cb) of more than three months			6.819			8.036
				4.382.950		4.545.352
d) other liabilities				30.307.482		29.396.561
of which:						
payable on demand		28.448.355				(29.204.487)
to secure loans taken out to the lender						
registered mortgage pfandbriefe handed out and		0				(0)
registered public pfandbriefe handed out		0				(0)
					35.143.977	**34.395.458**
Securitised liabilities	12					
a) issued bonds						
aa) mortgage pfandbriefe			3.584.110			2.770.109
ab) public pfandbriefe			260.104			260.104
ac) other bonds			77.387			79.625
				3.921.601		3.109.838
b) other securitised liabilities				0		0
of which:						
Money market instruments		0				(0)
					3.921.601	**3.109.838**
Trust liabilities	18				**206.509**	**227.726**
of which: trust loans		206.509				(227.726)
Other liabilities	13				**1.267.323**	**556.847**
Prepaid expenses/income	14					
a) from issuing and lending business				31.354		30.441
b) other				118.680		169.271
					150.034	**199.712**
Provisions	15					
a) Provisions for old-age pensions and similar liabilities				164.511		152.812
b) Tax provision				2.020		2.020
c) Other provisions				367.066		343.011
					533.597	**497.843**
Subordinated liabilities	16				**384.612**	**392.962**
Fund for general banking risks					**548.558**	**478.558**
of which special items in accordance with Section 340e (4) HGB		7.223				(7.223)
Equity	17					
a) Called-up capital						
Subscribed capital						
aa) Share capital			1.200.000			1.200.000
net of uncalled outstanding contributions			0			0
				1.200.000		1.200.000
b) Capital reserve				920.038		920.038
c) Retained earnings						
ca) legal reserve			0			0
cb) reserve for shares in a controlling or majority-owned company			0			0
cc) statutory reserves			0			0
cd) other retained earnings			41.205			41.205
				41.205		41.205
d) Net profit/net losses				0		0
					2.161.243	**2.161.243**

				Total liabilities:	**48.777.427**	**52.484.477**
Contingent liabilities	29					
b) Liabilities from guarantees and indemnity agreements					759.357	613.375
					759.357	**613.375**
Other commitments	29					
c) Irrevocable loan commitments					2.648.185	3.065.243
					2.648.185	**3.065.243**

Income statement of Landesbank Berlin AG for the period from 1 January to 31 December 2022

Expenses	Note Text no.	€ '000	€ '000	€ '000	€ '000	Previous year € '000
Interest expenses	16, 20, 27					
a) Interest expense excluding positive interest				57.745		39.609
b) Positive interest				-65.901		-120.595
					-8.156	**-80.986**
thereof: accumulation of bank-specific provisions				0		(0)
Commission expenses	21, 27				**191.070**	**188.891**
General administrative expenses	22					
a) Personnel expenses						
aa) Wages and salaries			257.548			235.892
ab) Social security contributions and expenses for pensions and benefits			71.107			147.397
of which: for pensions		33.221				(109.855)
				328.655		383.289
b) other administrative expenses				451.074		446.473
					779.729	**829.762**
Write-downs of and allowances on intangible assets and property, plant and equipment	6				**24.226**	**22.386**
Other operating expenses	23				**37.421**	**106.402**
thereof: accumulation of non-bank specific provisions				3.042		(28.206)
Write-downs of and allowances on receivables and certain securities as well as increases of provisions in lending business	24				**127.890**	**0**
Write-downs of and allowances on equity investments and shares in affiliated companies and securities treated as fixed assets	5, 9				**0**	**0**
Other taxes, unless reported under "Other operating expenses"					**-586**	**-1.132**
Allocations to the fund for general banking risks					**70.000**	**213.000**
Profits transferred due to a profit pool, a profit and loss transfer agreement or a partial profit and loss transfer agreement					**132.000**	**42.000**
Net income for the year					**0**	**0**
				Total expenses:	**1.353.594**	**1.320.323**

Income	Note Text no.	€ '000	€ '000	€ '000	€ '000	Previous year € '000
Interest income from	20, 27					
a) loan and money market transactions						
aa) Interest income excluding negative interest			765.321			732.049
ab) negative interest			-38.523			-62.509
				726.798		669.540
b) fixed-income securities and						
book-entry securities				23.176		-17.375
					749.974	**652.165**
Current income from	20, 27					
a) shares and other variable-yield securities				1.173		1.221
b) equity interests				11.885		6.857
c) investments in affiliated companies				44.931		29.938
					57.989	**38.016**
Income from profit pools,	20, 27					
profit and loss transfer agreements or						
partial profit and loss transfer agreements					**461**	**470**
Net commission income	21, 27				**464.902**	**437.255**
Income from write-ups on equity interests,	5, 9					
investments in affiliated companies						
and securities treated as fixed assets					**5.061**	**1.221**
Other operating income	23				**75.207**	**85.837**
Net loss for the year					**-**	**-**
				Total Income:	**1.353.594**	**1.320.323**

Statement of changes in equity

in EUR million	Issued capital	Capital reserve	Retained earnings	Net profit/net losses	Total equity
	Share capital		Other retained earnings		
As of 31 December 2021	**1.200**	**920**	**41**	**0**	**2.161**
Capital increases	0	0	0	0	0
Capital reductions	0	0	0	0	0
As of 31 December 2022	**1.200**	**920**	**41**	**0**	**2.161**

Cash Flow Statement

for the period from 1 January to 31 December 2022

in EUR million	2022	2021
Net income for the year	**0**	**0**
Non-cash items included in net income for the year Write-downs of, allowances on and write-ups to receivables and non-current assets	227	135
Changes in provisions recognised in profit or loss	130	223
Other non-cash expenses and income	-43	-6
Profit/loss from the disposal of fixed assets	-22	-1
Other adjustments (net position)	-44	-34
Change in assets and liabilities from operating activities (after adjustment for non-cash components)		
Increase/decrease in receivables due from banks	-7.468	1.397
Increase/decrease in receivables due from customers	-1.902	-1.494
Increase/decrease in trading assets	0	0
Increase/decrease in securities (other than financial assets or trading assets)	-95	695
Increase/decrease in other assets from operating activities	-7	516
Increase/decrease in liabilities to banks	-6.072	1.533
Increase/decrease in liabilities to customers	755	3.432
Increase/decrease in securitised liabilities	808	-145
Increase/decrease in trading liabilities	0	0
Increase/decrease in other liabilities from operating activities	530	-1.776
Interest expense/interest income	-758	-733
Income tax expense/income	0	0
Interest payments and dividend payments received	813	765
Interest paid	73	-51
Extraordinary cash receipts	0	0
Extraordinary cash outflows	0	0
Income tax payments	0	0
Cash flow from operating activities	**-13.075**	**4.456**
Casdh receipts from disposals of financial assets	674	1.149
Cash outflows for investments in financial assets	-416	-600
Cash receipts from disposals of property, plant and equipment	4	3
Cash outflows for investments in property, plant and equipment	-2	-4
Cash receipts from disposals of intangible fixed assets	0	0
Cash outflows for investments in intangible fixed assets	-11	-13
Changes in cash and cash equivalents from other investing activities (net)	0	0
Cash receipts from extraordinary items	0	0
Cash outflows from extraordinary items	0	0
Cash flow from investing activities	**249**	**535**
Cash receipts from equity contributions	0	0
Cash outflows from equity reductions	0	0
Cash receipts from extraordinary items	0	0
Cash outflows from extraordinary items	0	0
Dividends paid	0	0
Changes in cash and cash equivalents from other capital (net)	0	-3
Cash flow from financing activities	**0**	**-3**
Cash and cash equivalents as of 1 Jan.	**13.444**	**8.456**
Net increase/decrease in cash and cash equivalents	-12.826	4.988
Exchange rate-related and valuation-related changes in cash and cash equivalents	0	0
Cash and cash equivalents as of 1 Jan.	**618**	**13.444**

Notes to the Financial Statements of Landesbank Berlin AG 2022

Landesbank Berlin AG, Berlin (LBB) is a capital market-oriented credit institution which is not listed on a stock exchange. It is a subsidiary of Landesbank Berlin Holding AG, Berlin (LBBH) and included in the consolidated financial statements of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, Neuhardenberg (Erwerbsgesellschaft) (smallest and largest body of undertakings within the meaning of Sec. 285 no. 14 and 14a of the German Commercial Code, hereinafter HGB).

The consolidated financial statements of Erwerbsgesellschaft are published in the electronic Federal Gazette.

The registered office of LBB is in Berlin. The company is registered with the Berlin-Charlottenburg local court under HRB 99726 B.

All business operations of LBB are represented within Berliner Sparkasse regardless of the market appearance. Berliner Sparkasse (BSK) is an institution with partial legal capacity under public law. It is managed as a branch of Landesbank Berlin AG, a stock company. Therefore, in the following, these designations are used: Landesbank Berlin AG/ Berliner Sparkasse (LBB/BSK).

Details Pertaining to the Accounting Policies

The annual financial statements of LBB/BSK were prepared on the grounds of generally accepted accounting principles subject to the financial reporting standards as laid down in the German Commercial Code (hereinafter HGB) for large corporations as well as the German Stock Corporation Act, extended by the requirements under the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers (RechKredV). Additionally, the provisions set forth in the Articles of Association were taken into account.

Except for the first-time application of the IDW RS BFA 7, the accounting policies to establish the general allowance for bad debt under commercial law were upheld.

The annual financial statements were prepared on the basis of a going concern concept in accordance with Sec. 252 para. 1 no. 2 HGB.

The valuation of the assets, liabilities and pending transactions was performed in line with the specifications of Secs. 252 et seqq HGB in conjunction with Secs. 340 et seqq HGB. Assets which were evaluated in accordance with Sec. 340e para. 1 first sentence HGB pursuant to the policies that apply to fixed assets and whose use is limited in time are subject to scheduled depreciation and amortisation.

Receivables and liabilities

On principle, receivables are posted at their nominal amount, and liabilities at their settlement amount. Liabilities recognised at their time value are posted at their compounded value. Premiums and discounts on receivables and liabilities are posted as prepaid expenses and prepaid income and are reversed under profit and loss.

Apparent risks resulting from lending business are accounted for by creating adequate specific allowances. For latent risks resulting from lending business, general allowances for bad debt are formed. Risks from contingent liabilities and loan commitments are taken into account through provisions. Intra-Group receivables are not included in establishing the general allowance for bad debt. Irrecoverable interest is not recognised.

For the first time, a general allowance for bad debt according to IDW RS BFA 7 was created for foreseeable but not yet individually specified default risks resulting from lending business. Subject to compliance with standard accounting principles, this approach results in an improved reflection of latent credit risks which is more representative of the actual situation.

The general allowances for bad debt are deducted from Loans and Advances to Banks and Loans and Advances to Customers on the asset-side. Provisions for off-balance-sheet transactions, which for the first time incorporate revocable loan commitments, are shown as a liability and are deducted accordingly from Contingent Liabilities and Other Obligations. The general allowance for bad debt is established on the basis of expected losses. Rating premiums are not taken into account and the expected loss is estimated over a 12-month period of review (simplified evaluation). The expected loss was established in line with a model which applies the parameters PD (probability of default), secured recovery rate (expected recovery from the utilisation of, if applicable, available collaterals), and unsecured recovery rate (expected recovery from available parts of assets/ liquidity) as well as credit conversion factors according to the risk management to determine the latent credit risk.

As of 31 December 2022 (balance sheet date) the first-time application of the IDW RS BFA 7, when compared with the previous valuation method, leads to a higher general allowance for bad debt by € 6.1 million as well as an increase in provisions for lending business by € 15.8 million.

Additionally, LBB/BSK formed contingency reserves in accordance with Sec. 340f HGB.

If LBB/BSK sells assets in the capacity of a pledgor while simultaneously agreeing to their repurchase, such assets remain on the balance sheet. Any consideration received is posted under liabilities.

Financial investments

Financial investments are carried at amortised cost. Premiums and discounts from fixed-income investment securities are reversed at fair value through profit or loss over the term in proportion to interest. For securities earning variable interest, premiums are reversed by the next interest rate adjustment date, while discounts are recognised only upon disposal.

In the case of a foreseeable permanent impairment, depreciation is carried out (mitigated lower of cost or market principle, Sec. 253 para. 3 HGB). Divergent thereto, shares in investment funds are valued as securities of the liquidity reserve.

Securities of the liquidity reserve

Securities of the liquidity reserve are valued on the balance sheet date at their original cost or the lower stock market or market price (strict lower of cost or market principle, Sec. 253 para. 4 HGB). Insofar as the stock market or market price increased compared to the previous balance sheet date, attribution is performed at the most at the original acquisition cost (reversal of impairment losses, Sec. 253 para. 5 HGB).

Credit derivatives

LBB/BSK holds positions in credit default swaps which are shown in accordance with IDW RS BFA 1.

For items where LBB/BSK adopts the position of a protection seller, the rules for loan collaterals provided apply. If on the reporting date a respectively relevant credit event is likely to occur, a provision is created to a settlement amount deemed necessary according to prudent business judgment.

Protection buyer positions are treated in line with the imparity principles developed for pending business transactions.

Market assessment

Insofar as market values are available for securities they will be referred to. For inactive markets, the values are established based on discounted cashflows whereby the discounting factors incorporate interest rates as seen in the market, general credit spreads (outside category spreads by sector, origin, and rating) and individual credit spreads (instrument-specific and issuer-specific). To determine the latter, differentiated observations of the last examined, plausible individual spreads or more current spreads of related bonds or credit default swaps as well as proprietary evaluations are consulted.

