M.M.WARBURG & CO
BANK

Annual Report
2018

Performance at a Glance

Companies held by M.M.Warburg & CO Gruppe GmbH

in EUR million	**2018**	**2017**
Net income before taxes	–10.3	17.4
Net interest income	45.2	49.2
Net fee and commission income	121.4	175.1
Administrative expenses (including depreciation, amortization, and writedowns)	173.3	229.8
Total assets	5,763.8	7,385.0
Business volume	5,798.9	7,425.7
Own funds	390.2	469.3

Bank

in EUR million	**2018**	**2017**
Net income before taxes	7.1	27.0
Net interest income	36.6	37.7
Net fee and commission income	79.4	94.0
Administrative expenses (including depreciation, amortization, and writedowns)	127.0	145.5
Total assets	5,491.3	5,424.2
Business volume	5,525.0	5,463.7
Own funds	377.9	384.8

Supervisory Board

Dr. Christian Olearius	*– Chairman –*
Max Warburg	*– Deputy Chairman –*
Dr. Bernd Thiemann	

Shareholders' Committee

Dr. Christian Olearius *– Chairman –*
Banker

Max Warburg *– Deputy Chairman –*
Banker

Dr. Bernd Thiemann
Management Consultant

Prof. Burkhard Schwenker
Management Consultant

Dr. Henneke Lütgerath
Chairman of the Board of the Joachim Herz Stiftung

Partners

Joachim Olearius	*– Spokesman –*
Eckhard Fiene	*until October 31, 2018*
Dr. Peter Rentrop-Schmid	
Patrick Tessmann	*from December 1, 2018*

Executive Directors

Manfred Bruhn	
Volker Hahnau	*until September 30, 2018*
Dr. Jens Kruse	
Dr. David Lohmann	
Thomas Schult	*until October 31, 2018*
Henry Werkmeister	*from November 1, 2018*
Dominik Wilcken	

Chief Legal Counsel

Dr. Christoph Greiner

Directors

Dr. Jan-Frederik Belling
Regina Bendner
Uwe Boehmer
Joachim von Borstell
Kerstin Gräfin von Bothmer
Ulf-Dieter Brandt
Rainer Brombach
Dr. Ralf Budinsky
Andreas Büttner
Detlev Clauss
Martin Dörscher
Jens Dose
Sandra Duttke
Barbara Effler
Klaus-Dieter Engel
Boris Fischer-Zernin
Matthias Fritsch
Richard Göbel
Marcus Hagel
Dr. Ingo Hansen
Friedrich Henne
Dr. Christian Hennig
Christoph Herms
Mirco Himmel
Guido Hupe
Daniel Hupfer
Dr. Christian Jasperneite
Ingrid Kindsmüller
Ken Kinscher
Marco Klein
Peter Klose
Carsten Klude
Dr. Marc Klünger
Thorsten Komm
Jutta Kuhn
Dr. Philip Marx
Dominik Masson
Rainer van der Meirschen
Oliver Merckel
Sven-Michael Nareyka
Markus Neumann
Marc Niemann
Paul Recum
Matthias Rode
Christian Rose
Dirk Rosenfelder
Klaus Schilling
Christian Schmaal
Joachim Schmidt
Andreas Siadak
Klaus Sojer
Christian Speer
Achim Urbschat
Jörn Voderberg
Henning Voigt
Björn Voss
Martin Wehrle
Daniel Wendig
Thomas Wieneke
Till Wrede

Branches

Branch Managers

Hanover:	Patrick Tessmann	*from December 1, 2018*
Berlin:	Daniel Bresser	
	Heinrich Wittig	
Bremen:	Tobias Klemptner	
Stuttgart:	Marcus Ebert	

Executive Directors

Berlin:	Alexander Föhre	
Bremen:	Willem René Bezemer	*until December 31, 2018*

Directors

Hanover:	Detlef Reinecke
	Martin Schilling
Berlin:	Dr. Frank Geilfuß
	Frank Glagow
	Volkwin Seltmann
Braunschweig:	René Laux
Stuttgart:	Manfred Hölldorfer
	Wolfgang Raich
	Daniela Richardson-Gertz

Report of the Partners

Report of the Partners

2018 was a year that saw major changes in Germany. What had felt like immutable certainties in many areas ceased to apply – in politics, in the economy, and even in sport. The fact that the German football team got knocked out in the first round of the World Cup – something that came like a bolt from the blue for many football fans – was just one example. In the area of politics, the election results showed the difficulties that mainstream parties are having in retaining voters; disenchantment with politics is causing acceptance problems for the peoples' parties. Increasingly, Germans doubt the ability of their political representatives to solve the problems currently facing the country. At the end of October, the Federal Chancellor announced that she would gradually retire from all her political offices. Momentum in the German economy eased overall despite sound global growth. Although the employment rate reached a new high and consumer prices rose to just below the ECB's target, political risks in particular – and especially fears of a global trade war, the uncertainties surrounding Brexit, and Italy's political debt crisis – had a negative impact. The ECB continued to pursue its expansionary monetary policy in 2018, keeping key interest rates and deposit rates unchanged. Its bond purchase program was discontinued as previously announced. The DAX turned in a negative annual performance for the first time in six years, falling by roughly 18%.

Mission and Strategy

2018 was the 221st year of M.M.Warburg & CO's business as an independent, middle-market private bank. For more than two centuries, its private shareholders have nurtured the philosophy and values on which its operations are based: independence, responsibility, discretion, and trust.

The banking sector continues to be in the throes of fundamental change: new technologies and media are rapidly accelerating information flows, regulatory requirements are increasing even further, and new competitors are challenging incumbents. Competition for the heart of private banking – customer relationships – is becoming fiercer and fiercer.

In addition, the substantial effort and expenditure associated with meeting increased regulatory requirements – such as the rulebooks with acronyms such as MiFID II, MiFIR, PRIIPR, PSD II, and the GDPR – is continuing. Ongoing pressure on bank margins from the persistent low interest rate environment in 2018 meant that opportunities to generate income on the liabilities side of the balance sheet was limited. The challenge was to combat this trend and take key strategic decisions for the future. A centuries-old tradition can only be established by constantly reviewing and enhancing one's own business model.

M.M.Warburg & CO's aim is to build and maintain personal, trusting, multigenerational relationships with clients and business partners in the digital age, too. Our system of values and our accurate feel for the market are the foundation for our work as a reliable partner for middle-market businesses offering optimum, forward-looking concepts, state-of-the-art products and robust, customized solutions for their needs and expectations.

Warburg Bank's clients are mainly drawn from high net worth private individuals, company owners and middle-market companies, the shipping industry, institutional clients and foundations and, increasingly, private investors who use the services provided via its digital channels. They all benefit from the extensive, end-to-end range of products and services offered by the Bank's Private Banking, Investment Banking, and Asset Management units.

The substantial expertise and experience offered by the Bank's head office in the heart of Hamburg and its branches and offices in nine other German cities are at the heart of its holistic, customized advisory services, which focus on both business and personal goals and cover everything from corporate finance to private asset management. These are supplemented by specialized products and services offered by the Bank's asset management companies WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH and Warburg Invest AG, by family office bank MARCARD, STEIN & CO AG, by Warburg Research GmbH, and by M.M.Warburg & CO Hypothekenbank AG. The Bank's corporate and group structure features clearly defined hierarchies and an organization that is aligned with the business model.

After Eckhard Fiene stepped down as a partner at the end of October, Patrick Tessmann was appointed as a new partner, meaning that the Bank continues to be managed by three partners. At the level of the Executive Directors, Volker Hahnau and Thomas Schult retired after decades of service with the Bank.

The Warburg Group implemented large portions of its realignment process in 2018. The sale of its banking subsidiary and asset management company in Luxembourg, which was initiated last year, has now been completed. This has allowed the Warburg Group to eliminate cross-border supervisory complexity and to focus on its regional presence in Germany.

A new corporate design covering all Warburg brand units at all locations has created a uniform visual identity and allows clear brand recognition.

Now that the banking subsidiaries have been successfully merged with the parent company, the Partners have launched a strategic efficiency plan that is designed to ensure the Warburg Group's ability to compete as a middle-market bank. This involves a continuous review of its structures, processes, workflows, and systems, of the way in which its individual units plug and play with each other, and of the expansion of its business operations, and making strategic adjustments where required. Flexibility and adaptability, but also cost

M.M.Warburg & CO Gruppe GmbH

M.M.Warburg & CO (AG & Co.) KGaA, *Hamburg*
Offices: *Frankfurt, Cologne, Munich*

Branches and offices
Bankhaus Carl F. Plump & CO, *Bremen*
Bankhaus Hallbaum, *Hanover and Osnabrück*
Bankhaus Löbbecke, *Berlin and Braunschweig*
Schwäbische Bank, *Stuttgart*

Subsidiaries

Banks
MARCARD, STEIN & CO AG, *Hamburg*
M.M.Warburg & CO Hypothekenbank AG, *Hamburg (until December 31, 2018)*

Asset management companies
WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH, *Hamburg*
WARBURG INVEST AG, *Hanover*

Research
Warburg Research GmbH, *Hamburg*

Private Client Partners AG, *Zurich*

Warburg Group

savings are the watchwords here. In addition, we reacted to the substantial impact of the market and regulatory environment by adjusting our list of prices and services and introducing new account models in the second half of the year.

In order to ensure our core business area, Private Banking, remains fit for the future, it was structured into three regions – Northern, Central, and Southern – and the individual offices and branches were assigned to these on the basis of their geographical location. The Private Wealth Management International team and the Bank's securities specialists offer in-depth, individual support and advice for investments and solutions designed to meet the particular needs of its international clients. Business area management ensures overarching coordination. The Advisory Office that was set up in the first quarter of 2018 serves as a competence center, bundling the expertise provided by our sector specialists and customer advisory staff from the Private Banking and Asset Management units. This will enhance the already high quality of investment advice for all client needs even further. The Advisory Office has also developed the INSIGHT APLHA platform. This internally developed software solution permits computer-assisted enterprise valuations, automated reporting, and risk management at the investment level.

Progress was also made in revamping front office structures in 2018. Front office lending for all corporate clients, including shipping clients and banks, was bundled in the new Corporate Banking unit. The teams in Hamburg, Hanover, Berlin, Stuttgart, and Osnabrück are managed centrally from Hamburg. At the same time, standardization of the lending and decision-making processes in the back office areas continued and redundant processes were eliminated. One goal is to implement a fully digital workflow for the lending process. These measures free up our client advisers to focus on direct customer contact. Middle-market clients at all locations have access to highly qualified staff with Warburg's in-depth knowledge of corporate finance.

The acquisition of a majority interest in NORD/LB Asset Management Holding GmbH significantly boosted the Warburg Group's Asset Management unit. With effect from November 30, 2018, M.M.Warburg & CO took over management of the company, which now trades under the name of Warburg Invest Holding GmbH, and hence indirectly of its subsidiary Warburg Invest AG (formerly NORD/LB Asset Management AG). Going forward, Warburg Invest Holding GmbH will bundle the management of the Warburg Group's liquid assets by Warburg Invest AG and WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH. The move has created one of Northern Germany's largest asset managers, with locations in Hamburg and Hanover. The transaction is a further step in M.M.Warburg & CO's policy of systematically enhancing the successful development of its asset management activities and concentrating its activities on the German market. It also compensated for the client business that was shed as a result of the sale of the Group's Luxembourg units.

The Bank's digital offerings also made substantial progress in 2018. OWNLY, the free multibanking and family office app, has come of age and is already being emulated. The number of users and hence the volume of "assets under information" are growing continuously. Nearly 20 updates and a redesigned home screen will make it easier in future to individualize the app's offerings.

Digital asset management tool Warburg Navigator was upgraded and steadily increased its volume of assets under management. Preparations were made to individualize investment strategies, allowing a very wide range of client needs to be met by combining mathematical models with fundamental expertise and asset management experience.

Introducing a new, state-of-the-art presence under the corporatefinance.mmwarburg.de subdomain and integrating it with Warburg Bank's existing LinkedIn entry will enable the Corporate Finance unit to provide more precisely tailored information to clients from 2019 onwards.

M.M.Warburg & CO has also had its own video channel on YouTube since the end of last year. This can be used to download short video clips on economic topics and capital market assessments. The Bank plans to expand the visual information and insights on offer.

Business Performance

Consolidated total assets for the companies held by M.M.Warburg & CO Gruppe GmbH amounted to EUR 5.8 billion as of the December 31, 2018, reporting date (previous year: EUR 7.4 billion). The reduction is mainly to the deconsolidation of M.M.Warburg & CO Hypothekenbank AG. Warburg Bank's total assets saw a slight change, from EUR 5.4 billion to EUR 5.5 billion.

The consolidated total capital ratio rose clearly to 16.6% (previous year: 13.1 %). The core capital ratio improved from 10.3% to 13.7%. At the level of Warburg Bank it rose to 14.0% (previous year: 12.7%). The Group's own funds including Tier 2 capital as of the reporting date amounted to EUR 390.2 million, after EUR 469.3 million in the previous year. Once again, this was largely due to the deconsolidation already mentioned above. These figures, which were submitted to the supervisory authorities as of December 31, 2018, mean that the M.M.Warburg & CO Group and Warburg Bank comfortably meet all supervisory capital requirements.

At Group level, there was a year-on-year decline in material income and expense items, which is due above all to the deconsolidation in 2017 of the Group's former companies in Luxembourg and of M.M.Warburg Bank (Schweiz) AG; these moves were only reflected in the operating profit and loss items in the following year. After adjustment for these effects, the income trend was unsatisfactory.

The ongoing low interest rate environment continued to impact net interest income. The Group was able to partially offset this negative development through the custodian fees received from institutional and corporate clients. Nevertheless, the figure for this item declined from EUR 49.2 million to EUR 45.2 million.

Net fee and commission income amounted to EUR 121.4 million (previous year: EUR 175.1 million). Although the year-on-year decrease was primarily due to the above-mentioned changes in the consolidated group, this figure was still below expectations. One key factor here was the implementation of the new MiFID II requirements, since certain fixed-income transactions and transactions in other financial assets can now only be performed by large, international commercial banks. The main drivers for fee and commission income were the Private Banking, Corporate Finance, and Markets and Institutional Banking units.

The Group's assets under management rose from EUR 39.3 billion in the previous year to EUR 62.2 billion. The prior-year figures no longer contained the Luxembourg entities or M.M.Warburg Bank (Schweiz) AG, whereas in 2018 Warburg Invest AG (formerly NORD/LB Asset Management AG) was included for the first time. Total assets held in custody rose from EUR 21.2 billion to EUR 25.1 billion.

Net trading income failed to perform as desired at the end of the year in particular, due to what was in some cases a difficult market environment. At EUR 3.9 million, it was down substantially on the prior-year figure (EUR 10.5 million).
Administrative expenses fell year-on-year, mainly as a result of the deconsolidations performed in 2017, although the figure also reflects the cost savings that had been expected. Personnel expenses were reduced and other administrative expenses – including amortization, depreciation and writedowns of intangible fixed assets and tangible fixed assets – also fell, although this item was again heavily impacted by contributions and levies, as in the past. By contrast, the lower level of writedowns on the marine vessels in the Bank's portfolio had a positive effect. All in all, costs fell from EUR 229.8 million to EUR 173.3 million.

