



M. M. WARBURG & CO
1798

A n n u a l R e p o r t
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Overview of Business Development

Banking Group (cumulative basis)

in € million	2010	2009	2008
Income before taxes	55.2	65.7	52.0
Net interest income	94.8	105.2	108.1
Net fee and commission income	131.0	107.0	90.7
Total assets	8,008.0	8,753.9	8,963.2
Business volume	8,110.2	8,889.8	9,233.9
Liable capital	564.0	520.0	480.0
Regulatory capital as defined by the KWG	564.0	520.0	480.0
Assets under management	36,124	32,320	29,200

Bank

in € million	2010	2009	2008
Income before taxes	65.6	61.3	46.8
Total assets	4,187.1	4,527.3	4,554.1
Business volume	4,253.3	4,626.7	4,790.6
Liable capital	340.4	341.8	321.8
Regulatory capital as defined by the KWG	317.9	327.4	306.3



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Annual Report 2010



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Executive Bodies of M.M. Warburg & CO KGAA

Supervisory Board

Dr. Erwin Möller	- Chairman -
Dr. Klaus Asche	- Deputy Chairman - (until 14 April, 2011)
Dr. Bernd Thiemann	- Deputy Chairman - (from 14 April, 2011)
Wolfgang Traber	

Shareholders' Committee

Dr. Erwin Möller Chairman of the Supervisory Board of M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA	- Chairman -
Dr. Klaus Asche Lawyer	- Deputy Chairman - (until 14 April, 2011)
Dr. Bernd Thiemann Management Consultant	- Deputy Chairman - (from 14 April, 2011)
Gerhard Brackert Auditor / Tax Adviser	
Hero Brahms Management Consultant	(until 14 April, 2011)
Wolfgang Traber Businessman	

Partners

Dr. Christian Olearius - Spokesman -
Max Warburg
Dr. Henneke Lütgerath
Joachim Olearius
Eckhard Fiene since September 1, 2010

Executive Officers

Manfred Bruhn
Volker Hahnau
Dr. Jens Kruse
Dr. Peter Rentrop-Schmid
Thomas Schult

Chief Legal Counsel

Dr. Bernd Eckardt

Senior Executives

Dominik Ahlers	Christoph Herms
Reinhold Albers	Dr. Christian Jasperneite
Florian Becker	Helmut Katt
Dr. Jan-Frederik Belling	Ingrid Kindsmüller
Regina Bendner	Carsten Klude
Uwe Boehmer-Beuth	Rainer van der Meirschen
Ulf-Dieter Brandt	Gerhard Müller
Robert Czajkowski	Sven-Michael Nareyka
Martin Dörscher	Holger Nass
Barbara Launer-Effler	Dirk Rosenfelder
Klaus-Dieter Engel	Christian Schmaal
Dr. Alexander Graf zu Eulenburg	Rüdiger Seiffert
Boris Fischer-Zernin	Achim Urbschat
Dieter Grosenick	Erich Waller
Silke Harms	Martin Wehrle
Dr. Christian Hennig	Till Wrede



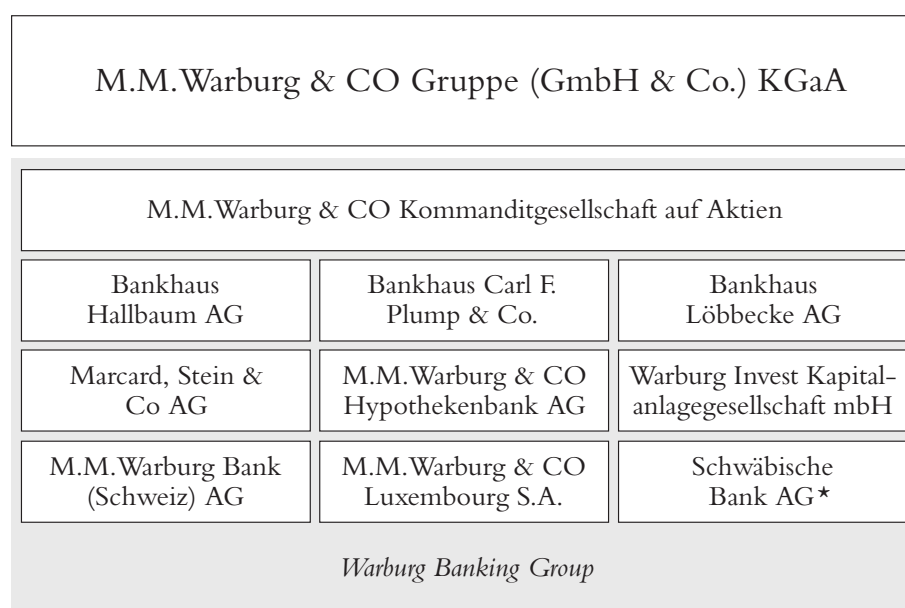
Report of the Partners

2010 was a year of contrasts. Worldwide, many companies recovered from the financial crisis. Stock market prices rose as the year drew to a close and the DAX even recorded a gain of 16.1%. Meanwhile, public-sector indebtedness continued to grow, particularly in Southern Europe.

The economic recovery was especially strong in Germany, which resumed its role as Europe's leading economic engine. At the year-end, German GDP growth was 3.6%, exceeding most forecasts issued at the beginning of the year. Making a significant contribution to this were companies with products in global demand. We see 2010 as the start of a global economic recovery that is likely to continue despite occasional setbacks. This remains the case even though the impact of the natural and environmental disaster in Japan and the unrest in North Africa and across the Arab world cannot yet be foreseen.

In the environment described for 2010, Warburg Bank and its subsidiary institutions in Germany, Luxembourg and Switzerland (Warburg Banking Group) generated aggregate income before taxes of €55.2 million (previous year: €65.7 million). This does not include the income of Schwäbische Bank.

The parent institution M.M. Warburg & CO KGaA generated transferable income before taxes of €50.6 million. In addition, €15 million is being appropriated to revenue reserves to bolster equity, meaning that aggregate income before taxes for 2010 amounts to €65.6 million (previous year: €61.3 million). Warburg Bank has therefore demonstrated sustained profitability even in the years of the financial crisis (2007 to 2010).



* Not included in the figures for 2010

We decreased the total assets of the Warburg Banking Group from €8.8 billion to €8 billion by reducing risk-weighted assets. Degussa Bank is not included in these figures and is reported separately. As usual, the financial statements were prepared in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code) without the need to exercise any accounting options. We apply the strict lower of cost or market principle in accordance with the imparity principle. We switched to the new rules under the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act) without exercising any transition options. This led to certain charges last year, in particular provisions relating to pension obligations, which were recognized in full in 2010.

Once again, we are utilizing profit for the period primarily to bolster the Group's equity. Liabile capital and regulatory capital as defined by the *Kreditwesengesetz* (KWG – German Banking Act) rose by €44 million in 2010 to €564 million. The higher capital requirements under Basel III and the requirements imposed by the banking supervisory authorities have prompted us to build an adequate capital cushion ahead of time. The Warburg Banking Group meets all new capital requirements. The total ratio for the parent bank is 12% and the Tier 1 capital ratio is 9.9%.

In 2010, we again took advantage of opportunities to expand our activities in the Warburg Banking Group and the Warburg Verbund in a cautious and judicious manner. At the end of the year, the interest in Bankhaus Plump was increased from 51% to 100%. In addition, a majority interest was acquired in the Zurich-based family office bank Private Client Partners, whose employees offers excellent services in the Swiss banking market. At the end of the year, we transferred Degussa Bank from M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA to another company. We continued our careful integration of Schwäbische Bank, which joined the Warburg Banking Group in 2009 and which represents us successfully in the south west of Germany. With this strategy, we are systematically maintaining and expanding our long-established, regionally based institutions under the Warburg Bank umbrella.

Research activities in the year under review were concentrated within Warburg Research GmbH. This new unit was formed from the Bank's research department and SES Research, which belonged to the Warburg Banking Group. As a result, we have a portfolio of over 200 analyzed enterprises, making the company one of Germany's leading research houses.

Our portfolio of services spans the full range of investment banking activities (including lending), private banking and asset management. All areas benefited from the improvement in the overall environment in 2010. Our Group is able to fulfill even difficult and complex client orders speedily and to a high standard of quality.

Net income in our Investment Banking division was driven once again by solid earnings in the fixed-income segment and rising activity on the stock markets.

As in the previous year, lending operations made a substantial contribution to net income for the period. We serve corporate clients, private clients and clients from the shipping and real estate segments. The more positive order situation among corporate clients was reflected in improved credit ratings. Rising container ship charter rates and increased ship prices resulted in a better risk situation. We manage and monitor our credit exposures very closely in line with our policy. No provisions needed to be recognized in the year under review. We will maintain our cautious lending policy and will also make our advisory expertise available to clients in special situations.

For corporate finance advisory services, 2010 was a year of large mandates. We advised Drägerwerke on a capital increase and Hapag-Lloyd on the issue of a corporate bond. However, many initial public offerings and other capital market transactions were postponed until 2011.

Private Banking's asset management operations performed very well in 2010, winning prestigious awards. Warburg Bank and its subsidiary institutions were entrusted with a considerable amount of new funds last year. Client activity increased, although not to the level seen in 2007.

In Asset Management, we offer not only traditional securities portfolio management, but also an extensive range of asset classes. In addition to equities and bonds, these also include equity investments. Private equity and alternative asset classes round out the offering. Through our network of Warburg Verbund companies, we are able to identify and provide the best investment offerings for our clients. The increase in the amount of funds entrusted to us by far exceeded the sector average. Assets under management in the Warburg Verbund rose by 11.8% in the period under review, from €32.3 billion to €36.1 billion.

Due to the growth in business activity, the Warburg Banking Group continued to recruit new staff in 2010. The number of employees rose by 2.4% to 1,106 (previous year: 1,080). Our priorities are a cohesive team spirit throughout the Warburg Banking Group, regular continuing professional development and training programs for junior employees. A low employee turnover rate confirms that our approach is the right one.

In autumn 2010, we welcomed Eckhard Fiene (49) as a new partner at Warburg Bank. A capital markets expert, Mr. Fiene is responsible for the Sales and Trading area as well as Research.

We conduct our corporate social responsibility activities through the Bank and our affiliated foundation, the Warburg – Melchior – Olearius – Stiftung. In 2010, we focused our support on culture and healthcare institutions and more specifically on children and young people. Care, educational and other charitable assistance was provided in this area in North Germany in particular.

Our “Current Developments” essay series is now making its twelfth appearance. Our theme this year is “Freedom of Speech – Breaking the Taboo” and we are able to include reflections on this subject from Dr. Thilo Sarrazin. Social change often occurs only as a result of opinions being expressed courageously. We can learn whether we are ready for such democratic discourse in the enclosed issue.

Coping with the new regulatory mechanisms introduced in the course of the financial and economic crisis requires ever more human and capital resources. Regardless of whether they essentially represent the right approach, bank levies, increased capital requirements, and obligations in relation to documentation limit the scope of smaller institutions. Given that these institutions in particular were not primarily responsible for the emergence of the financial crisis and had to compete without government support, we are appealing to politicians to take a more differentiated approach when applying the regulatory framework. Otherwise, regulation itself threatens to become a new risk. It was important to close significant gaps in the regulatory framework for the capital markets. The financial market deregulation that occurred in previous years and that contributed to the financial crisis was wrong. However, the process should not be reversed to the extent that the economic efficiency of financial institutions is excessively restricted.

We started preparing ourselves for the new requirements being imposed by politicians and the market environment early on. We perform regular critical reviews of our business model and implement enhancements with care. Therefore, we firmly believe that our business performance in 2011 will again be satisfactory and are confident about our future.

Dr. Christian Olearius
Max Warburg
Dr. Henneke Lütgerath
Joachim Olearius
Eckhard Fiene



Economic Environment

Economic Environment

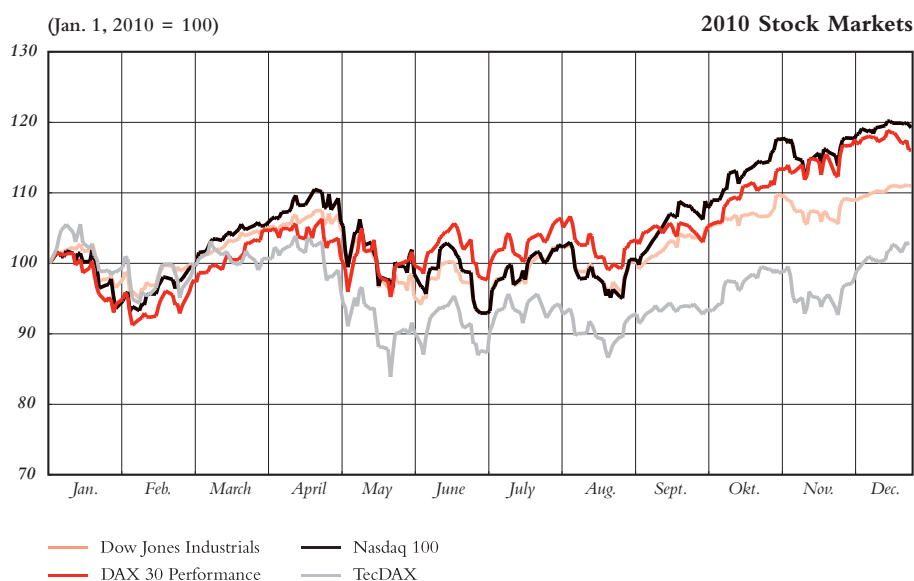
Global economic conditions improved significantly in the first half of 2010. This was thanks not only to expansionary fiscal and monetary policy, but also to the rapid recovery of demand in emerging markets. The German economy benefited more than most from the healthy growth in these countries. Driven by booming exports and the strong growth in capital expenditure, real GDP was up 3.6% year-on-year. This was the most significant increase since German reunification. The fact that the labor market was also bolstered by the recovery was particularly pleasing. In the autumn, unemployment fell below the three million mark for the first time, its lowest level since 1992. Whereas the upturn was relatively consistent throughout the world in the first half of the year, leading indicators weakened significantly in the summer months, particularly in the USA. This triggered speculation that the USA could fall into a second recession. However, although US economic growth has slowed in the meantime, economic output in the country increased by around 3%.