Derivatives are likewise evaluated based on stock market prices as a rule. If no stock market prices are available, the market value is calculated based on actuarial valuation methods common to the sector, and here in particular the present value method and option pricing models. The parameters incorporated into the annually validated valuation models are established based on available market conditions at the balance sheet date. Under current market conditions, Black's normal model is applied to establish the time value of interest options. Moreover, credit spread-based instruments such as bonds, promissory note loans and credit derivatives are assessed based on the intensity model.

The control of the interest margin for all transactions attributed to the banking book follows an integrated approach. Within the context of the loss-free valuation of the banking book in accordance with IDW RS BFA 3, the book values of the attributed financial instruments are compared with their present values. Income from charges and commissions drawn directly from banking book transactions are also incorporated. After taking into account refinancing, risk, and administrative costs, no excess liability was found to exsist. When establishing the cost of refinancing, an individual refinancing premium was included in the calculation for mismatching amounts and maturities of the banking book which result in a future refinancing need (net asset positions). Accordingly, no provision was formed.

Combined positions for valuation purposes

Economic hedges, unless an element of the overall bank management and included in the framework of the loss-free evaluation of the banking book in accordance with IDW RS BFA 3, are shown as a combined position for valuation purposes in accordance with Sec. 254 HGB.

Underlying transactions which are in direct correlation with matching amounts, currencies and maturities of hedging derivatives and which are thus hedged against changes in interest and/or currency risks are viewed as a combined position for valuation purposes. Combined positions for valuation purposes are formed only at micro level, meaning that changes in value of the hedged risk of the underlying transaction are reflected for individual hedging instruments only. To demonstrate the offsetting of the opposite changes in value from the underlying and the hedging transactions, LBB/BSK applies the critical terms match method for all combined positions. Within the framework of this method, the match between material parameters between the underlying transaction and the hedging transaction is documented. Against this background it is assumed that between the start of the documented formation of the combined position and the maturity of the respective transactions, any value changes between the underlying and the hedging transactions are fully offset in relation to the hedged risk. Currently, no combined positions for valuation purposes into which expected transactions will be incorporated with a high probability have been created.

The valid part of a combined position for valuation purposes is shown on the balance sheet according to the net hedge presentation method. Any invalidities beyond this from the non-hedged risk are reflected depending on whether they are attributable to the underlying transaction (loan or security) or the hedge (derivative). If the adverse invalidity is attributable to the derivative, it is included in the provisions for contingent losses. If the adverse invalidity is attributable to the security, on-balance-sheet provisioning is carried out when the application of the lower of cost or market principle provides for this.

Offsetting

Receivables and liabilities from repo transactions with Eurex Clearing AG are offset against each other, provided that they are transacted in the same currency and that they cumulatively mature on the same due date.

As at 31 December 2022, there was no amount to be offset, just as for the previous year.

Intangible assets and fixed assets

Fixed assets and intangible assets are recognised at acquisition or manufacturing cost – provided that the assets are depreciable – minus any scheduled, predominantly straight-line depreciation in line with their operating life expectancy at the highest values fiscally possible. In the case of a foreseeable permanent impairment, an unscheduled depreciation is carried out.

The cost of production for self-created software includes development expenses insofar as they can be reliably attributed to the respective capitalised asset, fulfil the criteria according to Sec. 255 HGB and were not shown in any previous financial statement as an expense.

Intangible assets / fixed assets	**Period of use**
Buildings	25/ 33/ 50 years
Tenant’s fixtures	15/ 25/ 33 years
Operating equipment	5 - 25 years
Furnishings	8 - 13 years
Telephone systems	8 - 11 years
Office machinery/ IT equipment	3 - 8 years
Vehicles	6 years
Software	3 - 5 years

Low-value assets with net acquisition costs between € 60.00 and € 800.00 are written off in full and derecognised in the fixed asset schedule in their year of purchase. Assets valued between net € 800.01 and a maximum gross € 2,000.00 are capitalised as collective assets which are written off over a period between 3 and 13 years, depending on the asset category.

Provisions

In the financial year 2021, LBB/BSK transferred a large part of its pension liabilities to a non-insurance type pension scheme. The liabilities for active employees were transferred here as at 31 December 2020 (balance sheet date) and for former employees as well as pensioners as at 31 October 2021.

The pension liabilities transferred to the Pension Fund are indirect retirement pension liabilities for which an option for disclosure exists according to Art. 28 para. 1 second sentence of the Introductory Act to the German Civil Code (hereinafter EGHGB). This option has been exploited to such degree that in accordance with Art. 28 para. 1 second sentence EGHGB, no provisions for indirect pension liabilities have been created.

The pension provisions for the remaining pension liabilities are established by external actuarial experts applying the projected unit credit method (PUC) or the present value method of the achieved unit credits. They are discounted in accordance with Sec. 253 para. 2 first sentence HGB on the basis of the average market rate from the past ten business years, assuming a residual term of 15 years. For this, an interest rate of 1.78% (prev. year: 1.87%) is applied. 0.0 – 2.75% p.a. (prev. year: 0.0 – 2.25% p.a.) are scheduled for wage and salary increases. Depending on the pensions regulation, the pension trend for the year 2023 is set at between 1.0% p.a. and 5.3% p.a.; for 2024 between 1.0% p.a. and 5.8 % p.a.; for the year 2025 between 1.0% p.a. and 4.0% p.a. and as from 2026 between 1.0% p.a. and 2.0% p.a. (prev. year: 1.0 – 2.0% p.a.). This quantification was based on biometric parameters for pensions (Prof. Heubeck tables, 2018 G, IGSS mortality tables).

The remaining provisions are budgeted with their settlement amount which is required according to reasonable business judgment. Provisions with a residual term of more than one year are discounted in accordance with Sec. 253 para. 2 HGB. Profit from changes to the discounting rate or interest effects from a changed estimation of the residual term are shown in the same position in the financial statement as the addition/ reversal.

Estimations and assumptions are made to assess the provisions for restructuring. The estimates and assumptions include experiences from the past years (such as personnel data, average rental terms, cost of maintenance contracts) and the expected market development.

Currency conversion

The annual financial statements are prepared in euro.

The conversion of assets and debts as well as pending business transactions made out to a foreign currency is made at the reference prices as published by the European Central Bank at the end of the year. Forward exchange rates are deduced therefrom. For currencies for which the ECB has no reference prices, the rates as recorded on 30 December 2022 at 4:30 pm are applied.

Insofar as assets, debts or other forward transactions are specifically covered by assets, debts or other forward transactions which are denominated in the same currency, they are recognised under P&L in accordance with Sec. 340h HGB in conjunction with Sec. 256a HGB. Income from currency conversion is fully shown under other operating income.

Supplementary report

Transactions of particular relevance that occurred after the financial year closed and which would have required a distinctly different presentation of the asset, financial and earnings position do not exist.

Explanatory notes to the balance sheet and the income statement

Balance sheet

Assets

(1) Loans and advances to banks

in mn. €	31 Dec. 2022	31 Dec. 2021
Maturity structure (residual term)		
up to three months	8,190	700
more than three months up to one year	202	214
more than one year up to five years	797	618
more than five years	93	305
Total	**9,282**	**1,837**
This item includes:		
Loans and advances to affiliated companies	926	1,018
Loans and advances to companies in which the company holds an equity interest	4	4
Subordinate receivables	104	104
items aimed at covering issued bonds and registered pfandbriefe	0	0

Loans and advances to affiliated companies exist exclusively towards S-Kreditpartner GmbH.

(2) Loans and advances to customers

in mn. €	31 Dec. 2022	31 Dec. 2021
Maturity structure (residual term)		
up to three months	3,561	3,412
more than three months up to one year	1,764	1,430
more than one year up to five years	6,597	6,572
more than five years	17,301	15,967
thereof with indefinite maturity	-816	-709
Total	**29,223**	**27,381**
This item includes:		
Loans and advances to affiliated companies	53	61
Loans and advances to companies in which the company holds an equity interest	34	39
Subordinate receivables	0	0
items aimed at covering issued bonds and registered pfandbriefe	6,333	6,237

(3) Bonds and other fixed-income securities

in mn. €	31 Dec. 2022	31 Dec. 2021
of securities included in this balance sheet item:		
negotiable on the stock exchange	7,839	8,028
listed	7,499	7,814
not listed	340	214
thereof due in the following year	1,651	939
items aimed at covering issued bonds and registered pfandbriefe	317	281

Depreciation for long-term securities was waived to the extent shown below pursuant to Sec. 253 para. 3 fifth sentence HGB because the impairment is not seen as permanent:

	Book value	Fair value	Accumulated write-offs not undertaken	
in mn. €	31 Dec. 2022			31 Dec. 2021
Bonds	384	381	3	0
Total	**384**	**381**	**3**	**0**

LBB/BSK has the intention and ability to hold temporarily impaired long-term securities until their final maturity. Thereby the positions are subject to an ongoing standardised monitoring. LBB/BSK views impairments for bonds as not permanent if they are exclusively due to value fluctuations induced by interest, liquidity, or credit spreads. Since the impairments shown here are not due to a material worsening in the creditworthiness of the issuers and there is no doubt as to the future serving of interest payments and amortisation without disruption, no permanent impairment was to be assumed on the balance sheet date.

(4) Shares and other variable-yield securities

in mn. €	31 Dec. 2022	31 Dec. 2021
of securities included in this balance sheet item:		
negotiable on the stock exchange	41	51
listed	0	0
not listed	41	51

The following shares in national investment funds or comparable international investment funds exceeded a share of 10 %:

31 Dec. 2022 in mn. €	Book value	Fair value	Difference	Distribution	Write-offs not undertaken
Bond fund	221	221	0	1	0

There are no restrictions regarding the option for a daily return.

(5) Equity interests and shareholdings in affiliated companies

in mn. €	31 Dec. 2022	31 Dec. 2021
the balance sheet item "Equity interests" includes:		
negotiable on the stock exchange	7	3
listed	0	0
not listed	7	3
the balance sheet item "Shareholdings in affiliated companies" includes:		
negotiable on the stock exchange	0	0
listed	0	0
not listed	0	0

Schedule of shareholdings pursuant to Secs. 285 no. 11, 340a para. 4 no. 2 HGB including details pursuant to Sec. 285 no. 11a HGB

Cons. no.	Name/Location	Equity share in %	dev. voting rights in %	Equity in k€	Profit/loss in k€
Affiliated companies					
1.	BSK Immobilien GmbH, Berlin [1) 5)]	100.00		**103**	**0**
2.	CidS! Computer in die Schulen gemeinnützige Gesellschaft mbH i.L., Berlin [5)]	100.00		**31**	**-9**
3.	Grundstücksgesellschaft Bad Freienwalde/Gardelegen GbR, Berlin [2) 5)]	10.15		**-51.328**	**769**
4.	Josef Meyer Immobilien Verwaltungs KG - Alexanderhaus Immobilien-Fonds, Berlin [2) 3) 5)]	49.00		**-25,893**	**14,318**
5.	LBB Portfolio-Transfer GmbH & Co. KG, Berlin [8)]	100.00		**no data available**	**no data available**
6.	LBB Portfolio-Transfer Management GmbH, Berlin [8)]	100.00		**no data available**	**no data available**
7.	Prinzregentenstraße 25 Immobilien Verwaltungs KG - Verwaltungsgebäude Landesbank Berlin Immobilienfonds, Berlin [2) 3) 5)]	49.00		**-1,083**	**2,189**
8.	S-Kreditpartner GmbH, Berlin [3) 5)]	66.67		**679,635**	**59,036**
9.	S-Versicherungspartner GmbH, Berlin [1) 5)]	100.00		**270**	**0**
Other companies					
10.	BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH, Berlin [5)]	24.03		**13,428**	**257**
11.	BÜRGSCHAFTSBANK BRANDENBURG GmbH, Potsdam [5)]	0.76		**34,206**	**2,105**
12.	Deka Anteilseigner GmbH, Neuhardenberg [5)]	3.00		**72**	**5**
13.	Deka Erwerbsgesellschaft mbH & Co. KG, Neuhardenberg [5)]	3.13		**1,860,143**	**108,437**
14.	Deutsche Factoring Bank GmbH & Co. KG, Bremen [5)]	12.00		**308,750**	**20,637**
15.	Deutsche Factoring GmbH, Bremen [5)]	12.00		**614**	**256**
16.	Deutscher Sparkassen- und Giroverband öK, Berlin [5)]	3.79		**903,270**	**4,621**
17.	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung, Stuttgart [5)]	2.70		**219,462**	**12,557**
18.	Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v.d. Höhe [4)]	3.86		**673,096**	**38,035**
19.	EURO Kartensysteme GmbH, Frankfurt am Main [5)]	2.17		**12,442**	**150**
20.	Finanz Informatik GmbH & Co. KG, Frankfurt am Main [5)]	7.85	7.80	**88,258**	**4,186**
21.	Finanz Informatik Verwaltungsgesellschaft mbH, Frankfurt am Main [5)]	6.00		**105**	**-1**
22.	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover [5)]	12.00		**297,458**	**0**
23.	Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg GmbH, Potsdam [5)]	15.56		**25,346**	**1,191**
24.	Partner für Berlin Holding Gesellschaft für Hauptstadt-Marketing mbH, Berlin [5)]	4.12		**2,037**	**131**
25.	RSU GmbH & Co. KG, Munich [5)]	14.20		**10,678**	**985**
26.	S CountryDesk GmbH, Cologne [5)]	2.50	2.94	**841**	**139**
27.	S Rating und Risikosysteme GmbH, Berlin [5)]	2.56		**4,523**	**567**
28.	Visa Inc., San Francisco [6) 7)]	0.00	0.00	**33,359,272**	**14,023,064**
Equity interests in large corporations (Sec. 285 no. 11b in conjunction with Sec. 340a para. 4 no. 2 HGB)					
29.	SCHUFA Holding AG, Wiesbaden [5)]	5.39		**146,880**	**48,427**

1) The Company has a profit and loss transfer and/or domination agreement.