However, loan loss provisions – which primarily related to shipping loans – increased substantially to EUR 14.5 million compared to the net amount of only EUR 3.0 million expensed in the prior year.

The decline in income and negative factors were only partially offset by the cost cuts, resulting in net income for the year at Group level of EUR –14.6 million, compared to a positive figure of EUR 10.0 million in the previous year. At EUR 7.1 million, Warburg Bank's net income was more satisfactory, although it was down on the prior-year figure of EUR 27.0 million.

Operational Risk

For the third year running, a number of media outlets published unfounded speculations and rumors that M.M.Warburg & CO was involved in fraudulent transactions conducted around securities' dividend dates ("cum-ex transactions"). Warburg Bank is standing by its denial of the allegations. Expert opinions from auditors and legal firms document that the Bank has never been involved in any collusion – direct or indirect – designed to obtain multiple investment income tax refunds. M.M.Warburg & CO did execute legally permissible equities transactions designed to at least partially offset the disadvantages suffered by foreign shareholders as a result of the taxation of dividends in Germany, which the European Court of Justice has recognized as contravening European law. In the process, the Bank, as part of its own trading activities, acquired shares from their foreign owners. These transactions were settled via a domestic custodian bank. M.M.Warburg & CO complied with all legal requirements. The gross dividend – and hence also the pro rated investment income tax – was demonstrably paid to the seller's custodian bank in all cases, and the shares and the net dividend were collected in return. If the seller's custodian bank did not remit the investment income tax received despite being obliged by law to do so, this would represent a breach of its duty. In light of these circumstances, Warburg Bank sued the custodian bank involved at the end of 2018. Its aim in doing so is not only to assert the Bank's claims for information, declaratory relief, and damages but also to rebut all accusations of alleged misconduct and to protect its good reputation. We shall robustly defend the Bank and its shareholders against the media's presumption of their guilt.

Provisions were recognized in 2017 for the tax claims by the fiscal authorities resulting from these cases and are sufficient to cover any financial risk.

Corporate Citizenship

As a middle-market bank with regional roots and a long tradition, the Bank feels it has a particular responsibility towards its employees and the business regions it serves. This is why both M.M.Warburg & CO and the Warburg-Melchior-Olearius foundation work to further the public good in a variety of ways. The shareholders and Partners hold honorary positions in many organizations with the aim of achieving socially desirable goals. Financial support was provided for a large number of relatively small projects with an academic, social, or cultural background. However, selected initiatives were given priority in order to ensure that effective help can be given. One focus here was on cultural sponsorship, and particularly on support for the opera houses in the locations in which the Bank operates and for the Elbphilharmonie concert hall. The Bank recognizes that the future belongs to children and young people, and that these need the best possible start in life if they are to succeed, which is why it invests primarily in supporting the work of foundations and associations that focus on children's health and education, but that also have as their goals peace, justice, and the preservation and conservation of nature.

The Advent carol service for employees and their families held in one of Hamburg's main churches has now become a firm part of the Bank's annual calendar. As in previous years, the Bank matched the collection raised and donated the money to the "Hamburger Fürsorgeverein von 1948" charity under the *SeitenWechsel* project run by the Patriotische Gesellschaft von 1765, in which a Bank manager takes part every year.

The Warburg-Melchior-Olearius foundation primarily focused on supporting current and former employees who needed help as a result of unforeseen emergencies and misfortunes, or who could not ensure on their own that their children could be trained, or take part, in competitive and recreational sports.

The classical languages program, which supports a wide range of activities relating to the teaching of Ancient Greek and Latin in schools, was continued for the eleventh year running. A large number of students at Hamburg grammar schools were given the opportunity to take part in project and study trips designed to deepen their understanding. The Warburg-Melchior-Olearius prize for outstanding masters', doctoral, or state exam theses in the field of classical philology in Germany was awarded for the second time in a row, and presented at a special ceremony.

The foundation also focuses on ensuring that society's memories and knowledge of the past are kept alive. It donated money for exhibitions about Carl Melchior – the Bank's first general partner not to come from the Warburg family – in the Jewish Museum in Berlin and about Aby Warburg in the Bayreuth Art Museum, as well as for a commemorative event celebrating the centennial of Helmut Schmidt's birth in Hamburg. In the former East Germany, the Stiftung Preußische Seehandlung and the Protestant parish of Blumberg both received support.

Outlook

2019 will be another challenging and interesting fiscal year for the German economy. Global political events and developments are causing considerable uncertainty and putting the brakes on an upturn. The German, European, and global economies have started to falter a little, depressing expectations. So-called "trade wars", not to mention the prospect of a disorderly Brexit, are weighing on forecasts. The International Monetary Fund (IMF) has cut its global economic growth forecast to 3.5%. Economists are expecting a mere 1% or so for Germany. German industry is skirting recession.

Normally, economic policymakers would try to counteract this situation by adopting a more expansive monetary and fiscal policy. However, higher levels of debt in many countries mean that the room for ramping up public spending is limited, while persistent economic weakness means that hopes of a rapid reversal in interest rate policy are increasingly fading. Banks and investors in Germany must expect interest income to remain at rock bottom for another year.

The trend towards change in the banking sector will continue in 2019. More and more big tech companies such as Google, Amazon, and the like – not to mention fintechs – are crowding onto the financial services market. It remains to be seen whether artificial intelligence and blockchain technology, which is behind cryptocurrencies such as bitcoin, will result in further upheavals. To date, these future technologies have not yet caused the radical disruption that has been forecast.

Increased competition, a challenging earnings situation, the ongoing technicalization of banking, the substantial administrative effort involved in meeting regulatory requirements, and changing client wishes will continue to dominate day-to-day business in the coming 12 months.

Society and politics are also in the throes of change. The current issue of the *Beobachtungen zu Zeit* series enclosed with the German print copy of this report is entitled *Die Macht der vernetzten Vielen – Über die Transformation der Öffentlichkeit und die Empörungsstürme des digitalen Zeitalters.* In it, Prof. Bernhard Pörksen, chair of Media Studies at Eberhard Karls University in Tübingen, looks at the "fifth estate" – the many networked individuals who have gained in importance and exercise power alongside the three branches of government and the traditional media.

The Bank will continue to closely observe developments and trends, to critically examine its definition of its business, and to make any strategic adjustments necessary. As in the past, M.M.Warburg & CO's Partners and employees will aim in fiscal year 2019 to understand and meet their clients' needs in their business philosophy and actions, based on a dialog and solutions-driven approach and close, fruitful partnerships.

Hamburg, April 17, 2019

Joachim Olearius
Dr. Peter Rentrop-Schmid
Patrick Tessmann

Overview of the Warburg Group

Overview of the Warburg Group

Economic Environment

Global economic growth eased considerably in the course of 2018 after a strong start. Specifically, political issues – such as the trade dispute between the U.S.A. and China, the uncertainty surrounding Brexit, or the budget dispute between the new Italian government and the EU – have permanently depressed both corporate and consumer sentiment and led to an easing off in capital expenditure, exports, and consumer spending. Almost all countries are now affected by this trend. In particular, the more strident tone on trade from the White House has led to steadily rising uncertainty among global companies. As a result, key leading indicators – such as those published by the OECD or the global purchasing manager indices for manufacturing and the services sector – have steadily softened.

Economic momentum in the 19 countries belonging to the eurozone eased considerably over the course of the year, while the German economy slackened by an unexpected large amount. German GDP climbed by 2.5% in 2017 but was up only 1.4% in 2018. At first it looked like nonrecurring factors were responsible for this (an extremely hard winter followed by a hot, dry summer, as well as strikes and an outbreak of flu at the start of the year), but the situation did not improve as the year progressed. Then, in the third quarter, a slump in automotive production actually led to a downturn in the economy – the first since the beginning of 2015. Throughout the entire eurozone, export momentum – something on which the economy is highly dependent – weakened tangibly. Domestic demand was also less of a stimulus than had originally been expected. Wage growth was muted despite falling jobless rates in most countries. Brexit is proving to be a particular burden, since the exit negotiations between the United Kingdom and the EU have been more than chaotic to date.

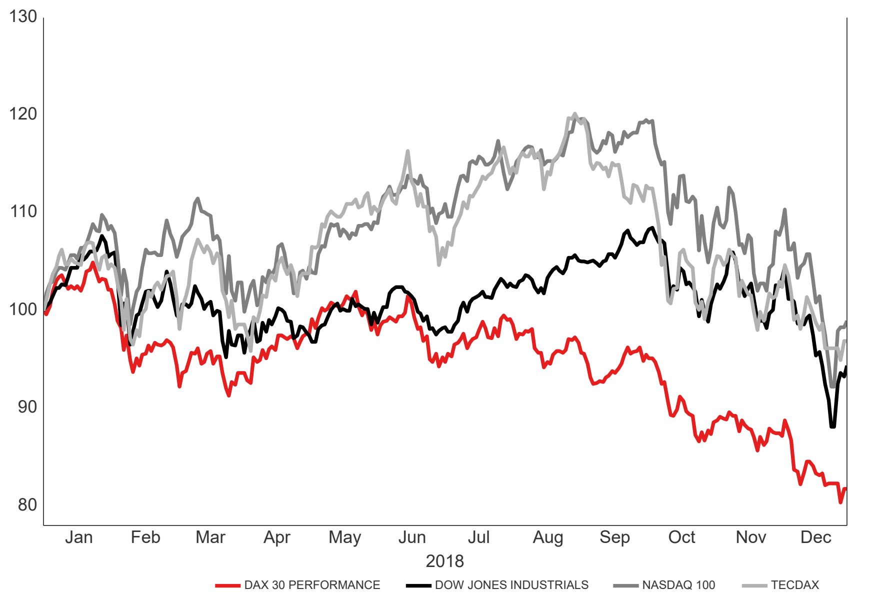
The U.S. economy grew by just under 3% in 2018. It seems like U.S. President Trump is keeping his promise of "sustainably" generating a high level of economic growth with the help of tax breaks and deregulation. The most pronounced source of momentum to date is consumer spending, which is benefiting from the strong labor market. The jobless rate is the lowest for roughly 50 years. The upturn is expected to continue, since no reversal of the labor market trend is currently in sight. However, the risks to economic growth are increasing. The positive effects of the tax cuts are petering out and the hikes in U.S. interest rates are also serving to dampen momentum. What is more, growth potential – defined as the growth that could be expected given normal levels of capacity utilization – is only around 2%. Manufacturing purchasing manager indices plunged in December 2018. Whether this is simply a blip or whether it represents the start of a sustained period of economic weakness remains to be seen.

There was no further easing of monetary policy in the industrialized nations last year. In the U.S.A., interest rates have been lifted in nine steps by a total of 225 basis points since the end of 2015. In addition, the Fed began shortening its balance sheet in October 2017. Starting in January 2018, the ECB cut its monthly bond purchases from EUR 60 billion to EUR 30 billion for the period up to September 2018. From October 2018 to the end of December 2018 net asset purchases were reduced to EUR 15 billion per month, and the bond-buying program was then discontinued completely as of the end of the year. After net asset purchases have ended, the ECB will reinvest principal payments for maturing securities for the long term, and in any case for as long as is necessary to maintain favorable liquidity conditions and an ample degree of monetary accommodation. The key interest rate and the deposit facility rate are unchanged, at 0.00% and –0.40% respectively.

Global inflation rates rose by substantially more in 2018 than had expected at the start of the year. The 2% inflation target set by many central banks was recently exceeded in a number of economies, mainly as a result of higher energy and raw materials prices and a series of administrative price rises. In addition, higher food costs due to weather-related crop losses helped to lift prices. The core inflation rate was largely unaffected by this, since energy and food prices – both volatile components – are not included in its measurement. Additionally, in the eurozone the stronger dollar led to an increase in imported inflation, since most imported raw materials are priced in this currency. However, inflation has probably peaked both in the U.S.A. and in many other countries, not least because raw materials prices also slumped in the fourth quarter of the year.

2018 was a disappointing year for stock market investors. The German market went into reverse after reaching a record high in January and many indices recorded double-digit percentage declines at the year-end. Although it looked until mid-year as if they might make up for lost ground again, the downward trajectory gathered momentum in the second half of the year. Although there are many reasons for this trend, politics played a particularly large role in destroying stock market value in 2018. The smoldering trade dispute between the U.S.A. and China, the Brexit negotiations – which have been managed chaotically by the British above all and which are based on unrealistic expectations – and the approach that Italy has decided to take in its relations with other EU states did not do either the economy or the stock markets any good in the reporting period. Overall, eurozone markets recorded clear price losses in full-year 2018 (DAX: –18.30%, MDAX: –17.6%, Euro Stoxx 50: –12.0%, all measured on the basis of the total return index). Expressed in local currency, the performance in the U.S.A. was more positive than in Europe but still negative overall, with the Dow Jones falling –3.5% and the broad market S&P 500 down –4.4%. Only when measured in euros do the two indices turn slightly positive, with increases of 1.4% and 0.4% respectively.

Stock Markets in 2018 (Jan. 1, 2018 = 100)



Source: Thomson Reuters Datastream

The yield for 10-year Bunds fell from approximately 0.4% at the start of the year to around 0.25% at its close. Against this backdrop, the prices of German government bonds rose across almost all maturities (2Y: –0.4%; 5Y: +1.14%; 10Y: +3.27%). Overall, the prices of eurozone government bonds have increased since the start of 2018. Particularly pronounced rises were recorded in those markets traditionally sought out by investors as safe havens, i.e., Germany, Austria, and the Netherlands. By contrast, developments on peripheral markets were extremely mixed. Whereas the political turbulence in Italy led to 10-year government bonds for that country shedding 1.9%, 10-year Portuguese sovereigns rose by 4.6%. 10-year U.S. Treasury bonds turned in a slightly negative performance (–0.14%) due to the Federal Reserve's more restrictive interest rate policy. Nevertheless, due to the strong U.S. dollar this still corresponded to a positive increase of 4.89% when measured in euros. The euro fell by a total of 4.8% against the U.S. dollar.

The Warburg Group

We systematically continued our realignment of the Warburg Group with M.M.Warburg & CO Gruppe GmbH as the Group parent in 2018, largely completing the process. After the Group's non-domestic operations were wound up, and its structures were simplified, last year, the focus during the reporting period was on its business activities in Germany. Substantial progress was made with the organic integration of Warburg Bank and its former subsidiaries, a process that has now largely been completed. All key issues relating to the integration of Hanover-based acquiree Warburg Invest AG have been resolved. The new asset management company fits well with the Warburg Group's asset management activities.