While countries such as Germany, Austria, Switzerland, the Netherlands and several north European countries registered healthy growth rates in 2010, southern European countries and Ireland suffered because investors increasingly questioned the ability of governments to service their debts. The risk premiums on government bonds issued by peripheral countries soared at the beginning of the year in particular, and concerns that Greece could default spread to Ireland, Portugal and Spain. As a Greek rescue package provided only temporary respite on the bond market, eurozone countries worked together with the International Monetary Fund to establish a European bailout package. Ireland was the first country to call on the bailout package, as the capital market refinancing conditions for the Irish government were steadily deteriorating. In addition, the European Central Bank began to buy up government bonds on the market. Despite these measures, the yield spread between southern European and Irish government bonds and Bunds remained high.

Throughout the reporting period, the ECB used a number of special measures to provide the markets with additional liquidity so as to ease the pressure on the interbank market and reduce bottlenecks in corporate financing. The Bank held its key refinancing rate at 1%. Given the underutilization of capacity and tight labor markets, consumer prices in Europe rose by a moderate 1.6% year-on-year on average in 2010. Inflation only rose above the ECB target rate of 2% at the end of the reporting period, as raw materials and food prices climbed and taxes were increased as part of the austerity packages in peripheral European countries. US monetary policy remained extremely loose. The US Federal Reserve kept its key rates at between 0 and 0.25%, and began to purchase a further US\$600 billion in government bonds in the autumn, since inflation was lower than the Fed's target corridor and the labor market remained very tight in a US context.

The European bond market turned in a mixed performance during the reporting period. German government bonds, in particular, were in demand as a safe haven until late summer, and therefore surged in value. The biggest gains were registered by longer-

dated government bonds: ten-year Bunds rose 7.6% in value over the reporting period. However, short- and medium-dated bonds also rose in value (two-year: 2.3%; five-year: 6.1%). Given the crisis of confidence regarding the sustainability of government debt, Greek, Irish and Portuguese government bonds came under intense pressure.



The euro declined against the US dollar during the reporting period. The growing concerns regarding the public finances of Greece and other southern European countries initially caused the single currency to fall sharply. This trend did not reverse until the third quarter, when the US economy deteriorated. In mid-October, the euro temporarily returned to the level of 1.40 against the US dollar. However, it declined again at the end of the year to trade at a weaker US\$1.34 per euro again.

The major stock markets turned in a mixed performance in 2010. The DAX rose 16.1% overall during the year, while the mid-cap companies listed on the MDAX climbed 34.9%. In the USA, the Dow Jones 30 registered an increase of 11%, with the broader-based S&P 500 up 12.8%. However, stock market performance in many European countries, and particularly those in the periphery, was generally disappointing during the year, and prices in the main lagged the growth seen in Germany. For example, the markets in France, Italy and Spain all registered losses over 2010 as a whole (CAC 40: -3.3%; MIB: -13.2%; IBEX 35: -17.4%), with the Euro Stoxx 50 declining 5.8% during the year.



Warburg Banking Group

Business Developments

Warburg Banking Group

The Warburg Banking Group (see diagram on page 8) continued its stable earnings performance of previous years, generating income of €55.2 million in 2010 compared with €55.2 million in 2007, €52 million in 2008, and an outstanding €65.7 million in 2009. Even in a very volatile economic environment, therefore, we have demonstrated the capabilities of Warburg Bank and its subsidiary institutions. We reduced the Warburg Banking Group's risk-weighted assets by a moderate amount. The three mainstays of our business, investment banking (including lending), asset management and private banking, continue to form the basis for our results of operations.

We provide a full range of services to middle-market companies, institutional investors and high net worth private clients. We are independent of third-party influence and have a clear ownership structure and strong capital base. The links between the parent company, M.M. Warburg & CO KGaA, and its subsidiary institutions in Germany, Luxembourg and Switzerland enable us to provide the best answers to our clients' questions in the areas of financing, investment and administration.

Our Investment Banking division combines our securities trading, corporate finance advisory and lending operations. In securities trading, the sharp recovery in the stock markets was reflected in our positive fee and commission income and trading income. Initially heavily dominated by bond trading, activity spread increasingly to the equity market in second half of the year. The number of M&A transactions remained weak in fiscal 2010. Our Corporate Finance unit benefited from its prominent role as an advisor on large capital increases and financing transactions. Our portfolio of carefully selected credit exposures made a significant contribution to our net income for the year. We focus on borrowers we have known for many years and cooperate with them very closely. Write-downs were kept to a low level. Net additions to provisions for losses on loans and advances for 2010 for all Warburg Banking Group institutions were €14.97 million. We continue to lend to corporate and private clients, the real estate sector and the shipping industry and are pleased by the avid interest in our Bank.

In our Asset Management division, we manage financial investments and their organizational structures for institutional investors and private clients. These include traditional securities funds, real estate, ships, private equity and other alternative investments. A key component of these asset management operations is the fund and custody business, which is enjoying significant growth at our locations in Germany and Luxembourg. We can draw on the best investment experts in our Group network for the situation in hand for our client base of insurers, foundations, pension plans, pension funds and other providers of capital.

Our Relationship Management employees are generalists who act as your contact for all subareas. The principle of cooperation between generalists and experts has proven its worth and is being continued.

The main task of our Private Banking employees is to provide investment advice and traditional asset management. Several hundred investment products are examined every year and over 200 equities researched, enabling us to gain a particularly insightful market overview. Whereas the previous three years had seen a demand for liquid, fixed-income investments, towards the end of 2010 investors were turning increasingly to the stock market and equity investments again.

For families with large and complex estates, we take over what is often the very demanding management of their asset classes. In doing so, we take account of the need for reliable yields, value appreciation, and inflation protection. For large fortunes, the asset preservation function performed by our family office bank Marcard, Stein & Co takes priority. The support we provide in this area is complemented by the services offered by the Zurich-based family office bank Private Client Partners AG.

The Warburg Banking Group generated aggregate net fee and commission income of €131.0 million, an increase of 22.5% year-on-year (previous year: €107 million). As in the previous year, the strong result recorded by our securities brokerage business, particularly in the fixed-income securities segment, made a substantial contribution to net fee and commission income. Total net interest income, which also includes income from profit transfer agreements, fell from €105.2 million to €94.8 million. Net trading income amounted to €10.27 million. This net income from financial transactions fell short of the prior-year amount (€29.1 million), partly because of the reclassification of income from net trading income to fee and commission income.

As a result of cost discipline, administrative expenses including depreciation and amortization were slightly lower year-on-year, at €147.1 million (previous year: €149 million). The cost-income ratio changed slightly, from 61.8% to 62.3%. Increased supervisory requirements relating to how banks are organized make these more expensive to run.

Maintaining a sound financial base is part of our business philosophy. We increased the Warburg Banking Group's own funds in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) from €520 million to €564 million.

We reduced the total assets of the Warburg Banking Group from €8,753.9 million to €8,008.0 million. The business volume contracted from €8,889.8 million to €8,110.2 million. Among other things, this was the result of a planned reduction in risk-weighted assets and a lower volume of interbank business for reporting date reasons.

More specifically, loans and advances to other banks fell by 17.8%, from €2,422.2 million to €1,990.3 million. Fixed-income securities including bonds and notes amounted to €1,699.1 million, down 16.8% on the previous year (€2,042.4 million). Loans and advances to customers declined by 0.4% to €2,950.4 million (previous year: €2,963.0 million), while liabilities to customers increased by 6.9% to €4,857.4 million (previous year: €4,542.6 million).

The Warburg Banking Group has client assets under management of €36.1 billion, a substantial 11.8% increase on the previous year (€32.3 billion). The fact that clients are transferring responsibility for the management of their money to our Group reflects the trust placed in us.

The number of Warburg Banking Group employees rose by 26 year-on-year to 1,106 (previous year: 1,080).

M.M. Warburg & CO KGaA

In 2010, the parent bank of the group of institutions, M.M. Warburg & CO KGaA, generated net income before taxes of €65.6 million (previous year: €61.3 million). This includes €12 million from the reversal of the fund for general banking risks. €15 million of the net income is being appropriated to revenue reserves to bolster equity. The remaining €50.6 million is being transferred as profit to the parent company, M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA (previous year: €60.9 million). The result demonstrates the parent bank's consistent profitability, even amid economic turbulence. The net income transferred in the previous three years ranged between €46.8 million and €61.3 million. The Tier 1 capital requirements under Basel III are met in full.

At €72.9 million, net interest income (including current income and income from profit transfer agreements) in 2010 was almost on a par with the previous year (€73.8 million), despite the reduced volume of interest-bearing business (securities and lending). The anticipated trend in interest rates reduced the scope for a high-yield investment policy. Net fee and commission income was up by a substantial 34.1% year-on-year to €68.44 million (previous year: €51.0 million). Net trading income, which tends to be sensitive to market gyrations, dropped from €25.2 million in the previous year to €6.9 million. This decline is due to a significant extent to the reclassification of income from net trading income to fee and commission income.

Non-personnel operating expenses including depreciation and amortization were €26.7 million as against €27.15 million in the previous year. Personnel expenses rose only slightly, from €42.4 million to €43.6 million.

Own funds in accordance with the SolvV declined slightly by €9.5 million, from €327.4 million to €317.9 million. M.M. Warburg & CO KGaA's overall capital ratio in accordance with the SolvV is therefore 12% (previous year: 12.8%). The Tier 1 capital ratio is 9.9%.

Our clients' interests are important to us. The Bank has set up an independent compliance function that reports directly to senior management to identify, prevent and manage conflicts of interest. The independence from institutional influences that we have

maintained allows us to weigh up the opportunities and risks associated with prospective business free from conflicts of interest in the best interests of our clients. Our compliance management team's systematic implementation of market and customer protection rules testifies to our commitment in this regard.

We see compliance as an integral part of our risk management system which, as a result of our forward-looking organizational structure, ensures compliance with the statutory and other legal obligations that must be met when providing securities services. In 2010, we extended the duties of the compliance function in light of the regulatory framework now in force under the *Mindestanforderungen an Compliance* (MaComp – Minimum Requirements for Compliance). To a very large extent, we already complied with these requirements beforehand.

Risk management takes place at different levels in the Warburg Banking Group and is consolidated at the level of the Banking Group's management. The established risk management system mainly covers market, counterparty credit, liquidity and operational risks. The capital markets are monitored closely in different areas of the Bank so as to enable a prompt response to significant changes.

Our business focus remains consistent. We are confident that we have laid the groundwork needed to be able to generate a satisfactory result in 2011 as well.



M.M. Warburg & CO KGaA

Investment Banking

*Business rises sharply
in second half*

The Investment Banking division comprises our service activities in the areas of sales and trading, corporate finance, and lending. Relationship Management serves as the link to the Bank's specialist departments for our clients and is the point of contact for all products and services. The economic upturn in 2010 led to a sharp increase in business in the second half of the year.

As in previous years, sales and trading benefited significantly from the strong turnover in bond and foreign exchange trading. Strong demand for loans enabled us to enter into high-quality new business without having to substantially expand the overall portfolio. Corporate finance advisory services concentrated on providing support for complex capital increases and other financing transactions during the reporting year. The number of initial public offerings and M&A transactions remained at a low level.

We established a new, high-performance unit in 2010 by merging Warburg Research with SES Research GmbH to create Warburg Research GmbH. With analyses of more than 200 stock corporations, we are one of the preeminent specialists in German equities.

Relationship Management

Relationship Management is responsible for acquiring and providing services to corporate and institutional clients, shipping companies and banks.

*Clients benefit from
economic upturn*

The economic environment stabilized during fiscal 2010, and Germany experienced a robust economic recovery despite the debt crisis in several eurozone countries. Many of our clients were also able to reap rewards from the general upturn. The cautious business policy we have pursued in recent years and our focus on high-quality clients again paid off.

In the corporate segment, we continued to concentrate our activities on maintaining existing client relationships in 2010. Our main aim was to meet the needs of our clients through our comprehensive range of in-house products and services. The provision of short-term finance, for trading purposes for example, along with documentary settlement and foreign currency hedging, played a significant role in this. We also increasingly assisted our clients by providing specialty finance solutions for specific situations.

In the institutional clients segment, Relationship Management performed well during the reporting year. Our concept of providing intensive, ongoing support made a significant contribution to establishing closer ties with our existing clients. Our Group companies won many new clients, in particular foundations, banks and savings banks, and pension institutions, with Relationship Management's support. Our in-depth understanding of the specific requirements and environment of our institutional clients was particularly helpful here. We also used this knowledge in our product development, enabling us to offer our clients tailored solutions. Our products again focused on the real estate funds segment, as well as the securities fund segment.

With regard to our services to banks, we have carefully analyzed our cooperation with institutions in neighboring European countries over the years. Our cautious approach again paid off in fiscal 2010. Despite the debt crisis, no major adjustments were required, and we only adjusted country limits in individual cases. We also diligently monitored individual counterparty risks. Over and above this, the Bank's relationships, some of which have existed for decades, again proved stable last year even in turbulent times.

*Careful analysis of
country risk*

The performance of the shipping markets was mixed last year, with container shipping benefiting in particular from a significant increase in charter rates. As in the previous year, our Bank was highly selective with regard to its participation in new financing.

Lending

The environment in which companies operate improved considerably during the course of 2010. In line with this, lending operations, one of the Bank's core business activities, once more made a very healthy contribution to the Bank's overall earnings. Our core competency in this business area consists of lending to private clients and middle-market companies, real estate loans and shipping finance. The individual, case-by-case assessment of each loan is just as much a matter of course for us as providing personal service in our client relationships, which have usually existed for many years. We were able to offer our clients the normal levels of finance in the past fiscal year, despite the still difficult environment. We also entered into new exposures in all segments.