2) The Group holds further shares in the company, which is why it is reported as an affiliated company in accordance with Section 271 (2) HGB.

3) Subsidiaries, but no control despite majority of capital and voting rights due to specific stipulations in the Articles of Association or higher majority requirements and/or statutory restrictions on the exercise of voting rights

4) Data is available as of 30.09.2021 (different balance-sheet date).

5) Data is available as of 31.12.2021.

6) Data is available as of 30.09.2022 (different balance-sheet date).

7) Conversion as at 31.12.2022 1 EUR = 1.0666 USD

8) Foundation/acquisition in 2022

(6) Intangible assets and fixed assets

Intangible assets

in mn. €	Self-created industrial property rights and similar rights and assets	Concessions, industrial property rights and similar rights and assets acquired against payment as well as licences to such rights and assets	Assets under construction	prepayments	Total intangible assets
Book value as at 31 Dec. 2021	**18**	**20**	**14**	**0**	**52**
Acquisition/ production costs as at 31 Dec. 2021	33	85	13	0	131
Additions 2022	0	0	11	0	11
thereof capitalised interest on borrowings	0	0	0	0	0
Outflows 2022	0	2	0	0	2
Transfers 2022	0	1	-1	0	0
Effects from changes in interest rates	0	0	0	0	0
Acquisition/ production costs as at 31 Dec. 2022	33	84	23	0	140
Accumulated depreciation as at 31 Dec. 2021	15	64	0	0	79
Depreciation 2022 [1)]	6	9	0	0	15
Write-ups 2022	0	0	0	0	0
Change in total depreciation related to additions	0	0	0	0	0
Change in total depreciation related to outflows	0	1	0	0	1
Change in total depreciation related to transfers	0	0	0	0	0
Accumulated depreciation as at 31 Dec. 2022	21	72	0	0	93
Book value as at 31 Dec. 2022	**12**	**12**	**23**	**0**	**47**

[1)] In the current year, depreciation and amortisation pursuant to Sec. 253 (3) Sentence 5 HGB in the amount of € 0.0 million (previous year: € 0.0 million) were made.

Research and development costs in the financial year amounted to € 1.7 million (prev. year: € 1.9 million) and were exclusively attributable to intangible asset purchases.

Property, plant, and equipment

in mn. €	Land and buildings	Plant and machinery	Operating and business equipment	Assets under construction	Total property, plant & equipment
Book value as at 31 Dec. 2021	**22**	**1**	**44**	**1**	**68**
Acquisition/ production costs as at 31 Dec. 2021	25	3	202	1	231
Additions 2022	0	0	2	0	2
thereof capitalised interest on borrowings	0	0	0	0	0
Outflows 2022	0	0	7	0	7
Transfers 2022	0	0	0	0	0
Effects from changes in interest rates	0	0	0	0	0
Acquisition/ production costs as at 31 Dec. 2022	25	3	197	1	226
Accumulated depreciation as at 31 Dec. 2021	3	2	158	0	163
Depreciation 2022 [1)]	0	0	8	0	8
Write-ups 2022	0	0	0	0	0
Change in total depreciation related to additions	0	0	0	0	0
Change in total depreciation related to outflows	0	0	6	0	6
Change in total depreciation related to transfers	0	0	0	0	0
Accumulated depreciation as at 31 Dec. 2022	3	2	160	0	165
Book value at 31 Dec 2022 [2)]	**22**	**1**	**37**	**1**	**61**

[1)] In the current year, depreciation and amortisation pursuant to Sec. 253 (3) Sentence 5 HGB in the amount of € 0.0 million (previous year: € 0.1 million) were made.

[2)] Includes € 0.1 million (previous year: € 0.1 million or land and buildings not used in the company's own operations.

(7) Other assets

in mn. €	31 Dec. 2022	31 Dec. 2021
Receivables deriving from collateral	299	238
Receivables deriving from options, futures and swaps	147	201
Trade receivables	9	10
Other	87	53
Total	**542**	**502**

(8) Deferred expenses

in mn. €	31 Dec. 2022	31 Dec. 2021
This balance sheet item includes:		
Difference between nominal amount and disbursement amount of receivables	5	6
Difference between nominal amount and disbursement amount of securities	12	16
Difference between nominal amount and repayment amount of liabilities	7	4

Details regarding multiple asset items

(9) Development of investment in financial assets

in mn. €	Bonds and other fixed-income securities	Shares and other variable-yield securities	Equity interests	Shares in affiliated companies
Book value as at 31 Dec. 2021 1)	**2,637**	**235**	**157**	**435**
Acquisition/ production costs as at 31 Dec. 2021 1)	2,637	250	215	459
Additions 2022	372	0	5	40
Outflows 2022	651	0	0	10
Transfers 2022	0	0	0	0
Effects from changes in interest rates	0	0	0	0
Acquisition/ production costs as at 31 Dec. 2022 1)	2,358	250	220	489
Accumulated depreciation as at 31 Dec. 2021	0	14	58	24
Depreciation 2022	0	15	0	0
Write-ups 2022	0	0	0	2
Change in total depreciation related to additions	0	0	0	0
Change in total depreciation related to outflows	0	0	0	5
Change in total depreciation related to transfers	0	0	0	0
Accumulated depreciation as at 31 Dec. 2022	0	29	58	17
Book value at 31 Dec. 2022 1)	**2,358**	**221**	**162**	**472**

1) Does not include pro rata interest in an amount of € 6.6 million in 2022 (previous year: € 3.4 million).

LBB/BSK deposited € 39.4 million € (prev. year: € 25.1 million) as a free capital reserve with its affiliate, S-Kreditpartner GmbH.

Liabilities

(10) Liabilities owed to banks

in mn. €	31 Dec. 2022	31 Dec. 2021
Maturity structure (residual term)		
up to three months	3,117	9,135
more than three months up to one year	148	106
more than one year up to five years	434	475
more than five years	761	748
Total	**4,460**	**10,464**
This balance sheet item includes:		
Liabilities owed to affiliated companies	1,207	1,059
Liabilities owed to companies in which the company holds an equity interest	2	3

(11) Liabilities owed to customers

in mn. €	31 Dec. 2022	31 Dec. 2021
Maturity structure (residual term) savings deposits with agreed period of notice of more than 3 months		
up to three months	1	2
more than three months up to one year	3	3
more than one year up to five years	3	3
more than five years	0	0
Total	**7**	**8**
Maturity structure (residual term) liabilities owed to customers without saving deposits		
up to three months	30,204	29,386
more than three months up to one year	113	10
more than one year up to five years	35	30
more than five years	409	424
Total	**30,761**	**29,850**
This balance sheet item includes:		
Liabilities owed to affiliated companies	1,413	91
Liabilities owed to companies in which the company holds an equity interest	6	7

(12) Securitised liabilities

in mn. €	31 Dec. 2022	31 Dec. 2021
This balance sheet item includes:		
Liabilities owed to affiliated companies	0	0
issued bonds maturing in the following year	657	97

(13) Other liabilities

in mn. €	31 Dec. 2022	31 Dec. 2021
Liabilities owed under collateral	865	272
Liabilities owed under options, futures and swaps	145	191
Trade payables	6	6
Liabilities owed to tax authorities	1	1
Other	250	87
Total	**1,267**	**557**

(14) Deferred income

in mn. €	31 Dec. 2022	31 Dec. 2021
This balance sheet item includes:		
Difference between nominal amount and disbursement amount of receivables	6	3

(15) Provisions

Development of pension provisions:

in mn. €	31 Dec. 2021	Used	Reversed	Transferred [1)]	Contributed	Accumulated	31 Dec. 2022
Provisions for old-age pensions and similar liabilities	153	24	0	1	33	2	165
Total	**153**	**24**	**0**	**1**	**33**	**2**	**165**

[1)] Reclassification column contains changes in provisions not recognised in profit or loss.

In 2021, LBB/BSK outsourced parts of its pension liabilities to a non-insurance type pension scheme. LBB/BSK maintains a subsidiary liability for these obligations pursuant to Sec. 1 para. 1 third sentence of the German Occupational Pensions Act (BetrAVG).

Upon change of the implementation method the pension scheme was fully funded in relation to the necessary settlement amount of the pension liabilities concerned in accordance with Sec. 340a para. 1 in conjunction with Sec. 253 para. 1 second sentence, para. 2 HGB. The required settlement amount of transferred pension liabilities was covered by the assets available under the pension scheme.

To determine any potential shortfall of the pension scheme to be shown pursuant to Art. 28 para. 2 EGHGB, the required provision of the pension liabilities concerned according to commercial law (necessary settlement amount according to Sec. 340a para. 1 in conjunction with Sec. 253 para. 1 second sentence, para. 2 HGB) is compared with the fair value of the Pension Scheme's assets. The pension scheme shortfall on the balance sheet date amounts to € 206.5 million for which according to Art. 28 para. 1 second sentence EGHGB no provision was made on the liabilities-side.

Discounting the pension provisioning on the basis of the average market rate of the past ten financial years as compared to discounting with the average market rate of the past seven years leads to a difference of € 10.4 million (prev. year: € 12.5 million).

Development of provisions for taxes and other provisions:

in mn. €	31 Dec. 2021	Used	Reversed	Transferred [1]	Contributed	Accumulated	31 Dec. 2022
Tax provisions	**2**	**0**	**0**	**0**	**0**	**0**	**2**
Restructuring	93	31	1	0	0	0	61
Human Resources	71	21	0	-2	47	0	95
Trade receivables	31	23	8	2	36	0	38
Lending business	6	0	1	0	16	0	21
Other	142	10	14	0	34	0	152
Total other provisions	**343**	**85**	**24**	**0**	**133**	**0**	**367**

[1] Reclassification column contains changes in provisions not recognised in profit or loss.

Provisions for restructuring include provisions for rented property that is no longer used by the bank, comprised of rental income differences for subletting and vacant properties in the amount of € 50.0 million (prev. year: € 68.3 million) and the obligation to convert or reverse constructional changes at the end of the rental agreement/subletting agreement in the amount of € 4.5 million (prev. year: € 17.8 million), for downsizing human resources in the amount of € 0.3 million (prev. year: € 0.3 million) and the reversal of information technology in the amount of € 5.9 million (prev. year: € 6.3 million).

Other provisions include further provisions regarding customer business in the amount of € 96.3 million (prev. year: € 92.5 million). Moreover, they include provisions for vacant properties in the amount of € 5.6 million (prev. year: € 9.4 million) and obligations to reverse constructional changes in the amount of € 14.9 million (prev. year: € 11.7 million) in conjunction with relocations as well as provisions for legal risks within Human Resources in the amount of € 7.0 million (prev. year: € 7.0 million).

Other provisions for Human Resources include, amongst other things, provisions for shortfall in contribution payments from early partial retirement agreements in the amount of € 45.4 million (prev. year: € 46.3 million) and for early retirement agreements in the amount of € 22.9 million (prev. year: € 15.8 million). To secure the provisions for the shortfall in contribution payments under early partial retirement agreements in accordance with Sec. 8a para. 1 first sentence of the German law governing early partial retirement (ATG), the Bank acquires shares in an investment fund (acquisition cost 31 December 2022: € 36.0 million (prev. year: € 34.3 million). The assets serve exclusively to meet the obligations under early partial retirement agreements. Up to the amounts to be secured, they cannot be accessed by other creditors. In the financial year, they were offset in accordance with Sec. 246 para. 2 second sentence HGB against the underlying obligations as follows:

in mn. €	31 Dec. 2022	31 Dec. 2021
Provisions unnetted: Settlement amount from partial retirement agreements (including employer's social security contributions, future salary increases and salary entitlements for up to 6 weeks of illness)	44	41
less the fair value of the investment fund units (plan assets)	36	34
Provisions netted	**8**	**7**

(16) Subordinate liabilities

An early repayment obligation of the subordinate liabilities at the creditors' request does not exist. In the case of liquidation, they may only be repaid after all non-subordinate creditors have been satisfied.

Subordinate liabilities are due for repayment by the end of the year 2039 (of which in 2023 € 0.0 million). Their original terms were between 10 and 30 years.

As in the previous year, no subordinate liabilities were owed to affiliates or portfolio companies.

Interest paid for subordinate liabilities totals € 5.9 million (prev. year: € 5.1 million) taking into account the earnings from swap transactions in the amount of € 5.9 million (prev. year: € 5.9 million).

The prerequisites for attribution to equity capital under regulatory laws have been fulfilled in an amount of € 272.5 million (prev. year: € 298.0 million).

The following subordinate liabilities exceed 10% of the total amount:

31 Dec. 2022 cons. no.	Nominal amounts in mn. currency		Nominal amounts in mn. €	Interest rate in %	Maturity
(1)	EUR	200	200	1.7500	01 Oct 2029
(2)	JPY	15,000	107	5.1500	30 Apr 2027

(17) Equity

On 31 December 2022, in accordance with Sec. 3 of LBB's Articles of Association, the share capital totals € 1,200.0 million and is denominated into 1,200,000,000 no-par shares. Additionally, there is a capital reserve in the amount of € 920.0 million (prev. year: € 920.0 million) as well as retained earnings in the amount of € 41.2 million (prev. year: € 41.2 million).