For business policy and supervisory reasons, M.M.Warburg & CO Group shareholders acquired the shares of M.M.Warburg & CO Hypothekenbank AG as of the 2018 year-end. The broad-based cooperation in property finance and between the central departments remains unchanged by this.

M.M.Warburg & CO is headquartered in Hamburg and has four branches and five offices in a further nine German cities. In order to achieve the necessary increase in efficiency, Bankhaus Löbbecke's offices in Dresden and Bankhaus Hallbaum's branch in Göttingen will be closed as of the end of Q1 2019. Clients will continue to receive the personal advice and support they need and expect from Warburg Bank.

As one of the few independent private banks in Germany, Warburg Bank aims to provide outstanding cross-generational solutions for all client needs. Its operations are divided into three business areas: Investment Banking (including Finance), Private Banking, and Asset Management. The Bank is well known for its outstanding expertise in all of these areas. Its wide range of services is supplemented by subsidiaries such as family office bank MARCARD, STEIN & CO, the highly respected Warburg Research GmbH, and WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH and Warburg Invest AG, its two asset management companies.

The shareholders – a group of natural persons resident in Germany that has offered decades of stability – ensures that it remains independent of specific investor interests and does not attempt to chase after short-term fads. Its business activities are focused squarely on its clients' needs, not those of the shareholders. Clients value the reliability, continuity, and responsibility with which M.M.Warburg & CO is managed – something that is particularly valuable in times of rapid change. The Warburg Bank's relationships – which stretch back generations and are based on deep mutual trust – are only possible because of the Bank's exceptional stability.

The Warburg Group's Business Areas

Investment Banking

Clients who run their own businesses adapt continuously to changes in their various markets. As an independent private bank, M.M.Warburg & CO keeps a permanent eye on all relevant developments and trends, and can provide answers to all key corporate finance issues. In line with this, it defines the role of investment banking as developing needs-driven solutions. This not only involves analyzing target client needs but also modernizing and enhancing existing advisory concepts.

Corporate Banking

Realignment now followed by growth

The new Corporate Banking unit that has been established covers our business with corporate and shipping industry clients, real estate activities, and wholesale banking for the entire Warburg Bank. The aim of the reorganization is to provide even more effective solutions for enterprises' special funding requirements. Among other things, the offering includes acquisition finance, support for succession planning, and real estate and shipping finance. In addition, clients already started to benefit more from our Corporate Finance specialists' structuring expertise in 2018. In future, we aim to supplement this end-to-end advisory approach and enhance its added value by integrating our Corporate Finance services.

Our multiyear plan provides for a moderate, strategic growth in lending. In addition, we intend to continue pursuing existing approaches to new business placement using credit funds.

Now that our strategic realignment and personnel adjustments have been completed, we are focusing on sales issues. To do this, we are further strengthening the Bank's positioning as a service provider for middle-market business owners, and intend to grow sustainably under our Warburg brand in all locations and to improve our earnings position.

The main thrust of our Corporate Banking business in 2018 was on expanding financing for companies and owner families. In future, the business will revolve around providing tailored support for non-standard business situations such as changes to shareholder structures, the acquisition of equity interests, or equity bridge loans. Classic trade finance will be provided selectively in those cases in which the Bank is also involved in the associated transactions. This strategy is being applied to new business written in Hamburg, Hanover, Stuttgart, and Berlin – the Warburg Bank locations conducting classic corporate banking business. Long-term real estate finance will be passed through to Warburg Hypothekenbank in an orderly fashion or otherwise continued selectively. Corporate Banking's extensive offering is rounded off by a continuously optimized suite of payments solutions, in-house securities management services, and needs-driven cooperation with Corporate Finance.

A reliable partner for the shipping industry

The new policy of expanding our business with shipping clients at home and abroad from our German base, which was adopted in 2016 as part of a new maritime strategy, is proving successful. International awareness of the Warburg brand and its profile has risen significantly in this key client segment. We won a large number of new clients, particularly for our services business, as a result of the sustained acquisition drive by our extensive network plus our in-depth expertise in this area. M.M.Warburg & CO is actively contacted and recommended by shipping companies, but remains selective in the clients it accepts. The Bank's systematic positioning as a premium service provider has proven its worth, especially in the areas of cash management and currency trading, along with its low-risk lending business for selected clients. As a result, the Bank was able to expand its foreign payments and U.S. dollar deposits business in particular. In the past year, the department made a significant contribution to earnings and clearly exceeded expectations.

The Bank's Shipping Finance segment succeeded in bucking the industry trend and executing an encouraging number of client transactions. There is also strong demand for advisory and structured finance services. A newly launched credit fund, in which the Bank itself also has (and will continue to have) a significant interest, provides a way for professional clients to access this asset class.

With respect to the department's legacy business, a large portion of the problem loan portfolio was sold without the Bank having to accept a discount. As a result, working out its remaining legacy business requires fewer resources than in the previous years.

In the market for real estate finance, M.M.Warburg & CO and M.M.Warburg & CO Hypothekenbank work together closely. The focus of the Bank's real estate finance activities is on bridge and special finance, especially in cases that do not meet the extremely conservative loan-to-value ratios for which Warburg Hypothekenbank provides support. This approach is used in the dynamic real estate markets in Berlin and Hamburg, as well as increasingly in Stuttgart, Hanover, Cologne, and Munich. The consolidation of the front offices at the Bank's headquarters and branches is proving an advantage here, since it permits local expertise to be offered nationally.

Support services for funds and fund management companies in the real estate sector also performed well, with these clients' businesses continuing to grow on the back of ongoing robust demand for real estate investments. As a result, there was a moderate increase in the short-term acquisition finance and currency hedging services provided in this area. In addition, the Bank provides depositary services for a large number of fund management companies.

The wholesale banking business builds on the Bank's longstanding, close business relationships with other financial institutions. By constantly tracking the banking market, Warburg Bank ensures it remains unaffected by negative developments at other banks and by country risk.

The period around the turn of the year was dominated by preparations for a hard Brexit. The objective here was to take into consideration any possible impacts arising from the United Kingdom's departure, even though the Warburg Group does not have any units in the country. A special working group was tasked with ensuring that the Bank could remain operational at all times even if its business with British banking counterparties were to be switched to Continental European entities. M.M.Warburg & CO is now well prepared to deal with any problems associated with the United Kingdom leaving the EU.

Corporate Finance

Clear increase in income

Three of the Corporate Finance unit's core strengths are its in-depth knowledge of the markets, its transaction experience, and its independence. 2018 was another successful fiscal year. The team of 25 staff in Hamburg and Munich acquired 20 transactions and advisory mandates; this represents a drop on the previous year, although the income generated as a result was higher.

The M&A Advisory segment provided support for, among other things, the sale of the shares of the Bonn-based General-Anzeiger Group to Rheinische Post Mediengruppe, for the sale of the shares of the founder, CEO, and main shareholder of Blue Cap AG to PartnerFonds AG, and for the sale of G.R. Factoring GmbH to abcfinance GmbH. The segment acted for the shareholders of dodenhof ShoppingWelt in structuring and implementing the contribution of their interior design and furnishing activities to a joint venture with the XXXLutz Group. These projects show that M.M.Warburg & CO continues to be extremely well positioned with its focus on sales mandates for family-run businesses. Terragon AG was advised on a joint venture and AVW Immobilien AG was advised on a capital increase. Extremely interesting venture capital projects were acquired, although these had not been completed by the end of the fiscal year.

The capital markets had an extremely disappointing year in 2018, in contrast to what almost all experts had predicted. Although there was a certain renaissance in IPO activity in Germany, with 17 companies going public, their average performance of –20.5% was roughly as poor as that recorded by the country's equity indices. Capital increases were also few and far between. In line with this, Warburg Bank's Equity Capital Markets business was unable to match the good results seen in previous years. The Bank acted as lead manager for the capital increases by 7C Solarparken AG and Sporttotal AG. It also advised YOC AG on issuing a convertible bond. In addition to these mandates, the Equity Capital Markets team generated income from technical assistance in transaction settlement and from other service mandates.

Debt and Mezzanine Markets (DMM) activities in 2018 focused on bond placements, with the segment acting as joint bookrunner for Otto (GmbH & Co KG) and PNE Wind AG (now PNE AG). In addition, it advised Fyber AG on the planned debt-to-equity swap of an outstanding convertible bond as part of the restructuring of its balance sheet. Support was also provided to other companies raising finance. In particular, the segment advised Berlin-based real estate company Berlinovo throughout the year on restructuring its property finance, the volume of which amounted to more than EUR 1.1 billion. The contracts were signed in the spring of 2019.

It is expected that transaction activities will remain at a high level overall, since the economy is still strong and the low interest rate environment is persisting. The attractive nature of equity participations is likely to continue boosting the M&A market in particular. As in the past, this area offers good opportunities to provide transaction support for listed companies, above and beyond offering traditional sell-side advisory services for middle-market shareholders. The segment's venture capital advisory services will also be strengthened further.

The Equity Capital Markets unit plans to place the IPOs that it has already acquired in a stable capital market environment. At the same time, a larger number of capital increases is expected again. M.M.Warburg & CO will continue to exploit its unique market position as a provider of independent restructuring advisory services for companies with publicly traded equity or debt. The Debt and Mezzanine Markets segment has large-volume placement and advisory transactions scheduled for the first six months that could offer a strong foundation for another successful year. The fact that Debt and Mezzanine Markets offers a number of clearly defined placement and advisory products that are tailored to different client groups is a significant advantage. In addition, the positive business trend in bond issuance in particular is expected to continue.

M.M.Warburg & CO's Corporate Finance unit is well-positioned to perform all of these tasks thanks to its experienced and highly qualified staff, These serve as skilled points of contact throughout Germany – both in Hamburg and in the branches in Berlin, Bremen, Frankfurt, Hanover, Cologne, Munich, and Stuttgart.

Markets and Institutional Banking

The combination of tailored individual solutions, in-depth knowledge and experience of the international capital markets, and independent research guarantees M.M.Warburg & CO's high quality as a capital market specialist for equity, bond, and currency market transactions.

Staffing for the unit's interest rate and currency advisory services was increased in order to provide a broader client base with currency and interest rate products. Overall, the Interest Rate Advisory Services and Currency Trading departments made a positive contribution to net fee and commission income, as in previous years.

The trend that set in at the beginning of the year towards a persistent strengthening of the U.S. dollar is due to the monetary policy adopted by the Federal Reserve. Many clients used this scenario both for classic hedging instruments and for option strategies.

Regulatory requirements and low yields were a challenge

The Fixed Income unit had to cope in 2018 both with ongoing low yields and in particular with the much stricter regulatory requirements resulting from MiFID II. Measured in terms of 10-year Bunds, the year started with a yield of 0.43% before hitting a high of approximately 0.77% at the beginning of February. The yield for Bunds at the end of the year was a mere 0.24%, in contrast to what nearly all market players had expected.

The unit's close, trusting, long-term relationships with institutional investment clients which focus on benchmark issues with medium to long durations was a critical success factor given the prevailing market conditions. Fixed Income recorded good results in placing bond issues by the Bank and in new issues with international issuers, an area of business in which activity remains brisk.

M.M.Warburg & CO also maintained its strong position in exchange trading in the past fiscal year, further expanding its expertise. Clients value its many years of experience and professional order execution. M.M.Warburg & CO has access to all German exchanges. Exchange Trading reliably settles derivatives, equities, and bond orders for clients, including Warburg Group enterprises.

Profile as a German equities expert raised

The Equities area, which comprises the equity research performed by the Bank's subsidiary, Warburg Research GmbH, and advisory services for institutional equity investors (Institutional Sales – Equities), clearly enhanced its profile as a German equities expert in a capital market environment that was dominated by increasing regulatory requirements and falling prices. The critical factor here was the particular quality of its research results. Once again, the precise earnings estimates by its analysts and the reliability of its buy/sell recommendations proved to be compelling arguments in the reporting period. The Institutional Sales Team also raised significantly investor awareness in 2018, coming first in the survey-based EXTEL ranking for small and mid-caps in Germany (2017: second place, 2016: third place). EXTEL is considered to be the gold standard in the institutional clients sector due to the high number of survey respondents. Although income was down tangibly year-on-year due to the market-driven drop in the number of transactions and lower check and commission payments from institutional investors, the Equities unit was able to further extend its market position with institutional investors by raising its profile as a German equities expert.

The Institutional Sales – Equities unit has a first-rate reputation among institutional investors focusing on Europe. These clients value the continuity and consistent high quality of the advisory services provided and the unit's high level of expertise in the area of German small and mid-caps. As a whole, the 2018 market environment saw prices drop significantly and high levels of volatility, accompanied by more defensive, short-term investment behavior. As a result, investors were much less receptive to transactions overall, especially in the case of less-liquid second-tier stocks.

Marketing activities – which were tightly focused on German equities – continued at a high level, with a total of several hundred days of roadshows being held with company board members and analysts alike. The ninth "Warburg Highlights" investor conference was held in Hamburg, while a number of "German Small-Cap Selection" events took place in Frankfurt, and Berlin hosted the fifth "Meet the Future" conference. Apart from the advisory services offered to institutional investors, support was again provided for a number of transactions, particularly in the German small and mid-cap segment – proof of the team's strong placement skills.

The Institutional Investors segment saw considerable volume growth in 2018. In particular, the sales network deepened cooperation with third-party asset managers and sales platforms for WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH's mutual funds. Additionally, new management mandates were acquired in the areas of occupational pension schemes and pension funds. What is more, the unit managed to consolidate and expand existing client relationships in what was a highly challenging fiscal year across almost all asset classes by honing its client orientation and providing individual advice. In the case of institutional investors, there was a continuing focus on liquid alternatives such as the volatility strategy offered by the Warburg-Defensiv fund, among other things, and factor investing strategies forming part of the Multi Smart Beta approach.

As part of the expansion of the Warburg Group's asset management activities, the range of classic investment products will be further expanded as from the coming year. In addition, clients and investors will be able to use Warburg Invest AG's administrative solutions. The unit's successful cooperation with external fund managers will be continued via the IntReal Real Estate KVG and Augeo Capital Management S.A. administration platforms, which cater to open-ended real estate special funds and alternative Luxembourg investment funds respectively.

Warburg Research: Over 200 individual securities covered. Top-quality analyst recommendations.

Warburg Research GmbH can look back on a successful fiscal year. The new MiFID II rules, high levels of volatility, and ultimately the sharp drop in equities prices made 2018 a challenging year. Warburg's analysts were able to demonstrate their expertise in this environment and added considerable value. The top picks featured in the Warburg Monthly Stock Tracker gained 3% and significantly outperformed the market as a whole (DAX: –18%). Further confirmation of the high quality of the research provided also came from the globally recognized Thomson Reuters Analyst Awards, which again named the company the "Best Broker in Germany". 2018 was the third time in four years that it has won this honor, proof of its highly consistent quality. Warburg Research GmbH, which covers more than 200 equities in Germany, remains the market leader. This broad coverage of the German equities market combined with the excellent quality of its analysis will ensure that Warburg Research GmbH remains a sought-after service provider for institutional investors and company owners in the future, too.