*Lending based on
personal service*

Manageable risk, clear structures and a high level of transparency are the prerequisites for lending by our Bank. We deliberately chose not to increase the lending volume and the risk associated with the loan portfolio remains low. Loan losses were also avoided in sectors that were hit particularly hard by the downturn, thanks to open and effective cooperation between the clients concerned and the Bank.

Although the economic outlook for 2011 is positive, we do not intend to change our cautious lending policy in the current fiscal year. We will remain a reliable partner providing finance to our clients. As a private bank, we will assess new business on a case-by-case from a business perspective. We view solving difficult and unusual financing issues as a challenge. Individually tailored services in the areas of domestic and international payment transactions, documentary settlement, and currency and interest rate management round off the personal services and advice available to our clients.

Corporate Finance

During the fiscal year, we successfully completed a dozen transactions and other advisory mandates. Following the widespread paralysis of the M&A and IPO markets until mid-2010, we took advantage of the economic recovery in the second half of the year to position ourselves on the market for the recovery in IPO, financing and M&A transactions.

Industry utilizes improved market environment for capital increases

In particular, we successfully advised family-run, middle-market companies with which we have long-standing business relationships. For example, we acted as joint lead manager and joint bookrunner in the capital increase by TecDAX-listed company Drägerwerk AG & Co. KGaA. This transaction was implemented in the context of the repurchase of outstanding shares of Group subsidiary Dräger Medical AG & Co. KG from Siemens AG that we structured in 2009. Other successful transactions in this area included support for capital increases by Capital Stage AG and 2G Bioenergietechnik AG. CBF China Bio-Fertilizer AG, for which we implemented a private placement followed by a listing in the Entry Standard segment, was the first Chinese company listing we have managed. In addition to these mandates, our Equity Capital Markets team regularly deals with complex technical securities transactions. These include stock option plans, capital increases involving rights issues and takeover bids.

In the area of M&A, following the support provided to Diehl Stiftung & Co. KG during its acquisition of the Airbus cabin systems facility in Laupheim in 2008, we also assisted the company in significant projects in 2010, particularly in connection with the acquisition of aircraft washroom producer Dasell Cabin Interior GmbH from Airbus. We also supported leading radiology software developer Mevis Medical Solutions AG in the acquisition of shares in Dutch company Medis medical imaging systems bv. We were able to use the expertise gained in previous years in transactions in crisis and insolvency situations to help a trading company acquire the assets of a fashion company, as well as for the sale of the assets of a technology company at the request of the insolvency administrator.

We successfully advised the shareholder of Biesterfeld AG on the acquisition of a silent partnership interest by Hannover Finanz Gruppe. This was the result of our long-standing provision of support to family companies, which regularly call on our services in the area of debt and mezzanine markets. This transaction rounds off a series of placements of profit participation rights and convertible bonds implemented for Biesterfeld AG by our Bank. We were able to demonstrate our expertise in financing advisory services by structuring acquisition finance for Drägerwerk AG & Co. KGaA; in the second half of the year we also helped restructure Dräger's working capital finance following the company's successful capital increase. In addition, we restructured the financing of a retail chain involving an investment company.

Good 2010 results pave the way for increased M&A activity

We believe that the economic recovery in 2011 will give rise to a long-term increase in M&A activity. After the difficult environment experienced since 2007, companies that are majority privately held will leverage the good results achieved in 2010 to do deals on more favorable terms. The same is true for companies that are owned by private equity

firms. Since public finances are set to remain extremely tight despite the upturn, we also foresee opportunities to provide transaction advisory services in public sector privatizations. We expect to see a larger number of IPOs and capital increases on the capital markets. In the debt and mezzanine markets segment, we will continue to concentrate on financing advisory services, particularly in connection with business acquisitions, and on structured products for specific situations. We believe our Corporate Finance team is well placed to benefit from these developments.

Sales and Trading

Earnings in this area increased year-on-year, due once again to the demand for fixed-income securities. The recovery of the equity markets also had a positive effect on earnings at the end of the year, although pre-crisis levels have not yet been reached. Services for institutional and private clients were the main focus. Only a small amount of proprietary trading is traditionally carried out.

Institutional Sales

Equities

Developments in fiscal 2010 were highly volatile, which raised difficult questions in the first half of the year in particular, not only for our institutional clients. Once again, we utilized our specialist German expertise to the benefit of clients in Germany and abroad who rely on our independent advisory services. The pooling of our research products under the new name “Warburg Research” was a significant step forward aimed at allowing us to be successful in this highly competitive environment and continue growing our market share.

Thanks to the strong economic growth in Germany in the second half of the year, we expanded our service offering and developed new client relationships in the UK, Scandinavia and German-speaking countries, in particular. As in previous years, this was achieved through a large number of exclusive roadshows in the MDAX, SDAX and TecDAX segment, flanked by numerous one-on-one meetings. An important role was played by the high-profile “Northern Highlights” international investor conference held in Hamburg last year, where we were able to acquire prestigious German companies as clients.

Another highlight in 2010 was the successful initial placement of Dräger ordinary shares with German and international investors, which attracted widespread attention on the capital markets.

Sales Trading

*Small- and mid-cap
sales trading experts*

The Warburg sales trading team made a healthy contribution to overall performance in 2010. Particularly in the small- and mid-cap segments, we were able to reinforce our positioning as a force among institutional clients and gain additional market share. Transactions comprising significant volumes of shares were executed quickly, discreetly and without having a major impact on market prices, or were placed with major clients. In this regard, we benefited from our excellent contacts on the buy-side trading desks of our international client base. Our ability to efficiently implement even complicated transactions in less liquid securities in a difficult market environment boosted our clients' confidence in our market expertise.

We acted as a designated sponsor for more than two dozen mandates in 2010 and were regularly rewarded for this with an overall rating of A/A- by Deutsche Börse. Designated sponsoring clients are also offered a variety of capital market services. Our efforts center on ensuring liquid trading, quoting bid and ask prices, and providing professional advice to the companies we serve.

Foreign Exchange

We expanded our relationships with middle-market corporate clients in the area of interest rate and currency management.

In addition, we registered an encouraging rise in revenue and earnings in the currency management segment in particular, primarily with our counterparties in this segment as well as with the funds and clients we manage in the shipping segment.

The correction of the euro-US dollar exchange rate at the end of 2009 continued into the first half of 2010, only stopping when the exchange rate reached EUR/USD 1.19. After this, negative sentiment reversed and the euro began to appreciate again. During the second half of the year, the euro fluctuated between 1.26 and 1.42 against the dollar.

Our clients mainly chose traditional hedging instruments such as options and derivatives to hedge these exchange rate fluctuations.

Bonds

The yield on 10-year Bunds peaked at the start of the fiscal year at 3.39%. From this level, Bunds then staged a remarkable rally on the bond market, bolstered by the uncertainty on various European bond markets and the "safe haven" status of our government bonds. As a result, yields fell to around 2.12% by the end of August. The subsequent correction in 10-year Bunds saw the yield rise to roughly 2.96% as of December 31, 2010.

New issue volumes remained brisk, particularly for corporate bonds, leading to successful placements with our institutional clients. Owing to the spread tightening which began in the previous year, particularly careful securities selection and close consultation with our clients was essential in 2010.

*High-quality bond
selection advice*

The exceptionally successful placement of registered securities (including in structured form) with our institutional investors again contributed to the considerable increase in the team's earnings in fiscal 2010. The team responsible for institutional clients/bonds considers the overall increase in revenue and the remarkable expansion of our close relationships with institutional clients to be confirmation of the high quality of their advisory services and willingness to seek out and successfully implement tailored investment concepts for their clients.

Warburg Research GmbH

The Bank's company research activities were bundled together in Warburg Research GmbH with effect from October 1, 2010. Warburg Research GmbH was created from the merger of the research teams at M.M. Warburg & CO and SES Research GmbH after the Bank had increased its interest in SES Research GmbH from 51% to 100%.

Warburg Research GmbH established as a leading research firm

Warburg Research GmbH analyzes some 200 German stock corporations on an ongoing basis. Its analysts are specialists in the automotive/steel, banking/financial services, chemicals/agriculture, retail/consumption, healthcare, real estate, logistics, engineering, software/IT, technology, telecommunications/media and utilities/renewable energies segments. The quality of the research was again rewarded with numerous awards in 2010 for the accuracy of the recommendations and profit forecasts.

More than 1,200 research publications were produced and presented at analyst roadshows and one-on-one meetings in 2010. Numerous company roadshows in Germany, other European countries, the USA and Australia were organized together with the Bank's Institutional Sales unit. Company research played an important part in the successful execution of the corporate actions at Drägerwerke, 2G Bioenergie, and China Bio-Fertilizer.

Having harmonized the organizational structures of the two units, the team is working on enhancing the production system and publication formats. Analysts are involved in specific instances in the services provided to institutional clients together with Institutional Equity Sales. This means we are an expert contact for institutional investors with regard to research on German companies.

Private Banking

In Private Banking we provide advice to our private clients in all areas of investment and manage increasing asset volumes as part of our traditional asset management service. In the process, we can call on experts on almost all the major asset classes. Our investment recommendations and decisions are based on high-quality product assessment and economic analysis, and we observe the submarkets relevant to our clients' individual investment requirements in great detail.

The significant improvement in the economic environment in 2010 led to modifications in investment strategies. Private investors began to focus more strongly again on the equity markets and turned their attention to closed-end funds, particularly in the real estate segment.

Our organizational structure allows us to react quickly and cleanly to changing market conditions. Client advisers are supported by qualified employees in various areas, for example sales support and settlement, who ensure the consistently high quality of the services provided to our clients.

Organizational structure ensures service quality

We hold regular events to provide information on topical capital market and investment issues. We also maintain close contact with all of our offices in German-speaking countries, in order to ensure all our clients receive the same high level of service. We are looking forward to being able to welcome our clients to our refurbished offices in Cologne and Frankfurt, following the extensive building work carried out in 2010.

Asset Management

As in previous years, our asset management generated good results for our clients in 2010. Our economists' accurate forecasts and the investment strategy carefully derived from them made a significant contribution to this.

Asset management reaps long-term rewards from our economists' accurate forecasts

Following our cautious investment stance in the crisis year 2008, we became more confident during the second quarter of 2009 and increased our equity weighting accordingly. Based on our very positive expectations regarding the economic environment, we systematically increased the equity weighting in 2010, and were able to record a significant increase in assets by overweighting German and Swiss stocks.

We also increased our emerging market exposure again during the year. As a countermove, we sold longer-dated bonds whose yields we no longer considered attractive. As in the past, we deliberately kept our distance from investments harboring particular risks and avoided complex capital market products.

Once again, the results of our transparent investment process have convinced many investors to entrust the management of their assets to us. As a result, we were able to significantly increase the volume of assets under management. Demand was split between individual asset management and the asset management funds Alstertor Portfolio Flexibel and Alstertor Portfolio Kapitalgewinn. Given the healthy economic outlook and the risks associated with bonds, many clients increased their equity weightings.

We are happy to repeat the invitation extended to all our clients in previous years to judge our capabilities for themselves at a face-to-face meeting.

Equity Investments

The market for equity investments recovered significantly, particularly in the real estate segment, and featured a wide range of products. We only offered our clients a selection of the hundreds of products on the market. Just a few of the equity investment offerings passed our thorough product check. High-value properties in good metropolitan areas in Europe were particularly sought-after.

*Real estate asset
management in
strong demand*

For example, we organized the investment in the research and development site of Siemens AG in Munich-Neuperlach together with several institutional pension funds, which took the form of a private placement. The real estate complex was sold by Siemens and leased back on a long-term basis. The yield structure was so attractive to both institutional and private investors that not all requests to subscribe could be met.

Another example is the offering for an office building in the EU capital, Brussels, which is under a long-term lease to the Belgian government's real estate department. This offering was aimed particularly at security-conscious investors.

Finally, we also offered our clients another real estate secondary market fund. The secondary market platforms for closed-end funds have become increasingly significant for private investments in recent years.

In the past, we adopted a cautious stance on investment recommendations in the renewable energies segment. This proved the correct decision owing to the immaturity of many products. However, the conditions last year were right for us to offer our first solar fund investing in Germany. This was very well received by our clients.

Outlook

We believe the rapid stabilization of the capital markets in 2009/10, coupled with the deterioration in the credit quality of certain governments, will give investors additional pause for thought. Demand for real assets can be expected to increase. In view of this, we have consistently expanded the information we provide to our clients. *Further enhancement of real assets expertise*

Regular weekly market analyses and company reports by our micro-analysts provide our clients with greater access to our professional expertise in our Private Banking division. We intend to maintain our strict quality requirements in our advisory and asset management services.

Asset Management

Risk management plays significant role

Asset management is of great importance to us throughout the Verbund. In addition to traditional securities fund management, real estate, shipping, private equity and hedge fund management are becoming increasingly important. Within the Warburg Verbund we have access to specialist companies and departments in each of these areas that can meet the needs of our institutional and private clients. The integrated management of different asset classes and the associated risk management are increasingly in demand.

Our base of institutional clients and high net worth private individuals continued to grow. On the institutional side, this growth encompassed not only financial institutions such as banks, insurance companies and pension plans, but also corporate clients and retail funds. The wide range of products and services spans treasury solutions, securities mandates, real estate, shipping, alternative investments, private equity and hedge funds. We offer both retail and special funds and discretionary mandates, mainly through Warburg Invest. In addition to our fund products, our clients take advantage of purely advisory services for their strategic asset allocation or the purely administrative services for third party-managed funds, an activity concentrated at our Luxembourg-based subsidiary, Warburg Invest Luxembourg.

Our treasury products include equities, bonds, foreign currency products and liquidity management. The close cooperation between Warburg Research GmbH and the sales units allows us to develop customized investment concepts.

Significant volume increase at Warburg Invest

In the year under review, Warburg Invest, our subsidiary specializing in securities fund management, increased the volume of assets under management in Germany and Luxembourg by 18% to €12.3 billion. This was due to positive market developments and net cash inflows amounting to almost €1.05 billion. 2010 was also a year in which investors reallocated a significant amount of funds. The present low interest rates and continuing uncertainty surrounding the future direction of the markets mean that there is a demand for attractive investment strategies, particularly among institutional investors. Warburg Invest believes it is well placed here with its range of products that are constantly being enhanced.