No payout of retained earnings is possible up to the amount of the residual value of capitalised, self-created intangible assets of € 11.8 million (prev. year: € 18.3 million).

The return on equity before profit transfer totals 7.6% (prev. year: 10.1%).

Other details pertaining to the balance sheet

(18) Trust assets and trust liabilities

The trust activities shown are loans and advances to customers in the amount of € 206.5 million (prev. year: € 227.7 million) as well as liabilities owed to banks in the amount of € 201.9 million (prev. year: € 223.5 million) and liabilities owed to customers in the amount of € 4.6 million (prev. year: € 4.2 million).

(19) Assets transferred as security

Nominal amounts in mn. €	31 Dec. 2022	31 Dec. 2021
Pledged with the ESCB		
Bonds and debentures	6,595	6,894
Loans receivable	2,657	2,380
Account balance	40	31
Deposited with Eurex		
Bonds and debentures	74	119
Provision of collaterals with domestic banks in connection with derivative transactions		
Bonds and debentures	33	33
Total	**9,399**	**9,457**

From the assets in the amount of € 9,399.5 million (prev. year: € 9,456.5 million) which were transferred as a security, € 9,252.3 million (prev. year: € 9,172.9 million) serve to hedge liabilities and a credit line made available by the European System of Central Banks (ESCB).

Income statement

(20) Net interest income

in mn. €	2022	2021
Interest income	**751**	**653**
from loan and money market transactions	727	670
from fixed-income securities and book-entry securities	24	-17
Current income	**58**	**38**
from shares and other variable-yield securities	1	1
from equity interests	12	7
from affiliated companies	45	30
Income from profit pools	**0**	**0**
Interest expenses	**-8**	**-81**
for savings deposits	-33	-102
for securitised liabilities	19	16
for subordinate liabilities	6	5
Total	**817**	**772**

Net interest income includes non-periodic interest expenses in the amount of € 0.0 million (prev. year: € -7.9 million). Non-periodic income from interest amounts to € 0.6 million (prev. year: € 0.1 million). Moreover, settlements from interest-based changes in the evaluation of derivatives in connection with the reform of IBOR in the total amount of € -0.1 million (prev. year: € -0.1 million) were collected.

(21) Net commission income

in mn. €	2022	2021
Securities and underwriting business	**48**	**55**
Payment transactions/ account management	**147**	**127**
Lending business	**37**	**32**
Lending business	26	21
Guarantee commissions	6	6
International business	5	5
Card business	**18**	**11**
Other services	**24**	**23**
Total	**274**	**248**

Key services provided to third parties in the area of administration and brokering were the brokering of products of affiliated partners (loans, insurance, asset management and building loan contracts).

Just as the year before, the net commission income does not contain non-periodic expenses or earnings.

(22) Other administrative expenses

in mn. €	2022	2021
Third-party services [1)]	192	200
IT cost	92	90
Business premises	90	92
Other material cost	34	31
Bank levy expenses	20	13
Advertising expenses	16	15
Operating and business equipment	7	6
Total	**451**	**447**

[1)] Includes € 74.8 million (previous year: € 95.0 million) intragroup transfer pricing

KPMG AG has audited the annual financial statements of LBB as at 31 December 2022 and also conducted audits of the financial statements of various subsidiaries. Also, a review of the Group's reporting package was integrated in the audit. Moreover, within the framework of other attestation services, audits were conducted in accordance with Sec. 89 para. 1 of the German Securities Trading Act (WpHG) as well as Sec. 16j of the German law governing the supervision of integrated financial services (FinDAG), an ISAE 3000 audit on the use of loan receivables to hedge central bank loans, a voluntary audit of the separate non-financial report in accordance with Sec. 289b and c HGB (limited assurance), audits in conjunction with the ECB's TLTRO programme as well as audits in accordance with Secs. 84, 85 of the framework articles for the protection scheme of the Savings Bank Finance Group. Moreover, attestations in connection with the co-branding for credit card business operations were issued and agreed-upon procedures in connection with the bank levy under ISRS 4400; the calculation of premiums that protect member institutions; and the share in the cost of the association were performed. Other professional services rendered include labour-law related consultancy services.

The total fee calculated by the auditor is included in the item on third-party services and is composed as follows:

in k€	2022	2021
Auditor's fee		
for auditing services in connection with annual financial statements	1,419	1,388
for other attestation services	458	408
for tax advisory services	0	0
for other services	114	94
Total	**1,991**	**1,890**

From the provisions for auditor's fees in the context of the annual financial statements as at 31 December 2021, k€ 94.8 (prev. year: k€ 0.0) had to be released for the auditing of the financial statements; k€ 9.1 (prev. year: k€ 0.0) for other attestation services; and k€ 0.2 (prev. year: k€ 0.0) for other services in the reporting year.

(23) Other operating income

The balance of other operating expenses and income was impacted by different effects.

Income results especially from the reversal of provisions in the amount of € 22.6 million (prev. year: € 29.6 million) and from intra-Group transfer pricing in the amount of € 18.4 million (prev. year: € 24.1 million). This was met with, amongst other things, expenses from the accumulation of non-bank specific provisions in the amount of € 3.0 million (prev. year: € 28.2 million) and the allocation to provisions in the amount of € 1.0 million (prev. year: € 46.5 million).

The currency conversion resulted in balanced earnings in the amount of € 0.7 million (prev. year: € 0.8 million).

(24) Risk provisioning

in mn. €	2022	2021
Risk provisioning in lending business	112	-104
Profit/loss from securities of the liquidity reserve	17	-1
Total	**129**	**-105**

Measuring risk provisioning in lending is characterised especially by expectations regarding future loan defaults, the structure and the quality of credit portfolios as well as the factors impacting the economy overall. For all identifiable risks in lending, specific allowances and provisions were formed in the amount of the expected defaults. Specific allowances are reversed as soon as the value of the respective receivable increases because either the collateral evaluation and/or the creditworthiness of the borrower has fundamentally and viably improved.

For the credit portfolio which does not require any specific allowance, a general allowance for bad debt is created. The general allowance is determined based on a portfolio approach which incorporates the following parameters: probability of default, loss ratio, secured and unsecured recovery rate and credit conversion factors.

In light of the current macroeconomic and geopolitical threats (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession), a further management adjustment has been created for the general allowance for bad debt as these risks are not fully reflected in the ratings as at 31 December 2022 and in the collateral evaluations. The management adjustment was established based on simulated changes to the relevant parameters for the evaluation of the respective sub-portfolios (especially probability of default). The changes to the parameters were inferred based on the respective risk analyses for the bank's individual credit portfolios. As at 31 December 2022, the total management adjustment that has been created amounts to € 20 million. The management adjustment created in the previous year for risks resulting from the Covid-19 pandemic has been dissolved.

Risk provisioning for lending evolved as shown below:

	Default risk								Country risk in lending business		Total			
	Direct depreciation		Specific valuation allowance		General valuation allowance		Provisions Lending business				Portfolio		P&L	
in mn. €	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
As per 1 Jan.			**218**	**373**	**137**	**137**	**6**	**9**	**3**	**4**	**364**	**523**		
Contribution	0	0	127	49	22	1	16	0	1	0	166	50	166	50
Utilisation	0	0	14	24	0	0	0	0	0	0	14	24	0	0
Reversal	0	0	8	180	80	1	1	3	1	1	90	185	90	185
Direct depreciation	36	31	0	0	0	0	0	0	0	0	0	0	36	31
Recoveries on receivables written-off	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in interest rates	0	0	0	0	0	0	0	0	0	0	0	0	0	0
As per 31 Dec. [1]	**36**	**31**	**323**	**218**	**79**	**137**	**21**	**6**	**3**	**3**	**426**	**364**	**112**	**-104**

[1] Includes individual value adjustments of € 112.2 million (previous year: € 98.8 million) and general value adjustments of € 210.5 million (previous year: € 119.2 million).

Risk provisioning is attributed as follows:

in mn. €	31 Dec. 2022	31 Dec. 2021
Loans and advances to banks	8	10
Loans and advances to customers	397	348
Bonds and other fixed-income securities	0	0
Provisions for contingent liabilities and other commitments	21	6
Total	**426**	**364**

(25) Extraordinary expenses and income

Extraordinary expenses and income did not occur in the past financial year.

(26) Taxes on income and earnings

Due to tax sharing arrangements with LBBH, national profits are taxed with LBBH. Deferred taxes attributable to temporary differences of LBB/BSK are equally identified through the controlling company, LBBH.

(27) Revenue by area of activity

in mn. €	Private customers	DirectBank Service	Corporate customers	Financing of commercial real property	Treasury	Other	Total
Net interest income	184	188	125	168	73	79	817
Net commission income	223	-4	51	19	2	-17	274

Other information

(28) Off-balance-sheet transactions/ liabilities and other financial obligations

LBB/BSK is a member of the security reserve for state banks and clearing houses and therefore also of the Institutional Protection Scheme of the Savings Bank Finance Group which is recognised as a deposit guarantee scheme. The target volume of financial resources to be maintained by the protection scheme that is calculated annually is to be supplied by the member institutions by 3 July 2024 (replenishment phase). The annual contribution that this calls for is established by the German Savings Bank Association (DSGV) as the legally and economically responsible body of the protection scheme. Part of former contributions were provided in the shape of an irrevocable payment obligation within the meaning of Sec. 285 no. 3a HGB. On the balance sheet date this irrevocable payment obligation amounts to € 39.9 million (prev. year: € 31.4 million). As security for this, the claims from a cash account with Deutsche Bank are pledged. Moreover, if a member institution requires compensation or additional funding, special or additional payments can be raised instantly whose amounts are not foreseeable from today’s perspective.

S-Kreditpartner GmbH is affiliated with the security reserve of the state banks and clearing houses. In line with its share in S-Kreditpartner GmbH, LBB/BSK has pledged to repay two thirds of all expenses including interest and lost interest to Deutsche Sparkassen- und Giroverband e.V. as the legally and economically responsible body of the security reserve for the state banks and clearing houses in case of support measures which cannot be paid for from the fund created for S-Kreditpartner GmbH.

Details regarding the obligations of LBB/BSK from outsourcing the pension liabilities have been included in the explanatory notes on the provisions.

Lease agreements with individual terms that reach into 2039 result in future liabilities of € 341.4 million (prev. year: € 300.5 million).

LBB/BSK is the primary tenant of the Alexanderhaus property. Within the framework of reconstruction measures that it commissioned for the Alexanderhaus property, LBB/BSK indemnified the fund as the lessor and the fund subscribers against all fiscal and other financial damage and disadvantages in conjunction with the reconstruction measures and the subletting of the property. The indemnification of the fund subscribers is limited in terms of amount to 100% of their mandatory capital contributions (€ 20.3 million; without shares held in own portfolios). The indemnification of the fund is not subject to any contractual restrictions. Financial risks from the indemnifications are currently neither apparent nor quantifiable. Drawing on LBB/BSK under these indemnifications is currently not to be expected.

Securities lending is applied in the framework of controlling liquidity. Borrowings are effected with the goal of being able to reuse the borrowed securities as collateral for pension scheme transactions. Lending is subject to a fee. Borrowed securities are not shown on the balance sheet; lent securities continue to show on the balance sheet. These transactions are subject to a settlement risk. This risk is defined as the difference between the market value of the underlying securities and the collaterals that were received or provided. On the balance sheet date, securities worth € 32.0 million (prev. year: € 68.3 million) were borrowed and, just like the year before, no securities were lent.

LBB/BSK has an additional funding obligation towards the clearing fund with Eurex Clearing AG, Frankfurt am Main. Insofar as this fund should not suffice following an enforcement event while another clearing member falls short, clearing members that are not affected can be drawn on with a liability threshold that amounts to twice the mandatory contribution. On the balance sheet date, the liability threshold of LBB/BSK totalled € 30.0 million (prev. year: € 30.0 million).

(29) Contingent liabilities and irrevocable loan commitments

LBB/BSK has assumed the unconditional and irrevocable guarantee *vis-à-vis* DekaBank to fulfil all obligations of DekaBank arising from or in conjunction with the issuance of the partial debentures to the benefit of the individual holders of these certificates. Contingent liabilities in the amount of € 5.5 million as at 31 December 2022 (prev. year: € 6.2 million) are shown on the balance sheet at the respective market value of the outstanding certificates under Liabilities from Guarantees and Sureties. The particularity of the certificates business may result in a higher guarantee total as a result of price increases.

In the reporting year, LBB/BSK did not issue any letters of comfort. A comfort letter with Berlin Hyp AG as the beneficiary ended on 31 December 2014. It referred to all the company's obligations. The comfort letter continues to apply for obligations entered up until such moment. Following the 2014 sale of Berlin Hyp AG to LBBH, LBBH committed to releasing LBB/BSK from any claims for collateral security in accordance with Sec. 303 AktG as a result of a termination of the profit and loss transfer agreement and the domination agreement as well as third-party claims from the expired letter of comfort. LBBH was released internally from this commitment following the sale of Berlin Hyp AG as a result of recourse claims to a third party. As at 31 December 2022 the quantifiable share of these contingent liabilities totals € 2.8 billion (prev. year: € 3.0 billion). The full scope of liability beyond this which mainly encompasses derivatives, guarantees and provisions not recognised in the balance sheet is, however, not quantifiable with sufficient certainty.