Private Banking

€uro: "Very good" quality rating for advisory services

M.M.Warburg & CO's Private Banking unit sees its role as structuring the wealth of demanding private clients and preserving and growing them down the generations. The first step in this close partnership is to develop an in-depth understanding of the individual, complex situations surrounding clients' wealth. In a second step, the unit analyzes and evaluates the various assets, allowing it to develop sustainably successful investment concepts. The persistently low interest rates in recent years has led clients to prioritize preserving their assets and hence ensuring their owners' quality of life of their owners and that of their families.

The unit continued to hone its focus on providing end-to-end advisory services in the reporting period. Internal advisory workflows were modified, with support by individual advisors being replaced by a team-based model. Advisory staff assemble a team of experts to support clients' individual needs, ensuring that they are tailoring their offering and services even more closely to clients' wishes. The specialists needed for this are drawn from the Bank's asset management and investment advisory services. Where necessary, the support provided is expanded to include access to Corporate Banking services, real estate expertise, or other services from the Warburg Group's broad range of offerings. Clients still retain their existing, familiar contacts, however.

In 2018, Private Banking again substantially increased the number of mandates and the volumes of client assets entrusted to it. The editorial team at €uro, the business magazine, rated the quality of the advisory services provided as "very good" in December 2018.

Private Banking held exclusive professional and cultural events for clients at all locations, offering participants excellent networking opportunities and insights. The topics covered at these events are constantly tailored to the wishes of the target audiences, who include company owners, foundations, and young people between the ages of 18 and 30. For example, the Warburg Banking School – now firmly established and in its fifth year – puts intergenerational client support into practice.

Warburg Bank's asset management activities continued to be in demand, in line with the trend seen in previous years. The stiffer regulatory requirements in the area of traditional securities advisory services, such as the statutory requirement to record telephone calls, will lead to an increased need for advisory support in the form of asset management investment strategies in the future, too.

Private clients who want to take their own investment decisions and execute individual securities transactions while still taking advantage of M.M.Warburg & CO's specific expertise can be sure of receiving individual investment advice. To appropriately meet private clients' high standards in this area as well, a nationwide team of securities specialists was established centrally in Hamburg. This serves as the contact point for clients qualifying as professional investors.

A new Warburg Bank Asset Management unit, the Advisory Office, was established to ensure the highest-quality advice. This bundles the expertise and resources needed to select equities, investment funds, bonds, and certificates. Capital market specialists contribute their many years of experience. Investment advisers can draw on this concentrated, in-depth expertise when providing individual advice. This move was deliberately designed to strengthen the Bank's market position in this highly tailored Private Banking service as an add-on to asset management, and optimizes the professional and specialist advice provided by its staff. In addition to providing extensive advice on financial instruments, M.M.Warburg & CO offers external asset managers access to the services it provides to its securities account customers.

The new Private Wealth Management International department, which was established in November 2018, bundles and provides one-stop shopping for Warburg Bank's foreign clients relationships. A particular goal is to strengthen the Bank's strong international contacts with foreign shipping clients. The offering is explicitly tailored to the target group's requirements. M.M.Warburg & CO aims to provide clients with added-value support that sets the Bank apart from the competition.

What is more, M.M.Warburg & CO offers interested clients investment opportunities in the form of equity interests.

Price trends on all real estate markets in recent years have led to attractive yields for such investments. The secondary market values for a number of closed-end real estate funds placed by the Bank in the last 10 years appreciated considerably.

The private equity business also offers an opportunity to outperform equities. Professional clients participated in second-round financing for a number of German e-commerce enterprises for which M.M.Warburg & CO had already successfully arranged the first rounds. Another private placement provided access to a diversified portfolio of European middle-market companies via a fund of funds.

Asset Management

Personal advice and professional expertise are the hallmarks of Asset Management's offering for private clients and institutional investors in Germany and abroad. In their discussions with clients, advisors use their experience to develop sustainable, state-of-the-art financial solutions for the securities, real estate, and alternative investments asset classes that suit clients' institutional environments. The Group's size enables it to develop investment strategies that build on the professional expertise of its micro and macro research for the capital market, of WARBURG INVEST for mutual and special funds, for M.M.Warburg & CO Hypothekenbank for short- and medium-term real estate finance, on its experience in the shipping loans business, and on the services provided by the HIH Group.

In a challenging market phase such as that seen in fiscal year 2018, a risk-oriented, risk-aware investment strategy is suited to protect capital and increase it in the medium to long term. The outstanding expertise and many years of experience offered by M.M.Warburg & CO's portfolio managers, economists, and investment strategists offer a good foundation on which to achieve these goals.

The Bank succeeded in maintaining the particular quality of the portfolio management services offered while keeping the number of portfolio managers stable. In addition, substantial investments were made in the IT infrastructure in 2018 in order to successfully continue managing the growing volume of assets.

Taken as a whole, portfolio management once again made a significant contribution to Warburg Bank's overall results. However, due to the difficult capital market environment, management mandates involving performance-based fee models made hardly any contribution to earnings in 2018, in contrast to 2017. This is because the agreed minimum performance thresholds on the German and international stock markets and in the fixed income area were not met in many cases.

Warburg Invest

Warburg Invest Holding GmbH serves as the holding company for the Warburg Group's asset management companies, WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH and Warburg Invest AG, making it one of the largest asset managers in northern Germany. The companies offer their predominately institutional clients an even broader range of customized asset management solutions and comprehensive asset services. A further focus in the area of sustainable investments is the development of forward-looking strategies such as liquid alternatives and quantitative approaches. In 2019, political uncertainty and fears of an end to the global economic upturn will increasingly lead to institutional investors prioritizing the need for security and defensive strategies.

Increasing demand for sustainability as an investment criterion

The issue of sustainability is becoming more and more important and is touched on in almost every discussion with potential new clients. This opens up growth opportunities since the two companies are among the pioneers in this area on the German market. WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH launched the first sustainable fund of funds in Germany back in 2004. Further proof of Warburg Invest AG's positioning as a sustainable asset manager comes from the seal of approval awarded by a well-known sustainability forum for its successful, global best in class equity index fund.

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH had another successful year in fiscal year 2018. Discretionary mandates – in which portfolio management services are provided for institutional clients in the form of financial portfolio management mandates, or for investment funds that are managed by other management companies – recorded inflows of funds. As of the December 31, 2018, reporting date, the company managed 29 open-ended special AIFs with a volume of EUR 3.8 billion and 79 mutual investment funds with a volume of EUR 3.2 billion. Investment management concepts that comply with strict sustainability criteria also saw further growth.

In addition to inflows of funds from existing clients, the company succeeded in attracting new clients of a significant size. Equity-oriented, multi-asset class, and active risk funds were in particularly high demand. Total return approaches came under the spotlight.

In the past year, the majority of mandates were unable to generate an absolute positive return in a situation characterized by ongoing volatile low interest rates, rising risk premiums, and equity markets that were falling overall. This is leading to a search for investment solutions that are less strongly correlated with typical stock and bond market movements but that still offer acceptable expected yields. Another focus was on investment solutions that can deal dynamically with the pronounced volatility and reversals of direction being seen on the stock markets. Investments in global interest rate markets are seen as another growth opportunity.

Hanover-based Warburg Invest AG offers clients special and mutual fund management and administration services, the ability to act as a master investment management company, and financial portfolio management for institutional investors.

One major event developments at Warburg Invest AG in fiscal year 2018 was the change in ownership. This led to a significant amount of capacity being assigned to support the supervisory approval process for the transaction and for integration with the Warburg Group.

"Very good" rating for Warburg Invest AG's QuantLab team

Increased demand for and awareness of Warburg Invest AG's solutions in the areas of quantitative strategies for value preservation and tactical risk management was seen, thanks to the strong ratings received. The "AA- (very good)" rating awarded to Warburg Invest AG's QuantLab team by Scope, the well-known investment rating company, underlines the company's expertise in quantitative allocation and risk management and should positively impact market awareness. The close cooperation with Warburg Bank's sales function is expected to lead to a further increase in volumes under administration and management, and hence have a positive effect on earnings.

Warburg Digital

Warburg Navigator

2018 was the first full fiscal year for Warburg Navigator, the Bank's digital asset management tool. This innovative digital asset management platform was developed in partnership with the Berlin-based fintech company Elinvar. All asset management functionality is provided by Warburg Bank's asset management specialists and its Investment Council, whereas Elinvar is responsible for technical modeling. Clients using the Warburg Navigator set their own goals and targets, and specify their yield requirements and risk appetite, based on a comprehensive online questionnaire. This information is then used to draw up and subsequently implement a proposed strategy. Clients have an online, near real-time overview of how their investments are structured and of their performance. In addition, they have full access at all times to all transaction data, contract documentation, and asset management correspondence.

In contrast to conventional "robo-advisor" offerings, the Warburg Navigator is not solely driven by algorithms. Instead, the qualitative assessments made by the Investment Council and Warburg Bank's macro research are incorporated into the investment process. At no point in the investment process do automatic processes lead to unreviewed transactions with client portfolios. The portfolios are based on ETFs and active funds covering a total of 24 different global stock, bond, and commodities markets.

Among other things, development work in 2018 focused on expanding the offering and the possibility of offering portfolios based on individual funds in the future. In addition, the logical design work for further individualization options that will be implemented in 2019 was performed. This is proof that digitalized asset management processes do not necessarily have to lead to standardization, but that they rather can form the basis for "manufacturing" customized portfolio structures. In the longer term there will be a possibility of transferring this functionality to parts of the "analog", classic asset management business without having to make compromises on a largely individualized portfolio design.

Another focus in 2018 was on deepening the Bank's online marketing skills and optimizing its homepage and onboarding program. The experience gained in this process will be used in 2019 in successive enhancements, including adapting the strategy proposals generated and enhancing their user-friendliness. Marketing for the product has been relatively low-key to date since the main priorities in 2018 were to further ramp up the online marketing learning curve, better understand client wishes in the context of a digital client relationship, test new client communication formats, and analyze competitor products. This means it will be possible to substantially increase target client awareness in 2019. Nevertheless, it is gratifying to see already that client acquisition costs for Warburg Navigator are almost at the level of comparable competitor products, even though the marketing spend recorded for these was considerably higher than for Warburg Navigator in 2018. The performance achieved in 2018 by the seven strategies currently on offer was in the top tercile of comparable offerings for asset management funds.

W&Z FinTech GmbH

EUR 1 billion of assets under information

W&Z FinTech GmbH operates the OWNLY app, with which users can obtain an end-to-end overview of their assets, individual capital market information, reporting information, and access to selected financial products. At the end of 2018/beginning of 2019, users of the app had aggregate assets of over EUR 1 billion (previous year: EUR 450 million in assets under information), ranging from equities through real estate down to old timers and art. In the current year, the plan is to introduce an advisor dashboard with which users can share information as required with their advisors – be they tax accountants, bankers or asset managers – in order to make it easier to collate information on individual investments and lay the groundwork for overarching asset advice.

Compliance, Anti-money Laundering, and Data Protection

The independent Compliance department and the anti-money laundering and data protection officers, who report directly to senior management, are responsible among other things for identifying, preventing, and managing conflicts of interest, preventing money laundering and terrorist financing, and ensuring data protection and data security.

The WpHG Compliance function is responsible for ensuring that statutory and supervisory provisions, internal company rules, and sector-specific requirements are adhered to. In particular, Compliance serves to protect clients and investors. The Bank's risk profile for existing WpHG compliance risks is determined in the course of regular risk analysis. This takes into account the results of previous monitoring and supervisory activities by Compliance itself and by Internal Audit, the results of the audits by external auditors, plus all other relevant sources of information (e.g., insights from complaints management). MiFID II resulted in additional monitoring and supervisory duties in the area of investor protection for the WpHG Compliance function. The Compliance department is of the opinion that the principles, available resources, and procedures that have been introduced to comply with the statutory obligations continue to be effective and appropriate.

All banks must have a compliance function that mitigates the risks that could arise from failure to comply with the legal provisions and requirements. This MaRisk Compliance function, as it is known, must work to ensure that effective processes for complying with the legal regulations and requirements that are material to the Bank, and appropriate checks, are implemented. Major legal regulations that had to be implemented in 2018 included the revised MiFID II/MiFIR, the EU's General Data Protection Regulation (which had to be implemented by May 25, 2018), and the fifth set of amendments to the Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management). The focus of upcoming regulatory projects is on CRR II and CRD V, where implementation of the Basel IV provisions in particular will entail substantial time and effort.

The Anti-money Laundering unit is responsible for performing the duties deriving from the regulations designed to prevent money laundering, terrorist financing, and other criminal acts. It avoids damage to and losses by the Bank and downstream entities, performs risk assessments as part of regular risk analyses, and uses these as the basis for developing and implementing the a dedicated prevention policy for the Bank. The Anti-money Laundering Officer regards the principles and processes developed by the Anti-money Laundering department, and the measures taken during the reporting period, to be appropriate and effective. Anti-money laundering continues to be particularly important given the stricter regulatory requirements. It is a key function in the Bank's risk prevention activities (including reputational risk) in the areas of money laundering, terrorist financing, and other criminal acts.

Data Protection and Data Security

GDPR implemented

The increasing digitalization of business processes and the associated dangers, such as those resulting from cyberattacks – which can have serious consequences for business operations – means that IT security is highly important from an operational perspective. IT security and IT risk management are now a core focus of supervisory inspections, as can be seen from the publication of BaFin's "Bankaufsichtliche Anforderungen an die IT" ("BAIT" –"Supervisory Requirements for IT in Financial Institutions"). In line with this, the BAIT requirements also form the basis for audits of the annual financial statements and for internal audits. Moreover, new, additional regulatory requirements have to be complied with; these include the self-certification statement for TARGET2 (Trans-European Automated Real-time Gross Settlement Express Transfer System) required by the Bundesbank and self-certification for the SWIFT Customer Security Program (CSP).

The risks and requirements are included in the IT security risk analysis performed for the Bank and the security measures derived from this. For example, regular IT security checks on Warburg Bank's network and on the digital offerings available via the Internet are now commissioned from, and performed by, third party service providers, complementing the internal operational security checks.

The General Data Protection Regulation (GDPR) came into effect on May 25, 2018, replacing the "old" Bundesdatenschutzgesetz (BDSG – German Data Protection Act). The new legislation creates a uniform legal framework for processing personal data in all EU Member States. However, the principles set out in the GDPR – lawfulness, transparency, purpose limitation, data minimization, accuracy, storage limitation, integrity and confidentiality – were already contained in the previous version of the BDSG, so that no fundamental changes have been needed as to how client data are handled in our day-to-day business. The GDPR requirements were implemented in the course of a cross-departmental project. The main effort involved related to the area of IT and as a result of additional documentation requirements. An external audit of the implementation of the GDPR was commissioned at the end of the year in view of the sharp rise in compliance risk resulting from the new duty of accountability towards the supervisory authorities and the considerably more substantial fines.

