QUIRIN PRIVATBANK

# Annual Report

2021

klug anlegen. besser leben.

klug anlegen. besser leben.

QUIRIN PRIVATBANK AG
WKN: 520230/ISIN: DE 0005202303

31 December 2021

# Key figures

Annual net profit
€12.1 m

Equity capital
€68 m

Balance sheet total assets
€540 m

Total capital ratio
25.3%

Share price on 31.12.2021
€4.50

Number of employees
250

Shareholders

Berliner Effektengesellschaft AG
25.3%

Riedel Gruppe
14.9%

Management Board of Quirin Privatbank AG
19%

Diversified holdings
40.8%

# 2021 – Growing TOGETHER

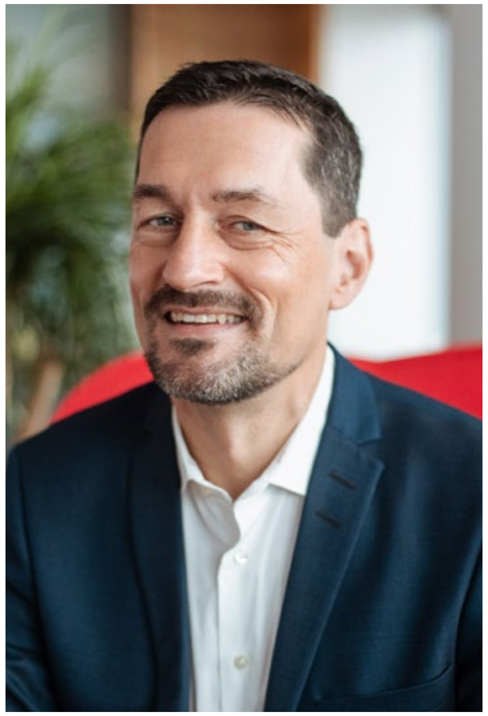
## Contents

# Chapter 1

## Growing Together

**KARL MATTHÄUS SCHMIDT**

Chairman of the Management Board,
Quirin Privatbank AG
and founder of quirion



**JOHANNES EISMANN**

CFO/Board Member, Capital Markets,
Quirin Privatbank AG

## Dear Shareholders, Clients, Business Partners and Friends of Quirin Privatbank,

Shortly before the publication of the annual report, in February of this year, Russia invaded Ukraine. This was a great shock that affected us deeply, both at a personal level and as the Management Board of this Bank. We hope that the war will be brought to a rapid conclusion.

Amid the unimaginable suffering that has been inflicted on the people affected, if one spark of hope can be distinguished it must be that the Russian invasion has sparked a wave of international solidarity of unprecedented magnitude. People are helping each other, offering complete strangers a place to sleep, companies are cutting red tape to put in place free transport and communication lines. Around the globe, citizens are demonstrating against the war and the western world is drawing closer than ever before.

This solidarity is vital because only by standing together and standing up for our liberal values will we be able to weather this grave crisis together. "Together" is the keyword, and not only in this situation, but for every other crisis as well. We can only stop climate change together, we can only halt a pandemic together, we can only stand up to the dictators of this world together – the major challenges of our times, on both a large and small scale, can only be tackled together.

Together

for freedom

**Togetherness** was long planned as the leitmotif of this annual report. We had no idea that it would assume such relevance in the present situation. Although in the current circumstances there are far more important topics of discussion than that of company figures, it is our duty as a public holding company to publish the annual report. Normally, reporting on the past financial year would have been a particular pleasure, but within the space of a few weeks the world has changed beyond conception and has cast a cloud over our pleasure in our business success. Still we are proud that together with our digital subsidiary quirion, with our clients and business partners and our shareholders, we have made 2021 the most successful year since the foundation of Quirin Privatbank.

### Growing together

Our success is also owed to all our colleagues who have worked tirelessly together in close cooperation and to the fact that despite ongoing restrictions due to Covid-19 especially in the first half of the year, we did not duck our responsibilities, but remained focused, stood firm and steadfastly pursued our goals. These are qualities that are needed in crises and they are more relevant now than ever. These are qualities that Quirin Privatbank possesses in abundance.

We too have drawn closer together. Sharing the same DNA, Quirin Privatbank and quirion are growing ever closer together and cooperating more than ever before. The Bank focuses primarily on its financial expertise and comprehensive personal advice at branch level, its online subsidiary on swift access to professional asset investment. The two companies thus complement each other perfectly in the range of services they offer. We are united by a common goal that places us on an equal footing as partners. We want to help more people to invest their assets to better advantage, whether digitally with quirion, traditionally with the Bank, or with a hybrid model that links both worlds.

### New record result in 2021

Our 2021 result once more confirms that our chosen course is the right one. Although we have enjoyed years of steady growth, 2021 surpasses all previous performances. In the past financial year, Quirin Privatbank generated profit totalling €12.1 million, almost trebling the previous year's result of €4.3 million.

12.1
€ million profit

This truly outstanding operating result is far from being the upshot of a series of lucky coincidences, but is the reward for our courage, foresight, passion and commitment to exploring new avenues together. Our warm thanks go to all our colleagues who do their utmost every day to ensure the success of Quirin Privatbank and quirion. We can all be justifiably proud of this business result.

### Growing with our clients

A decisive factor in this outstanding operating result is constituted by the private banking business of Quirin Privatbank. At the end of the financial year, Quirin Privatbank managed around €5.3 billion worth of client assets, 23 per cent more than the previous year. Our client base swelled by some 10 per cent to more than 11,000. In 2021, we also acquired more than €470 million of net cash inflows for the Bank, thus approximately 70 per cent more than the previous year. The restrictions on personal contacts which continued into 2021 due to Covid-19 were more than compensated for by a high level of client retention and the changeover to digital (contact) formats and the perceptible upturn in growth after the slight depression in 2021.

### Growing with quirion

In 2021, quirion also developed encouragingly and continues to grow according to plan. Compared to the previous year, net cash inflows rose by 150 per cent to a total of some €500 million. At the end of the year, quirion's client base numbered some 45,000 clients, 76 per cent more than in 2020, with client assets under management of €1.2 billion, an increase of 104 per cent.

### Strong together: Quirin Privatbank and quirion

At the end of 2021, Quirin Privatbank and quirion together accounted for a total of 56,000 clients with assets worth €6.5 billion, an increase of 56 and 33 per cent respectively.

56,000
clients

### Markets foster development

That we may look back on such a successful business year is also due in part to the very gratifying development on the world's capital markets. In the financial year under review, the DAX rose by some 16 per cent and the MSCI ACWI by 27 per cent. Similar increases were recorded by our in-house "Market" asset management. With a share quota of 100 per cent and a lower risk than in the MSCI ACWI, it generated a return on investment after costs of more than 26 per cent. A superb result given that long-term annual returns on investment tend to be nearer to 6 to 7 per cent. Our sustainable "Responsibility" asset management continues to enjoy unabated popularity in its harmonisation of sustainable and scientifically sound investment criteria. At the end of 2021, managed assets totalled more than €800 million. On publication of this annual report, the figure had already topped the €1 billion mark.

6.5
€ billion assets under management

### Successful capital markets business

Following the adverse circumstances of the previous year due to the pandemic, in 2021 a significant upturn was also experienced in the capital markets business. The capital markets business surpassed the planned segment and previous year's result, once again making a valuable contribution to the overall result, which exceeded expectations. Accordingly, the cost/income ratio (CIR) was improved from 61 per cent to 52 per cent.

### Dividend payment envisaged

The use of the profits of €12.1 million are planned as follows. We intend to make allocations to statutory reserves and other reserves, thus strengthening the Bank's capital base by €6 million, and to propose to the Annual General Meeting that the remaining balance sheet profit of €6.1 million be distributed as a dividend. This would amount to 14 cents per dividend-bearing share.

14
cents dividend

Following such a successful year as 2021, we must focus on maintaining our momentum and continuing along our chosen growth path. This is exactly what we intend to do. We have the right ideas and the right colleagues in our team to achieve this aim and we have the best clients in the world, who trust in our investment concept and constantly recommend us to their peers.

### A reliable partner in difficult times

However, the overall conditions persist in being exacting. The global community is faced with multiple challenges, which will also affect us as a company. Yet what is important now more than ever, and which up to recently we took for granted, is our peaceful coexistence. Compared to this, financial topics appear trivial, fears of high and increasing inflation or annoyance about negative interest rates pale to insignificance. However, we observe repeatedly that as a reliable partner in financial affairs our expertise is above all called for when markets are jittery – as is the case this time as well. And this remit of being there in turbulent times is one we are eager to fulfil. Together as a team, with unbridled passion for the best financial investment.

Our mission remains unchanged, that of helping more people to invest their assets to better advantage. And this can only be done by investing in shares. By their own admission, many people still know too little about the benefits of capital market investments.[1] Many young people in particular would like share investments to play an important role in their retirement provision.[1] And 17 million Germans state that they are dissatisfied with their existing retirement provision solutions.[2] What does all of this mean for us? There is still a lot of work to be done – let's push ahead and make Germany a better place for investors, while hopefully the politicians of this world will do the same by making it a safer place for us all again.

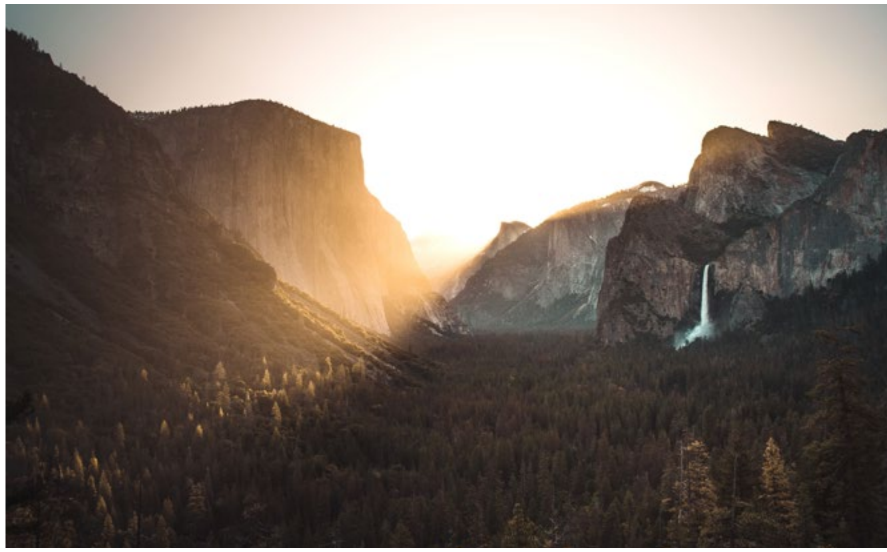
**17**

**million Germans are dissatisfied with their retirement provision**

We wish to thank you, dear shareholders, clients, employees and business partners, for the trust you place in us. It is good to know that you continue to be on our side.

**Karl Matthäus Schmidt**
Chairman of the Management Board

**Johannes Eismann**
CFO/Board Member, Capital Markets



¹ https://www.handelsblatt.com/28046708.html
² Representative survey by puls Marktforschung on behalf of Quirin Privatbank, April 2021

# Growing Together: *Key figures*

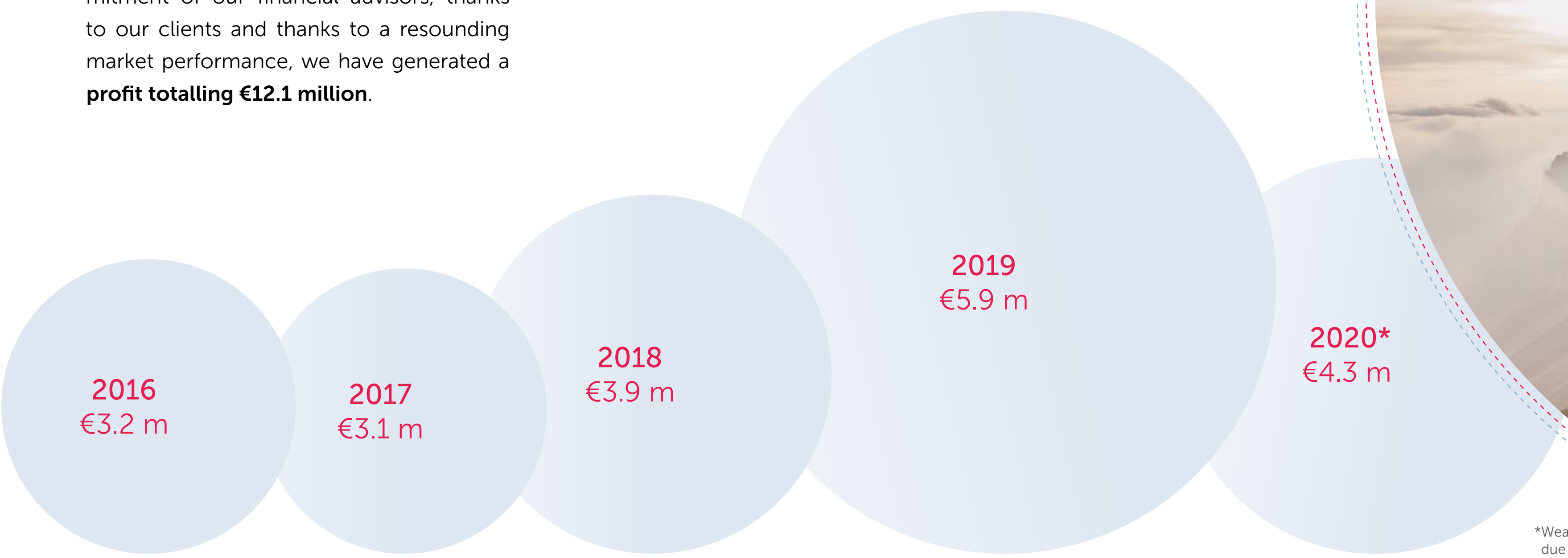
## 2021 – a record year

For years now, Quirin Privatbank has been growing steadily. And this year, it did so with exceptional success. Thanks to the commitment of our financial advisors, thanks to our clients and thanks to a resounding market performance, we have generated a **profit totalling €12.1 million**.

2021

# 12.1

€ m




*Weaker performance due to Covid-19

# Growing each *brand* for itself, and *together*.

OneBank

| | | |
|---|---|---|
| **5.3** | **6.5** | **1.2** |
| € billion assets under management +23% | € billion assets under management +33% | € billion assets under management +104% |
| **11,000** | **56,000** | **45,000** |
| clients +9% | clients +56% | clients +76% |
| **470** | **960** | **490** |
| € million net cash inflows +67% | € million net cash inflows +100% | € million net cash inflows +146% |

increases compared to 2020

# Growing with *great aspirations*

**KARL MATTHÄUS SCHMIDT**

Chairman of the Management Board,
Quirin Privatbank AG
and founder of quirion

*"Back in 2016, our goal was at least €5 billion worth of client assets under management by 2021. At the time, we were managing €2.9 billion worth of client assets and our goal was deemed ambitious. And yet we achieved and even surpassed our target. At the end of 2021, the assets under the Bank's management amounted to €5.3 billion, together with quirion €6.5 billion, 30 per cent more than originally envisaged. This shows that even ambitious goals can be reached in the long term if we believe in them and work together to achieve them."*

*"After a very challenging previous year due to Covid-19, we made a firm commitment to revitalising business development in the capital markets business in 2021. And we did so with resounding success. We supported several clients in their IPOs and capital increases in the e-commerce and social commerce market segments and in the field of sustainability (ESG) – and thus acquired many new institutional clients."*

**JOHANNES EISMANN**

CFO/Board Member, Capital Markets,
Quirin Privatbank AG

# Sustainable investments in highest *demand*

The markets enjoyed a buoyant development in 2021. The DAX rose by 16 per cent and the MSCI ACWI by 27 per cent. Our "Market" asset management with a share quota of 100 per cent recorded an increase of 26 per cent for the year. 81 per cent of all client assets (€4.3 billion) were under the Bank's management at the end of 2021.