With a transaction volume of €965 million, Warburg Verbund company HIH Hamburgische Immobilien Handlung GmbH was one of the most active real estate companies in Germany. HIH's projects concentrated on central properties in Germany and major European cities. The largest real estate projects were realized in Munich, London and Brussels. In addition to acquisitions, sales and project management, HIH also significantly expanded its property management activities both quantitatively and qualitatively. The company has gained an excellent reputation as a property manager in the office properties segment. Warburg – Henderson KAG, which is advised by HIH in certain areas, expanded its real estate special funds for institutional investors and launched a new fund owing to the high level of demand in the real estate segment.

In the area of real estate funds, IntReal International Real Estate KAG continued operations as the first pure-play master investment company/service provider in the real estate sector in 2010. Its service offering for the administration of special and retail real estate funds met with considerable interest among the target group of German and international real estate companies acting as portfolio and/or asset managers.

The shipping market situation improved considerably in 2010, although it failed to return to pre-crisis levels and the recovery among the different types of ship was mixed. The reason for this was the sharp growth in global trade of 12.3% year-on-year. Container shipping registered the best performance, benefiting from increased global goods handling. Charter rates and ship prices rose considerably. The number of ships laid up decreased from more than 10% of the overall fleet to significantly less than 3%. The market for tankers, gas ships and bulkers performed slightly less well than the container shipping market and was sometimes more volatile in 2010. We believe that the recovery of the market as a whole will continue in 2011, despite the possibility of minor setbacks.

Shipping market improves

The secondary market for shipping investments presented interesting opportunities, particularly at the end of 2010. The transaction volumes recorded by Warburg Verbund company Deutsche Zweitmarkt AG were up on the previous year. Real estate fund units were also increasingly traded by Deutsche Zweitmarkt AG. We believe that this trend will consolidate in the current year.

Warburg Alternative Investments AG, Zurich, offers primarily institutional clients access to private equity, hedge funds and real estate investments, and, where required, structures suitable investment vehicles.

Our Verbund network enables us to provide optimized advisory services and offer a high-quality range of products to foundations, public sector bodies, pension plans, pension funds, and insurance companies. We work together with our clients on their requirements with regard to yield expectations, risk appetite and tolerance, and liquidity and balance sheet management.

Delicate balance between yield expectations, risk appetite and liquidity requirements



Subsidiaries

M.M. Warburg & CO Luxembourg S.A.

Luxembourg custodian bank – in the best Hanseatic tradition

Warburg Bank in Luxembourg specializes in the custodianship and administration of internationally diversified securities. Its main area of activity is the provision of custody services, which, in addition to the legally required custodianship of investment funds and asset pools under Luxembourg law, also includes complementary brokerage, Lombard loan, securities lending and cash and currency management services. Custodian bank clients, including pension funds, insurers, foundations, investment companies and banks, value the independence, flexibility and consistent process quality of the Luxembourg subsidiary. It is one of the few custodian banks that already holds practically all known asset classes in asset pools. In addition to securities, these include CO₂ certificates, renewable energies, private equity structures, real estate, shipping containers and hedge funds.

Its second core business is international asset management for private clients, ranging from traditional advisory accounts through to the full-service asset management service provided to clients by the Privat–Contor offering.

Encouraging increase in custodian bank volume

The bank's clear strategic focus and concentration on its core business areas again proved their worth, with custody services building on the growth generated in previous years. The bank further consolidated its position as a custodian bank in the Luxembourg financial center. Funds under custody increased by €1.8 billion to €10.2 billion. The number of funds and asset pools under custody, including securitization vehicles, rose to 124.

As of December 31, 2010, the bank's total assets amounted to €729 million. The balance sheet structure remained largely unchanged year-on-year. Client deposits increased by €135.4 million to €562.6 million, with deposits in the funds and asset pools under custody accounting for 87.5% of the total. The lending volume, including existing guarantees, declined by €10.2 million to €13.1 million owing to repayments and cautious borrowing on the part of the funds held under custody. Lending activities in Luxembourg again consisted almost exclusively of providing Lombard loans to the funds held under custody in accordance with strict lending criteria.

Sharp rise in net fee and commission income

Against the backdrop of general economic growth, the bank's result was satisfactory overall. The €2.7 million (34%) increase in net fee and commission income to €10.6 million thanks to the thriving funds business was particularly encouraging. The custodian bank and funds business now accounts for 80% of our net fee and commission income.

Interest income shaped by risk-averse investment policy

In contrast, net interest income declined by €3.9 million (45%) to €4.8 million as a result of a strictly risk-averse investment policy and lower interest rates.

General and administrative expenses rose by €0.5 million (5.9%) to €9.3 million. Net income before taxes decreased by €2 million (19%) to €8.7 million as a result of the decline in net interest income. Net retained profits were €1.5 million lower year-on-year at €6.2 million.

Our Luxembourg subsidiary will continue to expand its custody services and expects its business to perform well overall in fiscal 2011.

M.M. Warburg Bank (Schweiz) AG

The core business of M.M. Warburg Bank (Schweiz) AG in Zurich is the provision of comprehensive services to sophisticated private clients. In addition to personal service, our clients appreciate the wide range of in-house investments and the third-party products offered by our independent asset management operations, which are tailored to their requirements. Our Swiss subsidiary expanded its business in 2010, particularly with regard to asset management and securities fund management.

Services for affluent private clients

Alongside traditional asset management, investment advice and securities and foreign currency trading, our Swiss subsidiary offers its clients additional services. For example, in individual cases, it assists its clients with real estate projects in Switzerland together with the real estate companies of the Warburg Verbund. The bank also offers Lombard loans and performs proprietary trading in securities and foreign exchange products.

Business with institutional clients is becoming increasingly important and in some cases is performed in cooperation with the Warburg Group's fund companies in Hamburg and Luxembourg. The Warburg Value Fund, which is managed together with an external adviser and follows a long-term value approach, again significantly outperformed the benchmark index in fiscal 2010, posting an increase in value of around 33%, and received several awards as one of the best funds in its asset class at the start of 2011. The bank also manages the newly established Gate of India fund, which invests mainly in Indian equities, in cooperation with an external partner.

Warburg Value Fund wins awards again

In addition to international clients, the bank is increasingly providing services to private individuals who are resident in Switzerland, particularly in the Greater Zurich Area. This represents one of the successes of our network of Swiss client advisers. German nationals living in Switzerland are playing an ever greater role for our business. Germans are currently the fastest-growing foreign community in Switzerland.

Net income after taxes was up around CHF 1 million year-on-year to CHF 3.3 million. With the exception of net interest income, income from all other areas of business increased. Own funds (equity capital and reserves) have been continually increased in recent years and now stand at CHF 20.5 million. Total assets amounted to around CHF 220 million.

In a continued uncertain global economic environment, Switzerland represents a stable anchor. We therefore expect the Swiss subsidiary's business to perform well in fiscal 2011.

Switzerland represents a stable anchor

Bankhaus Hallbaum AG

*Private bank for
Lower Saxony*

Bankhaus Hallbaum operates mainly in the German federal state of Lower Saxony and concentrates on asset administration, asset management and corporate banking for middle-market companies.

With its headquarters in Hannover and three offices in Hildesheim, Göttingen and Osnabrück, the bank is present in locations from which it has been able to further strengthen its market position in its business field. As a result, Bankhaus Hallbaum recorded strong results in 2010.

Total assets were reduced as planned. Owing to the reallocation of funds by institutional investors and the decision not to enter into open market transactions, they declined to €551.3 million as of December 31, 2010. As of the end of the year, the increased business volume stood at €566 million.

With regard to investments, the bank focused on expanding its asset management services in fiscal 2010. The volume in this segment was increased considerably. Overall, securities under management amounted to €1.84 billion.

*Strong growth in
lending volume*

Quality considerations again dominated the lending business. As of December 31, 2010, the lending volume, including existing guarantees, was higher than in the previous year, at €305.4 million. The long-term lending volume increased in particular.

2010 saw a decline in net interest income. Bankhaus Hallbaum's conservative business model, both in terms of its own investments and in its lending activities, resulted in a decline in net interest income. The fact that the interest expense also decreased was unable to compensate for this. At just under €9.8 million, net interest income was lower than in the previous year. This figure includes an interest expense of approximately €0.7 million for the discounting of long-term provisions.

Individual asset administration and management was influenced by the positive trends on the international capital markets especially in the second half of the year. Bankhaus Hallbaum also benefited from this performance. Direct client targeting, the careful selection of attractive capital market products and successful portfolio management in the area of asset management enabled the bank to achieve good results. Overall, net fee and commission income rose to €7.74 million.

As planned, ordinary expenses were slightly up on the previous year's figure, at €12.9 million. Against this backdrop, the ordinary partial operating result reached €4.7 million.

Following the recognition of loan loss provisions and the legally required remeasurement of pension provisions, an amount of €3.15 million was therefore available for profit transfer to the parent bank for fiscal 2010.

With risk limited as far as possible and manageable cost structures, we expect Bankhaus Hallbaum to continue to perform well in fiscal 2011 and 2012, with results in line with this year's level.

Bankhaus Carl F. Plump & Co. GmbH & Co. KG

The core business activities of Bankhaus Carl F. Plump & Co. are asset management and specialist asset advisory services for private clients and institutional investors, regionally based lending in the Bremen area for selected clients and the foreign documentary and non-documentary business that the bank has conducted for many years. In addition to its headquarters in Bremen, Bankhaus Plump has a representative office in Oldenburg. The bank does not offer standardized retail banking.

*Traditional banking
in Bremen*

The net interest income generated in fiscal 2010 was weighed down by the overall unusually low level of interest rates. Net interest income therefore failed to meet expectations. In contrast, net fee and commission income exceeded both the prior-year and the forecast figure, with the foreign documentary and non-documentary business in particular generating healthy revenues. The results from foreign currency trading were also significantly higher than expected.

*Foreign business
prosperes*

The remeasurement of the lending portfolio had no impact. The expense items were in line with the budget, resulting in a net profit for the year.

We expect the bank to continue to perform well in 2011 with restrained net interest income and thriving net fee and commission income.

Bankhaus LÖbbecke AG

This bank, which was founded in 1761, provides discreet, personal assistance and an extensive product and service offering in the historic banking district in central Berlin and at its headquarters in Braunschweig. Demand for the services of private banks is also growing in eastern Germany and Bankhaus LÖbbecke is responding to this, opening a new office in Dresden in 2010. It generated positive results in its three main activities, private banking, corporate banking and the KreditService offering, which provides workout services for distressed debt receivables for third parties, among other things.

*250th anniversary
celebrated in 2011*

New office in Dresden

In private banking, Bankhaus LÖbbecke AG acquired prestigious new clients for its asset management and investment advisory services and substantially increased the volume of assets under management.

The strategy of keeping credit lines open to both private and corporate clients has proven its worth and is generating numerous business opportunities for the bank across the board. In the area of real estate finance, it continued to work closely and successfully together with its sister institution M.M. Warburg & CO Hypothekbank AG.

The bank's KreditService successfully supports a number of clients and increased the volume under management to over €1.2 billion. Additional attractive business opportunities are being developed and the range of services on offer is being expanded. Clients include banks and financial investors in Germany and abroad. Bankhaus LÖbbecke generated net income before taxes of €0.5 million.

Expansion of service offering in eastern Germany

Bankhaus LÖbbecke intends to extend its business base in its established business areas and in eastern Germany by targeting private and corporate clients. In doing so, it aims to benefit from its unique position as a private bank headquartered in eastern Germany and the reopened office in Dresden. The bank will celebrate its 250th anniversary in May 2011. It is one of the oldest private banks in Germany.

MARCARD, STEIN & CO AG

Investment philosophy aimed at value preservation

Marcard, Stein & Co specializes in providing an end-to-end management service for large family assets. By positioning itself as a family office bank, it is able to distinguish itself successfully from the numerous competitors now entering this market. Complex family assets are managed by its Strategic Family Office, while the Operating Family Office is devoted to partial assets belonging to private clients. In both areas, the bank pursues a uniformly conservative investment philosophy aimed at value preservation. In the year under review, Marcard, Stein & Co further stabilized its position as a family office bank.

Our mandates were able to profit from the performance of the equity markets during the reporting period and enjoy positive returns, thanks to the well-timed increase in equity weightings.

Successful management of individual real estate transactions

The area of private real estate portfolio management also recorded a number of notable specific transactions, with successful sales and acquisitions of direct and indirect real estate assets recorded. In the area of individual real estate investment the bank was involved in a successful sale through a club deal, which was also the third-largest real estate transaction in Germany (€230 million). The real estate team also advised a third-party institutional client on the management of a large real estate fund of funds in Germany, which was successful despite a difficult market environment, climbing to a leading position among its peers. The management team received a prestigious award for these services. Owing to the high level of demand for real estate investments and a solid fundamental market, real estate management is set to continue performing well in 2011.

Our financial control services for equity investments were also expanded and strengthened for family office clients during the reporting period. In addition to the family office, the bank also operates as a paying agent for international investment funds. The client base in this segment comprises around 230 funds.

Overall, Marcard, Stein & Co can look back on a good fiscal year. Net income for the period was up on the previous year's figure at €3.7 million. The market position as a family office bank will continue to be expanded in 2011. We expect to see stronger demand in this area.

Schwäbische Bank AG

With its clear focus on providing personal client advice and assistance, Schwäbische Bank AG has been setting itself apart from its competitors in the Stuttgart banking center for decades. As a regionally focused bank based in the Königsbau building in the heart of Stuttgart, its core geographical market is the Central Neckar region. However, it is increasingly serving affluent private clients throughout Germany.

*Expertise in the heart
of Stuttgart*

Its core competency lies in asset advisory services and asset management, as well as advising private clients and middle-market companies on financing solutions.