Employees

The effects of the mergers of the banking subsidiaries and the resulting human resources measures were still being felt in 2018. One key element here was the signing of seven enterprise-wide works agreements. These unified the historically extremely diverse rules governing working times, employee reviews, personnel information systems, salary structures, benefits, communication systems, and workplace integration management that had previously grown up at M.M.Warburg & CO's different locations. The preparation of the agreements and the negotiation of the future rules with the works councils and employee representatives were constructive and positive at all times. Information events hosted jointly by the works councils and Human Resources were used to tell employees about the new, uniform rules, and met with an almost entirely positive reception.

The headcount continued to decline slightly due to the effects of the reconciliation of interests and the redundancy plan, since employee departures continued well into 2018.

Number of employees

	M.M.Warburg & CO	The Warburg Group
Dec. 31, 2016	737	1,210
Dec. 31, 2017	721	1,227
Dec. 31, 2018	684	952
Difference	–37	–275
Difference in %	–5.13	–22.41

The figures for Warburg Group's workforce include the 104 staff at Warburg Invest AG (previously NORD/LB Asset Management AG), which has belonged to the Group since November 2018. They no longer include staff at the former subsidiaries in Luxembourg and Switzerland, which were sold at the end of fiscal year 2017. As a result, Warburg Group had 952 employees at the start of 2019.

The average age of the workforce at M.M.Warburg & CO rose only slightly in 2018 (2017: 45.18 years, 2018: 45.36 years) and is thus marginally above the average for the private banking sector as a whole (2015: 44.3 years according to the employers' association). The average length of service of MM Warburg & CO staff also increased somewhat to 13.02 years (previous year: 12.86 years).

Employee age and length of service at M.M.Warburg & CO

	Average age in years	Average length of service in years
Dec. 31, 2016	44.52	12.43
Dec. 31, 2017	45.18	12.86
Dec. 31, 2018	45.36	13.02

Despite the large number of restructuring measures being taken in the banking sector, the labor market outlook for qualified employees at most Warburg Bank locations is good. The resulting competition and the personnel measures that were taken led to an increase in the turnover rate to 9.12% (previous year: 7.92%).

Turnover rate at M.M.Warburg & CO

	Turnover rate (employee resignations)	Turnover rate (total)
Dec. 31, 2016	3.26%	5.16%
Dec. 31, 2017	3.28%	7.92%
Dec. 31, 2018	5.50%	9.12%

Illness-related absences rose slightly but continued to be at a low level compared to the industry as a whole and to other sectors. Additional company health management measures were taken in 2018 to improve staff health. Among other things, these included a project to assess psychological stress.

Illness-related absences at M.M.Warburg & CO

	Illness-related absences	Illness-related absence excluding long-term illnesses
Dec. 31, 2016	3.68%	2.84%
Dec. 31, 2017	4.46%	3.06%
Dec. 31, 2018	4.96%	3.21%

M.M.Warburg & CO has always given well-organized employee development a high priority. An annual needs analysis and the evaluation of the information gained during employee reviews are used to assess whether existing measures are effective and up-to-date. In 2018, Human Resources presented a revised personnel development plan featuring additional new elements and increased investment, which was resolved by the Partners.

New topics were added to the 2019 continuing education plan. Particularly noteworthy are seminars on workplace health promotion and special offerings designed to facilitate equal opportunities for men and women at work. The goal here is to further increase the proportion of women in specialist and managerial positions. The “Zukunftskreis” career development program aimed at staff with management potential was developed to offer these employees individual coaching.

Once again, staff had to devote considerable time and energy to training relating to regulatory requirements. Despite this, we managed not to neglect personal skills development, such as in the areas of creativity and communication.

The number of applications that are received in response to advertised jobs or that are unsolicited has been high for many years. The size of the response suggests that the Bank's independence and individuality make it an attractive employer. Flat hierarchies, detailed job profiles, and the opportunity to gain insights into areas of banking that are no longer found at highly industrialized large commercial banks and specialized institutions generate considerable interest. This is complemented by a corporate culture that has become rare elsewhere. In February 2018, Warburg Bank was awarded three stars in the special competition for *Hamburg's Best Employers* run by the Hamburg Chamber of Commerce. According to a study by FocusMoney, M.M.Warburg & CO is one of the "Best Companies for Apprentices in Germany in 2018".

The Bank's corporate culture includes a large number of shared activities designed to maintain and promote a positive working environment. These include a company party, the annual Advent carol service, and informal social events organized by the employees themselves and attended by the Partners, managers, and staff.

2018 was not an easy year for the Bank's staff – all the more reason for the Partners to thank them warmly for their hard work and dedication. Particularly worth mentioning here is our strong and constructive partnership with the works councils. Signing the enterprise-wide works agreements after the in-depth but nevertheless brief negotiations was an important step for the Bank. The Partners and shareholders would like to sincerely thank all works council members for their work.

MARCARD, STEIN & CO AG

The family office bank – an independent partner for high net worth families and foundations

As a family office, MARCARD, STEIN & CO specializes in end-to-end services for large family estates and ultra high net worth individuals. Its core business is providing strategic and operational support for clients across all asset classes, offering the full range of family office services. A team of approximately 70 highly specialized employees offers clients the expert knowledge needed for this, advising them with exceptional dedication and the greatest possible discretion.

More and more, clients are focusing on the need to safeguard and protect their families in the face of a further increase in political uncertainty. MARCARD, STEIN & CO caters to these wishes by developing strategies for clients that offer a high degree of protection against life risks. What is more, it supports clients not only in strategic wealth management issues but also in helping to ensure cohesion and unanimous action by families and asset holders. MARCARD, STEIN & CO enjoys a special position in the heterogeneous family office market thanks not only to its experience and its decades of expertise as a partner for wealth holders, but also to its banking license. The family office bank is subject to the full range of supervisory and regulatory requirements, enabling the highest possible process quality and security for its clients. In the year under review, the bank again used this strategic advantage to maintain its quality leadership and expand its market position.

MARCARD, STEIN & CO had a successful fiscal year, generating net income on a par with the previous year. 2018 posed particular challenges for integrated asset management across all asset classes. Stock markets almost everywhere in the world closed the year in negative territory, despite solid global economic growth. In addition to easing economic momentum in the course of the past year, political topics caused particular headaches for investors.

The real estate asset management concept – combining a 360 degree perspective, unusually detailed knowledge, and a broad investment universe – has another record year, and expands its service offering to include land development activities

Real estate asset management – comprising real estate portfolio management and asset management – is one of the strategic family office's core business areas. This unit acts as the owners' representatives to manage clients' directly or indirectly held real estate assets. Due to its extremely broad investment universe and nationwide network, the real estate team executed significant investment transactions in excess of EUR 100 million despite a tight market; these comprised both the direct purchase and sale of properties and investments in the Real Estate Private Equity segment. Acquisitions focused on what are known as "value investments" – i.e., undervalued real estate that is in need of optimization and is situated in good locations, office properties, and both privately and publicly financed residential development projects ("forward deals"). Another, long-term area of activity was the acquisition of high-potential sites with usable space of more than 100,000 m^2 throughout Germany that can be used later on to develop new urban districts.

The experienced, interdisciplinary real estate team proved an advantage in attracting both new family office clients and clients specifically interested in real estate asset management. The Bank's real estate asset management concept is a benchmark for the German family office segment. It is in high demand from both current and prospective clients and is increasingly well known in the market as a whole, thanks among other things to a number of presentations and publications by staff members. In line with this, additional staff were again recruited for the real estate team.

Partnering closely with clients on equity investment transactions.

In fiscal year 2018, MARCARD, STEIN & CO supported its clients in a number of projects and business issues in the area of direct equity interests. Firstly, it helped clients exercise their investors' rights in the case of existing equity interests and advised them on key enterprise decisions. Secondly, it stepped up its activities to identify new equity investments and examined a number of potential investments in detail. As part of these evaluations, an investment was made in a comparatively young tech company for a number of clients in the middle of the fiscal year. In addition, the Equity Investment Management unit focused on a major sale in the past fiscal year. A client successfully sold his company in the food sector at the end of 2018. The valuation achieved (based on the EBITDA multiplier) was above that for comparable transactions. The bank also supported a client in the sale of his minority interest in a beverage start-up.

Where possible, indirect equity investments should be a constant element in MARCARD, STEIN & CO's asset allocation policy for clients. The role of the Indirect Equity Investments unit is to provide clients with access to a steady stream of attractive private equity products and other alternative investment forms. In this context, an in-depth examination of a number of products from well-known initiators was followed by a presentation to clients, who then committed capital in excess of EUR 10 million.

For 2019, the focus in many cases will be on increasing portfolio security and closely observing political developments. Allocations will be actively adjusted in line with developments since, in a fragile economic environment, political and economic events can lead to highly volatile prices. Implementing rapid changes to asset allocations makes particularly high demands on cooperation. This can only be achieved by working together in a skilled, trusting, and highly individual way. This is the advantage of the family office concept.

M.M.Warburg & CO Hypothekenbank AG

M.M.Warburg & CO Hypothekenbank AG is continuing to concentrate primarily on providing customized finance for multi-use commercial and residential real estate above and beyond the standardized mass-market business in Germany's metropolitan areas. Loans are only extended for properties requiring management, such as hotels or social welfare facilities, in exceptional cases; the same also applies to properties abroad. As in the past, the loan-to-value ratios for a large majority of the loans extended are less than 60% of the real estate collateral offered. Loans are primarily refinanced using Pfandbriefe. Warburg Hypothekenbank turned in another successful business performance in fiscal year 2018.

High level of new loan commitments in 2018

It strengthened its position in the market areas relevant to it while preserving its traditionally conservative business policy. Although the competitive environment remained challenging, the bank succeeded in increasing new commitments (not including loan extensions) compared to the previous year, bringing the total to EUR 244.8 million. It selectively expanded its client base, including in cooperation with other Warburg Group companies. Despite a renewed high level of premature redemptions, the real estate loan portfolio at the end of the year was on a par with the prior year at EUR 1.672 billion, due to the strong volume of new business.

Public sector lending remains an insignificant element of the business, since there are no opportunities in this area with appropriate risk levels. New business was only entered into in connection with the maintenance of the cover pools and for liquidity management purposes.

Pfandbriefe are still the main means of refinancing, making it possible to obtain funding for transactions with matching maturities. Demand, particularly for low-volume registered mortgage Pfandbriefe, remained very encouraging last year. Overall, refinancing sales amounted to EUR 170 million.

At EUR 6.8 million, Warburg Hypothekenbank's pre-tax profit exceeded the forecast but was down slightly year-on-year. The bank's equity base was strengthened by issuing EUR 10 million of subordinated debt, which counts as additional Tier 1 capital.

The acquisition of the shares of M.M.Warburg & CO Hypothekenbank by the shareholders of M.M.Warburg & CO Group will not impact the broad-based cooperation with Warburg Bank in the property finance business and between the central departments. The same applies to the relationship with Landeskrankenhilfe VVaG, which holds 40% of the shares of M.M.Warburg & CO Hypothekenbank AG; this is an extremely close partnership based on a common understanding of the mortgage bank's strategic focus.

Report of the Supervisory Board of M.M.Warburg & CO (AG & Co.) KGaA

In line with its statutory duties and the requirements of the articles of association, the Supervisory Board ensured it was provided with detailed briefings on the Bank's situation and performance and that of its subsidiaries by the general partner, M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft, as represented by the latter's executive board. The members of the executive board of M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft are both the senior managers of, and the partners, in M.M.Warburg & CO (the "Partners").

The Supervisory Board discussed issues relating to the business and risk policy, and projects initiated by the Partners together with the latter in four joint meetings with the Shareholders' Committee. The Supervisory Board and the Shareholders' Committee resolved transactions requiring their approval that were submitted to them. Between meetings, the Spokesman for the Partners informed the Chairman of the Supervisory Board of major developments and decisions on an ongoing basis. Above and beyond this, the Partners informed all of the members of the Supervisory Board in all cases without delay of all important individual events that occurred during business operations. In addition to day-to-day business developments, the discussions focused on issues relating to business policy and strategy; banking supervision; supervisory law; and the effects of market developments and the low interest rate environment on the earnings and risk position of the Bank and its subsidiaries. Issues relating to the internal control system and accounting were also discussed.

The Supervisory Board is able to state that the Partners fulfilled their reporting obligations to it in a due and proper manner in accordance with the Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management), the Mindestanforderungen an die Compliance-Funktion (MaComp – Minimum Requirements for Compliance), and the Aktiengesetz (AktG – German Stock Corporation Act), and in this case section 90 of the AktG in particular.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), which was elected as the auditors by the General Meeting, audited the annual financial statements and the management report for fiscal year 2018 and issued an unqualified opinion. The annual financial statements, the management report, 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 17, 2019. The auditor responsible participated in the discussions on the annual financial statements and the management report. The Supervisory Board examined the management report by the Partners and the annual financial statements prepared by them as of December 31, 2018, and does not raise any objections. It concurs with the auditors' audit findings and approves the annual financial statements for 2018. In accordance with section 172 of the AktG, the annual financial statements for 2018 have therefore been adopted.

The Supervisory Board wishes to thank the Partners and all employees for their hard work and dedication in the past fiscal year.

Hamburg, April 17, 2019 The Supervisory Board
– Chairman –

Condensed Annual Financial Statements of

M.M.Warburg & CO (AG & Co.) KGaA

as of December 31, 2018

The full annual financial statements and the management report in the version granted an audit opinion by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft are published in the electronic Bundesanzeiger (German Federal Gazette).