The sustainable "Responsibility" option enjoyed particular popularity with some 1,500 new client accounts being opened in 2021 alone. Assets under management rose by 170 per cent to some €800 million by the year end. This is the equivalent of more than 50 per cent of total net cash inflows and thus displays the strongest growth of all asset investment strategies.

## Growth of the sustainable "Responsibility" asset management in 2021

**€300** million assets under management in 2020

**+170%**

**€800** million assets under management in 2021

# Growing *sustainably*

Sustainability is not only rated highly by our clients, but also plays a key role for us as a company. Our social commitment is particularly pronounced locally at branch level. In addition, we aim to become carbon-neutral by 2023 – **and we have already made good progress towards achieving this.**

**2023**
Carbon-neutral

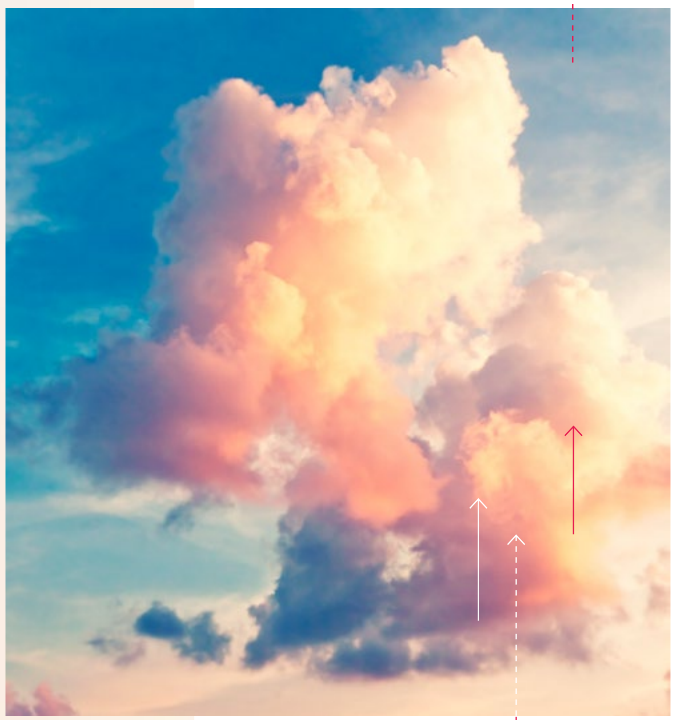
- Energy supply changeover to green electricity
- All printed products and websites are carbon-neutral
- Parcels shipped by DHL GoGreen
- Water dispensers instead of beverage deliveries
- Rail instead of air for business travel of less than four hours

# Growing together: Our *shared idea*

For years now, competition has been stiffening between old-established banks and new digital providers. And it is coming to a head now.

Against a backdrop of zero interest, years of negative real interest due to inflation, new products such as cryptocurrencies and digital tokens, the variety of products on the market, the disorientation of citizens, and financial assets at an all-time high of €2 trillion, the appeal of the capital market has increased hugely. The deck is being reshuffled in private banking and no mistake.

But what do clients want? More than ever before, they want simple solutions. In order to offer these simple solutions, we put clients and their needs first with no ifs or buts, and forge even closer links between the Quirin Privatbank and quirion brands. This means that with the two brands, the client has the choice between three worlds – purely digital investment, the hybrid model with digital investment and personal advice, or the purely personal investment and financial advice model in the Bank's local branches.



This strategic dovetailing which we coin as **"OneBank next level"** is the ramped-up development of previous OneBank approaches, with which we, as Quirin Privatbank and as quirion, aim to achieve our significantly higher growth targets together.

This strategy singles us out as one of the few financial institutes that boasts a future-focused business model, and much better, that is already deploying it very successfully today. This was only possible because we work TOGETHER, hand in hand, always focused on a common goal, **to help more people in Germany to invest their assets to better advantage.**

# ONE**BANK.** NEXT LEVEL

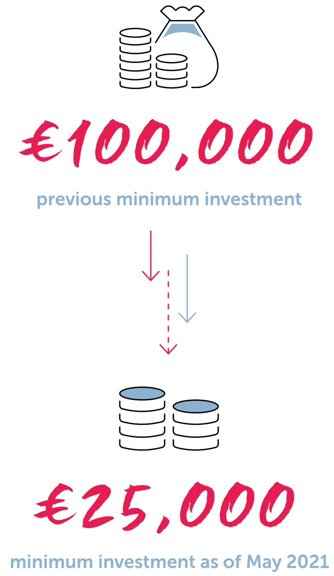
# Growing together:
# Behind the *scenes*

We want to improve our performance for our clients. This is an ongoing process that never ends. In 2021, we again completed some key projects.

- We pushed ahead with digitalisation in the Company by introducing **digital accounts payable processing** in order to increase the efficiency of our in-house accounting operations.
- In August, we rolled out **digital onboarding for clients** in all our local branches across the country.
- In 2021, with **TEAMS** we launched a new company-wide communication system to replace Skype for Business.
- In addition, we centralised our **order hotline**, which has improved the efficiency of processes and resulted in the hoped-for reduction in complex orders.

In order to attract more clients, we adopted targeted growth measures that have played a significant role in the successful 2021 business result:

- The reduction of the **minimum investment** to €25,000 in order to enable more people to test Quirin Privatbank.
- The associated **Börsenfit [Fit for the stock exchange] campaign** in the daily newspaper *Die Welt* and on social media aimed at providing information to investors unfamiliar with capital markets and to make them "fit" for the stock market.
- The **top-up campaign** at the end of the year during which €7.7 million worth of new client assets were acquired in the space of three weeks.
- The **entrepreneur campaign,** aimed at providing a compass for businesses to invest liquid funds in the low-interest environment, flanked by an entrepreneurs' evening with Karl Matthäus Schmidt.
- The first national **Female Finance event** "She meets Quirin" on asset investment.






- Various campaigns aimed at raising awareness of the **podcast** and boosting audience figures.

- **Nationwide 87 events** in digital, hybrid and analogue formats including the nationwide "Quirin Live" and regional events at branch level such as "Rückschau, Ausblick" [Looking back, looking forward] and small sociable events such as a hike together attracted a total of more than 7,000 clients and interested parties.

- The professional approach to lead conversion by the **lead management team,** which resulted in a total of some 1,600 leads from Quirin Privatbank being followed up in 2021 and €44 million worth of new client assets being acquired in the corresponding meetings.

- The carrying out and successful marketing of **market research surveys** on the subject of sustainable investments, negative interest rates in German enterprises and entrepreneurship in Germany in general.

- With the aim of growing together internally as well, we used the established format **"Quiriner im Dialog" [Quirinians in Dialogue]** in 2021 primarily as a change management tool to support and drive the nascent culture change.

- In addition, we launched **"Q-live"**, a new live format in which every quarter, the management informs all employees about new ideas, key figures, data, facts, etc. and answers employees' questions.

- quirion has also made formidable progress. Our digital subsidiary once again impressed the jury of *Stiftung Warentest* and came out **Best in the Test** for the second time – congratulations, quirion.


- "Shares, cucumbers and spaghetti off the shelf" – as journalists reported on a very special idea of quirion. Since October, EDEKA supermarket customers nationwide can buy **gift cards** for a quirion deposit as the perfect birthday or Christmas present.

- Two further important **milestones for quirion** were the financing round to boost growth amounting to €13 million in January 2021 and the integration of Bloxxter GmbH (now quirion Sachwerte GmbH) and with it, the establishment of an asset tokenisation platform for tangibles.

**€13**

million
growth financing
for quirion

# Growing together with our *clients*

Growth only works with satisfied clients. So a lot hinges on what our clients think. And they think that we are great. On the **independent finance portal WhoFinance** we were once again elected **Germany's best bank and best bank for asset investment,** putting us laps ahead of competitors large and small.

Best bank for asset investment

**4.72**

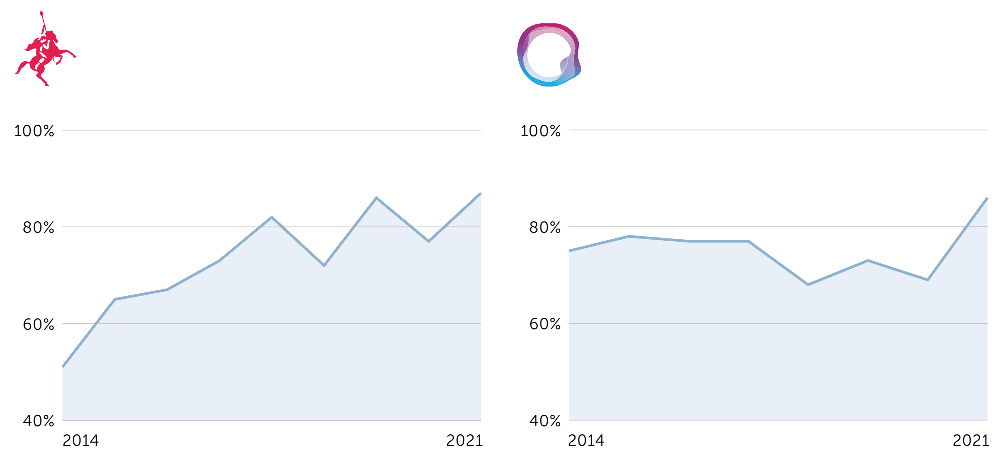
out of 5 and thus better than all other banks [1]

We would like to say **THANK YOU** to all our clients and financial advisors for this fantastic result.


**DR CHRISTIAN OHSWALD**
Head of Private Banking Business, Quirin Privatbank AG

*"Whoever comes to us can depend on the quality of advice and investment. Client ratings are an important reference for prospective clients who do not know us yet and are looking for an alternative to their present bank."*

The response was every bit as fantastic in our **annual client survey** – in which Quirin Privatbank rose to new heights, although in previous years it had also scored excellent ratings.




Share of very satisfied and satisfied clients[2]

[1] WhoFinance, evaluation January 2022
[2] puls Marktforschung, client satisfaction survey Quirin Privatbank and quirion in December 2021

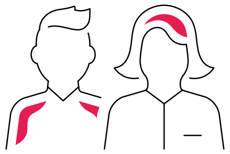
# Growing together as a team

And of course, growth only works if everyone pulls together. Our team consists of 250 colleagues who work for Quirin Privatbank, 250 amazing people who share a common mission of helping people in Germany to invest their assets to better advantage.

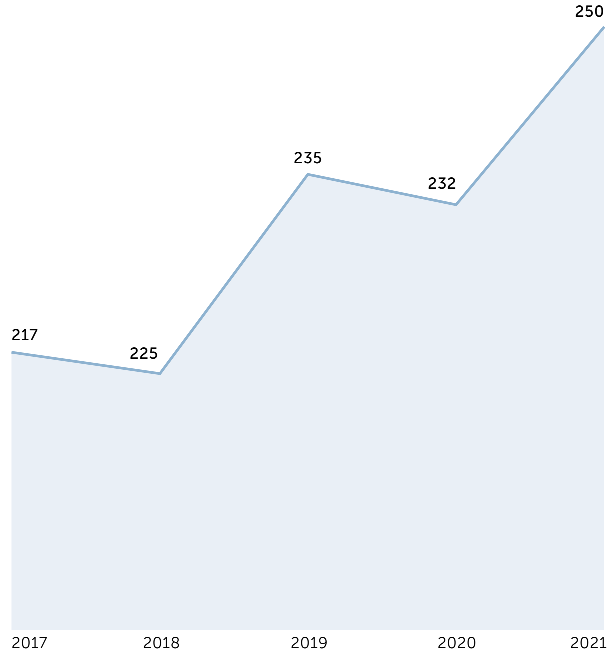
This team is constantly growing – in 2021 alone, 18 new colleagues joined us, swelling its number to 250 in all.

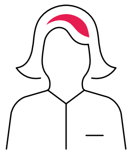
**Wanted! Female colleagues**

We attach importance to recruiting more women to our teams. In 2021, we did this with great success, but there is still room for improvement, above all at management level. Across the Company, female managers number only 26 per cent, in sales 22 per cent and at our headquarters 39 per cent.

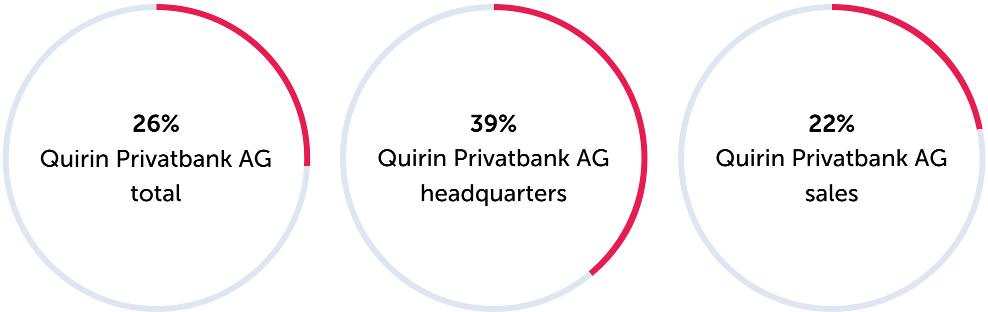


Number of employees at Quirin Privatbank AG



Number of female managers at Quirin Privatbank AG




As at February 2022

# Growing together

Growing together is easier said than done. But what does it look like for the people who actually do the work? We asked colleagues at Quirin Privatbank and quirion about areas in which they clearly feel the growing together of the two brands and those in which they see room for improvement.

**JOACHIM WOLFANGEL**

Deputy Branch Manager,
Quirin Privatbank Stuttgart

*"What I like especially is being able to recommend digital asset management by quirion to my clients, say for their children, without a second thought. I no longer need to worry about having the competition nudging their way in. It was a very different story in the beginning."*

*"I miss the contact to all my colleagues outside Stuttgart especially since the beginning of the pandemic and thus also to a certain extent the feeling of belonging. The same applies to my quirion colleagues. This is sure to change, hopefully soon, when we will be able to meet each other personally again at workshops, seminars and celebrations."*

**ALI KANAAN**

Head of Customer Care,
quirion

*"The cooperation on client business between quirion and the financial advisors at Quirin Privatbank improves every year. It is very enjoyable. A big round of applause to the financial advisors from all the team. This of course also goes for the departments at headquarters with whom we are in regular contact."*

*"In day-to-day business, there is still the odd obstacle that needs to be addressed. In addition, not everyone goes along with the OneBank idea, but we're working on it."*

**LJUBIŠA LUKIĆ**

Financial Advisor,
Quirin Privatbank Munich

*"In my many contacts with all my colleagues, I feel a sense of appreciation and willingness to help that is universal, with no distinction being made between quirion and Quirin Privatbank. During the pandemic, we did not grow apart, quite the opposite, we continue to learn from each other and benefit from it."*

**VOLKER HESS**

Financial Advisor,
Quirin Privatbank Darmstadt

*"I think it's marvellous that more and more quirion clients appreciate and use the financial advisors and increasing numbers of Quirin clients are opting for the hybrid solution."*

*"We need to improve our technical interfaces and better highlight the differences between the individual price models."*

**SILVANA GRITZKE**

Head of Marketing,
Quirin Privatbank Berlin

*"Inspired by the team spirit, we work hard together on projects that focus on our clients and their needs across both brands. To achieve this, we optimise and digitise our processes to create an impressive customer experience. You can feel how the two services, digital and personal, are mutually inspiring and improve the overall result."*

*"Our technical infrastructure needs to be extended and better integrated for us to efficiently chart the customer journey."*


**MAURICE ZENGEL**

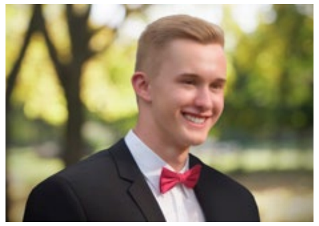
Product Owner,
quirion

*"I experience a great sense of openness at the office in my dealings with colleagues, no distinction is made as to whether you work for Quirin or quirion. People take pleasure in the success of their fellows and provide support where it is needed. The atmosphere is alive with a feeling of 'we can achieve more together'."*

*"The individual roles and contribution to the big picture need to be defined in greater detail and transported into the corporate culture."*

**ANDREAS NOHL**

Student Employee, Marketing Control,
Quirin Privatbank Berlin



*"As a new member of the Quirin family, I find it difficult to see Quirin Privatbank and quirion as separate entities, for me they are one. Their strategic alignment goes hand in hand. Both sides learn from each other, generating significant added value for us and more importantly of course for our clients."*

*"The different target audiences of the two brands poses a challenge. We need to focus on developing a concept that remains easy to grasp while offering all clients the hoped-for added value."*




## Dear Shareholders,
## Clients and Colleagues,

A dark shadow has been cast over Europe since Russia invaded Ukraine. The sense of helplessness that many of us feel is nothing compared to what the people caught in the conflict and fleeing from it are suffering. All other topics pale into insignificance in comparison.