Its high level of organizational flexibility and streamlined decision-making processes mean that the bank is able to successfully perform the complex tasks required by private and corporate clients. The result is individual advice and support that is tailored to clients and their requirements and meets the high quality standards of both the bank and the client.

A relatively new business area is the issue of prepaid Mastercards by Schwäbische Bank. The bank, which was still a pioneer in this area in 2006, has now issued around 18,000 prepaid cards together with a cooperation partner (as of December 31, 2010). This represents a year-on-year increase of 20%.

After a difficult 2009 as a result of the financial and economic crisis, Schwäbische Bank's net interest income and net fee and commission income recovered in 2010. However, they have not yet returned to pre-crisis levels.

Net income of €600 thousand was generated in 2010. Owing to individual non-recurring factors and the remeasurement in the lending business, net income was lower than in the previous year.

Schwäbische Bank's capital base is above average compared with the rest of the sector. Its Tier 1 capital ratio of 15.5 % as of December 31, 2010 was well above the regulatory minimum. The more stringent capital requirements under Basel III were therefore also satisfied.

*Expansion of
long-standing client
relationships*

Schwäbische Bank's goal for fiscal 2011 is to improve on the results achieved in the previous year. We believe that the bank's strategy of focusing in particular on providing high quality advice, enhancing its on-balance sheet business and fee and commission business, and building on existing client relationships, will prove to be the right choice in 2011. The platform for this will be Schwäbische Bank's long-standing relationships with clients, its expert and dedicated employees, and the synergies it is able to leverage as a member of the Warburg Banking Group.

M.M. Warburg & CO Hypothekbank AG

Despite the situation triggered by the sovereign debt crisis, our mortgage bank performed well in fiscal 2010.

*Considerable growth
in real estate finance*

At €250 million, our mortgage bank's real estate loan approvals were significantly higher than in the previous year and higher than planned. The client base was further expanded through the establishment of new business relationships. Our strategy of concentrating on providing tailored finance in Germany's metropolitan areas above and beyond that offered in the standardized mass-market business has again proven to be the right one. Once again, only in exceptional cases were specialty finance solutions provided and activities pursued abroad. An encouraging factor is that the risk position remained unproblematic. No significant valuation allowances were recognized. Real estate finance volumes grew further and stood at more than €1.2 billion as of December 31, 2010.

As it was still difficult to refinance using ship Pfandbriefe, no new shipping loans were approved and the volume was reduced from €73 million to €32 million. Municipal lending is not a significant element of our mortgage bank's business, since there are currently no opportunities for major new exposures in this area with appropriate risk levels. The significant increase in approvals from €6 million in the previous year to €47 million in 2010 is solely attributable to the maintenance of the cover pools.

*Pfandbriefe as a solid
refinancing basis*

Pfandbriefe are the mortgage bank's main means of refinancing, making it possible obtain refinancing for transactions with matching maturities. Demand, particularly for low-volume registered mortgage Pfandbriefe, met the needs of the real estate finance business. An encouraging trend is that, unlike in previous years, significant amounts of unsecured funds were also able to be placed.

Accompanying the expansion of real estate lending, our mortgage bank increased its income compared with the previous year (€3.85 million) to €4.3 million.

Despite the additional capital requirements under the new regulatory regime, we are upbeat about the further development of the bank.

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH

As of July 1, 2010, Warburg Invest Kapitalanlagegesellschaft mbH relocated its business activities from Frankfurt to Hamburg. The focus of the business is still portfolio management and the marketing of retail and special funds, as well as discretionary financial portfolio management mandates.

Focus on selected investment themes

In 2010, the company participated in the recovery of the sector as a whole, registering growth of €350 million (+11.4%). It is responsible for over one hundred mandates totaling €3.4 billion, with retail funds accounting for almost €1.4 billion and special funds for €1.6 billion. Investment companies not affiliated with the Group have outsourced portfolio management of individual segments of a total of six special funds to Warburg Invest.

The significantly improved economic environment during the year and investors' lower risk assessment influenced performance in 2010.

The behavior of institutional investors is still being influenced by regulatory issues that aim to increase investment strategy transparency and put the focus more firmly on counterparty, issuer and liquidity risk. We experienced greater demand for absolute return products. Most of our mandates were in the area of new multi-asset solutions.

Risk management expertise in high demand

In the retail funds segment, the volume increased year-on-year. Inflows of funds from a series of successful label products as well as asset classes managed by the bank itself contributed to this. The best-performing products were the Warburg Value Fund, which was named the best global equity fund 2010, and the Nestor Osteuropa equity fund.

WARBURG INVEST LUXEMBOURG S.A.

Our Luxembourg-based investment company Warburg Invest Luxembourg S.A. has established itself as a provider of investment administration and structuring services and has an extensive service offering covering the launch and management of retail and special funds, as well as central administration for the full spectrum of Luxembourg-based investment vehicles. Its activities are aimed in particular at complex securities funds and specialty funds focused on investments in alternative asset classes. Here, the company

Administration of complex investment structures

boasts expertise in the administration of private equity structures as well as in the provision of investment fund solutions for family offices.

*UCITS structures
take the lead*

The Luxembourg financial center saw significant interest in the launch of specialist investment funds during the reporting period, while the number of UCITS (investment fund structure under EU law) remained practically unchanged year-on-year. The net asset value of the investment funds managed in Europe's largest fund center returned to pre-crisis levels for the first time in the fourth quarter of 2010. UCITS structures accounted for more than 80% of the total volume. At Warburg Invest Luxembourg, too, demand for new vehicles centered on investment solutions under the new law for specialist investment funds. We also won new administration mandates for existing UCITS. This generated net inflows of funds of more than €830 million. The volume under management distributed over more than 100 mandates rose by more than 20 % to €8.9 billion in 2010.

Warburg - Henderson Kapitalanlagegesellschaft für Immobilien mbH

Warburg – Henderson Kapitalanlagegesellschaft für Immobilien mbH, in which we hold a 50% equity interest, strengthened its market position as a specialist for pan-European real estate funds in 2010 and is now one of the largest providers of German real estate special funds.

The real estate sector slowly recovered from the crisis in 2010. The economic outlook is generally positive and there are clear signs of rental growth and recovering purchase prices, particularly in prime locations in major European cities. With transactions in Austria, Belgium, France, Germany, Spain and the UK amounting to around €700 million, Warburg – Henderson KAG has demonstrated that it consistently leverages opportunities on the European real estate markets.

The company was also very successful on the sales side in 2010, raising capital totaling €600 million. New investors included a major German insurance group with a pan-European individual fund mandate. This new mandate highlights Warburg – Henderson KAG's position as a specialist in pan-European portfolio management.

*New funds:
Warburg – Henderson
Österreich Fonds Nr. 2*

The foundations for the launch of a new product, Warburg – Henderson Österreich Fonds Nr. 2, were also laid in 2010. Like its predecessor, Warburg – Henderson Österreich Fonds Nr. 1, the fund invests in commercial real estate in Austria. The fund is equally balanced between office buildings in Vienna and retail properties across the country. The fund launch is planned for the first quarter of 2011.

2010 was the second fiscal year of IntReal International Real Estate Kapitalanlagegesellschaft mbH, a wholly owned subsidiary of Warburg – Henderson KAG. As an investment services provider, the company concentrates on real estate fund administration and enables domestic and foreign companies to use funds under German investment law.

*IntReal ends a
successful fiscal year*

Following the issue of the first fund at the end of 2009, four further fund mandates were implemented last year. IntReal administers real estate funds for Pradera – AM PLC, DIC Deutsche Immobilien Chancen AG, BEOS GmbH and the Warburg Group company INDUSTRIA Bau- u. Vermietungsgesellschaft mbH, among others. The real estate funds under management amounted to €500 million as of December 31, 2010. The outlook for 2011 is positive and preparations are being made for further fund launches.

Warburg Alternative Investments AG

With its headquarters in Zurich and an office in Hamburg, Warburg Alternative Investments AG, in which we hold a majority interest, maintained its successful positioning in German-speaking Europe.

Warburg Alternative Investments (WAI) is a specialist service provider for alternative investments, focusing in particular on private equity and hedge fund concepts for institutional clients.

*Private equity and
hedge fund concepts*

As in previous years, the company made a positive contribution to Group earnings in 2010.

In addition to its existing established products, WAI will drive forward the further diversification of its product portfolio, taking particular account of investors' desire for greater transparency and higher liquidity.

The company's management expects the business to be profitable again in fiscal 2011.

Employees

As an independent private bank providing tailored services to discerning clients, we can offer our employees a wide variety of tasks.

In the banking business, our operating environment is characterized by the stringent regulatory requirements applicable to the performance of our work on the one hand and the highly individual and demanding requirements of our clients on the other. Key criteria when selecting new employees therefore include the ability to think independently, critically and constructively, as well as a diligent approach to work. We ensure that our employees fit in well with Warburg's corporate culture and the needs of our clients. In addition to directly recruiting professionals, we offer internships for students as well as vocational training as bank clerks. We have further developed our trainee program. Every year, we now offer up to eight management trainees – recent graduates, in some cases with limited professional experience – the chance to participate in comprehensive, yet customized training programs. We take a generalist approach in our training, encouraging our trainees to think outside the box.

We maintained the cautious recruiting policy of the past few years. At the end of 2010, the Warburg Banking Group had 1,106 employees, 26 more than in 2009 (+ 2.4%). At M.M. Warburg & CO itself, the workforce declined slightly from 458 to 456. In December 2010, M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA employed a total of 1,889 people (previous year: 1,720). This above-average rise is attributable to the inclusion of subsidiaries of Degussa Bank GmbH in the employee numbers (93 employees) and the growth of Degussa Bank GmbH itself (2010: 690 employees; previous year: 640).

Age distribution was balanced and the average age of the workforce was 42.78 years. Given the average length of service of 11.37 years, we are able to rely on our employees' many years of experience. The turnover rate (employee resignations) was 2.39% (previous year: 1.55%), and thus in line with the sector average. At 4.84%, the rate of illness-related absence was slightly higher than in the previous year (4.68%). Adjusted for long-term sickness, the rate of illness-related absence was 2.53% (previous year: 2.88%).

As a matter of principle, our remuneration systems do not grant employees claims to variable remuneration that is linked to the extent to which they achieve quantitative or qualitative goals. The variable component of total remuneration is relatively low. We implemented the requirements of the Instituts-Vergütungsverordnung (German Remuneration Regulation for Institutions), which entered into force in October 2010.

We continued to invest in the professional development of our employees, focusing on individual career development rather than standardized career path models. Internal seminars play a major role in our professional development offering.

We would like to thank our employees warmly for their hard work last year. Their identification with our principles and their actions in line with them play a major role in our Bank's continued success. In particular, we would like to thank the members of the Works Council for their consistently cooperative, open and constructive partnership.

Report of the Supervisory Board
of
M.M. Warburg & CO KGaA



The general partners informed the Supervisory Board regularly and in a timely manner on the position and business development of the Bank. The Supervisory Board performed the duties assigned to it by law and the Articles of Association. Between the meetings, the Spokesman for the General Partners notified the Chairman of the Supervisory Board of key developments and decisions.

At its three meetings during 2010, held together with the Shareholders' Committee, the Supervisory Board received detailed reports from the general partners on the Company's position, key issues concerning business policy and other important matters, and took decisions on the items of business presented to it for approval.

In addition to the development of current business, it discussed in particular issues relating to business policy, strategy and important individual transactions, the acquisition of certain equity investments and other assets, regulatory requirements (Basel III, etc.) and the effects of the growing sovereign debt levels in Europe on the Bank and its subsidiaries.

The annual financial statements and the management report for fiscal year 2010 were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, and found to be in accordance with the applicable statutory provisions. An unqualified audit opinion was issued.

The annual financial statements and the auditors' report on the audit of the annual financial statements were made available to the Supervisory Board prior to its meeting on April 14, 2011. The Supervisory Board took note of and approved the findings of the audit.

The auditor responsible participated in the discussions on the annual financial statements and the management report.

The management report and annual financial statements as of December 31, 2010 prepared by the general partners were examined by the Supervisory Board. The Supervisory Board did not raise any objections. Based on the results of its examination, the Supervisory Board approved the annual financial statements.

The Supervisory Board wishes to thank the partners and all the employees of the Bank for their work over the past fiscal year.

Hamburg, April 14, 2011

The Supervisory Board
– Chairman –



**Condensed Annual Financial Statements
of M.M. Warburg & CO KGaA
as of December 31, 2010**

The full annual financial statements and the management report of M.M. Warburg & CO Kommanditgesellschaft auf Aktien, Hamburg, for the fiscal year from January 1, 2010 to December 31, 2010 were granted an unqualified audit opinion by BDO AG Wirtschaftsprüfungsgesellschaft, which was signed in Hamburg on March 18, 2011. The documents were published in the electronic *Bundesanzeiger* (German Federal Gazette).