Due to the current creditworthiness and payment history of the borrowers to date, the risk of liabilities being claimed under guarantees, warranty agreements and irrevocable loan commitments as shown on the balance sheet is considered to be low. There are no indications that would call for an alternative assessment of the situation.

(30) Repo transactions

On the balance sheet date, GC (general collateral) pooling transactions as a pledgor were recognised in the nominal amount of € 25.0 million (prev. year: € 2 million). No extending of assets from own holdings was required.

(31) Combined positions for valuation purposes

Underlying transactions were incorporated with the following amounts into the combined item for valuation purposes and hedged against the following risks:

Nominal amount in mn. €	Underlying transaction	Hedging transaction				Underlying transaction
		Risk of changes in interest rates	Foreign currency risk	Share risk	Creditworthi-ness risk	
	31 Dec. 2022					31 Dec. 2021
Assets	6,765	x				6,305
Debts	106	x	x			115
Pending transactions	1,767	x				3,714

This includes the nominal values of derivatives which are hedging transactions: € 8,268.6 million (previous year: € 9,607.8 million).

The hedged risks show a decline in value for assets of € 547.0 million (prev. year: rise in value of € 26.3 million); for debts a rise in value of € 0.3 million (prev. year: € 1.4 million) and for pending transactions a rise in value of € 14.8 million (prev. year: € 88.4 million). The hedged risk corresponds with the changes in value (changed hedged fair value) of the underlying transactions which were fully offset in the combined position for valuation purposes by hedging instruments. The change in assets is due to the development of interest rates and reflects the distinct increase in medium-term and long-term interest.

(32) Financial derivatives not measured at fair value

Categories of derivatives business as per 31 Dec. 2022 in mn. €	Residual term			Nominal amount	Positive replacement costs	Negative replacement costs
	<= 1 year	up to 5 years	> 5 years			
Interest rate derivatives	**2,605**	**7,167**	**9,145**	**18,917**	**1,207**	**973**
Interest rate swaps	2,575	7,127	9,145	18,847	1,207	973
Caps, floors	30	40	0	70	0	0
Foreign currency derivatives	**96**	**0**	**0**	**96**	**0**	**0**
Forward exchange transactions	96	0	0	96	0	0
Credit derivatives	**5**	**0**	**0**	**5**	**0**	**0**
Total	**2,706**	**7,167**	**9,145**	**19,018**	**1,207**	**973**

Categories of derivatives business as per 31 Dec. 2022 in mn. €	Book value (asset-side)	Book value (liabilities-side)	Balance-sheet value (asset-side)	Balance-sheet value (liabilities-side)
Interest rate derivatives	**73**	**115**		
Interest rate swaps	73	115	Prepaid expenses	Prepaid income
Caps, floors	0	0	Other assets	Other liabilities/ provisions
Foreign currency derivatives	**0**	**0**		
Forward exchange transactions	0	0	other assets	other liabilities
Credit derivatives	**0**	**0**	**Prepaid expenses**	**Provisions**
Total	**73**	**115**		

The derivatives primarily serve to control risks from changes in interest rates in the banking book. The control is mainly exercised via interest rate swaps. Methodologically, the control is subject to the capital at risk approach on the basis of a ten-day holding period and a 99% level of confidence.

The shown market values (replacement costs) provide the fair value which can be achieved following a sale or closing out or which is payable (market value including accrued interest) whereby transaction costs are not taken into consideration.

The derivatives held in LBB/BSK’s non-trading book are predominantly part of the banking book management. Together with other financial instruments of the banking book, they are submitted to a deferral test within the framework of a loss-free evaluation in accordance with IDW RS BFA 3.

Non-trading book derivatives that are not incorporated into the banking book management are subject to an individual evaluation on an imparity basis. If market values are negative, provisions for contingent losses from pending transactions within the meaning of Sec. 249

HGB are to be created. As at 31 December 2022 provisions for contingent losses at LBB/BSK amounted to € 0.0 million (prev. year: € 0.0 million).

Upfront payments upon conclusion of a derivative equalise conditions which are not in line with the general market, which economically is to be viewed as a premium or a discount. They are recorded in the balance sheet as prepaid expenses or prepaid income. The prepaid expenses or income recorded in the balance sheet as at 31 December 2022, after giving up the trading book status on 1 January 2016, also include the restructured time value of former trading book derivatives that are treated as upfront payments.

Default risks conditional upon creditworthiness are, as a rule, offset by entering into collateral agreements. The resulting collaterisation is shown under Other Assets or Other Liabilities.

Counterparties in derivative transactions by credit risk equivalent (risk-weighted)

in mn. €	31 Dec. 2022	31 Dec. 2021
Category: banks	11	11
Category: companies	10	15
Category: retail business	0	0
Total	**21**	**26**

The stated credit risk equivalents were determined by applying the standard approach for the counterparty default risk which is applied in the context of reports on capital resources and capital requirements. Credit risk equivalents are shown weighted by counterparty risk. Counterparty netting is taken into account.

(33) Foreign currency inventory

in mn. €	31 Dec. 2022	31 Dec. 2021
Assets	12	63
Liabilities	204	237

(34) Remuneration of as well as loans extended to the Management Board and the Supervisory Board

On 29 September 2022 the Supervisory Board nominated Nancy Plaßmann to be appointed as a full member of the Management Board. The appointment to the Management Board of LBB/BSK to be affected as from the next possible date, by 1 October 2023 the latest, took place on 29 November 2022. Nancy Plaßmann is the successor of Tanja Müller-Ziegler, who will be leaving the Management Board of LBB/BSK on 31 March 2023.

During its meeting held on 28 March 2022, the Supervisory Board of LBB/BSK discussed with great intensity the variable performance-based remuneration for the Management Board and took a decision based on the regulations that apply to the respective years. For the financial year 2021, the Supervisory Board followed a recommendation issued by the remuneration control panel and specified a target bonus to the amount of k€ 0.

For the financial years 2016 to 2018, the Supervisory Board reviewed the rates of the conditional bonuses for Dr Evers and Dr Kulartz which are subject to a sustainability assessment. The respective half of the rates coming up for disbursement were granted in full and paid out to the total amount of k€ 48.7.

For the prior financial years, no target bonuses were established, or no sustainability assessments were carried out.

The composition of LBB/BSK's Supervisory Board has changed as follows compared to 31 December 2021:

- As at 31 December 2021, Dr Michael Ermrich resigned his seat as a Supervisory Board member and also as the deputy chairman of the Credit Committee. On 1 January 2022, he was followed by Mr Ludger Franz Weskamp to the Supervisory Board and as a deputy chairman of the Credit Committee.
- As at 31 December 2021, Mr Gerhard Grandke resigned his seat as a Supervisory Board member and also his seat on the Credit Committee. On 1 January 2022, he was followed by Mr Stefan Reuß to the Supervisory Board and the Credit Committee.
- On 1 May 2022, Ms Ela Nößler took up her seat on the Supervisory Board and thus followed Mr Richard Gottlob who had resigned on 30 April 2022.

The following remuneration was extended to the members of the Management Board and of the Supervisory Board of LBB/BSK in the reporting period:

in k€	2022	2021
Overall remuneration of the Management Board	3,012	3,012
(thereof: variable and performance-related remuneration)	*(49)*	*(62)*
Overall emoluments of the Supervisory Board [1)]	323	323
Contributions in respect of pension obligations towards active members of the Management Board	94	2,251
paid to former members of the Management Board or their surviving dependents [2)]	863	7,851

[1)] without VAT

[2)] including € 0 thousand for previous years (previous year: € 0 thousand) Due to the transfer of pension obligations to a non-insurance pension fund, there is a significant reduction in payments to former Management Board members or their surviving dependents.

The following provisions for pension liabilities have been created for active as well as former members of the Management Board or their surviving dependents. Reference is made here to the introductory details on the accounting policies for provisions:

in k€	31 Dec. 2022	31 Dec. 2021
set aside for pension obligations towards active members of the Management Board	1,322	1,228
set aside for pensions obligations towards former members of the Management Board or their surviving dependents	10,512	13,619

Third-party services were neither promised nor granted to individual board members in relation to their activity as members of the board in the financial year.

Remuneration elements with a long-term incentivising effect (pre-emption rights, other shares-based remuneration elements or the like) do not exist for members of the board.

On the balance sheet date, the total of advances and loans granted as well as liabilities received is as follows:

in k€	31 Dec. 2022	31 Dec. 2021
to members of the Management Board	65	6
to members of the Supervisory Board	721	449

The shown balances include annuity loans granted at market conditions as well as overdraft facilities drawn on and the balance on credit card accounts subject to employee conditions.

Remuneration for the members of the Management Board for the financial year **2022**:

in k€	Annual remuneration			Other remunerations 1)	Total
Members of the Management Board	Non-performance-related remuneration	Performance-related remuneration for the financial year 2021	Performance-related remuneration for the financial years 2016-2018		
Dr. Johannes Evers	905	0	32	14	951
thereof not pensionable	*(375)*				
Michael Jänichen	601	0	0	37	638
thereof not pensionable	*(421)*				
Hans Jürgen Kulartz	724	0	17	23	764
thereof not pensionable	*(311)*				
Tanja Müller-Ziegler	653	0	0	7	660
thereof not pensionable	*(273)*				
Total remuneration 2022	**2,883**	**0**	**49**	**81**	**3,013**

1) Other remunerations relate to remuneration in kind (use of company cars) of € 69 thousand and the so-called employer's share of net remuneration (assumption of taxation of the non-cash benefit by the employer) of € 10 thousand; in addition, drivers are also employed at standard rates.

Remuneration for the members of the Management Board for the financial year **2021**:

in k€	Annual remuneration			Other remunerations 1)	Total
Members of the Management Board	Non-performance-related remuneration	Performance-related remuneration for the financial year 2020	Performance-related remuneration for the financial years 2016-2018		
Dr. Johannes Evers	905	0	40	12	957
thereof not pensionable	*(375)*				
Michael Jänichen	592	0	0	36	628
thereof not pensionable	*(412)*				
Hans Jürgen Kulartz	724	0	22	29	775
thereof not pensionable	*(311)*				
Tanja Müller-Ziegler	643	0	0	9	652
thereof not pensionable	*(263)*				
Total remuneration 2021	**2,864**	**0**	**62**	**86**	**3,012**

1) Other remunerations relate to remuneration in kind (use of company cars) of € 76 thousand and the so-called employer's share of net remuneration (assumption of taxation of the non-cash benefit by the employer) of € 10 thousand; in addition, drivers are also employed at standard rates.

The following was either expended or placed into the reserves for active board members:

in k€ Members of the Management Board	Expenses/ contributions to provisions in 2022	Expenses/ contributions to provisions in 2021	Provision for pensions recognised in the balance sheet/ net present value of pension claim as per 31 Dec. 2022	Provision for pensions recognised in the balance sheet/ net present value of pension claim as per 31 Dec. 2021
Dr. Johannes Evers	-79	1,273	314	393
Michael Jänichen	166	141	476	310
Hans Jürgen Kulartz	-58	430	91	149
Tanja Müller-Ziegler	66	407	442	376
Total	**95**	**2,251**	**1,323**	**1,228**

(35) Number of employees – annual average

	2022	2021 [1)]
FTEs	2,208	2,346
PTEs	875	908
Total	**3,083**	**3,254**

1) adjusted calculation method

Values from previous years were reconciled with a new quantification method excluding employees in the early partial retirement phase (154 persons, of whom 0 are full-time employees); excluding employees on parental leave (46 persons, of whom 40 are full-time employees); excluding employees with a fixed-term reduced-earning-capacity pension (13 persons, of whom 0 are full-time employees); and excluding inactive contracts (7 persons, of whom 2 are full-time employees).