In this surreal situation, we were duty-bound to publish the 2021 business result. It was not an easy task as you can well imagine. We achieved a record year in the past financial year, one of which we can be justifiably proud. Yet given current developments, our pleasure is clouded to say the least.

Nevertheless, we wish to express our thanks to the people who made this success possible through their daily commitment, to all our colleagues at Quirin Privatbank and quirion, to people who are passionate about their job and our common mission. And of course, to our clients, many of whom have loyally supported us over the years.

As Chairman of this Bank I can assure you that we have spent the last few years girding our Company for the future and in 2021 we reaped some of the fruits of our labours. **As a company, we could not be better placed. We pursue a customer-centric growth strategy, we have a great team, we have the best clients in the world.**

At this point, on a personal note, I have to say that all our strategies and successes appear negligible compared to what is now at stake, something that up until now we have taken for granted, living together in peace.

I therefore wish for us all that the horror of these days is brought to an end as soon as possible and that peace is restored – in Europe and in the rest of the world.

**Karl Matthäus Schmidt**
Chairman of the Management Board,
Quirin Privatbank AG

# Chapter 2

## Management Report

# Management report for the 2021 financial year

## 1. Underlying economic conditions

The end of 2021 marked the second year to be largely overshadowed by the development of the Covid-19 pandemic and its effects. This situation once more formed the underlying conditions for Quirin Privatbank AG (hereinafter referred to as "Quirin Privatbank" or "Bank") and its clients.

Taking the growth of real gross domestic product (GDP) as a yardstick, the start of the 2021 business year was fraught due to renewed lockdown regulations relating to the pandemic. Against this backdrop, GDP declined by 1.7% compared with the previous quarter, yet went on to enjoy comparatively strong growth rates in the spring and summer quarters. At the end of 2021, in addition to recurring Covid-19 restrictions, shortages due to disruptions in global supply chains and geopolitical uncertainties resulted in a further slight decline in GDP of -0.7%. Despite this, real economic output in Germany still increased by 2.8% overall in 2021. Though dampened, the largely intact growth dynamics of the global economy continued to prevail at national and international level. Nevertheless, at the end of 2021 economic output still pegged in slightly below the pre-pandemic level at -1.5%.

The overall positive economic development of the global economy and the associated encouraging earnings development of publicly owned companies, coupled with a continued expansionary monetary policy, paved the way for a buoyant trend in the global stock markets throughout 2021. For example, the German DAX stock index gained a good 15% in the course of the year, while the US S&P 500 index notched up an increase of 27% (in US dollars). The international equity index of the industrialised countries (MSCI World) rose by 19% (in US dollars). Declines in index levels were confined to emerging markets – the international MSCI Emerging Markets Index dropped some 5% (in US dollars) during the year. In 2021, the bond markets closed with significant losses in long-term government bonds. Both the ten year Euro Federal bond and the ten year US dollar government bond dropped by some 4%. This development was not least due to the swift rise in inflation rates coupled with the associated anticipated short-term, significant increases in interest rates.

In this situation, the monetary policy of the central banks assumes an even more prominent role than is usual. In the light of these developments, the leading central banks of the industrialised countries felt compelled to announce, or at least closely examine, raising interest rates and other steps towards monetary normalisation. While this is not expected to bring about an immediate and profound paradigmatic shift, an end to the extremely loose monetary policy of the last two years appears to be slowly and gradually ending.

## 2. Positioning of the Bank

Quirin Privatbank AG operates two strategic business areas through private banking and capital markets.

The focus of **activities in private banking** is to provide independent financial and investment advice to wealthy private clients. The Bank adheres to the principle of fee-based advice, which means that the Bank is paid for its services exclusively and directly by its clients. Independent advice means both product and provider-neutral consulting focused entirely on the client's interests and hence not on selling specific products.

In private banking, we offer our clients a personal and holistic service at 15 locations throughout Germany. Clients are mostly advised and assisted within the scope of bespoke asset management. Financial assistance can also be provided in the form of investment advice.

In the **capital markets business,** the Bank supports and advises companies on the planning and implementation of equity and debt capital financing.

As part of its business strategy, Quirin Privatbank pursues the following overarching objectives:

- To raise its public profile,
- To become the bank/brand in Germany for (genuinely) independent investment advice,

- To increase of assets under management to €10 billion by 2030,
- To maintain and increase client satisfaction,
- To increase company value,
- To increase the annual payment of dividends,
- To expand sustainable aspects into business policy and governance.

In addition to the strategic business areas mentioned above, the Bank manages its cash flow in the treasury sector and operates the so-called BPO business (business process outsourcing) in the context of its remaining contractual obligations. The Bank has transferred these activities to other business partners. It is only involved in the BPO business to the extent that it functions as a banking partner for services that require a banking licence (e.g. the custody of securities by other securities clearing and deposit banks).

The Bank manages its business activities and business development according to financial and non-financial performance indicators, the amount and development of which are reported in the annual financial statements and management report. The most important financial performance indicators are net income and total capital ratio. Other financial performance indicators are the commission surplus and cost/income ratio (CIR). The CIR is calculated before the allocation of overhead costs and is defined as the ratio of operating costs to operating income. The most significant non-financial performance indicator is the amount of assets under management (AuM). Other non-financial performance indicators are customer figures and customer satisfaction.

### Private banking business area

The private banking business area provides services to clients with liquid assets of €250,000 and above. The Bank offers its private banking services across the country in 15 branches and thus ensures personal consulting for clients locally. Client services are provided exclusively by financial advisors who are permanent employees of the Bank. Financial assistance is offered in the form of investment advice and asset management, with the Bank focusing especially on asset management.

The core element in the private banking business and basis for the current growth strategy is the asset management concept, which underpins the management of client assets as part of the Bank's services in this area.

The Bank's in-house asset management comprises three major building blocks bearing the title "Market – Opinion – Knowledge", which can be combined individually. Various investment strategies are possible within the blocks depending on the client's risk profile. What is special about the concept is the combination of different, clearly defined sources of returns, each of which is subject to different fluctuation margins and risks. In 2019, an asset management strategy focusing on sustainability under the title "Responsibility" was launched and has since developed into a driver of growth in 2021. "Responsibility" recorded the largest net inflows of all asset management strategies in the past business year and now also accounts for the second highest volume of all strategies overall.

The 2021 business year was again strongly influenced by the management of the Covid-19 pandemic. Thanks to the measures adopted in the previous year, Quirin Privatbank was equipped to face the new situation of a world changed by the pandemic and could develop them further as the year progressed. As a result, all private banking activities only possible offline became online-enabled in 2021: making appointments, using the video chat function to answer inquiries, processing documents with clients and even signing contracts.

Together with its digital subsidiary quirion AG, which is legally independent, Quirin Privatbank is a hybrid financial service provider that combines the respective advantages of the digital and the analogue worlds of financial investment in the broader sense of the term for the benefit of its clients. New and existing clients of both worlds can choose between three different investment and service models: a purely digital investment without personal service, digital investment with personal service or traditional on-premises service in the branch with personal advice. The models vary in terms of cost, intensity and individualisation of advice.

In order to maintain close contact with clients during the lockdown with its associated contact restrictions, the Bank's digital advice, information and event formats such as "Schmidts Tagebuch [Schmidt's Diary]", "Mays Logbuch [May's Log]", the podcast "klug anlegen [Smart investing]" as well as the interactive investor format "Quirin Live" continued to be expanded in 2021.

The new normal dictated by the pandemic has also shaped the corporate culture. Taken to the next level in a joint coaching ("Quiriner in Dialog [Quirinians in Dialogue]"), it is manifested in a more modern and flexible working time model as well as agreements relating to mobile working. In public, these measures have contributed to a shift in the perception of Quirin Privatbank as a financial services provider and employer.

### Capital markets business sector

In the capital markets business sector, publicly owned and privately held companies and the entrepreneurs and shareholders behind them are supported in their business ventures. The capital markets business offers clients access to national and international investors in the international capital markets. Within this context, customised investment ideas are developed and implemented with clients interested in small and mid-caps.

In order to best meet the demanding requirements of its clients, the capital markets business is divided into four areas, each with its own specialists.

The Corporate Finance department develops and implements customised financing concepts for its clients that reflect the client's objectives, whether it be equity, debt or hybrid financing, secondary placements, takeover bids, squeeze-outs, share and bond buyback programmes or stock market approvals and listings.

Our Institutional Client Service division offers a wide range of investment options, which are developed and organised with and for the clients, from trading in equities and ETFs, to government and corporate bonds. The department specialises in the implementation of trading strategies under a best execution policy, and offers order routing to all major international stock exchanges. In this connection, they also regularly and successfully provide support to corporate finance with their capital market transactions.

The Institutional Research sector prepares fundamental company analyses, company studies, market analyses and industry reports, with the focus on selected German small and mid-caps. Corporate Finance's capital market transactions are supported by relevant company and market analyses.

Capital Markets encompasses the procedural and technical processing of capital market transactions ranging from first securitisation and management to alterations of capital and other related services.

## 3. Business development

### Impact of the Covid-19 pandemic on business development

In 2021, the Covid-19 pandemic and its consequences continued to affect Quirin Privatbank in particular with regard to client interaction and communication. However, in contrast to the previous year, there was no material impact on quantitative business development, since due to the underlying economic conditions described in section 1, international stock markets enjoyed a positive upturn.

Although the first quarter of 2021 was still beset by lockdown and contact restrictions, which rendered events and personal (prospective) client meetings difficult or nigh impossible, in 2020, the Bank had already taken the necessary technical and process steps to ensure that this issue was largely compensated for by digital contact and event formats.

The previous year's approach to tackling the challenges of the Covid-19 pandemic swiftly and consistently, yet with prudence and without compromising growth, proved to be the right and successful course.

### Overview

Quirin Privatbank achieved a net profit of €12.1 million in 2021, and looks back on a very successful business year. Net income has therefore been almost trebled compared to the previous year (€4.3 million). It must however be borne in mind that the previous year's result was noticeably affected by volatile capital markets resulting from the Covid-19 pandemic and its effects on business development. Based on cautious planning, the Bank anticipated profits in the region of the previous year for 2021 and intentionally refrained from issuing a specific earnings forecast, due to increased uncertainties spawned by Covid-19.

Both strategic business areas contributed to the uplifting development in earnings. Both the private banking and capital markets business exceeded their target segment and prior-year results by far. In the private banking business, the very positive development is largely due to the successfully continued growth course, the positive general conditions for the business model and a positive capital market environment. Return on equity (after tax) for the 2021 business year amounted to 17.7% (previous year: 7.1%).

Although in the **private banking sector** the focus is on the personal support of the customers and there were still Covid-19-related restrictions for personal contacts in 2021, the high level of customer loyalty and the conversion to digital (contact) formats more than compensated for this fundamental disadvantage, thus enabling the slack growth in 2020 to be ramped up significantly in the current financial year. Compared to the previous year, net cash inflows rose by 67 per cent to a total of some €470 million in 2021. At the end of the year, assets under management amounted to €5.3 billion, a rise of 23% compared to 2020 and thus within expectations.

In line with strategic objectives, around €4.3 billion of the client assets in the private bank business are managed within the scope of asset management. This corresponds to a share of 81%, an increase of 6 percentage points on the previous year.

Compared with the previous year, income from private banking rose by 35% due to high net cash inflows and the positive development of capital markets resulting in a correspondingly encouraging performance of client portfolios. Since administrative expenses rose simultaneously by only 10% due to economies of scale, the contribution to earnings by the business sector in 2021 has improved significantly and is above the level expected for the segment. The CIR of the private banking business sector has thus improved from 74% to 62%.

The encouraging development was also shared by the Bank's subsidiary quirion AG with growth accelerating business activities according to schedule in 2021. Compared with the previous year, net cash inflows more than doubled to €500 million. At the end of the financial year, quirion managed around 45,000 clients and €1.2 billion worth of client assets, a growth rate of 76% and 104% respectively, and a doubling of these two key figures compared with the previous year. As quirion's accounts and deposits are also managed by Quirin Privatbank, this positive development is also reflected at Quirin Privatbank level in the number of clients and the assets under management. At the end of 2021, Quirin Privatbank managed a total of 56,000 clients and €6.5 billion worth of assets, an increase of 33%.

Following the extremely difficult conditions in the **capital markets business** in the 2020 financial year due to the upheavals caused by the Covid-19 pandemic, business development in the segment picked up significantly in 2021. Project business in the Corporate Finance division in particular, but also in the Capital Market Services division, can look back on a successful development of business, mirrored by a considerably higher commission income level compared with the previous year. Business in the Institutional Client Service division was maintained more or less at the slightly improved level of the previous year. Overall, the capital markets business is continuing to make a major contribution to overall earnings, which clearly exceeded expectations and the lower previous year's figures due to Covid-19. On this basis, the CIR has improved from 61% to 52%.

## Income

Net interest income including current income from equities and other variable-yield securities was approximately 25% lower than the previous year's figure of €1.9 million at €1.4 million. The decline is due in particular to the significantly lower dividends from the Bank's own property funds due to Covid-19 although this could be compensated at least in some measure by higher interest income in other areas. Interest income from fixed-interest securities and the lending business rose as a result of an increased loan volume, while the burden of negative interest income on balances with banks, especially the Deutsche Bundesbank, on account of the lower average cash reserved, could be reduced. The introduction of a deposit fee in the private banking and capital markets business also contributed to mitigating the decline in net interest income.

The Bank's earnings are primarily determined by commission surplus, which increased for the Bank by 50% from €40.8 million in the previous year to €61.3 million. This significant rise in commission income is mainly due to the strong increase in volume of client assets under management of 23% in the course of the year based on the business model in the private banking business. The positive development of project business in the capital markets business, resulting in significantly higher fee settlements, also contributed to the increase in commission income. Income from business in the Institutional Client Service division which was reported in the previous year's trading result is also included in the net commission income.

The net trading income amounts to €0.1 million. The previous year's figure of €2.3 million included the income from client business in the Institutional Client Service division, which is now included in the commission income. Net trading income includes income from the reversal of the fund for general banking risks in accordance with section 340e paragraph 4 HGB amounting to €36,000 (previous year: €0.3 million).

Other operating income amounted to €4.7 million and is thus higher than the previous year's figure of €4 million. It includes income from the passing on of third-party costs and from agency services in connection with the remaining BPO activities (€3.3 million), as well as income from the reversal of provisions (€0.5 million) and currency translation (€0.6 million).

Administrative expenses amounted to €50.1 million in the year under review and increased by 18% compared with the previous year. This is due to a 13% increase in personnel costs, which in turn reflects the planned growth-driven recruitment of employees and, in particular, an earnings-related increase in variable remuneration components and to an increase of approximately 24% in the other administrative costs as a result of catch-up effects and increased project activities following the decline of 7% in the previous year. Overheads are charged to the business areas according to their utilisation of the regulatory capitals.

Write-downs of intangible and tangible assets increased slightly by 6% to €0.6 million in comparison with the previous year.