EQUITY AND LIABILITIES	€	€	€	Previous year € thou.
1. Liabilities to other banks				
a) payable on demand		119,471,569.60		311,691
b) with agreed maturities or periods of notice		915,353,181.13		1,390,779
			1,034,824,750.73	
2. Liabilities to customers				
a) Savings deposits				
aa) with agreed periods of notice of three months	7,933,141.26			8,907
ab) with agreed periods of notice of more than three months	41,176,190.45	49,109,331.71		8,821
b) Other liabilities				
ba) payable on demand	1,025,690,853.85			968,579
bb) with agreed maturities or periods of notice	1,458,156,994.69	2,483,847,848.54		1,272,912
			2,532,957,180.25	
3. Securitized liabilities				
a) Bonds issued		0.00		0
b) Other securitized liabilities		0.00	0.00	0
of which: money market securities	€ 0.00			(0)
own acceptances and promissory notes outstanding	€ 0.00			(0)
3a. Trading portfolio			76,147,566.54	0
4. Fiduciary liabilities			32,472,193.97	18,712
of which: fiduciary loans	€ 19,244,193.97			(5,484)
5. Other liabilities			136,356,084.91	160,759
6. Deferred income			501,355.24	192
6a. Deferred tax liabilities			0.00	0
7. Provisions				
a) Provisions for pensions and similar obligations		21,782,238.00		21,102
b) Provisions for taxes		1,183,727.49		1,184
c) Other provisions		10,478,426.55		21,950
			33,444,392.04	
8. (repealed)			0.00	0
9. Subordinated liabilities			54,612,918.81	54,613
10. Profit participation capital			10,000,000.00	15,113
of which: maturing in less than two years	€ 0.00			(5,113)
11. Fund for general banking risks			770,488.57	12,000
of which: special reserve (HGB s. 340e)	€ 770,488.57			(0)
12. Equity				
a) aa) subscribed capital		100,000,000.00		100,000
ab) contributions by silent partners		25,000,000.00	125,000,000.00	25,000
b) Capital reserves			135,000,000.00	135,000
c) Revenue reserves				
ca) legal reserve	0.00			0
cb) reserve for shares in a parent or majority investor	0.00			0
cc) reserves provided for by the articles of association	0.00			0
cd) other revenue reserves	15,000,000.00	15,000,000.00		0
d) Net retained profits			26,663.40	27
			275,026,663.40	
Total equity and liabilities			4,187,113,594.46	4,527,341

	€	€	Previous year € thou.
1. Contingent liabilities			
a) Liabilities on endorsed bills settled with customers		0.00	0
b) Liabilities from guarantees and indemnities		62,197,230.02	99,389
c) Liabilities from the granting of security for third-party liabilities		0.00	0
			62,197,230.02
2. Other commitments			
a) Repurchase agreements under sales with an obligation to repurchase		0.00	0
b) Placement and underwriting commitments		4,942,980.52	1,650
c) Irrevocable loan commitments		302,685,374.42	300,134
			307,628,354.94

Income Statement for the Period January 1 to December 31, 2010

EXPENSES	€	€	€	Previous year € thou.
1. Interest expense			88,686,884.68	127,880
of which: interest on unwinding of discount on provisions for personnel expenses	€ 1,095,004.00			(0)
2. Fee and commission expense			7,875,823.00	6,450
3. Net trading expense ¹⁾			0.00	0
4. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	37,391,294.46			35,391
ab) Social security, post-employment and other employee benefit expenses	6,243,394.16	43,634,688.62		7,014
of which: post-employment benefit expenses	€ 1,618,201,86			(2,528)
b) Other administrative expenses		23,693,927.52		24,451
			67,328,616.14	
5. Amortization and writedowns of intangible fixed assets and depreciation and writedowns of tangible fixed assets			2,970,350.45	2,702
6. Other operating expenses, including profit-related distributions to managing partners			7,623,992.81	10,296
7. Writedowns of and allowances on loans and advances and certain securities and additions to loan loss provisions			14,770,054.01	8,357
8. Additions to the fund for general banking risks			0.00	5,000
9. Writedowns of and allowances on shares in other investees and investors, shares in affiliated companies and securities classified as fixed assets			4,378,931.26	0
10. Cost of loss absorption			5,327,494.39	5,208
11. (repealed)			0.00	0
12. Extraordinary expenses			733,372.45	0
13. Taxes on income			0.00	397
14. Other taxes not included in item 6			83,270.32	91
15. Profits transferred under profit pooling, profit transfer, or partial profit transfer agreements			50,637,272.13	60,912
16. Net income for the year			15,000,000.00	0
Total expenses			265,416,061.64	294,149

Footnote

¹⁾ Previous year: Net financial expense/Net financial income

INCOME	€	€	Previous year € thou.
1. Interest income from			
a) lending and money market operations	111,648,857.90		131,096
b) fixed-income securities and registered government debt	24,773,874.85		43,485
		136,422,732.75	
2. Current income from			
a) equities and other variable-rate securities	1,973,848.97		716
b) shares in other investees and investors	2,371,537.93		1,955
c) shares in affiliated companies	9,094,512.83		9,277
		13,439,899.73	
3. Income from profit pooling, profit transfer, or partial profit transfer agreements		11,734,374.92	15,125
4. Fee and commission income		76,314,122.20	57,491
5. Net trading income ¹⁾		6,934,397.12	25,185
6. Income from the reversal of writedowns of and allowances on loans and advances and certain securities and the reversal of loan loss provisions		0.00	0
7. Withdrawals from the fund for general banking risks		12,000,000.00	0
8. Income from the reversal of writedowns of and allowances on shares in other investees and investors, shares in affiliated companies and securities classified as fixed assets		0.00	1,077
9. Other operating income		7,933,401.96	8,742
10. (repealed)		0.00	0
11. Extraordinary income		637,132.96	0
12. Income from loss absorption		0.00	0
13. Net loss for the year		0.00	0
Total income		265,416,061.64	294,149
	€	€	Previous year € thou.
1. Net income for the year		15,000,000.00	–
2. Retained profits brought forward from the previous year		26,663.40	27
		15,026,663.40	27
3. Accumulated losses brought forward from the previous year		0.00	0
		15,026,663.40	27
4. Withdrawals from capital reserves		0.00	0
		15,026,663.40	27
5. Withdrawals from revenue reserves			
a) from the legal reserve	0.00		0
b) from the reserve for treasury shares	0.00		0
c) from reserves provided for by the articles of association	0.00		0
d) from other revenue reserves	0.00		0
		0.00	
		15,026,663.40	27
6. Withdrawals from profit participation capital		0.00	0
		15,026,663.40	27
7. Transfers to revenue reserves			
a) to the legal reserve	0.00		0
b) to the reserve for treasury shares	0.00		0
c) to reserves provided for by the articles of association	0.00		0
d) to other revenue reserves	15,000,000.00	15,000,000.00	0
		26,663.40	27
8. Replenishment of profit participation capital		0.00	0
9. Net retained profits		26,663.40	27

Notes to the annual financial statements

The annual financial statements of M.M.Warburg & CO KGaA for fiscal year 2010 have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) in conjunction with the *Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* (RechKredV – German Accounting Regulation for Banks). Comparability with the previous year is limited due to the initial application of the provisions modified by the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act) (Art. 67(8) of the Introductory Act to the HGB – EGHGB). The prior-year amounts were not adjusted. The provisions of German stock corporation law were complied with.

The annual financial statements of the Company are included in the consolidated financial statements of M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA, Hamburg. The consolidated financial statements are filed with and published by the operator of the electronic *Bundesanzeiger* (German Federal Gazette).

Accounting policies

The accounting policies were largely taken over unchanged or adapted to the changes in the legal provisions.

Receivables

Loans and advances to other banks and to customers are recognized at their nominal amount or at cost and reduced by valuation allowances if necessary. Any differences between the nominal amount and the amount paid out are reported under prepaid expenses or deferred income and amortized. The measurement of receivables contained in trading portfolios is described in the separate “Trading activities” section.

Securities

The measurement of bonds and other fixed-income securities, as well as of equities and other variable-rate securities, that are held for trading is described in the separate “Trading activities” section.

Bonds and other fixed-income securities designed to be held for the long term are accounted for as financial assets using the strict principle of lower of cost or market value in accordance with section 253(1) and (3) of the HGB. This means that they are written down even if impairment is expected to be other than permanent.

If bonds and other fixed-income securities are neither designed to serve the business operations for the long term nor allocated to the trading portfolio, they are accounted for as current assets and recognized at the lower of cost or quoted market price or fair value using the strict principle of lower of cost or market value in accordance with section 340e(1) sentence 2 of the HGB in conjunction with section 253(4) of the HGB.

Equities and other variable-rate securities that are not part of the trading portfolio are measured using the same principles.

Trading activities

Financial instruments in the trading portfolio are measured at their risk-adjusted fair value in accordance with section 340e(3) sentence 1 of the HGB. In accordance with the provisions of section 340e(4) of the HGB, 10% of the net trading income is transferred to a separate account in the “fund for general banking risks” special reserve within the meaning of section 340g of the HGB. The special reserve in accordance with section 340e(4) sentence 2 of the HGB may be released to offset net trading expense or if it exceeds 50% of the average net trading income for the past five years.

The combined trading portfolios and contracts are measured at market prices and – if the result is a positive measurement surplus – reduced by the portfolio value at risk calculated in accordance with mathematical models (VaR allowance based on a 10-day holding period and a 99% confidence level) or increased in the case of a negative measurement surplus.

Hedge accounting

Hedged items (assets, liabilities, or executory transactions) are combined with hedging instruments to hedge offsetting changes in fair value or cash flows from the occurrence of comparable risks. The general measurement principles are not applied to hedges to the extent that, and for as long as, the changes in fair value or cash flows are offset.

Shares in other investees or investors, shares in affiliated companies, tangible fixed assets, and intangible fixed assets

Shares in other investees or investors and shares in affiliated companies are carried at the lower of cost or – in the event of impairment – fair value in accordance with the option set out in section 340e(1) sentence 3 of the HGB in conjunction with section 253(3) sentence 4 of the HGB. Write-downs of securities, shares in other investees or investors and shares in affiliated companies are reversed in accordance with the requirement to reverse write-downs (section 253(5) of the HGB). Expenses from write-downs were offset against income from reversals of write-downs in accordance with section 340c(2) of the HGB.

Tangible fixed assets and purchased intangible fixed assets are carried at cost less any depreciation or amortization, which is recognized on a straight-line basis using the rates permitted by the tax rules. Write-downs are recognized if impairment is expected to be other than temporary. Low-value assets costing up to €150 are written off in full in the year of their acquisition. Assets costing between €150 and €1,000 are depreciated or amortized on a straight-line basis over five years (pooled item).

Other assets are measured at the lower of cost or market.

Liabilities

Liabilities are recognized at their settlement or nominal amount. Bonds and similar liabilities issued at a discount are recognized at their present value.

Provisions

Provisions for pensions and similar obligations are measured at the settlement amount calculated using the projected unit credit method on the basis of biometric probabilities in accordance with the 2005G mortality tables published by Prof. Dr. Heubeck. Expected future salary and pension increases are reflected in the calculation of the present value of the accumulated benefit obligation. The interest rate published by the Deutsche Bundesbank for a remaining maturity of 15 years is used to discount the obligation.

The option to allocate the additions to pension provisions required by the transition to the BilMoG over the period up to December 31, 2024 has not been exercised. The entire amount of the additions was recognized directly in the income statement.

Provisions for taxes and other provisions that are either provisions for uncertain obligations or for expected losses from executory contracts are recognized in compliance with section 253(1) of the HGB in accordance with the principles of prudent business judgment and reflect expected future price and cost increases. Material provisions with a remaining maturity of more than one year are discounted at the average market rate of interest of the past seven financial years corresponding to their maturity, as calculated and published by the Deutsche Bundesbank.

Loan loss provisions

Loan loss provisions comprise valuation allowances and provisions for all identifiable credit and country risks, for expected default risks and the provision for general banking risks. Provisions are recognized in the amount of expected losses for credit risks in accordance with conservative policies.

The transfer risk for loans to borrowers domiciled in third countries (country risk) is measured on the basis of a rating system that reflects the economic, political and regional situation. Provisions are recognized for cross-border exposures involving certain countries in accordance with conservative policies.

Global valuation allowances are recognized in accordance with the principles of commercial law to reflect expected default risks.

Currency translation

Currency translation follows the principles set out in section 340h of the HGB. Assets and liabilities denominated in foreign currencies were translated at the ECB reference rates prevailing at the closing date. Currency forwards are translated at the forward rate at the reporting date. For transactions that are specifically covered in the same currency, gains and losses in the currency concerned are offset. Assets denominated in foreign currencies and classified as fixed assets that are not specifically covered in the same currency are recognized at historical cost. Other assets and liabilities denominated in foreign currencies as well as unsettled spot transactions are translated at the ECB reference date at the reporting date.

Notes to the balance sheet

Maturity structure

The maturity structure of loans and advances not payable on demand is outlined in the following tables:

Residual terms

Balance sheet item 3 b: Other loans and advances to other banks	Dec. 31, 2010	Dec. 31, 2009
	€ thou.	€ thou.
with residual terms of		
a) up to three months	105,922	252,710
b) more than three months to one year	95,619	123,410
c) more than one year to five years	277,586	183,232
d) more than five years	134,760	51,953
Total:	613,887	611,305
Balance sheet item 4: Other loans and advances to customers	Dec. 31, 2010	Dec. 31, 2009
	€ thou.	€ thou.
with residual terms of		
a) up to three months	998,585	1,001,068
b) more than three months to one year	148,610	245,530
c) more than one year to five years	137,708	98,506
d) more than five years	35,834	46,555
Total:	1,320,737	1,391,659
of which undated	201,551	144,903
Balance sheet item 5: Bonds and other fixed-income securities	Dec. 31, 2010	Dec. 31, 2009
	€ thou.	€ thou.
of which due in 2011:	327,518	648,351

Analysis of marketable securities

Balance sheet items		listed		unlisted	
		Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Balance sheet item 5	Bonds and other fixed-income securities	1,031,494	1,322,876	6,442	107,586
Balance sheet item 6	Equities and other variable-rate securities	190,614	10,228	230	10,289
Balance sheet item 7	Shares in other investees and investors	2,434	2,434	10,920	10,920
Balance sheet item 8	Shares in affiliated companies	–	–	183,453	194,331

Fiduciary assets

Of the fiduciary assets in the amount of €32,472 thousand (€18,712 thousand), €19,244 thousand (€5,484 thousand) was attributable to fiduciary loans and €13,228 thousand (€13,228 thousand) to other investees and investors.

Statement of changes in fixed assets

Statement of changes in fixed assets in € thou.	Balance at Jan. 1, 2010	Historical cost Reversals of write-downs				Depreciation, amortization and write-downs		Carrying amounts as of Dec. 31, 2010	Carrying amounts as of Dec. 31, 2009
		Additions	Previous year	Disposals	Reversals of write-downs	Cumulative	Current year		
Intangible fixed assets	30,091	986	–	–	–	28,797	1,089	2,280	2,383
Tangible fixed assets	86,160	698	–	97	–	45,896	1,881	40,865	42,135
Shares in other investees and investors	Changes 10,564							33,325	22,761
Shares in affiliated companies	195							219,045	218,850
Long-term securities	158,456							384,988	226,532

Amounts have been aggregated as permitted by section 34(3) of the RechKredV.