(36) Computation of cover assets

Details in accordance with **Sec. 28 para. 1 nos. 1, 3, 6, 11, 13, 14, 15 and para. 2 no. 3, 4 of the German Mortgage Bank Act (hereinafter PfandBG)**:

Nominal amount in k€	Mortgage register		Public register	
	31 Dec. 2022	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
Nominal value of cover assets	5,862,213	5,809,760	787,180	708,145
Nominal value of outstanding pfandbriefe	4,098,000	3,298,000	260,000	260,000
Surplus cover (nominal value)	**1,764,213**	**2,511,760**	**527,180**	**448,145**
thereof statutory surplus cover*	157,144		10,036	
thereof voluntary surplus cover*	1,607,069		517,145	
Net present value of covering assets	5,470,468	6,339,923	699,925	734,522
Net present value of outstanding pfandbriefe	3,754,673	3,419,302	240,558	261,920
Surplus cover (net present value)	**1,715,795**	**2,920,621**	**459,367**	**472,602**
thereof statutory surplus cover*	151,293		9,418	
thereof voluntary surplus cover*	1,564,501		449,949	
Present value of risk of covering assets (previous day)	4,908,536	5,957,200	637,190	697,940
Present value of risk of outstanding assets (previous day)	3,477,877	3,252,521	229,055	253,025
Surplus cover (present value of risk) (previous day)	**1,430,659**	**2,704,679**	**408,135**	**444,915**
thereof statutory surplus cover*	137,740		8,768	
thereof voluntary surplus cover*	1,292,918		399,367	
Liquidity surplus 180 days min.**	**56,937**		**23,297**	
as at:	15 Mar 2023		02 Jan 2023	
Liquidity coverage	293,285		23,297	
Accumulated liquidity balance	-236.347		0	

Additional information	Mortgage register		Public register	
	31 Dec. 2022	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
Receivables without priority rights in case of insolvency (nominal value in k€)	0	0	0	0
Share of fixed-interest covering assets (in %)	90.82	89.44	100.00	100.00
Share of outstanding fixed-interest assets (in %)	96.95	95.60	100.00	100.00
Net present value of covering assets in foreign currency (in k€)	0	0	0	0
Net present value of outstanding assets in foreign currency (in k€)	0	0	0	0
Share of cover assets in default according to Art. 178 (1) CRR (in %) ***	0.01		0.00	
Volume-weighted age of mortgage loans (in years)	5.49	4.41	0.00	0.00
Loan-to-value ratio of mortage loans	54.44	54.90	0.00	0.00

* The statutory over-collateralisation requirement comprises the over-collateralisation at present value pursuant to section 4 (1) PfandBG, including interest rate and currency stress scenarios, and the nominal-value over-collateralisation pursuant to section 4 (2) PfandBG.
In accordance with section 55 of the PfandBG, the previous year's data will not be published until Q3 2023.
** In accordance with section 55 of the PfandBG, the previous year's data will not be published until Q3 2023.
*** first time request in accordance with Sec. 28 para. 1 nos. 15 PfandBG in the version of 08.07.2022

Details in accordance with **Sec. 28 para. 1 no. 2 PfandBG**:

Schedule of International Securities Identification Number (ISIN) by pfandbrief category

Mortgage pfandbriefe

31 Dec. 2022	31 Dec. 2021
	DE000LBB6CB2
	DE000LBB6B67
	DE000LBB5MQ1
	DE000LBB5MM0
	DE000LBB5MN8
	DE000LBB5MJ6
DE000A13SNL0	DE000A13SNL0
DE000A13SNM8	DE000A13SNM8
DE000A162A18	DE000A162A18
DE000A162A26	DE000A162A26
DE000A162A34	DE000A162A34
DE000A162A42	DE000A162A42
DE000A162A59	DE000A162A59
DE000A162A67	DE000A162A67
DE000A162A75	DE000A162A75
DE000A162AZ5	DE000A162AZ5
DE000A162BA6	DE000A162BA6
DE000A162BC2	DE000A162BC2
DE000A162BD0	
DE000A162BE8	
DE000A162BF5	
DE000A162BG3	
DE000LBB6CC0	DE000LBB6CC0
DE000LBB6CE6	DE000LBB6CE6
DE000LBB6CH9	DE000LBB6CH9
DE000LBB6CM9	DE000LBB6CM9

Public pfandbriefe

31 Dec. 2022	31 Dec. 2021
DE000A162BB4	DE000A162BB4
DE000LBB5M08	DE000LBB5M08

Details in accordance with **Sec. 28 para. 1 nos. 4, 5 PfandBG**:

Term structure of mortgage register

Fixed interest period of loans	Covering assets	Covering assets
in k€	31 Dec. 2022	31 Dec. 2021
Substitute cover	293,285	230,988
up to six months	120,786	620,180
> 6 months and <= 12 months	66,601	53,084
> 12 months and <= 18 months	142,581	265,992
> 18 months and <= 2 years	211,530	89,143
> 2 years and <= 3 years	370,633	361,705
> 3 years and <= 4 years	734,401	364,906
> 4 years and <= 5 years	489,123	643,932
> 5 years and <= 10 years	1,782,364	1,797,548
> 10 years	1,650,909	1,382,282
Total	**5,862,213**	**5,809,760**

Maturity structure of the pfandbriefe	Amount	Amount after postponement of maturity (12 months) *	Amount	Amount after postponement of maturity (12 months) * / **
in k€	31 Dec. 2022		31 Dec. 2021	
up to six months	297,000	0	50,000	
> 6 months and <= 12 months	367,000	0	50,000	
> 12 months and <= 18 months	375,000	297,000	297,000	
> 18 months and <= 2 years	115,000	367,000	367,000	
> 2 years and <= 3 years	265,000	490,000	390,000	
> 3 years and <= 4 years	855,000	265,000	265,000	
> 4 years and <= 5 years	565,000	855,000	555,000	
> 5 years and <= 10 years	984,000	1,269,000	1,019,000	
> 10 years	275,000	555,000	305,000	
Total	**4,098,000**	**4,098,000**	**3,298,000**	

* Effects of a maturity postponement of the maturity structure of pfandbriefe / postponement scenario: 12 months. This is an extremely unlikely scenario, which could only come into play after the appointment of an administrator.
** In accordance with section 55 of the PfandBG, the previous year's data will not be published until Q3 2023.

Term structure of public register

Fixed interest period of loans in k€	Covering assets 31 Dec. 2022	Covering assets 31 Dec. 2021
Substitute cover	0	0
up to six months	86	3,800
> 6 months and <= 12 months	48,809	53,000
> 12 months and <= 18 months	82,139	258
> 18 months and <= 2 years	336	55,029
> 2 years and <= 3 years	23,728	82,691
> 3 years and <= 4 years	63,650	581
> 4 years and <= 5 years	13,401	56,250
> 5 years and <= 10 years	542,953	456,536
> 10 years	12,079	0
Total	**787,180**	**708,145**

Maturity structure of the pfandbriefe	Outstanding pfandbriefe	Amount after postponement of maturity (12 months) *	Outstanding pfandbriefe	Amount after postponement of maturity (12 months) * / **
in k€	31 Dec. 2022		31 Dec. 2021	
up to six months	0	0	0	
> 6 months and <= 12 months	10,000	0	0	
> 12 months and <= 18 months	0	0	0	
> 18 months and <= 2 years	0	10,000	10,000	
> 2 years and <= 3 years	250,000	0	0	
> 3 years and <= 4 years	0	250,000	250,000	
> 4 years and <= 5 years	0	0	0	
> 5 years and <= 10 years	0	0	0	
> 10 years	0	0	0	
Total	**260,000**	**260,000**	**260,000**	

* Effects of a maturity postponement of the maturity structure of pfandbriefe / postponement scenario: 12 months. This is an extremely unlikely scenario, which could only come into play after the appointment of an administrator.

** In accordance with section 55 of the PfandBG, the previous year's data will not be published until Q3 2023.

Information on postponement of pfandbriefe maturity

	2022	2021
Prerequisites for a postponement of the maturity of pfandbriefe	A postponement of the maturity is necessary to avoid the insolvency of the Pfandbrief bank with limited business activities (prevention of insolvency), the Pfandbrief bank with limited business activities is not over-indebted (no existing over-indebtedness) and there is reason to believe that the Pfandbrief bank with limited business activities will in any case be able to meet its liabilities due after expiry of the maximum possible postponement period, taking into account further postponement possibilities (positive settlement forecast). Cf. also Sec. 30 para. 2b PfandBG.	
Authorities of the administrator in case of a postponement of the maturity of pfandbriefe	The administrator may postpone the due dates of the redemption payments if the relevant requirements pursuant to § 30 para. 2b PfandBG are met. It is for the administrator to determine the period of postponement which, however, must not exceed 12 months. The administrator may postpone the due dates of redemption and interest payments falling due within one month of his or her appointment to the end of that monthly period. If the administrator decides in favour of such a postponement, the existence of the prerequisites pursuant to Sec. 30 par. 2b PfandBG shall be irrefutably presumed. Such postponement shall be taken into account within the maximum postponement period of 12 months. The administrator may only make uniform use of his or her authority for all pfandbriefe of an issue. In this case, the due dates may be postponed completely or proportionately. The administrator shall postpone the maturity for a pfandbrief issue in such a way that the original order of servicing of the pfandbriefe which could be overtaken by the postponement is not changed (overtaking prohibition). This may mean that the due dates of emissions falling due later must also be postponed in order to comply with the overtaking prohibition. Cf. also Sec. 30 para. 2a and 2b PfandBG.	

Details in accordance with **Sec. 28 para. 1 no. 7 PfandBG:**

There are no derivatives that would be considered to be part of the cover funds.

Details in accordance with **Sec. 28 para. 1 nos. 8, 9, 10, 12 PfandBG**:

Other cover assets by country

Mortgage register

Obligor (direct or via guarantee)	Outstanding pfandbriefe	Share in %	Outstanding pfandbriefe	Share in %
in k€	31 Dec. 2022		31 Dec. 2021	
Belgium	14,191	0.35	15,000	0.45
Germany	279,094	6.81	215,988	6.55
Total	**293,285**	**7.16**	**230,988**	**7.00**

All further cover assets are bonds (Schuldverschreibungen) in accordance with Sec. 19 para. 1 nos. 3a and 4 PfandBG and are to be identified in accordance with Sec. 28 para. 1 nos. 9 and 10 PfandBG. The restrictions in accordance with Sec. 19 para. 1 PfandBG and Sec. 20 para. 2 PfandBG are not exceeded.

Further cover assets do not include receivables in accordance with Art. 129 of Regulation (EU) No. 575/2013.

Public register

Obligor (direct or via guarantee)	Outstanding pfandbriefe	Share in %	Outstanding pfandbriefe	Share in %
in k€	31 Dec. 2022		31 Dec. 2021	
Germany	0	0.00	0	0.00
Total	**0**	**0.00**	**0**	**0.00**

The public register does not hold any further cover assets in accordance with Sec. 20 para. 2 PfandBG.

Details in accordance with **Sec. 28 para. 2 no. 1a PfandBG**:

Mortgage register

Size categories in k€	31 Dec. 2022	31 Dec. 2021
up to 300,000 €	785,192	651,731
more than 300,000 up to 1,000,000 €	408,765	331,157
more than 1,000,000 up to 10,000,000 €	1,220,057	1,242,767
more than 10,000,000 €	3,154,914	3,353,117
Total	**5,568,928**	**5,578,772**

Details in accordance with **Sec. 28 para. 2 no. 1b and c PfandBG**:

Property splitting (residential property categories)

Country	Flats		One- and two-family houses		Multi-family houses		Total	
in k€	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Germany	439,411	332,065	369,966	295,813	3,058,542	3,200,995	3,867,920	3,828,873
Total	**439,411**	**332,065**	**369,966**	**295,813**	**3,058,542**	**3,200,995**	**3,867,920**	**3,828,873**

Region	Flats		One- and two-family houses		Multi-family houses		Total	
in k€	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Baden-Württemberg	820	502	76	114	0	0	896	616
Bavaria	1,987	948	1,135	434	0	0	3,122	1,381
Berlin	400,790	299,985	166,655	142,316	2,706,475	2,807,421	3,273,920	3,249,722
Brandenburg	22,141	16,222	195,220	147,411	91,579	80,613	308,940	244,245
Bremen	560	566	0	0	4,954	4,954	5,513	5,520
Hamburg	1,009	615	564	564	9,004	9,128	10,577	10,307
Hesse	846	780	75	75	29,732	29,741	30,653	30,596
Mecklenburg-Western Pomerania	1,555	1,529	2,836	2,214	1,530	1,341	5,921	5,084
Lower Saxony	577	444	704	653	40,328	41,169	41,609	42,266
North Rhine-Westphalia	5,170	8,137	572	422	59,751	127,732	65,494	136,291
Rhineland-Palatinate	0	0	148	148	0	0	148	148
Saxony	3,062	1,539	306	306	82,526	76,124	85,894	77,969
Saxony-Anhalt	425	487	87	87	19,311	10,082	19,823	10,656
Schleswig-Holstein	368	256	1,509	1,071	12,539	12,167	14,416	13,494
Thuringia	102	54	79	0	813	523	995	577
Total	**439,411**	**332,065**	**369,966**	**295,813**	**3,058,542**	**3,200,995**	**3,867,920**	**3,828,873**

Property splitting (commercial property categories)

Country	Office buildings		Commercial buildings		Industrial buildings		Other commercially used buildings		Unfinished and non-profitable new buildings		Building plots		Total	
in k€	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Germany	1,023,915	1,060,407	291,146	292,772	120,218	93,618	264,606	302,023	0	0	947	1,079	1,700,832	1,749,899
Total	**1,023,915**	**1,060,407**	**291,146**	**292,772**	**120,218**	**93,618**	**264,606**	**302,023**	**0**	**0**	**947**	**1,079**	**1,700,832**	**1,749,899**

Region	Office buildings		Commercial buildings		Industrial buildings		Other commercially used buildings		Unfinished and non-profitable new buildings		Building plots		Total	
in k€	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
GE Baden-Württemberg	0	0	6,126	6,126	0	0	0	0	0	0	0	0	6,126	6,126
GE Berlin	827,580	886,913	207,826	213,733	63,161	69,800	252,678	283,896	0	0	644	652	1,351,890	1,454,994
GE Brandenburg	43,541	45,469	27,430	23,149	52,763	16,621	8,060	6,136	0	0	303	427	132,097	91,802
GE Bremen	3,531	3,531	4,265	4,265	0	0	0	0	0	0	0	0	7,796	7,796
GE Hamburg	25,944	25,944	0	0	0	0	1,901	3,269	0	0	0	0	27,845	29,212
GE Hesse	35,676	36,508	0	0	3,144	3,694	0	0	0	0	0	0	38,820	40,202
GE Mecklenburg-Western Pomerania	4,442	676	13,560	13,560	0	0	82	2,128	0	0	0	0	18,085	16,364
GE Lower Saxony	9,519	7,087	0	0	0	0	250	250	0	0	0	0	9,769	7,337
GE North Rhine-Westphalia	18,189	11,781	1,020	1,020	1,149	3,475	1,635	1,485	0	0	0	0	21,993	17,761
GE Saxony	45,355	37,316	18,250	18,250	0	28	0	0	0	0	0	0	63,605	55,593
GE Saxony-Anhalt	3,450	1,255	0	0	0	0	0	4,859	0	0	0	0	3,450	6,114
GE Schleswig-Holstein	3,753	3,928	12,668	12,668	0	0	0	0	0	0	0	0	16,421	16,597
GE Thuringia	2,934	0	0	0	0	0	0	0	0	0	0	0	2,934	0
Total	**1,023,915**	**1,060,407**	**291,146**	**292,772**	**120,218**	**93,618**	**264,606**	**302,023**	**0**	**0**	**947**	**1,079**	**1,700,832**	**1,749,899**