Risk provisioning resulted in an income of €0.6 million for the 2021 financial year (previous year -€1.2 million). Risk provisions include slightly higher specific provisions for trade receivables as well as risk provisions for the lending business, which due to the increased loan volume also comprises a higher general provision as of balance sheet date. The positive effect on earnings is due in particular to positive valuation effects for securities in the liquidity reserve, contrasting with the negative valuation effects of the previous year.

Net income from financial assets amounted to -€2.5 million compared to €0.1 million in the previous year. The impact on earnings is largely accounted for by impairments of securities treated as fixed assets, which are likely not only to be temporary.

In view of the good business development, the Bank  increased the fund for general banking risks by €5 million in the financial year under review in accordance with section 340g HGB. Together with the mandatory reserve pursuant to section 340e (4) HGB the fund amounted to €8.1 million as of the reporting date.

A significant earnings-related increase in tax expense to €1.9 million was recorded in the year under review (previous year: €0.4 million).

Overall, Quirin Privatbank thus achieved a net profit of €12.1 million in the 2021 business year (previous year: €4.3 million).

In addition to the two members of the Management Board, the annual average number of employees for 2021 was 240 (previous year: 233) with 250 employees (previous year: 232) as of the balance sheet date.

## Financial position

The Bank refinances the business primarily through equity. In addition, it accepts customer deposits as part of its business model, which it mainly deposits with the Bundesbank or invests in liquid securities. The Bank's solvency was maintained at all times during the reporting period. Details of the solvency situation and risks are contained in the risk report.

The share capital of the Company remains unchanged at €43,412,923 and is divided into 43,412,923 no-par value bearer shares with dividend entitlement. As of balance sheet date, the breakdown of shares remains unchanged as follows:

| Shareholders | % of share capital |
|---|---|
| Berliner Effektengesellschaft AG | 25.3 |
| Management Board of Quirin Privatbank AG | 19.0 |
| Riedel Gruppe | 14.9 |
| Diversified holdings | 40.8 |

The shares of Quirin Privatbank are listed on the Basic Board, a section of the open market, on the Frankfurt Stock Exchange.

In accordance with the Articles of Association, as of the reporting date the Company also had unutilised share capital of €21,706,000 ("authorised share capital 2018") and up to €17 million ("contingent capital 2018") to service financing instruments.

For further details regarding authorised and contingent capital, please refer to the notes to the annual financial statements.

## Asset status

Both the total assets, which at the end of 2021 amounted to €540 million, and the balance sheet structure remain practically unchanged compared with the 2020 financial statements (31.12.2020: €580 million). The assets side continues to be dominated by credit balances with the Deutsche Bundesbank, which have decreased by €61 million to €324 million.

Debt and other fixed-interest securities as well as shares and other variable-yield securities declined by a total of €22 million to €77 million. The reason is unchanged: security maturities were only reinvested to a modest extent due to the low interest rate.

Liabilities to banks and customers increased by €22 million and €16 million respectively compared to the previous year's balance sheet date. Interests in affiliated companies remained unchanged at €12 million.

In line with the Bank's business model, at €316 million, the main item on the liabilities side continues to be client deposits, which compared with 31 December 2020 (€391 million) were reduced by €75 million. The reduction is largely accounted for by the introduction of a deposit fee in the private banking and capital markets business, resulting in a reduction of cash and increase in investment volume.

While liabilities to banks increased by €39 million to €82 million on the reporting date within the scope of securities settlement in line with receivables from banks, other liabilities decreased to €44 million (previous year: €62 million). Provisions increased by €4 million year-on-year to €19 million, while the fund for general banking risks rose from €1 million to €8 million.

Equity increased by €7 million to €68 million (previous year: €61 million). Before appropriation of profits, the change is accounted for by the increase of equity by the profit of €12 million for the year minus the balance sheet profit of €5 million for the previous year, which was distributed as a dividend to the shareholders after the Annual General Meeting on 26 November 2021.

In accordance with regulatory requirements, the Bank's core capital ratio remained comfortable at 25.3% (previous year: 22.6%) at the balance sheet date (prior to the approval of the annual financial statements).

## Overall statement on the economic situation

The Bank has enjoyed a very positive development of business in recent years, accompanied by stabilisation and a steady improvement of performance. The positive trend in development and performance continued unabated despite the particularly challenging underlying conditions in 2020 caused by the worldwide Covid-19 pandemic, which only slightly hampered the growth dynamics, culminating in 2021 in a preliminary peak with the best annual result in the Bank's history.

In view of these givens, we are very satisfied with the recent development of business, especially in the 2021 financial year, and hope to continue building on this positive development in the future.

While far from being over, the Covid-19 pandemic has shown how robust the Bank's business model and business development have become and that in addition to retaining earnings, Quirin Privatbank is capable of distributing dividends.

The upshot of this encouraging business development is that at the next Annual General Meeting, the distribution of a dividend for the 2021 financial year is to be proposed in parallel with the strengthening of revenue reserves from remaining balance sheet profit.

Another positive aspect is that in 2021 the Bank was able to continue refinancing both past and future further investments in growth from its sustained profitability as planned.

## Main features of the remuneration system

The remuneration of the employees is determined individually by the Executive Board, taking into account their performance and position. The remuneration of the Management Board is determined by the Supervisory Board. The remuneration systems of Quirin Privatbank consist of fixed and variable components. The variable remuneration components are contractually regulated, dependent on the achievement of certain corporate and/or business area targets, or subject to other discretionary components.

## Details of advances and loans granted, and contingent liabilities

At year end, there were no lines of credit for members of the Management Board or the Supervisory Board.

# 4. Risk report

To safeguard the Bank's assets and secure long-term earnings requires a balance between the level of risk and earnings potential. To this end, the Management Board has established an Internal Capital Adequacy Assessment Process (ICAAP) that defines the individual elements and responsibilities. The ICAAP is embedded in the annual strategy process. It is forward-looking and has far-reaching implications for the commitment of resources. The Management Board is responsible for the strategy process and in its risk strategy has defined the scope of action for the level of risks that can be taken. Bank-specific risk indicators are defined and included in regular reporting.

The Management Board has laid down guidelines regarding the Bank's risk culture. They are intended to improve the identification and conscious handling of risks, and ensure that all decision-making processes lead to results that are also balanced from a risk perspective.

Risk management is an overall Bank responsibility and follows the principle of the three lines of defence. This model ensures that risk management is anchored throughout the Bank. It includes the clear allocation of tasks, competences and responsibilities and forms the framework for a functioning control and monitoring system. Irrespective of the internal rules governing responsibility, the Management Board is responsible for the proper organisation of business and its further development. This includes responsibility for all material elements of risk management and the internal control system. Each specialist department (first line of defence) bears the prime responsibility for risks arising from operations. It ensures that operating activities are in line with business principles and internal guidelines. In coordination with the second line of defence, it develops an appropriate control environment to identify and monitor the risks associated with business processes.

The second line of defence is understood to mean the risk management functions and the control areas used to control and monitor the first line of defence. This includes the definition of methods and procedures for risk management, legal requirements and guidelines, the monitoring of risks and controls, and reporting to the Bank's executive bodies. A distinction is made between risk management and financial control. The risk management process involves monitoring and reporting on market price, counterparty, liquidity, operational and other risks. Financial control is responsible for monitoring and reporting business risks. In addition, the Processes & Projects department is responsible for managing and monitoring outsourcing management, and the IT security officer is responsible for IT risks. The compliance department and the Anti Money Laundering and Fraud Officers have issued regulations to counter risks arising from advisory errors, money laundering and fraud. Compliance with these regulations is monitored on a regular basis. In addition, the compliance officer is responsible for identifying the main legal regulations and requirements and the risks resulting from any non-compliance with such legal regulations to the Bank's assets.

Internal audit (the third line of defence) has an independent monitoring function within the Bank. Among other things, it monitors the adequacy and effectiveness of risk management and the internal control system.

The Bank's risk culture and the principle of the three lines of defence form a framework in which each employee of the Bank also has an individual responsibility for risk management.

The risk strategy is based on a risk inventory that is carried out regularly in which the risks are defined, recorded and assessed, and assigned to risk categories. The inventory also includes an assessment of the materiality of the risks affecting the Bank, taking into account relevant risk factors and its risk-bearing capacity.

In order to ensure risk-bearing capacity, the Bank applies not only the normative perspective, but also the economic perspective following the cash value risk-bearing approach. The principles of the policy and the results of the analyses are summarised in an ICAAP report. For the normative perspective, the assessment was based on a default scenario and a management-relevant adverse scenario, which simulates adverse developments of a bank-specific and general nature. The Bank also carries out a further adverse scenario in the normative perspective and additional stress and sensitivity analyses in the economic perspective.

Besides the economic perspective, the Bank's risk tolerance and management concept includes the regulatory management committee. The objective of this management committee is to adhere at all times to the external and internal thresholds of regulatory capital and liquidity ratios.

In the 2021 financial year the risk cover fund provided solid cover for the total aggregated bank risks during the year and as of the reporting date. In 2021, the risk-bearing capacity was compliant with the regulatory requirements for both the normative and economic perspective. A management buffer was included in the relevant variables of the normative perspective, which was not crossed either.

Risk coverage potential as of reporting date in the economic perspective amounted to €49.9 million, taking into account deduction items totalling €16.2 million. In line with subsection 42 of the risk-bearing capacity guideline of BaFin (the German Federal Financial Supervisory Authority), deduction items also include the stress testing results of business risks. In line with subsection 42 of the risk-bearing capacity guideline, planned net commission income is consistently balanced against administration costs. A prudent and conservative estimate based on an adverse scenario and the business scope is applied.

After deducting the economic capital requirements (risk limits), a risk-bearing potential of €23.9 million remains.

The Bank distinguishes between the following risk categories:

- Counterparty default risk
- Business risk
- Liquidity risk
- Market risk
- Operational risk

Following the changed requirements on valuation of securities-backed pension schemes, the pension provision risk, which was allocated to other risks in the previous year, is now allocated to the corresponding risk categories. The following table shows the key figures for the limit structure and limit utilisation in the economic perspective as at 31 December 2021 for all types of risk that the Bank has classified as material on the basis of its risk inventory (previous year's figures in brackets):

| In €'000 | Limit | Utilisation |
|---|---|---|
| Counterparty default risk VaR including migration risk | 12,000 (12,000) | 15,614 (9,756) |
| Market risks using the historical simulation approach (VaR) including credit spread risks | 7,000 (12,000) | 4,307 (1,293) |
| Operational risk | 6,000 (6,000) | 3,006 (5,423) |
| Total | 25,000 (30,000) | 22,927 (16,472) |

Due to the increased loan volume, counterparty default risks exceeded limits as at the reporting date. The overall limit was observed. In 2022, the limit system was reviewed and adjusted with regard to counterparty default risk excesses.

Compared to the previous year, as at the reporting date the following changes in risk methodology were put in place:

- Instead of the historical simulation approach (VaR), the sum of the individual risks for the interest rate, price, currency and credit spread risk of the Bank portfolio were offset to reduce diversification effects in the measuring of market price risks.
- The limit for operational risks is now only used for quantifiable operational risks. Non-quantifiable risks are immediately deducted with their estimated value from the risk-bearing potential in the economic perspective.

In the risk inventory, the level of liquidity risks was still deemed immaterial due to the Bank's adequate liquidity resources, as well as the liquidity maturity balance sheet, which continues to show no liquidity gaps. The business risks deemed material are mapped in the capital plan by the adverse scenarios.

Sustainability risks are not deemed a separate risk type, but are taken into account as a risk factor in the risk categories. The risk inventory is used to determine whether sustainability risks (ESG risks*) constitute major risk drivers.

The total capital ratio was always more than 20% on the monthly reporting dates of the financial year and amounted to 25.3% at the balance sheet date.

In line with circular 06/2019 (BA) for sudden and unexpected interest rate changes in the banking book, the higher interest rate coefficient in the standard test was 3.72 (previous year 1.01%). This coefficient was always clearly observed in 2021.

* ESG: ecology, social, governance.

## Counterparty default risk

In addition to traditional credit and creditworthiness risks, counterparty default risk includes issuer, country, structural and investment risks as well as disposal, migration and foreign currency risks.

Credit and creditworthy risks include the risk of a borrower or issuer failing to meet their contractual obligations or failing to meet them on time.

Counterparty default risk is defined as the risk of financial loss that can occur if the counterparty fails to meet contractual payment obligations. Settlement itself may fail if the Bank has already made an advance payment on delivery (reinstatement and settlement risks). Stock exchange, spot and cash transactions are excluded. The Bank does not carry out so-called free transactions.

At the Bank, country risks also covers country transfer risk.

Structural risks arise from the composition of the loan portfolio: cluster risks can arise from certain industry, sector or regional concentrations.

Credit decisions are made in accordance with the Bank's current decision-making processes.

Loans are granted mainly in the form of securities-backed loans to private individuals and sole proprietorships. The lending business is primarily geared towards the national market.

The counterparty default risks for clients, counterparties and issuers, taking into account collateral and country risks, are measured by a Monte Carlo simulation (VaR) with an unchanged confidence level of 99% and a history depth of 250 days. Expected and unexpected losses as well as migration risks are taken into account (PD shift by 1 notch for counterparties, clients, shareholdings and other non-interest-bearing securities). For bonds and notes, the migration risk is taken into account via the credit spread risk in the market risk model based on credit spread quotes. For the probability of default (PD), the Bank uses the corresponding historical default rates of Standard & Poor's (S&P) for counterparties and issuers for the respective risk classifications (assuming a probability of default of at least 0.03%) and the default probabilities of Schufa Holding AG, Wiesbaden, and Creditreform for private and corporate clients. Based on a loss given default (LGD) of 39%, one million default scenarios are calculated. Asset correlations (correlations of borrower units within a segment and intercorrelations between the segments) are taken into account. Non-performing loans are adjusted for individual values and are included in the calculation of the credit default risk along with any unsecured exposure.

Open lines are offset at 10% against the unsecured exposure. Forward transactions are included at their credit equivalent value. The Bank does not currently grant any foreign currency loans or hold any of its own investments in foreign currencies.

The Bank uses the expected and unexpected loss indicators for risk management.

The assumed probabilities of default are regularly reviewed in relation to the assumptions made.

Due to their insignificance, counterparty risks that may stem from unlisted (OTC) derivatives are currently only taken into account within the scope of regulatory capital adequacy.

For stress calculations, the expected shortfall is used as a measure of significant and undesirable changes in the value of a credit portfolio and the impact caused by reductions in the collateral value of securities for client loans. Furthermore, sensitivity analyses are used to determine the expected shortfall and concentration risk ratios, an assumed reduction of values as at balance sheet date in the property sector for the Bank's property sector risk, as well as S&P's one-year migration rates for European companies.

The loan portfolio (market value or utilisation plus open lines) amounted to €217 million as of the reporting date (previous year €186 million). After deducting the valued securities, the unsecured exposure is spread over the internal credit ratings as follows (previous year's figures bracketed):

| | Unsecured exposure in €'000 | Unsecured exposure in % |
|---|---|---|
| Credit rating 1 | 10 (15) | 7 |
| Credit rating 2 | 45 (47) | 32 |
| Credit rating 3 | 42 (62) | 29 |
| Credit rating 4 | 46 (20) | 32 |
| Total | 143 (144) | 100 |

Ratings 5 to 6 are valued at zero. Ratings 1 to 3 correspond to an investment grade rating for issuer risks.

In accordance with Article 178 (1) b of the Capital Requirements Regulation (CRR), the Bank has created risk provisions for defaulted loans in the amount of the respective unsecured exposure. Due to implementation of BFA 7, adjustments in the accounting of general loan loss provisions will be performed for the upcoming financial year.

In the breakdown of the securities portfolio by sector, around 37% (previous year: 26%) of the market value at balance sheet date fall under the property and construction sector. Risk concentrations in currency loans and securities, credit ratings or regions are currently deemed immaterial in terms of risk for the Bank.

## Market risk

Market risk takes account of interest risk in the banking book, exchange risk, foreign currency risk and credit spread risk (for securities holdings in the trading and investment portfolios).