Tangible fixed assets

At the reporting date, tangible fixed assets included owner-occupied land and buildings in the amount of €37,347 thousand (€35,469 thousand). €3,518 thousand (€3,713 thousand) relates to operating and office equipment. As in the previous year, there were no payments on account attributable to assets and assets under construction.

Long-term financial assets

The Bank's securities portfolio is composed of fund units and fixed-income securities.

Trading portfolio

Trading portfolio	Dec. 31, 2010
Assets	€ thou.
Bonds and other fixed-income securities	17,990
Equities and other variable-rate securities	10,363
Derivative financial instruments	81,131
	109,484

The fair value of the trading portfolio was measured on the basis of current market prices at the reporting date because all items in the portfolio were traded in active markets. A value-at-risk allowance of approximately €1,026 thousand was deducted from the trading portfolio (€109,484 thousand), resulting in a carrying amount of €108,458 thousand.

Trading portfolio	Dec. 31, 2010
Liabilities	€ thou.
Liabilities	3,267
Derivative financial instruments	72,881
	76,148

Other assets

This item includes collateral relating in particular to the securities business in the amount of €53,140 thousand (€31,620 thousand) and receivables relating to allocation account balances due from affiliated companies and other investees and investors in the amount of €30,237 thousand (€24,552 thousand). It also contains current tax receivables amounting to €47,186 thousand (€48,685 thousand). There were no other assets due from the derivatives business at the reporting date (€2,385 thousand).

Prepaid expenses and deferred income

As in the previous year, there were no prepaid expenses in accordance with section 250(3) of the HGB. Prepaid expenses in accordance with section 340e(2) of the HGB amounted to €748 thousand (€305 thousand). Deferred income in accordance with section 340e(2) of the HGB amounted to €114 thousand (€192 thousand).

Subordinated assets

Subordinated assets are included in the following items in the amounts given: loans and advances to other banks: €35,390 thousand (€34,250 thousand); loans and advances to customers: €6,770 thousand (€6,592 thousand); bonds and other fixed-income securities: €14,794 thousand (€15,322 thousand); and equities and other variable-rate securities: €5,339 thousand (€5,717 thousand).

Repurchase agreements

The carrying amount of assets reported in the balance sheet and sold under repurchase agreements of €154,294 thousand (€154,889 thousand) was exclusively attributable to securities transferred under repo transactions.

Maturity structure

The maturity structure for liabilities not payable on demand is outlined in the following tables.

Residual terms

Balance sheet item 1 b: Liabilities to other banks	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
with residual terms of		
a) up to three months	679,836	650,700
b) more than three months to one year	201,810	714,830
c) more than one year to five years	31,273	22,599
d) more than five years	2,434	2,650
Total:	915,353	1,390,779

Balance sheet item 2a) ab): Savings deposits	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
with residual terms of		
a) up to three months	3,367	1,043
b) more than three months to one year	33,268	5,192
c) more than one year to five years	4,519	2,569
d) more than five years	22	17
Total:	41,176	8,821

Balance sheet item 2b) bb): Other liabilities to customers	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
with residual terms of		
a) up to three months	1,099,606	1,006,157
b) more than three months to one year	99,896	186,350
c) more than one year to five years	72,700	34,750
d) more than five years	185,955	45,655
Total:	1,458,157	1,272,912

Fiduciary liabilities

Of the fiduciary liabilities in the amount of €32,472 thousand (€18,712 thousand), €19,244 thousand (€5,484 thousand) was attributable to fiduciary loans.

Other liabilities

This balance sheet item contains liabilities under structured products of €42,177 thousand (€50,110 thousand), security received of €6,030 thousand (€18,220 thousand) and payment commitments to affiliated companies and other investees and investors of €5,327 thousand (€2,941 thousand). Liabilities to the German tax authorities amounted to €2,115 thousand (€2,623 thousand). There were no liabilities from short positions in securities in the reporting period (€191 thousand). Other liabilities also include the net income for the year under review of €50,637 thousand (€60,912 thousand) to be transferred to M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA under the control and profit and loss transfer agreement dated December 5, 2007. In addition, this item comprises profit-related compensation and the distribution on profit participation capital for 2010.

Provisions

Pensions and similar obligations

The principal parameters applied as of December 31, 2010 are: The “2005 G mortality tables” published by Klaus Heubeck were used as the basis for the biometric calculations.

Discount rate p.a.	5.15 %
Defined benefit trend (e.g., salary) p.a.	1.50 %
Pension trend p.a.	1.25 %
Staff turnover p.a.	4.40 %

The additions resulting from initial application of the BilMoG were recognized in the income statement in the reporting period. The option to allocate the additions over the period up to December 31, 2024 was not exercised.

The other provisions totaling €10,478 thousand (€21,950 thousand) are attributable to expected losses from currency forwards of €0 thousand (€5,881 thousand), profit-related remuneration paid to employees of €6,700 thousand (€6,080 thousand) and loan loss provisions of €1,292 thousand (€6,635 thousand).

Subordinated liabilities

The Bank incurred interest expenses of €3,149 thousand (€2,694 thousand) in the reporting period. The subordinated liabilities totaling €54,613 thousand (€54,613 thousand) can be broken down by maturity as follows:

Amount in €	Currency	%	Maturity	Early repayment obligation
5,112,919	EUR	7.000	Jan. 30, 2012	Not possible
7,500,000	EUR	6.000	Nov. 30, 2013	Not possible
8,500,000	EUR	4.400	Jan. 28, 2015	Not possible
6,500,000	EUR	4.400	Jan. 28, 2015	Not possible
2,000,000	EUR	7.000	July 3, 2018	Not possible
5,000,000	EUR	7.000	July 3, 2018	Not possible
10,000,000	EUR	5.750	May 13, 2019	Not possible
10,000,000	EUR	6.100	May 27, 2019	Not possible

The terms and conditions for all subordinated liabilities comply with the provisions of section 10(5a) of the *Kreditwesengesetz* (KWG – German Banking Act). Conversion into capital or another form of debt has not been agreed.

Profit participation capital

The issued profit participation capital, reported in the amount of €10,000 thousand (€15,113 thousand), complies with the provisions of section 10(5) of the KWG. €947 thousand (€947 thousand) of the distribution for 2010, which totaled €947 thousand (€1,088 thousand), is reported under other liabilities.

Silent partnership interests

The silent partnership interests issued in 2001 amounting to €25 million are reported in this item.

Treasury shares

In 2010, neither we nor any of our affiliated companies acquired or sold shares of M.M. Warburg & CO KGaA. As of the end of 2010, neither we nor any of our affiliated companies held any shares of M.M. Warburg & CO KGaA.

The fully paid-up subscribed capital of our Company is held in full by M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA.

Subscribed capital

Changes in subscribed capital		€
Balance at Dec. 31, 2001		5,112,918.81
Feb. 27, 2002	Resolution by Shareholders' Meeting on capital increase	81.19
July 11, 2002	Resolution by General Meeting on capital increase against noncash contributions	94,887,000.00
Balance at Dec. 31, 2010		100,000,000.00

The subscribed capital is composed of 100,000 no-par value registered shares.

Equity

€15,000,000.00 of the net income before profit transfer was appropriated to other revenue reserves. The Bank's reported equity at the end of 2010 was thus €275,026,663.40.

In accordance with sections 20(1) and (4) of the AktG, M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA has informed us that it holds a majority interest in our Company.

Assets and liabilities denominated in foreign currencies

Assets denominated in foreign currencies amounted to €675,797 thousand (€538,565 thousand), while liabilities denominated in foreign currencies totaled €504,215 thousand (€367,741 thousand).

Disclosures on affiliated companies and other investees and investors

Loans and advances to	Affiliated companies		Other investees and investors	
	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Item				
Loans and advances to other banks	222,671	348,150	–	–
Loans and advances to customers	116,599	185,484	1	593
Bonds and other fixed-income securities	–	2,857	–	–
Other assets	29,788	24,552	449	0
Total	369,058	561,043	450	593

Disclosures on affiliated companies and other investees and investors

Liabilities to	Affiliated companies		Other investees and investors	
	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.	Dec. 31, 2010 € thou.	Dec. 31, 2009 € thou.
Item				
Liabilities to other banks	730,060	1,078,610	9	1,531
Liabilities to customers	15,979	8,038	8,747	11,445
Other liabilities	55,964	117,320	0	72
Total	802,003	1,203,968	8,756	13,048

Off-balance-sheet transactions

Contingent liabilities and irrevocable loan commitments are disclosed as off-balance-sheet transactions. Contingent liabilities (below-the-line liabilities, item 1b) include documentary credits amounting to €5,092 thousand (€1,501 thousand) and other guarantees amounting to €57,105 thousand (€97,888 thousand).

The risk of loss from the settlement of contingent liabilities is mitigated by the recourse opportunities existing against the client concerned and is thus limited essentially to the client's own credit risk.

Before entering into a binding commitment, the Bank estimates the risk that settlement of a contingent liability or a claim under an irrevocable loan commitment or a placement or underwriting commitment will result in a loss in the course of its credit assessment of the client or, if appropriate, by assessing the expected settlement of the underlying obligations by the client concerned.

Additionally, the Bank regularly assesses during the term of its commitments whether losses can be expected from the settlement of contingent liabilities or from claims under irrevocable loan commitments.

Reclassifications

In connection with the introduction of the BilMoG, bonds and other fixed-income securities with a carrying amount of €904,668 thousand and equities with a carrying amount of €25,245 thousand were reclassified as of January 1, 2010 from the trading portfolio to fixed assets (€89,514 thousand) and the liquidity and contingency reserve (€840,399 thousand) on the basis of the allocation criteria defined by the Bank. Since long-term securities are also accounted for in accordance with the strict principle of lower of cost or market value, the reclassification did not affect the annual financial statements.

Other financial commitments

Contingent liabilities not reported on the face of the balance sheet related to our equity interest in Liquiditäts-Konsortialbank GmbH, Frankfurt/Main, in accordance with section 26 of the *GmbH-Gesetz* (German Private Limited Companies Act) and our proportionate liability under Article 5(4) of the articles of association.

In accordance with section 5(10) of the Statutes of the Einlagensicherungsfonds (Deposit Protection Fund), we have undertaken to indemnify the Bundesverband deutscher Banken e.V., Berlin, for any losses it may incur by reason of measures taken on behalf of any banks in which we own a majority interest.

As of December 31, 2010, the Bank had call obligations to two companies in the amount of €132 thousand (€132 thousand).

The Bank also had financial commitments under multiyear rental and lease agreements as of December 31, 2010; the annual payment obligation amounts to €1,323 thousand (€1,043 thousand).

Bonds and notes eligible as collateral for Deutsche Bundesbank advances with a nominal value of €465.3 million (€963.5 million) have been pledged as collateral for Deutsche Bundesbank advances.

At the reporting date, securities with a nominal value of €83.0 million (€63.0 million) had been deposited as collateral for transactions on derivatives exchanges and securities lending transactions.

Derivative financial instruments

As of the balance sheet date, the Bank had entered into:

- interest-rate derivatives such as swaps, caps, floors and futures;
- foreign currency derivatives, and in particular currency forwards, commitments from currency options written, and currency options;
- derivatives with other price risks, in particular commitments from equity options written, commitments from index options written, and index options. The Bank has also entered into contracts in equity index futures, equity index forwards, bond futures and options on bond futures.

Type	Notional values in € million	Positive fair values in € million	Negative fair values in € million
Overnight index swaps (OTC)	180	0.0	0.3
Interest rate swaps	1,693	53.0	51.5
Forward overnight index swaps	140	0.0	0.0
Forward interest rate swaps	91	0.9	0.2
Floors (OTC)	0.6	0.0	0.0
Caps (OTC)	133	0.0	0.0
Bond futures	705	1.2	1.0
Options on bond futures	98.2	0.5	0.5
Currency forwards	5,266	69.8	61.8
Currency options (OTC)	222	10.3	9.9

Type	Notional values in € million	Positive fair values in € million	Negative fair values in € million
Equity index futures (EUREX) ¹	500	1.9	1.9
Equity index options (OTC)	4.8	1.5	0.0
Equity options (EUREX) ¹	107	8.8	8.9
Equity options (EUREX) ¹	39.0	2.3	2.3
	9,179.6	150.3	138.4

¹The net fair values are zero or almost zero due to daily cash settlements.

Derivative financial instruments were measured at fair value.

Exchange-traded products are marked-to-market at established quoted prices. Mark-to-model valuations are used for OTC derivatives, drawing on yield curves that are observable in the market, implied volatilities, and the prices of the relevant underlying.

A significant proportion of the interest rate swaps, caps, and currency forwards were entered into to hedge against interest rate, exchange rate, or market price fluctuations. A number of transactions were also entered into for trading purposes.

Unrealized reserves

The Bank does not currently exercise the option provided by section 10(4a) of the KWG to allocate unrealized reserves to its regulatory capital.

Hedge accounting

Hedges in the form of portfolio and macro hedges are used to hedge against market risk exposures. Securities with a notional value of €172.9 million, customer deposits with a notional value of €80.4 million, interest rate derivatives with a notional value of €249.8 million and a guarantee issued by a portfolio seller were combined as part of a portfolio hedge.

Securities with a notional value of €43.2 million and 5,026 index options, as well as corresponding liabilities, were accounted for as a macro hedge.

Shares in investment funds

The following table shows the breakdown of shares in German and foreign investment funds, classified by investment strategy, where more than 10% of the shares of the fund concerned are held.

Investment funds

€ thou.	Carrying amount	Fair value	Difference v. carrying amount	Distributions made
Equity funds	177,790,630	177,790,630	0	0
Bond funds	5,000,000	5,109,350	-109,350	0
Mixed funds	2,000,000	2,019,200	-19,200	0
Total	184,790,630	184,919,180	-128,550	0

There were no restrictions on the ability to redeem the funds on a daily basis.