Balance Sheet as of December 31, 2018

Assets			EUR	EUR	Dec. 31, 2018 EUR	Dec. 31, 2017 EUR
1. Cash reserve						
a) Cash-in-hand				3,785,874.77		4,112,949.01
b) Central bank balances				11,208,040.31		70,618,885.46
of which: with Deutsche Bundesbank	EUR	11,208,040.31				(70,618,885.46)
					14,993,915.08	74,731,834.47
2. Loans and advances to other banks						
a) Payable on demand				1,808,619,518.66		1,046,523,753.19
b) Other				148,607,707.28		148,944,241.90
					1,957,227,225.94	1,195,467,995.09
3. Loans and advances to customers					1,434,614,855.90	1,534,746,551.97
of which: secured by mortgages	EUR	370,970,437.46				(396,918,923.67)
Public-sector loans	EUR	17,917,193.54				(2,767,413.32)
4. Bonds and other fixed-income securities						
a) Money market securities						
aa) public-sector issuers			0.00			0.00
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	0.00				(0.00)
ab) other issuers			0.00	0.00		0.00
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	0.00				(0.00)
b) Bonds and notes						
ba) public-sector issuers			531,051,980.16			739,236,891.52
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	531,051,980.16				(739,236,891.52)
bb) other issuers			251,917,336.58			409,701,316.01
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	240,932,443.25				(383,716,007.40)
				782,969,316.74		
c) Own bonds and notes				0.00		0.00
at par	EUR	0.00				
					782,969,316.74	1,148,938,207.53
5. Equities and other variable-rate securities					36,532,296.63	18,827,841.98
6. Trading portfolio					59,176,063.73	52,522,613.19
7. Shares in other investees and investors					56,929,357.05	47,526,107.12
of which: in banks	EUR	19,119,302.33				(18,348,958.55)
of which: in financial services institutions	EUR	56,946.49				(145,783.03)
8. Shares in affiliated companies					36,563,828.73	66,239,775.30
of which: in banks	EUR	12,054,450.15				(51,829,451.42)
of which: in financial services institutions	EUR	0.00				(0.00)
9. Fiduciary assets					822,073,538.79	1,030,291,063.29
of which: fiduciary loans	EUR	314,191.94				(542,130.85)
10. Intangible fixed assets						
a) Internally generated industrial rights and similar rights and assets				0.00		0.00
b) Purchased concessions, industrial rights and similar rights and assets, and licenses in such rights and assets				1,431,655.00		2,072,145.00
c) Goodwill				0.00		0.00
d) Prepayments				0.00		0.00
					1,431,655.00	2,072,145.00
11. Tangible fixed assets					100,726,732.56	104,441,654.02
12. Other assets					186,760,579.72	147,221,892.17
13. Prepaid expenses					1,275,866.69	1,196,581.54
14. Deferred tax assets					0.00	0.00
15. Excess of plan assets over pension liability					0.00	0.00
16. Deficit not covered by equity					0.00	0.00
			Total assets		**5,491,275,232.56**	**5,424,224,262.67**

Equity and liabilities			EUR	EUR	Dec. 31, 2018 EUR	Dec. 31, 2017 EUR
1. Liabilities to other banks						
a) Payable on demand				111,478,056.33		51,999,132.43
b) With agreed maturities or periods of notice				107,626,730.49		250,163,835.45
					219,104,786.82	302,162,967.88
2. Liabilities to customers						
a) Savings deposits						
aa) with agreed periods of notice of three months			39,998,585.52			50,089,868.55
ab) with agreed periods of notice of more than three months			10,535,338.02			12,583,313.39
				50,523,923.54		62,673,181.94
b) Other liabilities						
ba) payable on demand			3,261,526,269.58			2,661,144,453.26
bb) with agreed maturities or periods of notice			578,546,624.20			771,764,406.74
				3,840,072,893.78		3,432,908,860.00
					3,890,596,817.32	3,495,582,041.94
3. Certificated liabilities						
a) Bonds issued				0.00		0.00
b) Other certificated liabilities				0.00		0.00
					0.00	0.00
of which: money market securities	EUR	0.00				(0.00)
own acceptances and promissory notes outstanding	EUR	0.00				(0.00)
4. Trading portfolio					46,001,863.19	53,183,189.43
5. Fiduciary liabilities					822,073,538.79	1,030,291,063.29
of which: fiduciary loans	EUR	314,191.94				(542,130.85)
6. Other liabilities					42,933,197.17	61,897,296.63
7. Deferred income					1,257,190.22	956,102.98
8. Deferred tax liabilities					0.00	0.00
9. Provisions						
a) Provisions for pensions and similar obligations				37,423,586.00		36,869,677.00
b) Provisions for taxes				0.00		0.00
c) Other provisions				17,954,709.08		22,756,014.54
					55,378,295.08	59,625,691.54
10. Subordinated liabilities					123,500,000.00	130,500,000.00
11. Profit participation capital					10,000,000.00	10,000,000.00
of which: maturing in less than two years	EUR	10,000,000.00				(10,000,000.00)
12. Fund for general banking risks					5,402,880.57	4,999,245.58
of which: special reserve (HGB s. 340e)	EUR	3,552,880.57				(3,149,245.58)
13. Equity						
a) Subscribed capital				125,000,000.00		125,000,000.00
b) Capital reserves				135,000,000.00		135,000,000.00
c) Revenue reserves						
ca) legal reserve			0.00			0.00
cb) reserve for treasury shares			0.00			0.00
cc) reserves provided for by the articles of association			0.00			0.00
cd) other revenue reserves			15,000,000.00			15,000,000.00
				15,000,000.00		
d) Net retained profits				26,663.40		26,663.40
					275,026,663.40	275,026,663.40
			Total equity and liabilities		**5,491,275,232.56**	**5,424,224,262.67**

	EUR	Dec. 31, 2018 EUR	Dec. 31, 2017 EUR
1. Contingent liabilities			
a) Contingent liabilities on endorsed bills settled with customers	0.00		0.00
b) Liabilities from guarantees and indemnities	33,770,356.93		39,431,114.30
c) Liabilities from the granting of security for third-party liabilities	0.00		0.00
		33,770,356.93	39,431,114.30
2. Other commitments			
a) Repurchase agreements under sales with an obligation to repurchase	0.00		0.00
b) Placement and underwriting commitments	0.00		0.00
c) Irrevocable loan commitments	96,919,349.80		137,939,909.87
		96,919,349.80	137,939,909.87

Income Statement for the Period
January 1 to December 31, 2018

Expenses	EUR	EUR	Dec. 31, 2018 EUR	Dec. 31, 2017 EUR
1. Interest expense		31,297,175.79		32,720,391.70
less positive interest		−7,048,557.24		−5,531,709.29
			24,248,618.55	27,188,682.41
2. Fee and commission expense			7,277,553.93	9,556,370.50
3. Net trading expense			0.00	0.00
4. General and administrative expenses				
a) Personnel expenses				
aa) wages and salaries	58,847,127.77			65,030,359.54
ab) social security, post-employment, and other employee benefit expenses	9,994,899.03			11,210,356.12
		68,842,026.80		76,240,715.66
of which: post-employment benefit expenses EUR 2,249,942.71				(3,018,721.70)
b) Other administrative expenses		49,938,985.65		48,859,137.86
			118,781,012.45	125,099,853.52
5. Amortization and writedowns of intangible fixed assets and depreciation and writedowns of tangible fixed assets			8,215,364.24	20,425,941.88
6. Other operating expenses			12,899,454.03	12,397,581.55
7. Writedowns of and allowances on loans and advances and certain securities, and additions to loan loss provisions			13,328,294.45	2,829,102.88
8. Additions to the fund for general banking risks			0.00	0.00
9. Writedowns of and allowances on shares in other investees and investors, shares in affiliated companies, and securities classified as fixed assets			0.00	0.00
10. Cost of loss absorption			0.00	0.00
11. Extraordinary expenses			0.00	0.00
12. Taxes on income			−15,697.68	0.00
13. Other taxes not included in item 6			20,170.34	26,635.26
14. Profit transferred under profit pooling, profit transfer agreements, or partial profit transfer agreements			7,101,085.29	26,969,099.67
15. Net income for the year			0.00	0.00
Total expenses			**191,855,855.60**	**224,493,267.67**

Income	EUR	EUR	Dec. 31, 2018 EUR	Dec. 31, 2017 EUR
1. Interest income from				
a) lending and money market operations	56,957,473.00			56,873,913.74
less negative interest	−7,825,673.33			−6,179,642.63
		49,131,799.67		50,694,271.11
b) fixed-income securities and registered government debt	430,125.69			941,262.67
less negative interest	0.00			0.00
		430,125.69		941,262.67
			49,561,925.36	51,635,533.78
2. Current income from				
a) equities and other variable-rate securities		793,989.52		877,911.44
b) shares in other investees and investors		5,178,736.29		2,986,282.57
c) shares in affiliated companies		2,863,341.86		6,913,000.00
			8,836,067.67	10,777,194.01
3. Income from profit pooling, profit transfer, or partial profit transfer agreements			2,424,815.32	2,429,570.28
4. Fee and commission income			86,654,339.76	103,602,866.63
5. Net trading income			3,631,714.86	9,761,032.97
6. Income from the reversal of writedowns of and allowances on loans and advances and certain securities, and from the reversal of loan loss provisions			0.00	0.00
7. Withdrawals from the fund for general banking risks			0.00	0.00
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			25,715,601.25	31,582,501.52
9. Other operating income			15,031,391.38	14,704,568.48
10. Extraordinary income			0.00	0.00
11. Income from loss absorption			0.00	0.00
12. Net loss for the year			0.00	0.00
Total income			**191,855,855.60**	**224,493,267.67**

	EUR	Dec. 31, 2018 EUR	Dec. 31, 2017 EUR
1. Net income/net loss for the year		0.00	0.00
2. Retained profits/accumulated losses brought forward from previous year		26,663.40	26,663.40
		26,663.40	26,663.40
3. Withdrawals from capital reserves		0.00	0.00
		26,663.40	26,663.40
4. Withdrawals from revenue reserves			
a) from the legal reserve	0.00		0.00
b) from the reserve for shares in a parent or majority investor	0.00		0.00
c) from reserves provided for by the articles of association	0.00		0.00
d) from other revenue reserves	0.00		0.00
		0.00	0.00
		26,663.40	26,663.40
5. Withdrawals from profit participation capital		0.00	0.00
		26,663.40	26,663.40
6. Transfers to revenue reserves			
a) to the legal reserve	0.00		0.00
b) to the reserve for shares in a parent or majority investor	0.00		0.00
c) to reserves provided for by the articles of association	0.00		0.00
d) to other revenue reserves	0.00		0.00
		0.00	0.00
		26,663.40	26,663.40
7. Replenishment of profit participation capital		0.00	0.00
8. Net retained profits/net accumulated losses		26,663.40	26,663.40

Notes to the Financial Statements

General Disclosures

1. Basis of preparation

M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien ("M.M.Warburg & CO"), which is domiciled in Hamburg, is entered in the commercial register of the Local Court in Hamburg under the number HRB 84168.

The annual financial statements of the Company for fiscal year 2018 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). The provisions of German stock corporation law were complied with.

Unless stated otherwise, prior-year figures are given in brackets.

Accounting Policies

2. 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 that are similar in nature to interest are reported under prepaid expenses or deferred income (see notes 7 and 10).

3. Securities

Bonds and other fixed-income securities, and equities and other variable-rate securities, intended to be held for the long term are accounted for as long-term financial assets. The option in accordance with section 253(3) sentence 6 of the HGB has been exercised for these securities. Expenses from writedowns of certain securities are offset against income from reversals of such writedowns in accordance with section 340c(2) of the HGB.

Bonds and other fixed-income securities, and equities and other variable-rate securities, that are neither intended to serve business operations for the long term nor allocated to the trading portfolio 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(1) and (4) of the HGB. Writedowns are reversed in accordance with the requirement to reverse writedowns set out in section 253(5) of the HGB.

The measurement of bonds and other fixed-income securities, and of equities and other variable rate securities, that are held for trading is described in the separate "Trading portfolio" section.

The Bank enters into securities lending transactions as a borrower. Since cash collateral is not furnished and beneficial ownership of the securities is retained by the lender, the borrowed securities are accounted for as off-balance-sheet transactions.

4. Trading portfolio

The definition of the trading portfolio is based on point (85) of Article 4 of the Capital Requirements Regulation (CRR). This defines "positions held with trading intent" as follows:
a. proprietary positions and positions arising from client servicing and market making;
b. positions intended to be resold short term;
c. positions intended to benefit from actual or expected short term price differences between buying and selling prices or from other price or interest rate variations.

The key criterion for allocation to the trading portfolio is the intention to generate profit for the Bank's own account with the financial instruments (and precious metals) concerned. The internal criteria for allocating financial instruments to the trading portfolio did not change in the fiscal year.

Trading portfolios are measured at their risk-adjusted fair value in accordance with section 340e(3) sentence 1 of the HGB. Calculation of the risk allowance, which represents the value at risk (VaR) estimated using mathematical models, reflects all recognized assets and liabilities in the trading portfolio. VaR is calculated on the basis of a 10-day holding period and a 99% confidence level over an observation period of 250 trading days. It is generally deducted from the assets reported in the trading portfolio.

In accordance with the provisions of section 340e(4) sentence 1 of the HGB, 10% of net trading income must be transferred to the "fund for general banking risks" special reserve in accordance with section 340g of the HGB. The special reserve may only be released in line with the conditions specified in section 340e(4) sentence 2 of the HGB. The addition made for the past fiscal year amounted to EUR 404 thousand. The previous year saw a reversal of EUR 1,931 thousand.

5. Shares in other investees and investors, and shares in affiliated companies

Shares in other investees and investors, and shares in affiliated companies are carried at the lower of cost or – in the event of permanent impairment – fair value in accordance with section 340e(1) sentence 1 of the HGB in conjunction with section 253(3) sentence 5 of the HGB. Shares in unlisted companies are measured using an income approach. Writedowns are reversed in accordance with the requirement to reverse writedowns set out in section 253(5) of the HGB. Expenses from writedowns of certain securities are offset against income from reversals of such writedowns in accordance with section 340c(2) of the HGB.

6. Tangible and intangible fixed assets

Tangible fixed assets and purchased intangible fixed assets are carried at cost less depreciation or amortization, which is recognized ratably on a straight-line basis over the standard useful life. The underlying useful life of the individual assets is based on their economic useful life. Writedowns are recognized if impairment is expected to be other than temporary. Low-value assets costing up to EUR 250 are written off in full in the year of their acquisition. Assets costing between EUR 250 and EUR 1,000 are pooled; this item is insignificant. The pool is depreciated/amortized on a straight-line basis over five years.

7. Prepaid expenses

The option to recognize prepaid expenses in accordance with section 340e(2) of the HGB and section 250(3) of the HGB has been exercised; the relevant items will be amortized.

8. Other assets

The other assets not mentioned here are measured at the lower of cost or market.

9. Liabilities

Liabilities are recognized at their settlement or nominal amount (see note 7).

10. Deferred income

The option to recognize deferred income in accordance with section 340e(2) of the HGB has been exercised; the relevant items will be amortized.

11. Provisions

All 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 2018 G mortality tables published by Klaus Heubeck, which were revised in 2018. Provisions for pensions and similar obligations are discounted using the average market rate of interest for the past 10 fiscal years, assuming a general remaining maturity of 15 years, published by the Deutsche Bundesbank (section 253(2) of the HGB).

Direct pension obligations that meet the requirements of section 246(2) sentence 2 of the HGB are offset against plan assets. The fair value is determined using the capitalized surrender value of the existing defined benefit insurance. The option not to recognize a liability in the case of pension commitments within the meaning of article 28(1) of the

Einführungsgesetz zum Handelsgesetzbuch (EGHGB – Introductory Act to the German Commercial Code) was exercised.

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

12. Loan loss provisions

Loan loss provisions comprise valuation allowances and provisions for all identifiable credit and country risks and for inherent default risks, plus the provision for general banking risks. The size of the loan loss provisions for individual counterparty credit risk exposures is based on the difference between the carrying amount of the receivables and the probable recoverable amount.

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 to reflect inherent credit risks. They are calculated in line with the circular from the Federal Ministry of Finance dated January 10, 1994.