The Bank does not trade on its own account (nostro) in shares, derivatives or foreign currencies with the aim of generating short-term profits. Furthermore, the Bank does not carry out currency options or transactions in real estate and commodities. These activities are therefore excluded from the comments on market risks.

In principle, the Bank executes securities orders and forward exchange transactions on behalf of clients as commission transactions. Consequently, these are not taken into account when measuring market risks.

The currency, value and maturity-matched valuation units (micro hedges) of forward exchange transactions are valued in terms of risk on an individual transaction basis by using the mark-to-market accounting principle and fully included in the risk. These transactions relate to clients and their hedging activities and are of minor importance.

Risk utilisation is calculated daily based on the closing balances of the previous day. Limit excesses require the separate approval of the relevant authorised representative.

Market risks are calculated using the historical simulation approach (VaR) with an unaltered confidence level of 99.9%, a 250-day holding period for the trading and banking book and a 1,250-day (1,001 working days) observation period. The credit spreads are part of the VaR risk measure. The Bank uses the daily sector and industry-specific credit spread curves (annual yield curves) of external market data provider MARKIT Indices Limited.

For stress and sensitivity analyses, the interest and credit spread curves and currency rates have been changed. In addition, various interest rate scenarios and resultant present-value changes have been included in the analyses.

The VaR contains the following figures for interest rate, price, currency and credit spread risks (in €'000) as at balance sheet date.

| Price risk | Currency risk | Interest rate risk (IRRBB) | Credit spread risk |
|---|---|---|---|
| 2,952 | 14 | 387 | 718 |

The result for the plan reserve for pension provisions was calculated separately (€236,000) and added to the limit utilisation for market risks.

## Liquidity risk

The Bank must always ensure that it is able to meet its payment obligations at all times (insolvency risk). Liquidity risks include the risk of incurring higher refinancing costs resulting from a downgrade of its own credit rating or due to general increases of funding spreads in the market (funding costs risk) as well as market liquidity, call and maturity risks.

The Bank refinances the business primarily through equity. In addition, it accepts customer deposits as part of its business model, which it mainly deposits with the Bundesbank or invests in liquid securities. In addition, the Bank can draw on the marginal lending facility or open market operations of the European Central Bank (ECB).

Call risks are managed by means of matching maturity liquid assets and by investing in short-term realisable assets.

The Bank uses the zeb/integrated_treasury-manager system to measure liquidity risks. The individual payment cash flows are assigned to maturity bands according to their (remaining) term. Liquidity gaps are previewed in a liquidity gap analysis. The system compares these gaps with hypothetical congruent refinancing at current market conditions. This is used to calculate a theoretical present value refinancing loss, the effects of which are simulated for sensitivity analyses in the event of a change in the refinancing curve. The market liquidity risk (risk of a more difficult short-term realisation of assets due to a lack of sufficient market liquidity) is taken into account by different recovery rates for securities.

The Bank has put in place contingency plans to counter potential liquidity crises.

The respective liquidity costs, benefits and risks are taken into account in the Bank's planning and are offset internally according to the source (internal transfer pricing system).

Treasury is responsible for operational liquidity management. Its decision is based on the forecast refinancing requirement for the different time horizons.

The Bank's liquidity position was stable in the past financial year due to the high level of client deposits. As at 31 December 2021, the LCR ratio was 2.54 (regulatory minimum 1.0). For the 2021 financial year as a whole, the ratio was between 2.54 and 3.79.

The Bank also uses a liquidity at risk (LaR) approach to monitor liquidity risk. The LaR refers to the payout surplus that is not exceeded during a business day with a certain probability on the basis of historical data. With the LaR, the Bank determines how much liquidity it should hold in order to meet its daily obligations. Daily monitoring with a traffic light rating system is linked to the liquidity contingency plan and showed that the Bank remained well within limits in 2021.

The calculated LaR for the period from 1 January to 31 December 2021 was around €56 million at a 99% confidence level and was secured by balances due on demand and the Lombard lending facility at the Deutsche Bundesbank.

Quirin Privatbank is a member of the Compensation Scheme of German Private Banks (EdB).

### Operational risk

The Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Bank has created an organisational framework to systematically record operational risk throughout the Bank. Loss incidents are promptly tracked and evaluated in a loss database.

Operational risk is measured by trebling the Bank's highest historical loss in the loss database over recent years. In contrast to the previous year, non-quantifiable risks from the risk inventory are deducted from the risk coverage potential at their estimated value for all risk categories.

The stress calculations present scenarios that assume significantly higher operational risks, which far exceed the actual loss incidents recorded in the loss database.

The Bank also uses an analytical self-assessment approach for the risk inventory, with which potential new risks can be identified. This indicator for operational risks is designed to highlight changes in measured risks against the previous year and identify new weaknesses in the organisation and in processes and systems. Self-assessments are used to demand and follow up on risk reduction measures from the relevant areas.

These measures are accompanied by systematic reviews and enhancements to the internal control system, and by compliance regulations and through appropriate monitoring measures in the areas affected (e.g. Legal department and HR).

Operational risks also include legal risks, which are managed by the Legal department. Appropriate provisions have been set aside for open legal proceedings.

The Bank's success depends to a large extent on committed employees. Regular analyses are therefore carried out on staff turnover, absenteeism and personnel development measures with a view to creating appropriate management controls.

The Bank has adopted an IT strategy including security guidelines. The security objectives are managed and monitored by the Information Security Officer.

The operational risks in the past financial year were consistently in line with the Bank's risk-bearing capacity. Looking ahead, no operational risks are expected to jeopardise the Bank as a going concern.

## Business risks

Cost risks, sales/revenue risks and strategic risks are grouped together under business risks.

Cost increases are contained within budget controls and budget accountability. As part of the target/actual analyses, budget overruns are promptly discussed and approved.

Sales/revenue and profit risks are calculated by assuming that income will fall below plans while budgeted expenses remain constant. Slumps in turnover/sales are contained through income monitoring and by those responsible for income. The sales/revenue and profit risk is classified as significant in private banking, in particular due to the dependency on income from the performance of the equity and bond markets, which in turn have a direct impact on the level of assets under management.

The strategic risk of misjudging market potentials and trends is measured and analysed by means of deviations from key factors relevant to sales and turnover. As part of the strategy process, these analyses are incorporated into the strategic considerations and lead accordingly to possible changes and corrections.

Risk reporting includes the timely communication of risk-relevant information to the relevant decision makers in compliance with BaFin's Minimum Requirements for Risk Management (MaRisk). In addition to daily reporting on the limit utilisation of market price risks and counterparty risks to the Treasury, Finance, Lending and Lending Back Office and the Management Board, supplemental in-depth monthly reports are issued to the same recipients, as well as a quarterly report to the Supervisory Board of the Bank. Quarterly reporting includes reporting on the development of the defined indicators in accordance with the Minimum Requirements for the Design of Recovery Plans (MaSan) in conjunction with the German Recovery and Resolution Act (SAG). The Bank's executive bodies also receive a monthly report on business development.

## Summary and outlook for risk management

The Management Board has defined the Bank's risks in the risk strategy taking into account the business strategy and the risk-bearing capacity. Based on this, appropriate analyses, methods and performance indicators for measuring and monitoring risks have been developed and implemented.

Aside from the normative perspective, the Bank also applies the cash value risk-bearing capacity approach in the economic perspective. The principles of the concept are summarised in an ICAAP report. For the normative perspective, the assessment was based on a default scenario and a management-relevant adverse scenario, which simulates adverse developments of a bank-specific and general nature. The Bank also carries out a further adverse scenario in the normative perspective and additional stress and sensitivity analyses in the economic perspective.

Besides the economic perspective, the Bank's risk tolerance and management concept includes the regulatory management committee. The objective of this management committee is to adhere at all times to the external and internal thresholds of regulatory capital and liquidity ratios.

The risk cover fund provided solid cover for the total aggregated bank risks.

In 2021, the risk-bearing capacity was compliant with the regulatory requirements for both the normative and economic perspective. The relevant management variables of the normative perspective include a management buffer, which was provided.

In 2021, BaFin ordered a regular audit of business operations in accordance with section 44 (1) 2 of the German Banking Act (KWG) focusing on trading operations and risk-bearing capacity for Quirin Privatbank. The audit was carried out in May and June by the Bundesbank. The audit yielded results. In 2022, processing of the results will lead to adjustments in individual processes and methods relating to the Bank's business model and risk position.

# 5. Opportunities and forecast report

## Outlook on future conditions

The crucial parameters for economic development in 2022 – the continuation of the Covid-19 pandemic and monetary policy decisions – remain closely linked. At present, the trend is emerging in an increasing number of European countries and also internationally that, despite increased numbers of infections, the economic and social Covid-19 restrictions are being rolled back. Should an endemic situation emerge in the course of 2022, it will generate a growth-friendlier environment for the economy. Such strong economic prospects might however prompt a monetary policy of a more cautious nature and an increase in interest rates. Especially in the light of continued higher, albeit slightly regressive inflation rates, such a scenario does not seem unlikely. Despite the likelihood of stronger growth prospects in 2022, the stock markets may face a rather unsettled year, due not least to the extremely high gains of the previous year.

## Opportunities and risks

With the combination of an independent advisory approach and asset management based on scientific findings, Quirin Privatbank stands out among competitors in Germany. Quirin Privatbank stands out from its competition in Germany in the private customer business for its combination of an independent advisory approach and asset management based on scientific findings. This differentiation is further strengthened by the consistent provision of hybrid services in close cooperation with quirion. This business model thus offers potential for continued strong client growth, as well as a significant increase in the volume of assets under management and associated growth in earnings.

We also derive growth opportunities on the Bank's growing reputation, high level of client satisfaction and the willingness of clients to recommend our Bank. The low and negative interest rate environment is also prompting many people to review the structure of their investments. Against this backdrop, the Bank will continue its targeted expansion of advisory and sales capacities in 2022 and subsequent years.

A positive aspect for the business model of Quirin Privatbank (and for quirion in particular) is the significantly higher public acceptance and willingness to opt for digital services and processes, also when making investments, linked to the Covid-19 pandemic. This should benefit both quirion and the Bank with its hybrid and personal service approach that can now be fully provided via digital channels.

In particular, a protracted period of negative development in the capital markets bears risks for business development. The risk lies in strong market volatility or protracted periods of depression potentially leading to a lower assessment basis for commission income and client expectations with regard to a return on investments being disappointed, which in turn might impact negatively on new and existing client growth.

Another overarching risk remains the high level of competition in the German banking industry in general and the associated pressure on margins in particular.

Furthermore, the planned increase in advisory and sales capacities also entails associated cost risks – especially if client and/or volume growth cannot be generated at the expected level or speed.

We also anticipate continued high client and volume growth for quirion AG in 2022. With regard to the increased intensity of the market and competition and investments in the development phase, there are risk factors for the business risks of the subsidiary, which can be transferred to the Bank via the provision of the necessary regulatory capital or valuation of the investment book value.

In the capital markets business, the Bank continues to face strong competition, in turn putting pressure on business margins. Furthermore, the development of inflation and increasing volatility on the capital markets may jeopardise the implementation of issuance transactions and thus affect business development.

Another ongoing uncertainty and thus potential burden on business development is the so far unconquered Covid-19 pandemic. The pertinent question is when the pandemic will assume an endemic character and wide-ranging restrictions in public life may thus be dispensed with. This is important for the Bank and its pace of growth insofar as it will be possible to resume and focus in depth on personal contacts and events with clients and interested parties.

While on the client side the protracted phase of low interest rates supports the Bank's business model, in Treasury it continues to weigh on the Bank's earnings. On the one hand, average interest margins continue to decline in the investment of securities, and on the other, negative interest rates for credit balances with the central and other banks compromise interest results.

Ultimately, the development of the regulatory environment must also be regarded as a potential risk. New regulatory requirements are increasingly driving up costs, deepening complexity and tying up resources, as well as impacting advice in relation to individual products and/or asset categories.

## Forecast

We expect the positive business development to continue into the 2022 financial year and excepting Treasury, anticipate positive marginal returns from the operative business for all business areas. The total capital ratio will likely decrease slightly as planned.

In the private banking business we have also set ourselves ambitious growth goals for 2022 in terms of net cash inflows. We consequently base our assumptions on a rise in assets under management and, in turn, an increase in net commission income, although the growth rates of both these key figures are likely to be lower than those of the previous year. As the segment's administration costs are rising as planned, in 2022 we expect a similar contribution margin for the business area overall at around the previous year's level and, in turn, a slightly higher CIR.

As in the case of previous years, capital markets business is particularly difficult to predict due to the dependence on deal flow and the capital market environment. On the basis of cautious budget estimates, although the Bank expects this business area to make a stable contribution to earnings in 2022, performance is set to be significantly lower than the very good result of the previous financial year with an increase in CIR.

Due to persistently low and negative interest rates and the absence of investment alternatives with a reasonable yield-risk profile, we anticipate a negative contribution to earnings from Treasury for the upcoming financial year.

Overall, we expect to show a profit after taxes in 2022, although it is not likely to match the very good performance achieved in the past financial year. The main reason for this assumption is the particularly positive capital markets environment in 2021, which we neither anticipate nor expect to prevail in such a form in the upcoming financial year.

Attention must be drawn to a significant event after the balance sheet date, namely that since 24 February 2022, Russia has been waging war on Ukraine. The effects of the Russia-Ukraine conflict, as well as the sanctions imposed in connection with it, will likely impact negatively on both the German and global economies and, due to the associated uncertainties, on capital markets too. This may have direct effects on the assets managed by the Bank (AuM) and thus on the assessment basis for determining and settling advisory fees. Consequently, the Bank's earnings forecast for 2022 is subject to heightened uncertainties because it is impossible at this point in time to foresee how long the conflict will last and what course it will take.

## Summary statement

Quirin Privatbank continues to face strong competition, both in the high net worth market and in the capital markets business. However, the Bank's combination of independent and hybrid advice, asset management, its science-based investment concept and client support and communication conducted on an equal footing offers a unique service portfolio and with this approach and investments in growth, past and future, has set course for continued positive business development.

The second financial year of the Covid-19 pandemic bears out the above statement and our growth course. Both our business model and growth dynamics have proved to be resilient and steadfast. Against this background, our special thanks go to our committed employees and satisfied clients, who happily recommend us to their peers.