Notes to the income statement

Services

In the past year, the Bank performed services for third parties, particularly in the areas of securities brokerage, securities custody, custodian bank functions, asset administration and management, corporate finance, the brokerage of fund units and interests in limited partnerships and the management of fiduciary assets.

Geographical breakdown

The Bank does not have any sales offices outside Germany.

Other operating expenses

Other operating expenses amounting to €7,624 thousand (€10,296 thousand) comprise profit-related distributions in the amount of €6,986 thousand (€9,921 thousand) due after the adoption of the annual financial statements by the General Meeting.

Taxes on income

The amount in the previous year relates to prior periods and is attributable in full to the result from previous ordinary activities.

Other operating income

Other operating income in the amount of €7,933 thousand (€8,742 thousand) includes income from agency activities of €4,944 thousand (€4,115 thousand), intragroup allocations of €1,380 thousand (€1,224 thousand) and rental income of €498 thousand (€611 thousand). Income from the reversal of provisions not relating to credit risks accounts for €334 thousand (€820 thousand) of this item.

Extraordinary expense and income

These items relate to expenses and income arising from the transition to the new legal situation following the introduction of the BilMoG and required by Art. 67(7) of the EGHGB to be reported separately. The transition to the BilMoG results in net extraordinary expense of €96 thousand. Total extraordinary income amounts to €637 thousand and is primarily attributable to the expanded definition of the trading portfolio and the resulting fair value measurement. Extraordinary expenses amount to €733 thousand and are primarily attributable to the revaluation of pension provisions in the income statement for the reporting period.

Other disclosures

Employees

In fiscal year 2010, the Bank employed an average of 460 (451) employees. The workforce can be broken down as follows:

	2010		2009	
	Male	Female	Total	Total
Employees	244	209	453	443
Vocational trainees	3	4	7	8
Total	247	213	460	451

Equity interests in large corporations

In addition to the large corporations specified in the list of the Bank's shareholdings, we hold more than 5% of the voting rights in Lang & Schwarz Wertpapierhandelsbank AG, Düsseldorf, KB Sernbank GmbH, Moscow, Continental Aktiengesellschaft, Hanover, and DF Deutsche Forfait AG, Cologne.

List of shareholdings

Name and domicile of the company	Equity interest %		Equity € thou.	Profit/loss € thou.
	Total	of which indirect		
Allgemeine Verwaltungsgesellschaft mbH, Bordesholm	100.00	-	€ 1,811	-10
Americo Verwaltungsgesellschaft mbH, Hamburg	100.00	-	€ 50	5
ASB Vermögensbeteiligungsgesellschaft mbH i.L., Hamburg	36.60	36.60	€ 392	6
Bankhaus Carl F. Plump & Co. GmbH & Co. KG, Bremen	100.00	-	€ 12,909	127
Bankhaus Hallbaum AG, Hanover	100.00	-	€ 40,000	PLTA*
Bankhaus Löbbecke AG, Berlin	100.00	-	€ 21,000	PLTA*
Carl F. Plump Geschäftsführung GmbH, Bremen	100.00	100.00	€ 93	0
Colima Filmproduktions GmbH, Hamburg	100.00	-	€ 14	-2
Düssel Vermietungs-GmbH, Düsseldorf	50.00	50.00	€ 25	0
GSI Fonds GmbH & Co. KG, Düsseldorf	42.85	42.85	€ 171	-
GSI Gesellschaft für strukturierte Investitionen mbH & Co. KG, Düsseldorf	50.00	-	€ 1,299	83
GSI Leasing GmbH & Co. KG, Düsseldorf	50.00	50.00	€ 100	16
GSI Leasing GmbH, Düsseldorf	50.00	50.00	€ 26	-2
GSI Triebwerke GmbH, Düsseldorf	42.85	42.85	€ 24	0
GSI Triebwerke Zwei Verwaltungen GmbH, Gräfelting	50.00	50.00	€ 23	-
Hamburger Waren-Import GmbH, Hamburg	100.00	-	€ 26	PLTA*
Hamburg-Luxemburger Warenhandelsges. mbH, Luxembourg	100.00	100.00	€ 24	0
Humboldt Multi Invest AG, Hamburg	100.00	100.00	€ 300	-
J.H. Stein Consult Ges. für Vermögensanlagen mbH, Cologne	100.00	-	€ 131	-6
KVG Forsthausweg Verwaltungsgesellschaft mbH, Hamburg	100.00	-	€ 18	-1
Lederwerke Wieman GmbH, Hamburg	100.00	-	€ 1,213	PLTA*
Lederwerke Wieman Verwaltungsgesellschaft mbH, Hamburg	100.00	100.00	€ 16	0
Liebig Invest AG, Frankfurt/Main	100.00	-	€ 49	-3
M.M. Warburg & CO Holding S.A., Luxembourg	100.00	100.00	€ 63	1
M.M. Warburg & CO Hypothekenbank AG, Hamburg	100.00	-	€ 39,875	PLTA*
M.M. Warburg & CO Luxembourg S.A., Luxembourg	100.00	-	€ 33,711	6,204
M.M. Warburg & CO Verm. Verw. AG, Zurich	100.00	-	CHF 429	-342
M.M. Warburg & Co. GmbH, Berlin	100.00	100.00	€ 31	0
M.M. Warburg & Co. GmbH, Düsseldorf	100.00	100.00	€ 30	0
M.M. Warburg & Co. GmbH, Frankfurt	100.00	100.00	€ 31	0
M.M. Warburg & Co. GmbH, Munich	100.00	100.00	€ 220	107
M.M. Warburg Bank (Schweiz) AG, Zurich	100.00	-	CHF 22,576	2,233
M.M. Warburg, Olearius & Co, Hamburg	100.00	100.00	€ 139	39
Marcard Family Office Treuhand GmbH, Hamburg	100.00	100.00	€ 50	24
MARCARD, STEIN & CO AG, Hamburg	100.00	100.00	€ 12,052	PLTA*
Master Investment Management S.A., Luxembourg i.L.	51.00	51.00	€ 256	29
Master Securitisation S.A., Luxembourg	100.00	100.00	€ 35	0
METRACO Verwaltungsgesellschaft S.A., Luxembourg	100.00	100.00	€ 226	29
Metropolitan Investment Corp. S.A. Holding, Luxembourg	100.00	100.00	€ 460	1
Metropolitan Trading Corp. S.A., Luxembourg	100.00	100.00	€ 1,574	13
NESTOR -Fonds-Vertriebs-GmbH, Wiesbaden	51.00	51.00	€ 171	53
Nestor Investment Management S.A., Luxembourg	51.00	51.00	€ 766	628
Private Life BioMed AG, Hamburg	65.00	-	€ 10,238	-24,038
Rhein Vermietungs-GmbH, Düsseldorf	50.00	50.00	€ 25	-
RTF Verwaltungsgesellschaft mbH, Hamburg	100.00	-	€ 37	-1
Schwäbische Bank AG, Stuttgart	35.14	-	€ 27,025	2,225
Steuer Vermietungs-GmbH, Düsseldorf	50.00	50.00	€ 25	-
Verwaltung GSI Gesellschaft für strukturierte Investitionen mbH, Düsseldorf	50.00	50.00	€ 27	-
WAI S.a.r.l., Luxembourg	51.00	51.00	€ 84	24
Warburg - Henderson Kapitalanlagegesellschaft für Immobilien mbH, Hamburg	50.00	-	€ 7,990	2,824
Warburg Alternative Investments AG, Zurich	51.00	-	CHF 1,558	-767
Warburg Asset Management GmbH, Frankfurt/Main	100.00	-	€ 217	6
Warburg Invest Kapitalanlagegesellschaft mbH, Hamburg	100.00	-	€ 10,600	PLTA*
Warburg Invest Luxembourg S.A., Luxembourg	100.00	99.99	€ 3,842	1,274
Warburg Research GmbH, Hamburg (formerly: SES Research GmbH, Hamburg)	100.00	-	€ 1,558	4

*PLTA: Profit or loss transfer agreement

Executive Bodies

General Partners

Dr. Christian Olearius
Banker and Spokesman for the General Partners of M.M.Warburg & CO KGaA

Max Warburg
Banker

M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft, Hamburg
represented by:

Eckhard Fiene since September 1, 2010
Member of the Executive Board

Dr. Henneke Lütgerath
Member of the Executive Board

Joachim Olearius
Member of the Executive Board

No loans or advances were granted to, or contingent liabilities assumed on behalf of, the general partners as of the balance sheet date.

Shareholders' Committee

Dr. Erwin Möller Chairman
Chairman of the Supervisory Board of M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA

Dr. Klaus Asche Deputy Chairman
Lawyer

Gerhard Brackert
Auditor / Tax Adviser

Hero Brahms
Management Consultant

Dr. Bernd Thiemann
Management Consultant

Wolfgang Traber
Businessman

As of the end of the year, loans and advances totaling €119,481.12 (€27,120.33) had been granted to members of the Shareholders' Committee. No contingent liabilities were assumed on behalf of the members of the Shareholders' Committee.

Supervisory Board

Dr. Erwin Möller Chairman
Chairman of the Supervisory Board of M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA

Dr. Klaus Asche Deputy Chairman
Lawyer

Wolfgang Traber
Businessman

As of the end of the year, loans and advances totaling €119,481.12 (€27,120.33) had been granted to members of the Supervisory Board. No contingent liabilities were assumed on behalf of the members of the Supervisory Board.

The total remuneration for the Supervisory Board in fiscal year 2010 amounted to €52 thousand (€36 thousand).

The general partners received €947,885.99 (€1,010,164.86) in fiscal year 2010.

Offices held as of December 31, 2010

Where an executive body member retires during a fiscal year, the information provided relates to the date of retirement.

Dr. Christian Olearius

- President of the Board of Directors, M.M.Warburg Bank (Schweiz) AG, Zurich
- Chairman of the Supervisory Board, M.M.Warburg & CO Hypothekenbank AG, Hamburg
- Chairman of the Supervisory Board, Bankhaus Hallbaum AG, Hanover
- Chairman of the Supervisory Board, MARCARD, STEIN & CO AG, Hamburg
- Chairman of the Supervisory Board, Bankhaus Löbbecke AG, Berlin
- Chairman of the Supervisory Board,
Bankhaus Carl F. Plump & Co. GmbH & Co. KG, Bremen
- Chairman of the Supervisory Board, Degussa Bank GmbH, Frankfurt
- Chairman of the Supervisory Board,
M.M.Warburg & CO Geschäftsführungs-AG, Hamburg
- Chairman of the Supervisory Board, Frachtcontor Junge & Co. GmbH, Hamburg
- Deputy Chairman of the Supervisory Board,
HamburgMusik gGmbH Elbphilharmonie und Laeiszhalle Betriebsgesellschaft, Hamburg
- Deputy Chairman of the Supervisory Board,
GEDO Grundstücksentwicklungs- und Verwaltungsgesellschaft mbH & Co. KG, Grünwald
- Member of the Supervisory Board, Hapag-Lloyd AG, Hamburg
- Member of the Supervisory Board, KanAm Grund Kapitalanlagegesellschaft mbH, Frankfurt
- Member of the Supervisory Board, VTG Aktiengesellschaft, Hamburg

Max Warburg

- Chairman of the Board of Directors, Warburg Alternative Investments AG, Zurich
- Chairman of the Supervisory Board, M.M.Warburg & CO Luxembourg S.A., Luxembourg
- Chairman of the Supervisory Board,
Warburg Invest Kapitalanlagegesellschaft mbH, Hamburg
- Deputy Chairman of the Supervisory Board, Bankhaus Hallbaum AG, Hanover
- Deputy Chairman of the Supervisory Board, Private Life BioMed AG, Hamburg
- Member of the Board of Directors, M.M.Warburg Bank (Schweiz) AG, Zurich
- Member of the Supervisory Board, Eurokai KGaA, Hamburg
- Deputy Chairman of the Supervisory Board,
EUROGATE GmbH & Co. KGaA, KG, Bremen
- Chairman of the Board of Directors, Waltershof-Peute Hafen Betriebs G.m.b.H., Hamburg

Eckhard Fiene

- Member of the Supervisory Board,
M.M.Warburg & CO Luxembourg S.A., Luxembourg (since September 8, 2010)

Dr. Henneke Lütgerath

- Deputy Chairman of the Supervisory Board, Bankhaus Löbbecke AG, Berlin
- Member of the Board of Directors,
Luxembourg Financial Group Holding S.A., Luxembourg

Joachim Olearius

- Member of the Supervisory Board, Bankhaus Löbbecke AG, Berlin
- Member of the Supervisory Board, Warburg Invest Kapitalanlagegesellschaft mbH, Hamburg
- Deputy Chairman of the Supervisory Board,
M.M.Warburg & CO Luxembourg S.A., Luxembourg

Dr. Bernd Eckardt

- Deputy Chairman of the Supervisory Board, MARCARD, STEIN & CO AG, Hamburg
- Member of the Board of Directors,
Sociedad Concesionaria Vespucio Norte Express S.A., Santiago de Chile

Florian Becker

- Member of the Supervisory Board, DF Deutsche Forfait AG, Cologne

Manfred Bruhn

- Member of the Supervisory Board, MARCARD, STEIN & CO AG, Hamburg

Dr. Jens Kruse

- Member of the Supervisory Board, Biesterfeld AG, Hamburg

Dr. Peter Rentrop-Schmid

- Member of the Supervisory Board, Degussa Bank GmbH, Frankfurt
- Member of the Supervisory Board, Bankhaus Hallbaum AG, Hanover

Thomas Schult

- Member of the Supervisory Board, Lang & Schwarz Wertpapierhandelsbank AG, Düsseldorf

Appropriation of net retained profits

Under the control and profit and loss transfer agreement entered into on December 5, 2007 with our sole limited partner, M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA, the Bank has undertaken to transfer its annual profit to M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA.

A proposal will be made to the General Meeting that the net retained profits in the amount of €26,663.40 (€26,663.40) be carried forward to new account.

Hamburg, March 15, 2011

M.M.Warburg & CO
Kommanditgesellschaft auf Aktien

Addresses



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1798

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