13. Currency translation

Non-trading book assets, liabilities, and executory contracts denominated in foreign currencies are classified as specifically covered in each currency due to the decision not to enter into strategic currency positions. The total position per currency is managed in the trading book. All income and expenses arising from currency translation are therefore part of net trading income.

14. Fair value

The fair value of financial instruments is normally measured on the basis of quoted prices in an active market (marking-to-market). If no such prices are available, the Bank examines the extent to which prices can be obtained from business partners or price agencies, or observable market data can be used (marking-to-matrix). If this is not possible, suitable models are used to measure fair value (marking-to-model).

The amount, timing, and probability of future cash flows from derivatives are subject to uncertainties that have a corresponding effect on their fair value. The key determinants in this respect are:
- Future trends affecting market prices, especially interest rates, exchange rates, and share prices;
- The volatility of those prices; and
- Counterparty default risk.

15. Measurement of interest-related transactions in the banking book (interest rate book) at net realizable value

In accordance with IDW RS BFA 3 (Accounting Principle 3 issued by the Banking Committee of the Institute of Public Auditors in Germany), it was established that there is no net liability resulting from the interest-related transactions in the banking book (interest rate book) as at the reporting date, based on a present value analysis that considered risk and administrative costs still expected to be incurred. There was therefore no requirement to recognize a provision in accordance with section 340a in conjunction with section 249(1) sentence 1 (2nd alternative) of the HGB.

16. Negative interest income and expense

Negative interest from lending transactions and positive interest from borrowing transactions are recognized as a reduction in interest income or expense, respectively, and reported separately in the income statement.

Notes to the Balance Sheet

17. Loans and advances to other banks

Loans and advances to other banks	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
payable on demand	1,808,619	1,046,524
thereof to affiliated companies	2,708	1,492
thereof to other investees and investors	0	1,688

Other loans and advances to other banks	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
with residual terms of		
a) up to three months	140,258	105,632
b) more than three months to one year	8,350	20,350
c) more than one year to five years	0	22,962
d) more than five years	0	0
Total	148,608	148,944
thereof to affiliated companies	0	16,532
thereof subordinated	0	15,912

As in the previous year, there were no repurchase agreements as of the balance sheet date.

18. Loans and advances to customers

Other loans and advances to customers	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
with residual terms of		
a) up to three months	406,668	436,988
b) more than three months to one year	231,934	89,261
c) more than one year to five years	432,111	512,297
d) more than five years	363,902	496,201
Total	1,434,615	1,534,747
thereof undated	241,812	238,241
thereof to affiliated companies	24,635	23,533
thereof to other investees and investors	11,616	11,616
thereof subordinated	19,993	22,695

The Bank's portfolio of shipping and marine loans, which is diversified by the type of ship involved, amounted to EUR 530.6 million including open-ended committed credit lines to third parties (previous year: EUR 699.3 million).
As in the previous year, there were no repurchase agreements as of the balance sheet date.

19. Bonds and other fixed-income securities

Bonds and other fixed-income securities	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
Due in the following year	245,656	361,497
Issued by affiliated companies	0	25,985
Listed	782,969	1,146,688
Unlisted	0	2,250
Subordinated	0	0

The following overview shows the changes in the carrying amounts of bonds and other fixed-income securities accounted for as long-term financial assets; amounts have been aggregated as permitted by section 34(3) of the RechKredV.

EUR thou.	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.	Changes
Carrying amount	0	2,250	–2,250

20. Equities and other variable-rate securities

Equities and other variable-rate securities	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
Subordinated	2,400	2,400
Listed	7,037	9,779
Marketable but unlisted	8,941	5,123

The following overview shows the changes in the carrying amounts of equities and other variable-rate securities accounted for as long-term financial assets; amounts have been aggregated as permitted by section 34(3) of the RechKredV.

EUR thou.	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.	Changes
Carrying amount	19,556	2,400	17,156

The year-on-year change is due to additions of EUR 17,156 thousand.

The balance sheet item contains units in an equities fund with a carrying amount (which corresponds to the fair value) of EUR 4,992 thousand (EUR 0 thousand). No distribution was made in the fiscal year. There were no restrictions on the ability to redeem the units.

In accordance with section 17 of the RechKredV in conjunction with the definition of investment funds contained in section 1 of the Kapitalanlagegesetzbuch (KAGB – German Investment Code), this item also contains units in domestic closed-end limited investment partnerships in the amount of EUR 17,156 thousand (EUR 0 thousand).

21. Trading portfolio assets

The following table gives a breakdown of the trading portfolio assets.

Trading portfolio Assets	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
Derivative financial instruments	37,691	42,044
Bonds and other fixed-income securities	25	43
Equities and other variable-rate securities	22,478	10,929
Other assets	282	199
Value at risk (VaR)	–1,300	–692
Total	59,176	52,523

22. Shares in other investees and investors, and shares in affiliated companies

The following overview shows the changes in carrying amounts; the figures have been aggregated as permitted by section 34(3) of the RechKredV.

Balance sheet items	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.	Changes EUR thou.
Shares in other investees and investors	56,929	47,526	9,403
Shares in affiliated companies	36,564	66,240	–29,676

The change in shares in other investees and investors relates to additions of EUR 20,000 thousand and disposals of EUR 9,600 thousand. The decrease in shares in affiliated companies is largely due to the sale of the shares previously held in M.M.Warburg & CO Hypothekenbank AG, Hamburg. The acquisition of 75.1% of the shares in Warburg Invest Holding GmbH, Hanover (formerly NORD/LB Asset Management Holding GmbH), partially offset this. This holding company was used to combine Warburg Invest AG, Hanover (formerly NORD/LB Asset Management AG) and WARBURG INVEST KAPITALANLAGE-GESELLSCHAFT MBH, Hamburg.

As of December 31, 2018, M.M.Warburg & CO had no listed shares in other investees and investors or shares in affiliated companies. This also applied to the prior year.

The following table gives a breakdown of the marketable shares contained in the balance sheet items specified.

Balance sheet items	Unlisted	
	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
Shares in other investees and investors	20,000	27,808
Shares in affiliated companies	12,054	51,829

23. Fiduciary assets

Item	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
Loans and advances to other banks	0	0
Loans and advances to customers	314	542
Shares in other investees and investors	2,626	2,626
Other assets	819,134	1,027,123
Total	822,074	1,030,291

The items reported under "Other assets" primarily comprise investment funds that were acquired in accordance with the provisions of section 100(1) and (2) of the KAGB.

24. Intangible and tangible fixed assets

Statement of changes in fixed assets EUR thou.	Intangible fixed assets	Tangible fixed assets
Historical cost Jan. 1, 2018	**37,722**	**178,470**
Additions	632	2,460
Disposals	804	1,002
Transfers	0	0
Exchange rate changes	0	1,271
Historical cost Dec. 31, 2018	**37,550**	**181,199**
Cumulative depreciation, amortization, and writedowns as of Jan. 1, 2018	**35,650**	**74,028**
Depreciation and amortization	1,272	6,943
Disposals	804	1,002
Exchange rate changes	0	504
Cumulative depreciation, amortization, and writedowns as of Dec. 31, 2018	**36,118**	**80,473**
Carrying amounts on Dec. 31, 2018	**1,432**	**100,726**
Carrying amounts on Dec. 31, 2017	**2,072**	**104,442**

Owner-occupied land and buildings were recognized as of the reporting date in the carrying amount of EUR 5,284 thousand (EUR 5,443 thousand).

Three container ships and one bulk freighter were recognized in the amount of EUR 82,522 thousand (EUR 85,726 thousand). The vessels are operated on behalf of the Bank by a third party with experience of the business. EUR 8,555 thousand (EUR 8,845 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 as of the reporting date.

25. Other assets

Other assets include collateral relating to executory contracts in the amount of EUR 16,519 thousand (EUR 26,400 thousand) and current tax receivables in the amount of EUR 3,263 thousand (EUR 2,099 thousand). Receivables relating to allocation account balances due from affiliated companies and other investees and investors amounted to EUR 5,664 thousand (EUR 9,524 thousand). The remaining amounts disclosed here primarily relate to purchase price receivables and receivables for services rendered but not yet invoiced.

26. Prepaid expenses

Prepaid expenses within the meaning of section 250(3) of the HGB amounted to EUR 12 thousand (EUR 34 thousand). The prepaid expenses in accordance with section 340e(2) of the HGB reported under this item amounted to EUR 35 thousand (EUR 6 thousand).

27. Reclassifications

As in the previous year, there were no reclassifications in fiscal year 2018.

28. Assets denominated in foreign currencies

Total assets denominated in foreign currencies amounted to EUR 552,393 thousand (EUR 634,277 thousand).

29. Liabilities to other banks

Liabilities to other banks	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
payable on demand	111,478	51,999
thereof to affiliated companies	30,982	26,438
thereof to other investees and investors	748	3,081

Liabilities to other banks	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
with residual terms of		
a) up to three months	44,503	153,072
b) more than three months to one year	17,210	37,947
c) more than one year to five years	16,112	26,882
d) more than five years	29,802	32,263
Total	107,627	250,164
thereof to affiliated companies	0	729
thereof to other investees and investors	0	9,173

Repurchase agreements of EUR 5,038 thousand (EUR 0 thousand) existed as of the reporting date.

30. Liabilities to customers

Savings deposits	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
with residual terms of		
a) up to three months	952	1,521
b) more than three months to one year	7,296	8,516
c) more than one year to five years	2,275	2,523
d) more than five years	12	23
Total:	10,535	12,583

Liabilities to customers	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
payable on demand	3,261,526	2,661,144
thereof to affiliated companies	92,880	110,369
thereof to other investees and investors	27,183	21,665

Other liabilities to customers	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
with residual terms of		
a) up to three months	225,221	264,735
b) more than three months to one year	166,627	339,095
c) more than one year to five years	81,699	62,934
d) more than five years	105,000	105,000
Total	578,547	771,764
thereof to affiliated companies	4,125	5,125
thereof to other investees and investors	0	0

As in the previous year, there were no repurchase agreements as of the balance sheet date.

31. Trading portfolio liabilities

The following table gives a breakdown of the trading portfolio liabilities.

Trading portfolio Liabilities	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
Derivative financial instruments	43,055	51,915
Liabilities	2,947	1,268
Total	46,002	53,183

32. Fiduciary liabilities

Fiduciary liabilities	Dec. 31, 2018	Dec. 31, 2017
	EUR thou.	EUR thou.
Liabilities to other banks	314	542
Liabilities to customers	0	0
Other liabilities	821,760	1,029,749
Total	822,074	1,030,291

The items reported under Other liabilities primarily comprise investment funds that were acquired in accordance with the provisions of section 100(1) and (2) of the KAGB.

33. Other liabilities

Other liabilities include collateral received in the amount of EUR 17,470 thousand (EUR 15,284 thousand), liabilities to the German tax authorities of EUR 7,149 thousand (EUR 6,802 thousand), and the distribution for the profit participation capital for 2018 of EUR 775 thousand (EUR 775 thousand). In addition, this item contains the net income for the reporting period of EUR 7,101 thousand (EUR 26,969 thousand) to be transferred to M.M.Warburg & CO Gruppe GmbH under the control and profit and loss transfer agreement dated December 5, 2007. Further liabilities to affiliated companies and other investees and investors amounted to EUR 488 thousand (EUR 5,030 thousand).

34. Deferred income

This item includes deferred fees similar to interest expenses in the lending business that were paid at the start of the term in the amount of EUR 1,051 thousand (EUR 799 thousand); deferred income in accordance with section 340e(2) of the HGB amounted to EUR 93 thousand (EUR 27 thousand).

35. Provisions

Pensions and similar obligations

The principal assumptions applied as of December 31, 2018, are as follows:

Discount rate p.a.	3.21%
Defined benefit trend (e.g., salary) p.a.	1.50%
Trend in income threshold for contribution assessment p.a.	1.50%
Pension trend p.a.	1.60%
Average staff turnover	2.18%

In the case of provisions for pensions and similar obligations, the difference between the carrying amount of the provisions using the average market rate for the past ten fiscal years and the average market rate for the past seven fiscal years must be calculated in each fiscal year (section 253(6) sentence 1 of the HGB). The resulting difference of EUR 3,465 thousand (EUR 3,361 thousand) is subject to a restriction on distribution in accordance with section 253(6) sentence 2 of the HGB. However, according to the circular from the Federal Finance Ministry dated December 23, 2016, this difference is not subject to a restriction on profit transfer. Due to the control and profit and loss transfer agreement with M.M.Warburg & CO Gruppe GmbH, the difference is transferred together with the profit for the fiscal year.

In the case of pension commitments meeting the requirements of section 246(2) sentence 2 of the HGB, the pension provisions were offset against the fair value of the plan assets disclosed. In accordance with para. 74 of IDW RS HFA 30 (Accounting Principle 30 issued by the Auditing and Accounting Board of the Institute of Public Auditors in Germany), the amount offset was the capitalized surrender value of the plan assets (EUR 216 thousand; previous year: EUR 209 thousand). The cost of the plan assets was EUR 115 thousand (EUR 115 thousand).

The option not to recognize a liability in the case of pension commitments within the meaning of article 28(1) of the EGHGB was exercised. A pension trend of 1.00% was assumed for the calculations. The present value of the obligations amounted to EUR 247 thousand (EUR 269 thousand). The difference between the two settlement amounts was EUR 5 thousand (EUR 6 thousand). The Bank has been indemnified internally against all obligations under this pension commitment as a result of contractual obligations entered into by a third party.

Other provisions

Of the reported amount of EUR 17,955 thousand (EUR 22,756 thousand), EUR 6,478 thousand (EUR 9,111 thousand) was attributable to variable employee remuneration and EUR 227 thousand (EUR 363 thousand) to loan loss provisions.

36. Subordinated liabilities

The subordinated liabilities totaling EUR 123,500 thousand (EUR 130,500 thousand) can be broken down by maturity as follows:

Amount in EUR thou.	Currency	%	Maturity	Early repayment obligation
10,000,000	EUR	5.75	May 13, 2019	Not possible
10,000,000	EUR	6.10	May 27, 2019	Not possible
500,000	EUR	6.10	Dec. 9, 2021	Not possible
9,500,000	EUR	6.10	Dec. 9, 2021	Not possible
6,000,000	EUR	4.00	Oct. 13, 2025	Not possible
5,000,000	EUR	4.00	Oct. 13, 2025	Not possible
1,000,000	EUR	4.00	Oct. 12, 2026	Not possible
5,000,000	EUR	4.10	Oct. 12, 2027	Not possible
5,000,000	EUR	4.13	Dec. 13, 2027	Not possible
3,000,000	EUR	4.15	Dec. 13, 2028	Not possible
5,000,000	EUR	4.25	Oct. 12, 2029	Not possible
3,000,000	EUR	4.40	Oct. 15, 2030	Not possible
3,000,000	EUR	4.40	Oct. 15, 2030	Not possible
5,000,000	EUR	4.25	Nov. 4, 2030	Not possible
5,000,000	EUR	4.30	Nov. 11, 2030	Not possible
4,000,000	EUR	3.50	Jan. 17, 2027	Not possible
1,000,000	EUR	3.50	Feb. 28, 2027	Not possible
6,000,000	EUR	3.50	Jan. 12, 2027	Not possible
3,000,000	EUR	3.50	Jan. 24, 2027	Not possible
10,000,000	EUR	5.50	n.a.	Not possible
2,500,000	EUR	5.50	n.a.	Not possible
5,000,000	EUR	5.50	n.a.	Not possible
10,000,000	EUR	5.50	n.a.	Not possible
5,000,000	EUR	5.50	n.a.	Not possible
1,000,000	EUR	5.50	n.a.	Not possible

Interest expenses totaling EUR 6,294 thousand (EUR 5,112 thousand) were incurred for subordinated liabilities in the reporting period.