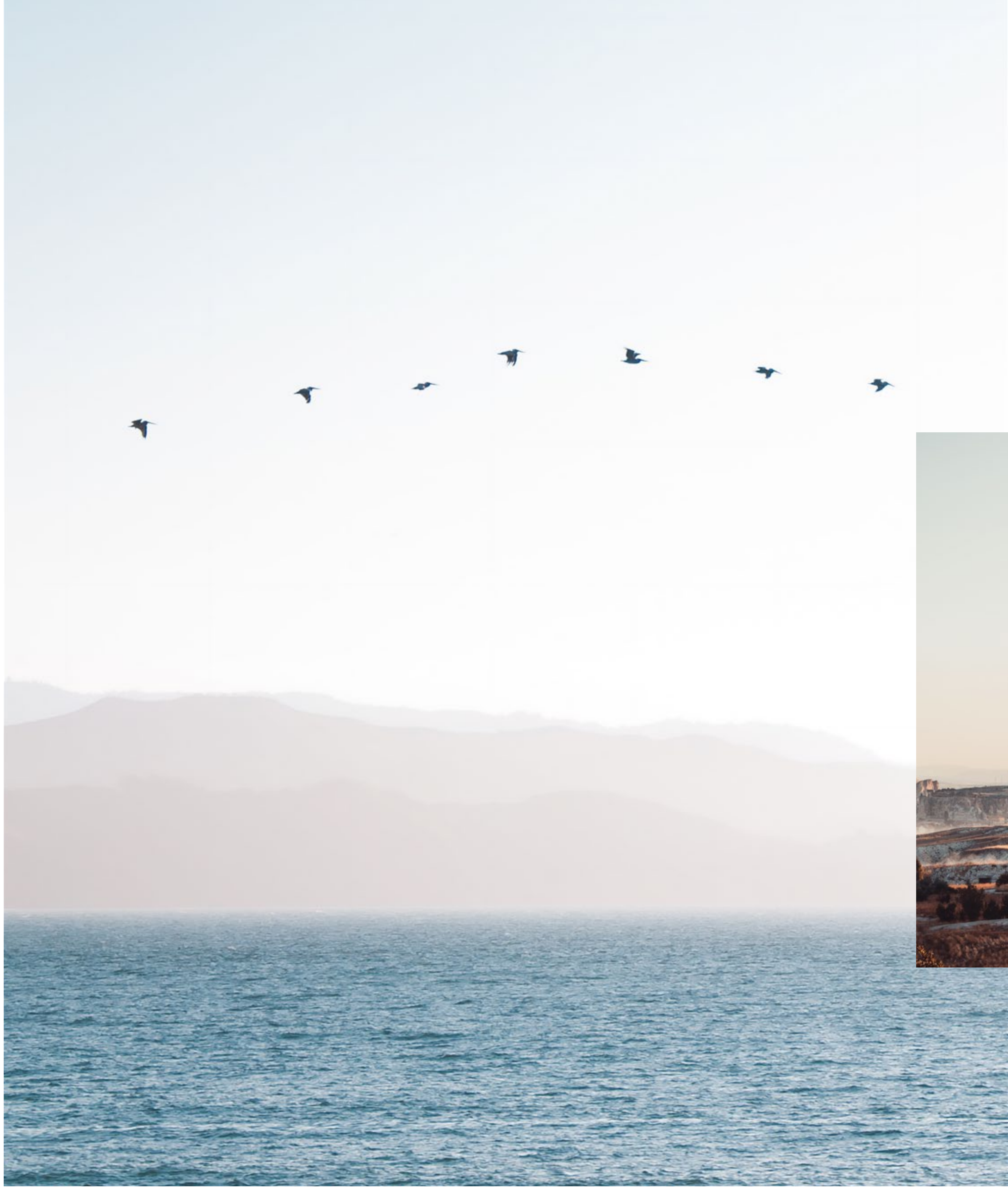
For these reasons, we are very satisfied with business development in 2021. In accordance with the (partial) use of profits set out in the Articles of Association, we have made allocations to statutory reserves and other reserves, and increased the Bank's equity by €6 million. We intend to propose to the Annual General Meeting that the dividend distributed per dividend-bearing share be raised by 10 cents to 14 cents per share.

Berlin, 3 March 2022

Quirin Privatbank AG
The Management Board

**Karl Matthäus Schmidt**
Chairman of the Management Board

**Johannes Eismann**
CFO/Board Member, Capital Markets



# Chapter 3

## Annual Financial Statements 2021

# Balance as at 31 December 2021
# of Quirin Privatbank AG

| Assets | | | 31 December 2021 | 31 December 2020 |
|---|---|---|---|---|
| | € | € | € | € |
| 1. Cash reserve | | | | |
| a) cash on hand | | 88,751.86 | | 112,505.51 |
| b) balances with central banks | | 323,641,339.89 | | 385,009,116.57 |
| of which: with the Deutsche Bundesbank: 323,641,339.89 | | | | 385,009,116.57 |
| | | | 323,730,091.75 | 385,121,622.08 |
| 3. Loans and advances to banks | | | | |
| a) payable on demand | | 64,659,744.86 | | 42,728,449.61 |
| b) other loans and advances | | 598,496.67 | | 599,352.00 |
| | | | 65,258,241.53 | 43,327,801.61 |
| 4. Loans and advances to clients | | | 51,888,100.09 | 35,549,472.25 |
| of which: subordinated loans: 1,511,250.00 | | | | 0.00 |
| 5. Debt and other fixed-income securities | | | | |
| a) money market papers | | | | |
| ab) other issuers | 9,531,969.29 | 9,531,969.29 | | 0.00 |
| of which: eligible as collateral with the Deutsche Bundesbank: 0.00 | | | | 0.00 |
| b) bonds and notes | | | | |
| ba) public-sector issuers | 12,051,143.05 | | | 12,081,595.43 |
| of which: eligible as collateral with the Deutsche Bundesbank: 12,044,385.52 | | | | 12,074,844.95 |
| bb) other issuers | 39,419,683.94 | | | 61,017,839.29 |
| of which: eligible as collateral with the Deutsche Bundesbank: 22,680,572.59 | | | | 35,914,030.85 |
| | | 51,470,826.99 | | 73,099,434.72 |
| | | | 61,002,796.28 | 73,099,434.72 |
| 6. Equities and other variable-yield securities | | | 15,848,179.72 | 25,448,672.65 |
| 6a. Trading portfolio | | | 2,583,104.25 | 2,075,926.08 |
| 7. Participating interests | | | 0.00 | 1,323.00 |
| 8. Interests in affiliated companies | | | 11,700,000.00 | 11,700,000.00 |
| of which: in financial service providers: 11,700,000.00 | | | | |
| 11. Intangible assets | | | | |
| b) purchased intangible assets, industrial property rights and similar rights and values, as well as licences to such rights and values | | 1,348,099.00 | | 725,199.00 |
| d) advance payments made | | 5,366.55 | | 563,311.19 |
| | | | 1,353,465.55 | 1,288,510.19 |
| 12. Tangible fixed assets | | | 758,216.17 | 807,455.95 |
| 14. Other assets | | | 4,751,605.70 | 967,876.65 |
| 15. Deferred expenses | | | 636,516.31 | 404,557.70 |
| Total assets | | | 539,510,317.35 | 579,792,652.88 |

# Balance as at 31 December 2021
# of Quirin Privatbank AG

| Liabilities | | | | 31 December 2021 | 31 December 2020 |
|---|---|---|---|---|---|
| | | € | € | € | € |
| 1. | Liabilities to banks | | | | |
| | a) payable on demand | | 81,744,850.03 | | 42,423,792.54 |
| | | | | 81,744,850.03 | 42,423,792.54 |
| 2. | Liabilities to clients | | | | |
| | b) other liabilities | | | | |
| | ba) payable on demand | 316,060,073.81 | | | 391,286,458.10 |
| | bb) with agreed maturity or period of notice | 68,675.63 | | | 138,675.63 |
| | | | 316,128,749.44 | | 391,425,133.73 |
| | | | | 316,128,749.44 | 391,425,133.73 |
| 3a. | Trading portfolio | | | 0.00 | 241.58 |
| 5. | Other liabilities | | | 43,850,075.07 | 61,949,887.78 |
| 6. | Deferred expenses | | | 2,643,262.92 | 1,474,046.66 |
| 7. | Provisions | | | | |
| | b) tax provisions | | 1,352,000.00 | | 22,153.72 |
| | c) other provisions | | 17,274,596.05 | | 14,271,137.44 |
| | | | | 18,626,596.05 | 14,293,291.16 |
| 11. | Fund for general banking risks | | | 8,059,311.84 | 7,094,941.43 |
| 12. | Equity capital | | | | |
| | a) subscribed capital | | 43,412,923.00 | | 43,412,923.00 |
| | b) capital reserve | | 164,351.98 | | 164,351.98 |
| | c) retained earnings | | | | |
| | ca) statutory reserves | 1,720,785.92 | | | 1,115,707.14 |
| | cd) other retained earnings | 17,081,601.88 | | | 11,662,914.35 |
| | | | 18,802,387.80 | | 12,778,621.49 |
| | d) net retained profit | | 6,077,809.22 | | 4,775,421.53 |
| | | | | 68,457,472.00 | 61,131,318.00 |
| Total liabilities | | | | 539,510,317.35 | 579,792,652.88 |

| | | | | | |
|---|---|---|---|---|---|
| 1. | Contingent liabilities | | | | |
| | b) liabilities from guarantees and indemnity agreements | | 1,591,773.69 | | 1,539,688.69 |

# Profit and loss account of Quirin Privatbank AG

| For the period from 1 January to 31 December 2021 | | | | | 1 January to 31 December 2020 |
|---|---|---|---|---|---|
| | | € | € | € | € |
| 1. | Interest income from | | | | |
| | a) lending and money market transactions | | | | |
| | aa) interest income without negative interest | 1,020,550.81 | | | 506,336.58 |
| | ab) negative interest on credit balances | -1,647,540.05 | | | -2,045,749.56 |
| | | -626,989.24 | | | -1,539,412.98 |
| | b) fixed-interest securities and debt register claims | 1,364,873.69 | | | 983,162.73 |
| | | | 737,884.45 | | -556,250.25 |
| 2. | Interest expenses | | | | |
| | a) interest expenses without positive interest | 143,824.88 | | | 124,311.57 |
| | b) positive interest on liabilities | -428,119.08 | | | -293,256.46 |
| | | | -284,294.20 | | -168,944.89 |
| | | | | 1,022,178.65 | -387,305.36 |
| 3. | Current income from | | | | |
| | a) equities and other variable-yield securities | | 395,078.02 | | 2,271,439.36 |
| | | | | 395,078.02 | 2,271,439.36 |
| 5. | Commission income | | 72,797,134.44 | | 51,555,069.15 |
| 6. | Commission expenses | | 11,474,911.64 | | 10,763,838.59 |
| | | | | 61,322,222.80 | 40,791,230.56 |
| 7. | Net income from trading portfolio | | | 63,941.97 | 2,271,961.70 |
| 8. | Other operating income | | | 5,038,340.75 | 4,244,053.07 |
| 10. | General administrative expenses | | | | |
| | a) staff expenses | | | | |
| | aa) wages and salaries | 25,035,659.63 | | | 21,901,298.48 |
| | ab) social security, pension and other benefit costs | 3,161,572.32 | | | 2,979,879.02 |
| | of which: for pensions €132,009.22 | | 28,197,231.95 | | 24,881,177.50 |
| | | | | | 152,334.41 |
| | b) other administrative expenses | | 21,952,463.38 | | 17,722,677.57 |
| | | | | 50,149,695.33 | 42,603,855.07 |
| 11. | Depreciation, amortisation and write-downs of intangible and tangible assets | | | 584,498.23 | 550,979.97 |
| 12. | Other operating expenses | | | 339,465.82 | 212,249.41 |
| 13. | Write-downs and valuation allowances of loans and advances on receivables and specific securities, as well as additions to loan loss provisions | | 0.00 | | 1,176,515.78 |

# Profit and loss account of Quirin Privatbank AG

For the period from 1 January to 31 December 2021

| | | | | | 01.01.–31.12.2020 |
|---|---|---|---|---|---|
| | | € | € | € | € |
| 14. | Income from the reversal of loans and advances and specific securities, as well as from the reversal of loan loss provisions | | 649,015.14 | | 0.00 |
| | | | | 649,015.14 | -1,176,515.78 |
| 15. | Write-downs and valuation allowances of loans and advances on investments, interest in affiliated companies and securities treated as fixed assets | | 2,450,509.18 | | 0.00 |
| 16. | Income from the reversal of write-downs on investments, interest in affiliated companies and securities treated as fixed assets | | 0.00 | | 107,110.88 |
| | | | | -2,450,509.18 | 107,110.88 |
| 18. | Withdrawals from or transfers to the fund for general banking risks | | | -1,000,000.00 | 0.00 |
| 19. | Results from normal business activities | | | 13,966,608.77 | 4,754,889.98 |
| 23. | Taxes on income and earnings | | 1,862,514.24 | | 411,094.59 |
| 24. | Other taxes not reported under item 12 | | 2,519.00 | | 3,494.00 |
| | | | | 1,865,033.24 | 414,588.59 |
| 27. | Annual net profit | | | 12,101,575.53 | 4,340,301.39 |
| 28. | Profit/loss carried forward from the previous year | | | 0.00 | 3,038,904.61 |
| | | | | 12,101,575.53 | 7,379,206.00 |
| 32. | Transfers to revenue reserves | | | | |
| | a) to statutory reserves | | 605,078.78 | | 217,015.07 |
| | d) to other reserves | | 5,418,687.53 | | 2,386,769.40 |
| | | | | 6,023,766.31 | 2,603,784.47 |
| 34. | Retained earnings/accumulated deficit | | | 6,077,809.22 | 4,775,421.53 |

# Annex to Quirin Privatbank AG for the 2021 financial year

## A. General information on the preparation of the annual financial statements to 31 December 2021 and on the accounting and valuation methods

### Preparation of the annual financial statements

Quirin Privatbank AG, based in Berlin, is registered in Section B of the Charlottenburg District Court Commercial Register under the number HRB 87859 B.

The financial statements of Quirin Privatbank AG as at 31 December 2021 were prepared in accordance with the provisions laid down in the German Commercial Code (HGB) in conjunction with the relevant regulations of the Stock Corporation Act (AktG) and the Regulation on Accounting for Credit and Financial Service Institutions (RechKredV).

The structure of the balance sheet and the profit and loss account complies with section 2 of RechKredV, forms 1 and 3. The profit and loss account was prepared in vertical format. For reasons of transparency, the option pursuant to section 265 (8) HGB was applied. This option is similarly used for the "of which" items on the forms.

### Accounting and valuation methods

The accounting and valuation methods applied to the items of the balance sheet and the profit and loss calculations correspond to sections 242 et seq. and 340 et seq. HGB as well as RechKredV in its current version. The presentation, structure, method and valuation of the annual financial statements are consistent with the principles applied in the previous year.

Assets and liabilities denoted in a foreign currency are translated in accordance with section 256a HGB in conjunction with section 340h HGB at the spot middle rate as at the reporting date. As a result, these financial statements include unrealised gains and losses from currency translation. These are reported under other operating income and expenses. If the residual term is more than one year, the amounts are translated using the mean spot rate at the time they arise. In the case of changes in exchange rates up to the balance sheet date, the valuation is generally based on the average spot exchange rate at balance sheet date, applying the lower of cost or market principle on the assets side and the highest value principle on the liabilities side.

Forward transactions are translated at the applicable forward rates on the balance sheet date.

Foreign exchange transactions are assigned to the trading book unless the valuation units fall under section 254 HGB. The valuation results of forward transactions are reported under net trading income. Split forward rates are used to value currency swaps. The accrual of swap positions is also included in the net trading income.

Cash funds and loans and advances to banks are shown at nominal value. If compensating balance agreements have been concluded, loans and advances to banks and liabilities to banks are offset.

Loans and advances to customers are shown at nominal value. Specific provisions are set up that adequately provide for foreseeable risks. General provisions are created for latent risks relating to accounts receivable.

Debt and other fixed-income securities are recognised at cost and valued at the lower. Premiums and discounts from fixed-income securities acquired above or below par are amortised over the period. Debt and other fixed-income securities in the liquidity reserve are recognised at cost or valued at the lower of cost at balance sheet date.

Equities and other variable-yield securities in the liquidity reserve are valued on the basis of market price at balance sheet date in accordance with the strict lowest value principle. Equities and other variable-yield securities held as fixed assets are treated in accordance with the diluted lower principle.

Financial instruments in the trading portfolio are valued in accordance with section 340e (3) sentence 1 PIGB at their fair value as at balance sheet date after deducting a risk discount. The risk discount is calculated using the value-at-risk method and deducted from unrealised valuation gains in the trading portfolio. This is based on a ten-day holding period, an observation period of one year and a confidence level of 99.0%. In accordance with section 340c (1) HGB, the risk discount is recognised as an expense in the net income of the trading portfolio. In addition, part of the net income from the trading portfolio is allocated to the fund for general banking risks in accordance with section 340e (4) HGB. The criteria laid down by the Bank for the inclusion of financial instruments in the trading portfolio did not change in the financial year.

Accrued interest on loans and advances, liabilities and securities is added to the corresponding nominal amounts and shown in the respective balance sheet items.

Participating interests and interests in affiliated companies are valued at cost or at the lower of cost value.

Purchased intangible assets and the tangible fixed assets are capitalised at acquisition cost less scheduled depreciation. Depreciation is calculated using the straight-line method over the respective useful life. Standard software is reported under intangible assets. Fixed assets with an acquisition value of less than €250 are immediately booked as expenses. Independently usable fixed assets with an acquisition value of more than €250, but less than €800, are immediately booked as expenses.