Details in accordance with **Sec. 28 para. 2 no. 2 PfandBG:**

Mortgage register

Location of the real estate lien	Payments in arrears (at least 90 days)		Exposure amount for arrears >= 5%	
in k€	31 Dec. 2022	31 Dec. 2021	31 Dec 2022	31 Dec. 2021
Germany	22.8	50.3	0.0	74.4
Total	**22.8**	**50.3**	**0.0**	**74.4**
Berlin	20.2	26.5	0.0	74.4
Brandenburg	2.6	4.2	0.0	0.0
Saxony-Anhalt	0.0	19.7	0.0	0.0
Total	**22.8**	**50.3**	**0.0**	**74.4**

Details in accordance with **Sec. 28 para. 2 no. 5a/b/c PfandBG**:

	Commercial		Residential	
Quantity	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Foreclosure and receivership proceedings pending as of the reporting date	0	0	0	0
Foreclosures conducted in the financial year	0	0	0	0
Land taken over during the financial year to prevent losses	0	0	0	0

Details in accordance with **Sec. 28 para. 3 no. 1 PfandBG:**

Public register

Size categories in k€	31 Dec. 2022	31 Dec. 2021
up to 10,000,000 €	26,955	21,251
more than 10,000,000 up to 100,000,000 €	39,997	50,000
more than 100,000,000 €	720,229	636,894
Total	**787,180**	**708,145**

Details in accordance with **Sec. 28 para. 3 no. 2 PfandBG:**

Public borrowers by category and country

owed/guaranteed	Governments		Regional authorities		Local authorities		Other public debtors		Total	
in k€	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Germany (owed by)	0	0	23,297	50,000	4,500	0	623,736	515,928	651,533	565,928
Germany (guaranteed by)	0	0	0	0	0	0	135,648	142,216	135,648	142,216
Total	**0**	**0**	**23,297**	**50,000**	**4,500**	**0**	**759,384**	**658,145**	**787,180**	**708,145**

thereof for reasons of export financing	Governments		Regional authorities		Local authorities		Other public debtors		Total	
in k€	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Details in accordance with **Sec. 28 para. 3 no. 3 PfandBG:**

Customer groups with arrears of a minimum 90 days

Debtor	Governments		Regional authorities		Local authorities		Other public debtors		Total	
in k€	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Germany	0	0	0	0	0	0	0	0	0	0

Exposure amount for arrears >= 5%

Debtor	Governments		Regional authorities		Local authorities		Other public debtors		Total	
in k€	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Germany	0	0	0	0	0	0	0	0	0	0

Bodies of Landesbank Berlin AG

Management Board

Dr. Johannes Evers
Chairman

Michael Jänichen

Hans Jürgen Kulartz

Tanja Müller-Ziegler

Supervisory Board

Helmut Schleweis Chairman	President of Deutsche Sparkassen- und Giroverband e.V.
Frank Wolf *) Deputy Chairman	Regional manager of the ver.di trade union for the state of Berlin-Brandenburg
Heiko Barten *)	Senior consultant organisational and productivity management of Landesbank Berlin AG
Michael Dutschke *)	Chairman of the Work's Council of Landesbank Berlin AG
Lutz Goldbeck *)	Member of the Works Council of Landesbank Berlin AG
Richard Gottlob *) until 30 April 2022	Group Lead International Sales of Landesbank Berlin AG
Sven Herzog *)	Financial advisor at BeratungsCenter of Landesbank Berlin AG

Burkhard Jung	Lord Mayor of the City of Leipzig and President of Deutscher Städtetag
Daniel Kasteel *)	HR Consultant of Landesbank Berlin AG
Thomas Mang	President of the Lower Saxony Association of Savings Banks
Ela Nößler *) as from 1 May 2022	HR Consultant of Landesbank Berlin AG
Stefanie Rabe *)	Trade union secretary at ver.di federal administration for Organisational Policy
Stefan Reuß as from 1 January 2022	Executive President of the Sparkassen- und Giroverband Hesse-Thuringia
Prof. Dr. Ulrich Reuter	President of the Bavarian Association of Savings Banks
Peter Schneider	President of the Baden-Württemberg Association of Savings Banks
Christina Stönner *)	Deputy Chairman of the Works Council of Landesbank Berlin AG
Walter Strohmaier	Chairman of the Management Board of the Savings Bank Lower Bavaria-Central Federal Ombudsman of German Savings Banks
Dr. Harald Vogelsang	Spokesperson for the Management Board of HASPA Finanzholding and Hamburger Sparkasse AG
Ulrich Voigt	Chairman of the Management Board of the Cologne Savings Bank
Ludger Franz Weskamp as from 1 January 2022	Executive President of the Eastern German Association of Savings Banks
Manfred Wiesinger *)	Reginal Manager Medial Sales and Marketing of Landesbank Berlin AG

*) employee representatives

Seats of Management Board members on oversight committees of large corporations to be formed by law (Sec. 340a para. 4 no. 1 HGB)

Dr. Johannes Evers

Chairman of the Management Board

Chairman of the Management Board of Landesbank Berlin Holding AG, Berlin

Chairman of the Supervisory Board
- S-Kreditpartner GmbH, Berlin

Member of the Supervisory Board of
- Finanz Informatik GmbH & Co. KG, Frankfurt am Main
- Zoologischer Garten Berlin AG, Berlin

Michael Jänichen

Member of the Management Board

Member of the Management Board of Landesbank Berlin Holding AG, Berlin

Chairman of the Supervisory Board
- S-Servicepartner Berlin GmbH, Berlin

Deputy Chairman of the Supervisory Board of
- S Rating und Risikosysteme GmbH, Berlin (since 21 March 2022)

Member of the Supervisory Board of
- S-Kreditpartner GmbH, Berlin

Hans Jürgen Kulartz

Member of the Management Board

Member of the Supervisory Board of
- Deutsche Factoring Bank GmbH & Co. KG, Bremen
- Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v.d. Höhe
- LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover

Tanja Müller-Ziegler

Member of the Management Board

Member of the Supervisory Board of

- Deutscher Sparkassen Verlag GmbH, Stuttgart (until 31 December 2022)

Member of the Management Board of

- DekaBank Deutsche Girozentrale, Frankfurt am Main (until 31 December 2022)

Seats of employees on oversight committees of large corporations to be formed by law
(Sec. 340a para. 4 no. 1 HGB)

Kai Uwe Peter

Member of the Supervisory Board of
- LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover

Agnes Maria Wildner

Member of the Supervisory Board of
- Berlinovo Immobilien Gesellschaft mbH, Berlin

Assurance from the legal representatives

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

Berlin, 7 March 2023

The Management Board

Dr. Evers　　　　Jänichen

Kulartz　　　　Müller-Ziegler

Independent Auditor's Report

To Landesbank Berlin AG, Berlin

Report on the audit of the annual financial statements and the management report

Audit opinions

We have audited the annual financial statements of Landesbank Berlin AG, Berlin, comprising the balance sheet as of 31 December 2022, and the income statement, cash flow statement and statement of changes in equity for the financial year from 1 January to 31 December 2022, and the notes to the annual financial statements, including the description of the accounting and valuation policies. We have also audited the management report of Landesbank Berlin AG for the financial year from 1 January to 31 December 2022.

In accordance with German legal requirements, we have not audited the content of the components of the management report mentioned in the "Other information" section of our auditor's report.

In our opinion, based on the findings of our audit,

- the accompanying annual financial statements comply in all material respects with German commercial law applicable to banking institutions and give a true and fair view of the assets and financial position of the Company as of 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in accordance with German principles of proper accounting; and
- the accompanying management report as a whole provides a fair view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the components of the management report mentioned in the section entitled "Other information".

In accordance with Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code (HGB), the EU Regulation on the Audit of Annual Financial Statements (No. 537/2014, hereinafter “EU Audit Regulation”) and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibility under those provisions and standards is further described in the section entitled "Auditor's Responsibility for the Audit of the Financial Statements and Management Report" of our auditor's report. We are independent of the Company in accordance with European law and German commercial and professional regulations and have fulfilled our other professional obligations under German law in accordance with these requirements. In addition, we declare pursuant to Art. 10 (2) letter f) of the EU Audit Regulation that we have not performed any prohibited non-audit services pursuant to Art. 5 (1) of such regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of and in the forming of our opinion on the annual financial statements as a whole and we do not provide a separate auditor’s opinion on these matters.

COMPLETENESS OF SPECIFIC ALLOWANCES ON LOANS AND ADVANCES TO CUSTOMERS

Information on the accounting and valuation policies applied by Landesbank Berlin AG is provided in the notes, the section entitled "Disclosures on accounting and valuation policies”, and the subsection entitled “Loans and advances and liabilities to customers". Further information on specific allowances can be found in the section entitled “Risk provisioning”, No. 24 of the notes.

RISKS TO THE FINANCIAL STATEMENTS

The Bank's annual financial statements as of 31 December 2022 show EUR 29.2 billion (previous year: EUR 27.4 billion) in loans and advances to customers. This corresponds to 59.9% (previous year: 52.2%) of total assets.

The current macroeconomic and geopolitical risks (Russia-Ukraine war, high inflation rates and energy prices, rise in interest rates, supply chain disruptions and recession) are having a significant impact on the financial performance of companies and private households, which also affects the assessment of deferred and, respectively, also acute risks.

These circumstances lead to increased uncertainty in assessing the ability to service debt and to an increased risk with regard to correctly identifying loans and advances to customers that are at acute risk of default.

An incorrect or incomplete identification of acute counterparty default risks means that these risks are not fully accounted for and appropriate risk provisions are not made and, as a result, loans and advances to customers from the lending business are incorrectly evaluated.

It was, therefore, of particular importance to our audit that adequate criteria for identifying acute counterparty default risks in loans and advances to customers were defined in the internal control system and that such internal control system is adequate and effective with regard to the recognition of criteria for identifying acute counterparty default risks in loans and advances to customers.

OUR APPROACH TO THE AUDIT

Depending on our risk assessment and evaluation of the risks of error, we have based our auditor’s opinion on both control-based and expressive audit procedures.

As a first step, we updated our knowledge of the business activities as well as the economic environment, corporate strategy, and procedures and business processes at the bank.

In order to assess the adequacy of the internal control system for identifying loans and advances to customers from the lending business that are acutely at risk of default or have defaulted, we performed reviews and conducted interviews and also inspected the relevant written documentation.

As a next step, we satisfied ourselves as to the adequacy and effectiveness of relevant controls designed to ensure the completeness of specific allowances on loans and advances to customers. For the IT systems used, we tested the adequacy and effectiveness of IT controls in general as well as of the automated process controls (e.g., the functioning of the automatic days in arrear counting) together with our IT specialists.

For all overdue loans and advances to customers, we have verified, on the basis of the days in arrears count, that these have been identified as loans and advances to customers which are at acute risk of default.

Based on a deliberate selection of borrowers particularly affected by the effects described above, which was based on a materiality and risk perspective, we assessed the completeness of the identification of acutely default-prone loans and advances to customers within the framework of a case-by-case review of the respective loans by assessing their ability to service debt.

We performed expressive audit procedures with regard to the elements of a representative sample determined before the balance sheet date and assessed for each element of the sample if there were any indications of an acute risk of default on the loans and advances to customers. For the period between the date of the representative sample and the date of the audit of the annual financial statements, we repeated the aforementioned audit procedures for additional elements determined at random.

OUR CONCLUSIONS

The approach used to identify acute counterparty default risks in connection with loans and advances to customers is appropriate and in line with the applicable accounting and valuation policies.

APPROPRIATENESS OF THE DETERMINATION OF THE GLOBAL ALLOWANCE ACCORDING TO IDW RS BFA 7

For information on the accounting and valuation policies applied by Landesbank Berlin AG, please refer to the notes to the annual financial statements, the section entitled "Disclosures on accounting and valuation policies”.

RISKS TO THE FINANCIAL STATEMENTS

As presented in the notes to the annual financial statements of Landesbank Berlin AG in "Disclosures on accounting and valuation methods", the change in the valuation method in connection with the first-time application of the IDW Statement on Accounting: Risk Provisioning for Foreseeable Counterparty Risks in the Lending Business of Credit Institutions Not Yet Individually Specified (“Global Allowances") (IDW RS BFA 7) as compared to the application of the previous method as at 31 December 2022 results in a EUR 6.1 million higher global allowance and an increase of EUR 15.8 million in the provisions recognised in the lending business.

According to IDW RS BFA 7, the calculation of expected losses is to be based on defaults on loans observed in the past. In estimating the valuation parameters, a sufficiently long observation period must be used to ensure sufficient forecast quality even in cyclical business. In addition, current information and expectations regarding the risk situation must be taken into account. The assumptions to be made by Landesbank Berlin AG regarding the probabilities of default, expected residual terms, loan amounts at the time of default, future payments by borrowers or proceeds from the realisation of collateral received as the case may be, and the time value of money are subject to judgment. Since, according to the information in the notes, Landesbank Berlin AG uses the simplified method to determine the global allowance (calculation of the expected loss over a period of twelve months without taking into account creditworthiness premiums), the requirements of IDW RS BFA 7 on the balancing of expected losses and creditworthiness premiums at the time of granting the loan as well as over time have to be complied with as well.