Anticipated long-term impairments in the value of fixed assets are accounted for by unscheduled depreciation. If the reasons for these lower valuations no longer apply, the assets are written back to a maximum of the amortised cost.

Other assets are generally stated at nominal value.

Liabilities are included in the balance sheet at their settlement value.

Provisions take into account all foreseeable risks and uncertain contingent liabilities and are recognised in the amount of the required settlement amount, as determined based on prudent commercial judgement. Future price and cost increases are taken into account if there is sufficient objective evidence that they will occur. Provisions with a remaining term of more than one year are discounted using the average market interest rate of the past seven financial years corresponding to their remaining term as at the balance sheet date, as disclosed by the Deutsche Bundesbank.

Provisions for pension obligations are determined based on actuarial principles and are offset against assets that serve exclusively to settle pension obligations and similar obligations (cover assets) and are not accessible to all other creditors. The cover assets held to meet the obligations from pension plans are measured at fair value. If the amount of the obligations exceeds the fair value of the cover assets, an appropriate provision is set aside.

To hedge against general banking risks, a fund for general banking risks pursuant to section 340g HGB is shown on the liabilities side of the balance sheet. This fund includes mandatory sums set aside in accordance with section 340e (4) HGB to offset the risk of future net expenses of the trading portfolio.

### Formulation of valuation units

Valuation units within the meaning of section 254 HGB are set up for forward exchange transactions, which the Bank concludes as part of its client business, and are hedged against the currency risks contained in these transactions by means of corresponding offsetting transactions. The valuation units are set up at micro level, i.e. the changes in value attributable to the hedged portion of the underlying transaction are offset by individual hedging instruments. The "critical terms match method" is used to demonstrate that the offsetting changes in value from the hedged item and the hedging instrument have been offset. This documents that the key parameters of the underlying transaction and the hedged item match. For this reason, it can be assumed that the changes in value relating to the hedged risk from the hedged item and the hedging transaction will fully offset each other until final maturity. The effective portion of a valuation unit is shown in the balance sheet using the "net hedge presentation method" (Einfrierungsmethode). In addition, any ineffectiveness based on the unhedged risk is treated in accordance with general accounting regulations.

### Valuation of interest rate instruments of the banking book

For the purpose of ensuring a loss-free valuation of the banking book or any excess liability, the future cash flows of all interest-bearing transactions with fixed interest rates are included in the evaluation. The cash values determined as of the balance sheet date are compared with the corresponding book values. In addition, appropriate pro rata risk and administrative costs are taken into account and are reported on the basis of the IDW statement on the loss-free valuation of interest-bearing transactions in the banking book (BFA 3). As at reporting date, there was no excess liability and therefore no requirement to create a provision.

# B. Notes to the balance sheet

## I. Assets

### Debt and other fixed-income securities

As of the reporting date, the balance sheet item debt and other fixed-income securities includes €2,187,000 in securities from the liquidity reserve and €58,816,000 in securities held as fixed assets. Debt includes money market instruments amounting to €9,300,000 (previous year: €0). Securities maturing in the past financial year amounted to €22,310,000. Funds released were only partly reinvested in the financial year under review. Debt and other fixed-income securities include securities with a book value of €21,821,000 that will mature in the following year.

### Equities and other variable-yield securities

Of the securities reported under equities and other variable-yield securities, securities amounting to €8,134,000 are allocated to the liquidity reserve and €7,714,000 to fixed assets.

### Trading assets

Trading assets include equities and other variable-yield securities amounting to €2,583,000 including risk discounts amounting to €51,000 (previous year: €2,076,000 including €10,000) as of the balance sheet date. In addition to equities, derivatives of €0 are included.

The derivatives relate to the fair value of pending forward foreign exchange transactions held for trading. The nominal amount of these forward exchange transactions converted at the forward rate at transaction closing amounted to €50,000 as of balance sheet date (previous year: €292,000).

Breakdown of marketable securities

| In €'000 | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Debt and other fixed-income securities** | | |
| marketable | 61,003 | 73,099 |
| of which listed | 36,104 | 54,337 |
| of which unlisted | 24,899 | 18,762 |
| **Equities and other variable-yield securities** | | |
| marketable | 7,061 | 5,207 |
| of which listed | 5,473 | 4,323 |
| of which unlisted | 1,588 | 884 |

## Financial assets

### Participating interests

The Bank sold its shares in RIVA DI MORCOTE FINE ARTS GmbH, Berlin, in the past financial year.

### Interests in affiliated companies

The Bank holds 80% of the shares in quirion AG, Berlin. The Company is a small investment firm within the meaning of section 2 (1) and (16) of the German Securities Institutions Act (WpIG) with permission to provide investment services pursuant to section 15 (1) WpIG. It therefore qualifies as a large corporation within the meaning of section 340a (1) in conjunction with 340 (4) HGB. The share capital of this Company amounts to €626,000 and the book value of the shareholding €11,700,000. The previous year's result is -€4,239,000.

By resolution of the management and supervisory boards dated 16 February 2022, the Company increased the shares by 31,324 to 657,806 shares, from the authorised capital. By waiving its subscription right, the parent company's share has been reduced to 76.2%. The capital increase became effective on 23 February 2022 with its entry in the commercial register.

### Securities held as fixed assets

Securities allocated to fixed assets with a book value of €58,816,000 relate to bonds and money market papers that serve the business in the long term and for which there is a general intention to hold them until maturity. The investment portfolio also includes shares in an investment fund with a book value of €7,714. There were no shares in domestic investment funds or comparable foreign investment shares of more than 10% as of the balance sheet date (previous year: €0).

For securities with a book value of €499,000 (previous year: €9,046,000), taking into account deferred premiums, the application of the mitigated lower of cost or market principle resulted in a waiver of write-downs of €1,500 (previous year: €44,600) to the lower fair value as the write-downs are not considered to be permanent.

Assets analysis

| In €'000 | Securities held as fixed assets | Partic-ipating interests | Affiliated companies | Intangible assets | Tangible assets | Total |
|---|---|---|---|---|---|---|
| Historic costs | 85,350 | 426 | 11,705 | 6,759 | 5,605 | 109,845 |
| Additions during financial year | 9,800 | 0 | 0 | 407 | 193 | 10,400 |
| Disposals during financial year | 27,027 | 301 | 0 | 0 | 0 | 27,328 |
| Total depreciation | 2,409 | 125 | 5 | 5,812 | 5,040 | 13,391 |
| Depreciation for financial year | 2,164 | -300 | 0 | 342 | 242 | 2,448 |
| Residual book value 31.12.2021 | 65,714 | 0 | 11,700 | 1,354 | 758 | 79,526 |
| Residual book value previous year | 85,105 | 1 | 11,700 | 1,289 | 807 | 98,902 |

Trademark rights amounting to €5,000 (previous year: €0) account for unscheduled write-downs in the financial year. Depreciation is reduced by €300,000 through the sale of the interests in RIVA DI MORCOTE FINE ARTS GmbH, Berlin.

Other assets

| In €'000 | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Outstanding settlements from pending securities transactions | 993 | 7 |
| Trade receivables | 847 | 496 |
| Tax receivables | 2,612 | 128 |
| Capitalised current assets | 300 | 338 |
| Cheques and items received for collection | 0 | 0 |
| Total | 4,752 | 968 |

Trade receivables relate in particular to bank services in the capital markets business.

## Deferred expenses

Deferred expenses include accruals for deliveries and services with terms of up to one year amounting to €620,000 and for up to four years in the amount of €17,000.

## Deferred taxes

Quirin Privatbank AG exercised the option under section 274 (1) sentence 2 HGB to omit surplus deferred tax assets amounting to €10,397,000 in the balance sheet.

Surplus deferred tax assets amounting to €2,165,000 are due to recognition and measurement differences between the commercial balance sheet and the tax balance sheet, which mainly result from provisions (€905,000), securities (€568,000) and the company pension scheme (€655,000). In addition, there are surplus deferred tax assets resulting from tax losses carried forward amounting to €8,321,000 pursuant to section 274 (1) sentence 4 HGB. These surplus deferred tax assets are based on an average tax rate of 31.2%.

## Foreign currencies

The total volume of assets denominated in foreign currency amounts to the equivalent of €30,773,000.

## II. Liabilities

### Affiliated companies

Under other liabilities to clients, €3,155,000 (previous year: €1,670,000) relates to non-securitised liabilities from the investment of free cash and cash equivalents in affiliated companies.

Other liabilities

| In €'000 | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Tax liabilities | 1,065 | 2,515 |
| Trade accounts payable | 283 | 437 |
| Other liabilities | 42,502 | 58,998 |
| Total | 43,850 | 61,950 |

The subgroup other mainly comprises endowment funds received but not yet passed on.

Liabilities from pension provisions were offset against securities acquired to cover these liabilities (cover assets) pursuant to section 246 (2) HGB. As of balance sheet date, the settlement amount of the offset liabilities amounting to €4,540,000 was offset by cover assets with a market value of the same amount (acquisition costs €3,911,000).

### Provisions

As of balance sheet date, the breakdown of provisions is as follows:

Provisions

| In €'000 | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Deliveries and services rendered | 7,951 | 6,443 |
| Staff provisions | 7,720 | 6,287 |
| Tax provisions | 1,352 | 22 |
| Other provisions | 1,604 | 1,541 |
| Total | 18,627 | 14,293 |

Other provisions primarily relate to pending claims, reinstatement costs for leasehold improvements and archiving costs.

### Fund for general banking risks

The fund for general banking risks in accordance with section 340g HGB amounts to €8,059,000 and includes the mandatory reserve of €1,059,000 (previous year: €1,095,000) pursuant to section 340e (4) HGB to offset the risk for future net expenses in the trading portfolio and €7,000,000 (previous year: €6,000,000) to hedge against general banking risks. As part of the fund for general banking risks set aside in accordance with section 340e HGB exceeded 50% of the average of the last five annual net expenses of the trading portfolio, a sum of €36,000 was reversed in favour of the net income of the trading portfolio.

### Equity capital

The share capital of the Company amounts to €43,412,923 and is divided into 43,412,923 no-par value bearer shares with dividend entitlement.

As of the reporting date, the (not utilised) authorisation under the Articles of Association ("authorised capital 2018") to increase the share capital by up to €21,706,000 by issuing up to 21,706,000 no-par value bearer shares against cash and/or non-cash contributions remains unchanged. The authorisation expires on 14 June 2023. Shareholders are to be offered subscription rights. Subject to certain conditions and with the approval of the Supervisory Board, the Management Board is entitled to exclude shareholders' subscription rights. The approval of the Supervisory Board is required for the implementation of the capital increases by the Management Board.

In addition, there is up to €17,000,000 unutilised contingent capital to service convertible bonds and/or bonds with warrants, profit participation rights and/or participating bonds, or combinations of these instruments ("contingent capital 2018"). The contingent capital increase will only be carried out to the extent that the option and/or conversion rights from bonds are exercised or option/conversion obligations from bonds are fulfilled, and to the extent that no cash settlement is granted or treasury shares or shares of another listed company or shares from an authorised capital are used for servicing.

Both the authorised capital and the contingent capital carry the same voting and profit rights from the date of their possible issue as the share capital issued to date.

As the main shareholder, Berliner Effektengesellschaft AG, Berlin, holds a 25.3% stake in the share capital of Quirin Privatbank AG.

### Foreign currencies

Liabilities denominated in foreign currencies had an equivalent value of €30,934,000.

### Loans and advances to clients with no specified maturity date

Loans and advances to clients with no specified maturity date amounted to €15,970,000 (previous year: €6,078,000).

Breakdown by residual term

| In €'000 | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Other loans and advances to banks | 598 | 599 |
| a) up to three months | 598 | 599 |
| Loans and advances to clients | 35,918 | 29,472 |
| a) up to three months | 3,449 | 3,384 |
| b) three months to 1 year | 25,642 | 21,194 |
| c) 1 year to 5 years | 6,827 | 4,894 |
| Other liabilities to clients with agreed maturity or period of notice | 69 | 139 |
| a) up to three months | 69 | 69 |
| b) three months to 1 year | 0 | 70 |

## C. Notes to the profit and loss account

### Net commission income

The Bank's fee and net commission income includes fees from investment and asset management as core focus in the private banking business. Net commission income also includes fees from accompanying and implementing capital measures for clients of the capital markets business.

The Bank's fee and net commission income also includes income from business in the Institutional Client Service division amounting to €2,272,000, which in the previous year was reported in the trading income.

Income of €197,000 and expenses of -€211,000 relating to other periods are included in the commission income.

### Net income from trading portfolio

Net income of the trading portfolio amounts to €64,000 (previous year €2,272,000) and consists of the net result of €28,000 (previous year €2,000,000) as well as the reversal of the funds for general banking risks in accordance with section 340e HGB of €36,000 (previous year: €272,000).

### Other operating profit/loss

Other operating profit/loss includes the following items:

Other operating income

| In €'000 | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Agency management for third parties | 1,868 | 1,523 |
| Reimbursement of expenses by clients, customers and employees | 1,602 | 1,007 |
| Reversal of provisions | 499 | 721 |
| Currency conversion | 463 | 592 |
| Income related to other periods | 346 | 191 |
| Other | 261 | 210 |
| Total | 5,039 | 4,244 |

Other operating expenses

| In €'000 | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Reimbursements | -145 | -150 |
| Expenses related to other periods | -24 | -21 |
| Other | -170 | -41 |
| Total | -339 | -212 |

Other expenses include an amount of €23,000 (previous year: €3,000) from reversing the discount of long-term provisions.

### Administrative expenses

Other administrative expenses include income from refunds of €38,000 related to other periods.

### Taxes on income and earnings

The income tax expense of €1,863,000 was significantly higher compared with the previous year (€411,000) due to the development of earnings. It includes the payment of back taxes for previous years amounting to €54,000. In determining the tax expense, the Bank accordingly took into account its losses carried forward.

## D. Other information

### Derivative transactions

Derivative transactions relate to forward exchange transactions at the balance sheet date. Derivatives are only concluded on behalf of customers or clients. The risk positions are closed out by counter transactions with banks. Since hedging is generally carried out at the micro level, the hedged item and the hedging instrument combined into valuation units in accordance with section 254 HGB are predominantly allocated to the banking book. As at 31 December 2021, there were no valuation units.

Trading book

| | Residual term | | | | | |
|---|---|---|---|---|---|---|
| In €'000 | Under 1 year | 1 to 5 years | Over 5 years | Nominal | Positive market values | Negative market values |
| Currency risks | 50 | - | - | 50 | 0 | 0 |
| Total | 50 | - | - | 50 | 0 | 0 |

The transactions reported in the trading book amounting to €50,000 (previous year €292,000) are related exclusively to banks.

The values stated represent fair values based on the prices on the balance sheet date and exclude transaction costs. Risks arising from negative market values are covered by appropriate provisions to the extent required by commercial law. The derivatives allocated to the trading portfolio are reported at their positive or negative market values under trading assets and trading liabilities. There is nothing to indicate that the contractually agreed cash flows of these derivatives are affected in terms of amount, timing and security.

# Members of the Management Board


**Karl Matthäus Schmidt**

Chairman

**Responsibilities**
- Private banking
- Asset management
- Risk management including legal affairs, compliance, lending back office
- Marketing, HR, auditing
- Banking, data protection

**Memberships in other supervisory bodies**

Chairman of the Supervisory Board of quirion AG, Berlin


**Johannes Eismann**

CFO

**Responsibilities**
- Capital markets business
- Treasury
- Lending market
- Finance

**Memberships in other supervisory bodies**

Member of the Supervisory Board of quirion AG, Berlin

# Members of the Supervisory Board

**Holger Timm**

Chairman

Chairman of the Board, Tradegate AG Wertpapierhandelsbank, Berlin

Chairman of the Board, Berliner Effektengesellschaft AG, Berlin

**Matthias Baller**

Deputy Chairman

In-house lawyer, Berlin Effektengesellschaft AG, Berlin

**Klaus-Gerd Kleversaat**

Member of the Board, Tradegate AG Wertpapierhandelsbank, Berlin

**Anke Dassler**

Head of Accounting, Evonik Industries AG, Essen

**Tanja Creed**

Managing Director of Riedel Holding GmbH & Co. KG and RIM Riedel Immobilienmanagement GmbH & Co. KG, Nuremberg

**Dr Carolin Gabor**

Managing Director/CEO, Movinx GmbH, Berlin

Mr Carsten Bing resigned from the Supervisory Board of Quirin Privatbank at the end of the Annual General Meeting on 26 November 2021. Ms Tanja Creed was voted on to the Bank's Supervisory Board in the subsequent election to the Supervisory Board held at the Annual General Meeting on 26 November 2021.

### Remuneration of executive bodies

Remuneration of €34,000 was paid to the members of the Supervisory Board in the financial year. The Bank exercises its right under section 286 (4) HGB not to disclose the total remuneration of the members of the Management Board.

### Details of advances and loans granted, and contingent liabilities pursuant to section 34(2) no. 2 of the German Accounting Directive for Banks and Financial Services Providers (RechKredV)

At year end, there were no lines of credit for members of the Management Board or the Supervisory Board.

### Disclosure pursuant to section 34 (2) no. 4 and section 35 (4) and (6) RechKredV

As of balance sheet date, liabilities from guarantees and indemnity agreements amounted to €1,592,000 (previous year: €1,540,000). As of balance sheet date, there were no indications that the Bank would be called upon from contingent liabilities or guarantees assumed.

### Employees

The number of employees is made up as follows:

| Number of employees | As of 31.12.2021 | Annual average |
|---|---|---|
| Male | 149 | 145 |
| Female | 101 | 95 |
| Total | 250 | 240 |

Auditor's fee pursuant to section 285 no. 17 HGB

| In €'000 | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Audit services | 204 | 184 |
| Other audit services | 124 | 86 |
| Tax consultancy services | 10 | 30 |
| Other services | 54 | 16 |
| Total | 392 | 316 |

The other audit services relate to the audit of the securities services business in accordance with section 89 WpHG. Other non-audit services include general advisory services as part of project-related quality assurance.

## Additional information

### Disclosure pursuant to Article 434 (1) of the Capital Requirements Regulation (CRR II)

The disclosure information pursuant to Article 434 (1) CRR II can be found in the disclosure report published on the Bank's website.

### Total other financial commitments

Future charges of €13,721,000 will result from rental, leasing, management and maintenance agreements over the remaining term of the major individual contracts, of which €5,306,000 relate to a residual term of between one and a maximum of seven years. In addition, there are €570,000 in rental guarantees assumed for the Bank as of 31 December 2021.

### Significant events after the balance sheet date

Russia has been waging war against Ukraine since 24 February 2022. The effects of the Russia-Ukraine war, as well as the sanctions imposed in connection with it, will likely impact negatively on both the German and global economies and, due to the associated uncertainties, on capital markets too. This may have direct effects on the assets managed by the Bank (AuM) and thus on the assessment basis for determining and settling advisory fees. Consequently, the Bank's earnings forecast for 2022 is subject to heightened uncertainties because it is impossible at this point in time to foresee how long the conflict will last and what course it will take.

### Appropriation of profits

The annual financial statements were prepared with partial appropriation of profits. Pursuant to section 150 of the Stock Corporation Act (AktG), an amount of €605,000 was transferred to statutory reserves. Furthermore, in accordance with the Bank's Articles of Association, the Management Board and Supervisory Board transferred €5,419,000 to other reserves. We intend to propose to the Annual General Meeting that a dividend of €0.14 per dividend-bearing share be distributed with the remaining balance sheet profit of €6.1 million.

Berlin, 3 March 2022

Quirin Privatbank AG
The Management Board

**Karl Matthäus Schmidt**
Chairman of the Management Board

**Johannes Eismann**
CFO/Board Member, Capital Markets

# Chapter 4

## Additional Information

# Auditor's report

## Audit opinions

We conducted our audit of the annual financial statements of Quirin Privatbank AG, Berlin – consisting of the balance sheet as at 31 December 2021 and the profit and loss account for the financial year from 1 January to 31 December 2021, as well as the notes and the information relating to the accounting and valuation methods applied. In addition, we have audited the management report of Quirin Privatbank AG for the business year from 1 January to 31 December 2021.

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

- these annual financial statements, in all material respects, give a true and fair view of the assets, financial position and financial performance of the Company as at 31 December 2021 as well as its financial performance for the financial year from 1 January to 31 December 2021 in accordance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides a suitable 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 suitably presents the opportunities and risks of future development.

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 regarding the regularity of the annual financial statements and of the management report.

## Basis of audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with section 317 HGB and the EU Audit Regulation (no. 537/2014; hereinafter "EU-APrVO") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW). Our audit of the annual financial statements was additionally conducted in accordance with the International Standards on Auditing (ISA). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibility for the audit of the annual financial statements and the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not provided non-audit services prohibited under Article 5 (1) EU-APrVO. 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 judgement, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate opinion on these matters.

## Determining and recording of commission income

Information on commission income is contained in the explanations on commission income as well as in the notes and sections of the "Positioning of the Bank" and "Business Development" sections of the management report.

## The financial statement risk

The amount of commission income is the most significant element of the profitability of Quirin Privatbank AG. Quirin Privatbank AG reports commission income of €72.8 million (previous year: €51.6 million) in its annual financial statements for the 2021 financial year.

Commission income from private banking results from fees for investment advice and asset management. In the capital markets business, the Bank mainly generates commission income from corporate finance business.

The risk for the financial statement lies in particular in the fact that commission income is recorded incorrectly in the contract master data, such as fee rates or accounting periods, individual commission-relevant transactions and miscalculation of commissions.

### Our audit approach

Based on our risk assessment and assessment of the risks of error, we have based our opinion on the results of key controls testing and substantive audit procedures. Our audit procedures included, but were not limited to, the following:

In our control-based audit procedures we evaluated the suitability and implementation as well as the effectiveness of the manual and IT application controls established by the Company to ensure the correct recording of billing-relevant contract and transaction data for the commission business.

For the IT systems to be used, with our IT specialists we examined in advance the effectiveness of the general IT controls that relate to the IT application controls and support their effectiveness.

As part of our substantive audit procedures, we used representative random examples to verify the proper calculation and accounting treatment of the commission income from individual transactions. We also reconciled the accounts with the documents underlying the calculation and recording of commission income.

### Our conclusions

The manual and IT application controls that have been set up are suitable for ensuring the proper recording of contract master and transaction data in commission business and that commission income is calculated appropriately.

### Other information

The Management and Supervisory Boards are responsible for the other information.

The other information comprises the annual report expected to be made available to us after the date of this audit opinion with the exception of the audited financial statements and management report and our audit opinion.

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

In connection with our audit, our responsibility is to read the aforementioned other information – as soon as it is available – and, in so doing, to consider whether the other information:

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

If, on the basis of our perusal, we conclude that a material misrepresentation of this other information is constituted, we are bound to report this fact.

### Responsibilities of the Management and Supervisory Boards for the annual financial statements and the management report

Management are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as additional consideration of the ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, financial position and financial performance of the Company in accordance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient

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

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

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

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

## Other legal and regulatory requirements

### Further information pursuant to Article 10 of the EU Audit Regulation

We were selected as auditor by the Annual General Meeting on 26 November 2021. We were engaged by the Supervisory Board on 23 December 2021. We have been the auditor of Quirin Privatbank AG without interruption since the financial year 2018.

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

### Responsible German public auditor

The German public auditor responsible for the engagement is Lars Protze.

Berlin, 9 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

*In the event of publication or distribution of the annual financial statements and/or the management report in any version that deviates from the audited version (including translation into other languages), our prior approval is again required before reference can be made to our certification or our audit; please refer to section 328 of the German Commercial Code (HGB).*

# Report of the Supervisory Board

During the 2021 financial year, the Supervisory Board again performed its duties required of it by law and the Articles of Association, and regularly advised and supervised the Management Board of Quirin Privatbank AG on its activities. The Supervisory Board was directly and promptly involved in every decision of fundamental importance to the Company. It received information from the Management Board, in a timely manner and extensively, on all the major business developments at the Company, both orally and in writing.

The Management Board kept the Supervisory Board regularly informed of the business position and economic situation of its individual business areas, and on its corporate planning, the risk situation and strategic orientation of the Bank. The Supervisory Board and the Management Board of the Company interacted closely on fundamental matters relating to management, the economic position and important business transactions. Outside the regular Supervisory Board meetings, the Management Board also kept the Chairman of the Supervisory Board and his deputy informed on current business progress and key transactions. To the extent required by legal or statutory requirements, the Supervisory Board gave its approval after extensive consultation and examination wherever required.

In the year under review the Supervisory Board held four regular meetings on 19 March, 11 June, 24 September and 26 November 2021. The meetings of the Supervisory Board were also attended by the Management Board and senior management. There is an Audit Committee, a Risk Committee and a Digital Committee. At the meeting of 26 November 2021, the hitherto existing Presiding Committee was dissolved.

In the year under review, the composition of the Supervisory Board changed as follows. Mr Carsten Bing resigned from the Supervisory Board of Quirin Privatbank at the end of the Annual General Meeting on 26 November 2021. Ms Tanja Creed was voted on to the Bank's Supervisory Board in the subsequent election to the Supervisory Board held at the Annual General Meeting on 26 November 2021. At the Supervisory Board Meeting also held on 26 November 2021, Ms Creed was elected as a member of the Audit and Risk Committees. Apart from this, the composition of the committees has not changed. The Audit Committee met three times in the year under review.

The meetings of the Supervisory Board and the committees were also attended, as required, by employees from the Finance, Audit and Compliance departments as well as by the auditors.

In 2021, the main topics of the Supervisory Board continued to include the worldwide Covid-19 pandemic, the consequences for the Bank, the economy and the capital markets, as well as the impact of all these factors on the business development of Quirin Privatbank. Together with the Management Board, the Supervisory Board engaged widely with the digitalisation strategy and the digitalisation projects of the Bank.

In addition, the Supervisory Board continued to focus intensively on the strategic development of the Bank in 2021, in particular with the private banking business sector and the subsidiary quirion AG. In this connection, the Supervisory Board was kept informed on the acquisition of the shares in quirion Sachwerte GmbH (formerly Bloxxter GmbH) by quirion AG and the associated plans to expand the portfolio to include tokenised tangible asset investments, as well as the further development of the strategy to dovetail the digital and personal service approach across the two brands coined as "OneBank". It also examined the business development and capitalisation of quirion AG.

In addition, the Supervisory Board received detailed reports on the implementation of regulatory adjustments and the impact of the negative interest rate environment, in particular on the Treasury sector, as well as the measures adopted by the Bank to contain client deposits. It also examined the monthly bulletins from Finance on business development.

The long-term business plan as well as the results of the annual ICAAP process which reviews and ensures the Bank's capital adequacy were discussed with the Supervisory Board at the meeting of 19 March 2021, and the revised business and risk strategy at the meeting of 26 November 2021.

The compliance report, the MaRisk compliance function report and the central office report pursuant to section 25h (4) in conjunction with section 25h (1) of the German Banking Act (KWG) ("fraud") for the financial year 2020 were submitted to the Supervisory Board by the Compliance Officer and discussed at the meeting on 19 March 2021.

The Supervisory Board received detailed reports from the Management Board at each meeting on the results of internal audits and on the Bank's current risk position.

In 2021, BaFin ordered a regular audit of business operations in accordance with section 44 (1) 2 of the German Banking Act (KWG) focusing on trading operations and risk-bearing capacity for Quirin Privatbank. The audit was carried out in May and June by the Bundesbank. The Supervisory Board was kept informed of the conduct of the audit and discussed the results and findings with the Management Board. Processing of the results will be accorded top priority in 2022 and will lead to adjustments in processes and methods.

The results of the audit pursuant to section 89 (1) of the German Securities Trading Act (WpHG) for the 2021 financial year and the audit period from 1 April 2020 to 31 March 2021 were discussed on 24 September 2021 in a meeting of the Audit Committee with representatives of the auditors. The audit pursuant to the German Securities Trading Act (WpHG) for the 2022 financial year shall again be conducted by KPMG AG Wirtschaftsprufungsgesellschaft, Hamburg, in the audit period from 1 April 2021 to 31 March 2022 as instructed by the Management Board. The audit report will be circulated to the members of the Supervisory Board upon completion of the audit.

## Annual financial statements

The annual financial statements and consolidated financial statements for the 2021 financial year, drawn up by the Management Board in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), including the management report and the accounting records, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as elected at the Annual General Meeting on 26 November 2021 and appointed by the Supervisory Board, and issued with an unqualified audit opinion on 9 March 2022. The auditor's report was signed jointly by Mr Lars Protze and Mr Alexander Koch.

At its meeting on 18 March 2022, the Audit Committee dealt intensively with the documents for the 2021 annual and consolidated financial statements including the audit report. The auditors attended the aforementioned meeting of the Audit Committee, explained the key audit findings and audit matters of particular relevance, and were available to answer questions. The Chairman of the Supervisory Board reported on this in the subsequent plenary meeting of the Supervisory Board.

At its meeting on 18 March 2022, the Supervisory Board dealt in detail with the annual and consolidated financial statements for 2021 of Quirin Privatbank AG prepared by the Management Board, by closely examining them and discussing them with the Management Board and members of the extended Management Board.

Following the final examination by the Audit Committee and its own review, the Supervisory Board raised no objections and approved the annual and consolidated financial statements for 2021, which were thus adopted. The Supervisory Board approved the Management Board's proposals for the partial appropriation of profits, thus €6,023,766.31 from the profit of €12,101,575.53 for the year in the individual financial statements of the Company would be allocated to statutory reserves and in accordance with section 24 (1) of the Articles of Association to other reserves. The remaining surplus of €6,077,809.22 increases the balance sheet profit and is to be used to pay a dividend of €0.14 per dividend-bearing share for the 2021 financial year.

The Supervisory Board would like to thank the members of the Management Board and all employees for their outstanding commitment and achievements in the 2021 financial year.

Berlin, 18 March 2022

**Holger Timm**
Chairman of the Supervisory Board


## Our locations

**Hamburg** (1)
Mittelweg 161
20148 Hamburg

**Bremen** (2)
Bürgermeister-Smidt-Strasse 76
28195 Bremen

**Berlin** (3)
Kurfürstendamm 119
10711 Berlin

**Hanover** (4)
Theaterstrasse 3
30159 Hanover

**Bautzen** (5)
Postplatz 3
02625 Bautzen

**Düsseldorf** (6)
Königsallee 11
40212 Düsseldorf

**Cologne** (7)
Spichernstrasse 6
50672 Cologne

**Frankfurt am Main** (8)
Schillerstrasse 20
60313 Frankfurt am Main

(9) **Wiesbaden**
Paulinenstrasse 4
65189 Wiesbaden

(10) **Hof**
Lindenstrasse 37
95028 Hof

(11) **Darmstadt**
Friedensplatz 12
64283 Darmstadt

(12) **Nuremberg**, WirtschaftsRathaus
Theresienstrasse 9
90403 Nuremberg

(13) **Stuttgart**
Theodor-Heuss-Strasse 9
70174 Stuttgart

(14) **Munich**
Karlstrasse 10
80333 Munich

(15) **Freiburg**
Bismarckallee 9
79098 Freiburg

## Contact

Quirin Privatbank AG
Kurfürstendamm 119
10711 Berlin
Germany

**T** +49 (0)30 890 21 300
**F** +49 (0)30 890 21 301

quirinprivatbank.de

## Imprint

Editor
Janine Pentzold
Corporate Communication
Quirin Privatbank AG

Design
Jonas Villmow
Marketing
Quirin Privatbank AG

Photographs
Sven Serkis, Lennard Pagel,
Adobe Stock, Unsplash

quirinprivatbank.de