The risk to the annual financial statements is that the requirements for the simplified method are not met and the risk provision parameters are thus determined on the basis of incorrect historical data and insufficiently validated assumptions or that the risk provision parameters are determined incorrectly and thus the global allowance is not recognised or is not recognised in a sufficient amount.

OUR APPROACH TO THE AUDIT

Depending on our risk assessment and evaluation of the risks of error, we have based our audit opinion on both control-based and expressive audit procedures. Accordingly, we have performed the following audit procedures in particular:

As a first step, we obtained an understanding of the development of the portfolios, the associated counterparty-related risks, and the processes for identifying, managing, monitoring, and assessing credit risks by inspecting evaluations and risk reports, conducting interviews, and reviewing guidelines, specialist concepts, and work instructions.

We have examined the adequacy and effectiveness of the internal control system with regard to the risk classification procedures and the determination of risk provisioning parameters, and we have assessed the relevant IT systems and internal processes.

In addition to the proper functioning of the IT systems and associated interfaces which are used to ensure the completeness and correctness of the data, the audit also included the examination of automated controls for data processing by our IT specialists.

In a first step, we looked into the factual and amount-based assessment basis for the global allowance based on Landesbank Berlin AG's documentation on the implementation of the requirements of IDW RS BFA 7. Here, our focus was the assessment of the probabilities of default and loss rates derived from historical data. We have also assessed whether the requirements for valuation simplifications under IDW RS BFA 7 were met. To the extent that the expected loss and the credit rating premium could no longer be assumed to be in equilibrium, we also assessed the calculation of a higher amount to be reflected, taking into account the contractually agreed remaining term and the credit rating premiums. In addition, we assessed the data (including ratings, default probabilities, collateral values) and assumptions used in the calculation.

Based on the results of a validation performed by Landesbank Berlin AG, we reviewed the adequacy of significant risk provisioning parameters.

Finally, we reviewed the main steps used for calculating the global allowance.

OUR CONCLUSIONS

The methodological approach, the procedures and processes for determining the global allowance in accordance with IDW RS BFA 7, and the historical data and assumptions used in determining the risk provisioning parameters are in line with the accounting principles to be applied for measuring global allowances.

Other information

The Management Board or the Supervisory Board as the case may be is responsible for other information. Other information comprises the following components of the management report that have not been audited by us as to their content:

- the separate non-financial report referred to in the management report,
- the corporate governance statement pursuant to Section 289f (4) HGB (information on the women’s quota), which is included in Section B. 7 "Corporate Governance Statement" of the management report, and
- the information contained in the management report that is unrelated to the management report and marked as unaudited.

Other information also includes the other elements of the management report. Other information does not include the annual financial statements, the content of the audited management report disclosures, or our audit opinion thereon.

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

In connection with our audit, we have a responsibility to read the other information referred to above and, in doing so, assess whether such other information is

- materially inconsistent with the annual financial statements, the content of the audited management report disclosures or our knowledge obtained during the audit, or
- otherwise appears to be materially misrepresented.

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

The Management Board is responsible for preparing the annual financial statements which have to comply in all material respects with German commercial law applicable to banking institutions and give a true and fair view of the assets, financial and earnings position of the Company in accordance with German principles of proper accounting. Furthermore, the Management Board is responsible for such internal control as it determines is necessary in accordance with German principles of proper accounting to enable the preparation of financial statements that are free from material misstatement due to fraud (i.e., accounting manipulations and misstatements of assets) or error.

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Furthermore, the Management Board is responsible for disclosing, if applicable, matters related to the Company's ability to continue as a going concern. In addition, it is responsible for preparing the financial statements on the basis of the going concern principle, unless factual or legal circumstances prevent this.

In addition, the Management Board is responsible for preparing the management report, which as a whole provides a fair view of the Company's position, is consistent in all material respects with the annual financial statements, complies with German legal requirements, and correctly reflects the opportunities and risks of future development. Furthermore, the Management Board is responsible for the arrangements and measures (systems) which it has determined as necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient suitable evidence supporting the statements made in the management report.

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

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

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

Reasonable assurance means a high degree of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation as well as in compliance with German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to influence the economic decisions which the users of the annual financial statements and the management report take on the basis of such information.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- we identify and assess the risks of material misstatement in the annual financial statements and the management report, whether due to fraudulent activities or error; plan and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements resulting from fraudulent activities will not be detected is higher than the risk that material misstatements resulting from errors will not be detected, as fraudulent activities may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls.
- we obtain an understanding of the internal control system relevant to the audit of the financial statements, and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems of the Company.
- we evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- we make conclusions on the appropriateness of the going concern basis of accounting used by the Management Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are obliged to draw attention in our auditor's report to the related disclosures in the annual financial statements and management report or, if such disclosures are unreasonable, to modify our respective audit opinion. We base our conclusions based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may result in the Company being unable to continue as a going concern.
- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the assets, financial and earnings position of the Company in accordance with German principles of proper accounting.
- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the understanding of the Company's position conveyed by it.
- we perform audit procedures on the forward-looking statements made by the Management Board in the management report. On the basis of sufficient suitable audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the Management Board and evaluate whether such forward-looking statements were correctly derived from these assumptions. We do not express an independent opinion on the

forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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

We make a declaration to those charged with governance that we have complied with the relevant independency requirements and discuss with them any and all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions taken or safeguards implemented to address independence threats.

From the matters discussed with those charged with governance, we determine the matters that were of most significance in the audit of the financial statements of the current period and are, therefore, key audit matters. We describe these matters in the auditor's report, unless laws or other regulations preclude public disclosure of the matter.

Other statutory and legal requirements

Report on the audit of the electronic reproductions created for the purpose of disclosure of the annual financial statements and the management report according to Section 317 (3a) HGB

In accordance with Section 317 (3a) HGB, we have performed a reasonable assurance test to determine whether the data contained in the file "08-03-2023-08-30_xbrl_file.zip" (SHA256 hash value: 09cbe849e66d2ce3dd477b3ba9c633531fbf54ebcdb8a4200d5ba16ca4a20c90), which was provided to us and prepared for the purpose of disclosure of the annual financial statements, and the management report ("ESEF documents") comply in all material respects with the requirements of Section 328 (1) HGB regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit covers only the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore does not cover the information contained in these reproductions nor any other information contained in the above-mentioned file.

In our opinion, the data contained in the file mentioned above and prepared for the purpose of the disclosure of the annual financial statements and the management report comply in all material respects with the requirements of Section 328 (1) HGB regarding the electronic reporting format. Other than this opinion and our opinions on the accompanying financial statements and the accompanying management report for the financial year from 1 January to 31 December 2022 in the "Report on the Audit of the Annual Financial Statements and Management Report" above, we do not express any opinion on the information included in these reproductions or on the other information included in the afore-mentioned file.

We conducted our audit of the reproductions of the annual financial statements and the management report contained in the above-mentioned file in accordance with Section 317 (3a) HGB and IDW Auditing Standards: Audit of Electronic Reproductions of Annual Financial Statements and Management Reports Prepared for Disclosure Purposes in accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our respective responsibility is further described below. Our auditing practice has applied the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1).

The Company's Management Board is responsible for preparing the ESEF documents containing the electronic reproductions of the annual financial statements and the management report in accordance with section 328 (1) sentence 4 no. 1 HGB.

Furthermore, the Company's Management Board is responsible for such internal controls as the Management Board determines are necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section

328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for the preparation of ESEF documents as part of the accounting process.

Our objective is to obtain reasonable assurance about whether the ESEF documentation is free from material breaches, whether due to fraud or error, of the requirements of section 328 (1) HGB. During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- we identify and assess the risks of material breaches of section 328 (1) HGB, whether due to fraud or error; plan and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- we obtain an understanding of the internal controls relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- we assess the technical validity of the ESEF documentation, i.e. whether the provided file containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2019/815 as amended at the reporting date regarding the technical specification for this file.
- we assess whether the ESEF documentation provides a XHTML reproduction with identical content of the audited financial statements and the audited management report.

Other information according to Art. 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on 28 June 2022. We were engaged by the Supervisory Board on 27 October 2022. We have served as auditors of Landesbank Berlin AG without interruption since the 2016 financial year.

We declare that the audit opinions contained in this auditor’s report are consistent with the additional report to the Audit Committee pursuant to Art. 11 EU-APrVO (Audit Report).

Other matters – use of the auditor’s report

Our auditor’s report should always be read in conjunction with the audited annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and management report converted into the ESEF format – including the versions to be entered into the company register – are merely electronic reproductions of the audited annual financial statements and the audited management report and do not replace them. In particular, the ESEF note and our audit opinion contained therein may only be used in conjunction with the audited ESEF documentation provided in electronic form.

Responsible auditor

The auditor responsible for the audit is Rainer Thiede.

Berlin, 9 March 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft *[KPMG stamp]*

Thiede Auditor	Röwekamp Auditor

Report of the Supervisory Board of Landesbank Berlin AG 2022

The Supervisory Board and its Committees promptly, regularly, and comprehensively addressed the situation and the business performance of Landesbank Berlin AG (LBB) and its subsidiaries both in writing and verbally while monitoring the Management Board's handling of business on an ongoing basis.

The Supervisory Board obtained information from the Management Board on the intended business strategy as well as other fundamental issues of operational business planning, and here in particular of the financial planning, the investment planning, and personnel planning as well as on the risk situation and on compliance, conferred about all aspects that arise within this context and, if and when necessary, expressed recommendations. In addition, specific current topics were also debated by the Chairperson of the Management Board and the Chairperson of the Supervisory Board. Next to this, the Chairperson of the Supervisory Board engaged in a direct exchange with the heads from Internal Auditing and Compliance.

Also, the Supervisory Board and its Committees adopted resolutions regarding the business transactions presented to them and other concerns which, according to the rules of procedure and additionally established regulations, called for a decision by these bodies.

Recurrent items on the agenda of these meetings included information from the Management Board on the current business performance as well as the results of the business segments; on the current situation; and on governance. Moreover, there was a regular and intense deliberation of the liquidity and risk situation as well as the developments in sales with the Management Board. The reports and deliberations on these matters were also characterised considerably by the Covid-19 pandemic as well as the Russia-Ukraine war and its impact on, amongst other things, energy supply which leads to inflation-driving developments. Subsequently, the monetary policy environment has experienced significant change. The European Central Bank brought about a turn in the key interest rate so that the interest rate trend is pointing upward. This also produces clear implications for the medium-term planning. Further main points included the continued restructuring of the group of companies, which also resulted in Berliner Sparkasse assuming the function of a parent institution within the Group as from 1 January 2023; the ongoing reporting on the future programme, Z25!; as well as the divestiture of DirectBankService.

These annual financial statements of LBB together with the management report for the financial year 2022 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin as the auditing firm appointed by the General Meeting taking into consideration the key audit issues established by the Supervisory Board (audit of impact from Russia-Ukraine war and the adverse impact from economic conditions on the rating of LBB's credit portfolio) and were issued with an unqualified opinion.

Regarding the special non-financial report, the auditor conducted an audit with limited assurance and found no cause for objections.

The auditor's representatives sat in on the meetings on the financial statements of the Audit Committee and of the Credit Committee as well as on the meeting on the financial statements by the plenum session. The auditor reported on the key findings of their audits as well as on the company having a proper business organisation and that in principle, the financial institution's risk management in accordance with Sec. 25a para. 1 third sentence of the German Banking Act or Sec. 91 para. 2 of the German Stock Corporation Act is deemed appropriate. These findings do not oppose the appropriateness of measures taken as a whole.

The Audit Committee and the Supervisory Board have taken note of the auditor's reports on the audits that were conducted. Moreover, they reviewed the annual financial statements and the management report as well as the non-financial report. No objections were raised against the findings of the auditor's report. The Supervisory Board therefore approved the annual financial statements of LBB as prepared by the Management Board as at 31 December 2022 during its meeting held on 29 March 2023; in accordance with Sec. 172 of the German Stock Corporation Act, it has thus been approved.

Composition of the Management Board

On 29 September 2022, the Supervisory Board nominated Ms Nancy Plaßmann to be appointed to the Management Board. The appointment to the Management Board of LBB effective as from the next possible date, by 1 October 2023 the latest, took place on 29 November 2022. Ms Nancy Plaßmann thus followed Ms Tanja Müller-Ziegler, who with effect from 31 March 2023 will be leaving the Management Board of LBB.

Composition of the Supervisory Board

As of 31 December 2021, Dr Michael Ermrich resigned his seat as a Supervisory Board member and thus also as the Deputy Chairman of the Credit Committee. On 1 January 2022, Mr Ludger Franz Weskamp followed him to the Supervisory Board and also became Deputy Chairman of the Credit Committee.

As of 31 December 2021, Mr Gerhard Grandke resigned his seat as a Supervisory Board member and thus also his seat on the Credit Committee. On 1 January 2022, Mr Stefan Reuß followed him to the Supervisory Board and the Credit Committee.

On 1 May 2022, Ms Ela Nößler took her seat on the Supervisory Board and thus followed Mr Richard Gottlob who had resigned on 30 April 2022.

The Supervisory Board thanks the members of the Management Board as well as all employees for their achievements during the financial year 2022.

Berlin, March 2023

The Supervisory Board

Helmut Schleweis
Chairman