Subordinated promissory note loans were recognized in the amount of EUR 90,000 thousand (EUR 97,000 thousand). The terms and conditions for these comply with the provisions of Article 62 in conjunction with Article 63 of the CRR. No conversion into capital or another form of debt has been agreed.

Registered bonds that have been recognized for supervisory purposes as additional Tier 1 capital (AT1) were included in the total amount of EUR 33,500 thousand. The instruments can be called by the issuer for the first time in October 2022 and every five years thereafter, after obtaining the approval of the competent supervisory authority. If a trigger event occurs, the nominal amount or the repayment amount will be written down.

37. Profit participation capital

The profit participation capital in the amount of EUR 10,000 thousand (EUR 10,000 thousand) consists of two registered profit participation rights that comply with the provisions of Article 62 in conjunction with Article 63 of the CRR. The profit participation rights grant the right to an annual distribution where the contractually agreed conditions are met. The profit participation capital is repayable in 2019.

Distributions on profit participation capital of EUR 775 thousand (EUR 775 thousand) were recognized under Other liabilities in 2018.

38. Equity

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

Changes in subscribed capital

The fully paid-up subscribed capital of the Company is held in full by M.M.Warburg & CO Gruppe GmbH.

The subscribed capital is composed of 125,000 (125,000) no-par value registered shares. It was unchanged in comparison to the previous year and amounted to EUR 125,000 thousand.

Shares issued by M.M.Warburg & CO were not accepted as security, acquired, or disposed of either by the Company itself or by any of its affiliated companies.

No resolution to create authorized capital was passed in the fiscal year.

Changes in capital reserves

There was no change in the capital reserves as against the previous year.

Changes in revenue reserves

There was no change in the revenue reserves as against the previous year.

39. Hedge accounting

Hedges are used to mitigate exposure to market and counterparty credit risk.

As in the previous year, there were no transactions in the current year that resulted in the recognition of hedges.

40. Liabilities denominated in foreign currencies

Liabilities denominated in foreign currencies amounted to EUR 546,018 thousand (EUR 646,625 thousand).

41. Collateral pledged

As of the reporting date, securities in the amount of EUR 263,222 thousand (EUR 397,927 thousand) had been deposited as collateral for transactions on derivatives exchanges, for securities lending transactions, and for liabilities to other banks.

Liabilities to other banks resulting from pass-through funds in the amount of EUR 60,621 thousand (EUR 64,996 thousand) were assigned a corresponding volume of assets as collateral. In addition, securities in the nominal amount of EUR 1,000 thousand (EUR 1,000 thousand) were pledged in relation to partial retirement obligations.

Cash collateral of EUR 16,519 thousand (EUR 26,400 thousand) was furnished for OTC derivatives transactions.

42. Contingent liabilities and other commitments

Contingent liabilities include other guarantees amounting to EUR 33,770 thousand (EUR 39,431 thousand). Irrevocable loan commitments of EUR 96,919 thousand (EUR 137,940 thousand) are disclosed as other commitments.

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

Before entering into a binding commitment, the Bank estimates the risk that the crystallization of a contingent liability or a claim under an irrevocable loan commitment or a placement and underwriting commitment will result in a loss. This is done in the course of its credit assessment of the client and, if appropriate, on the basis of an assessment of the likelihood of the client concerned meeting the underlying obligations.

Additionally, the Bank performs regular assessments during the term of its commitments as to whether losses can be expected from the crystallization of contingent liabilities, from placement and underwriting commitments, or from irrevocable loan commitments.

Notes to the Income Statement

43. Interest income on derivatives in the banking book

Interest income includes the following interest income on derivatives entered into for hedging purposes.

Derivatives in the banking book	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
Interest income	7,205	9,737

44. 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 OTC debt instruments, fund units, and equity investments in companies, and the management of fiduciary assets.

45. Income by geographical market

The Bank does not have any sales offices outside Germany.

46. Other operating income

Other operating income in the amount of EUR 15,031 thousand (EUR 14,705 thousand) includes income from the operation of marine vessels of EUR 8,347 thousand (EUR 6,318 thousand) and income from agency activities of EUR 2,083 thousand (EUR 1,952 thousand). Provisions not relating to the lending business were reversed in the amount of EUR 1,000 thousand (EUR 2,099 thousand).

47. Interest expenses from derivatives in the banking book

Interest expenses include the following interest expenses from derivatives entered into for hedging purposes.

Derivatives in the banking book	Dec. 31, 2018 EUR thou.	Dec. 31, 2017 EUR thou.
Interest expense	9,842	13,518

48. Other operating expenses

Other operating expenses in the amount of EUR 12,899 thousand (EUR 12,398 thousand) include expenses of EUR 6,798 thousand (EUR 7,156 thousand) arising from the operation of maritime vessels. The expense from the unwinding of discounts on provisions amounted to EUR 3,049 thousand (EUR 2,620 thousand).

49. 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

Net income from long-term financial assets comprises the gains on the measurement/sale of shares in other investees and investors, shares in affiliated companies, and securities classified as fixed assets and amounted to EUR 25,716 thousand (EUR 31,583 thousand). EUR 25,636 thousand (EUR 30,353 thousand) of this amount was attributable to sales.

50. Profit transferred under profit pooling, profit transfer agreements, or partial profit transfer agreements

The annual profit of EUR 7,101 thousand (EUR 26,969 thousand) reported will be transferred to M.M.Warburg & CO Gruppe GmbH.

Other Disclosures

51. Other financial commitments

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

Long-term leases for land and buildings used by the Bank resulted in annual rental payments of EUR 5,739 thousand (EUR 5,798 thousand). A rent increase as from 2022 has been agreed in the case of some of the leased properties. The resulting additional annual payment obligations amount to EUR 212 thousand. In the previous year, financial obligations of EUR 2,085 thousand existed for the prescribed dry dock inspections of, and upgrades to, the marine vessels in the Bank's portfolio; the next dry dock inspections are scheduled for 2023.

As of December 31, 2018, the Bank had call obligations to three companies totaling EUR 556 thousand.

52. Derivative financial instruments

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

- Interest rate derivatives such as swaps, caps, and floors
- Foreign currency derivatives, and in particular currency forwards, commitments from currency options written, and currency options
- Stock options, equity index futures

A significant proportion of the derivative transactions 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.

Derivative financial instruments not recognized at fair value

The following table shows interest rate derivatives that were allocated to the non-trading book and not recognized at fair value.

	2018			2017		
EUR thou.	Notional values	Positive fair values	Negative fair values	Notional values	Positive fair values	Negative fair values
Interest rate swaps	1,064,899	14,376	20,570	1,274,763	20,231	27,601
Forward interest rate swaps (OTC)	0	0	0	0	0	0
Floors (OTC)	210	0	2	390	0	5
Caps (OTC)	28,796	86	86	10,390	67	67
Total	1,093,905	14,462	20,658	1,285,543	20,298	27,673

As in the previous year, there were no foreign currency and equity/index derivatives required to be disclosed under section 285 no. 19 of the HGB.

Derivatives allocated to the non-trading book are executory contracts and are therefore not recognized on the balance sheet.

Trading transactions

The following table shows derivative financial instruments that were recognized at fair value as trading transactions.

	2018			2017		
EUR thou.	Notional values*	Positive fair values	Negative fair values	Notional values	Positive fair values	Negative fair values
Currency transactions						
Currency forwards	3,786,875	29,840	38,522	3,983,042	40,377	50,108
Currency options	597,595	4,702	4,100	353,814	1,654	1,758
Total	4,384,470	34,542	42,622	4,336,856	42,031	51,866
Equity/index transactions						
Stock options	1,685	734	177	740	13	49
Equity index futures	196	0	0	25	0	0
Total	1,881	734	177	765	13	49

* The equity/index transactions are given in units.

As in the previous year, there were no interest rate derivatives required to be disclosed under section 285 no. 20 of the HGB.

53. Employees

The Bank employed an average of 685 (726) people in fiscal year 2018. This figure can be broken down as follows:

	2018			2017
	Female	Male	Total	Total
Employees	292	383	675	716
Vocational trainees	2	8	10	10
Total	294	391	685	726

54. Shareholdings

Name and domicile of the company	Equity interest in %	Reporting currency	Equity in EUR thou.	Profit/loss in EUR thou.	
1. Affiliated companies					
Belgravia GmbH, Berlin	100.00	EUR	19	–1	*
Lederwerke Wieman GmbH, Hamburg	100.00	EUR	3,071	PLTA	
Marcard Family Office Treuhand GmbH, Hamburg	100.00	EUR	79	29	
MARCARD, STEIN & CO AG, Hamburg	100.00	EUR	12,052	PLTA	
MS "RHL AUDACIA" Schiffahrtsgesellschaft mbH, Hamburg	100.00	EUR	–2,166	60	
MS "RHL Novare" Schiffahrtsgesellschaft mbH, Hamburg	100.00	EUR	–3,538	–1,072	
New Bond Street GmbH, Berlin	100.00	EUR	18	–7	*
NORD/LB AM OPTITOP, Hanover	55.10	EUR	6,460	–188	
Regent Street GmbH, Berlin	100.00	EUR	17	–1	*
RHL Hamburger Lloyd Shipping Trust GmbH, Hamburg	100.00	EUR	187	44	
RTF Verwaltungsgesellschaft mbH, Hamburg	100.00	EUR	32	0	
W&Z FinTech GmbH, Hamburg	75.00	EUR	274	–641	
WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH, Hamburg	75.10	EUR	8,344	2,655	
Warburg Research GmbH, Hamburg	100.00	EUR	2,071	517	
Warburg Invest Holding GmbH (formerly NORD/LB Asset Management Holding GmbH)	75.10	EUR	22,456	3,126	
Warburg Invest AG (formerly Nord/LB Asset Management AG)	75.10	EUR	13,525	1,201	
2. Equity investments					
An der Börse 7 Grundstücks GmbH & Co. KG, Hamburg	99.90	EUR	244	126	
BPE Fund Investors II GmbH, Hamburg	1.00	EUR	38,598	6,637	*
BPE Institutional Partners G.m.b.H., Hamburg	0.80	EUR	6,020	–1,342	*
CredaRate Solutions GmbH, Cologne	12.88	EUR	2,813	904	*
DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt	10.00	EUR	3,994	710	*
EDD AG, Düsseldorf	1.33	EUR	27,792	n.a.	*
Equita GmbH & Co. Holding KGaA, Bad Homburg	2.94	EUR	207,236	98,770	
Ferdinandstraße 75 Grundstücks GmbH & Co. KG, Hamburg	99.90	EUR	1,051	547	
GEDO Grundstücksentwicklungs- und Verwaltungsgesellschaft mbH & Co. KG, Grünwald	5.00	EUR	35,000	7,696	*
GEDO Verwaltungsgesellschaft mbH, Grünwald	5.00	EUR	104	3	*
H.F.S. Immobilienfonds 16 KG, Munich	1.11	EUR	51,057	n.a.	*
HIH Global Immobilien GmbH & Co Erste Neuseeland KG, Hamburg	18.13	EUR	35,280	1,471	*
Liebigstraße 6 Grundstücks GmbH & Co. KG, Hamburg	99.90	EUR	121	59	
Lloyd Fonds Britische Kapital Leben III. GmbH & Co. KG, Innsbruck	0.16	EUR	20,733	1,137	*
M.M.Warburg Bank (Schweiz) AG i.L., Zurich	100.00	CHF	12,316	–6,611	*
Marmorsaal im Weißenburgpark GmbH, Stuttgart	24.00	EUR	38	0	*
Quantum Immobilien AG, Hamburg	10.00	EUR	88,688	56,724	*
Society for Worldwide Interbank Financial Telecommunication S.C.R.L. (SWIFT), La Hulpe	0.03	EUR	–	–	
Steyler Bank GmbH, Sankt Augustin	2.00	EUR	18,442	37	*
Warburg-HIH Invest Real Estate GmbH, Hamburg	10.00	EUR	7,466	0	*

* Equity and profit/loss for fiscal year 2017.
Currency translation rate used: EUR/CHF 1.1702.

In accordance with section 286(3) no. 1 of the HGB, the information in accordance with section 285 no. 11 of the HGB has not been provided for equity interests of less than 20% and carrying amounts of less than EUR 25 thousand for reasons of immateriality.

55. Governing Bodies

General Partners

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

Joachim Olearius
Back Office – Spokesman for the Executive Board

Eckhard Fiene
Back Office – Member of the Executive Board (until October 31, 2018)

Dr. Peter Rentrop-Schmid
Front Office – Member of the Executive Board

Patrick Tessmann
Front Office – Member of the Executive Board (since December 1, 2018)

As of the reporting date, loans and advances totaling EUR 1,500 thousand (EUR 2,000 thousand) had been granted to members of the senior management. No contingent liabilities had been assumed on behalf of these persons.

Members of the senior management received EUR 2,094 thousand (EUR 2,471 thousand) for fiscal year 2018. As in the previous year, there was no profit-related remuneration due for payment after the adoption of the annual financial statements.

Shareholders' Committee

Dr. Christian Olearius, Chairman
Banker, Managing Director of M.M.Warburg & CO Gruppe GmbH, Hamburg

Max Warburg, Deputy Chairman
Banker, Managing Director of M.M.Warburg & CO Gruppe GmbH, Hamburg

Dr. Bernd Thiemann
Management Consultant

Prof. Burkhard Schwenker
Management Consultant

Dr. Henneke Lütgerath
Chairman of the Board of the Joachim Herz Stiftung

As in the previous year, no loans and advances had been granted to members of the Shareholders' Committee at the year-end. No contingent liabilities had been assumed on behalf of these persons.

The total remuneration for the Shareholders' Committee in the fiscal year amounted to EUR 101 thousand (EUR 77 thousand).

Supervisory Board

Dr. Christian Olearius, Chairman
Banker, Managing Director of M.M.Warburg & CO Gruppe GmbH, Hamburg

Max Warburg, Deputy Chairman
Banker, Managing Director of M.M.Warburg & CO Gruppe GmbH, Hamburg

Dr. Bernd Thiemann
Management Consultant

As in the previous year, no loans and advances had been granted to members of the Supervisory Board at the year-end. No contingent liabilities had been assumed on behalf of these persons.

The total remuneration for the Supervisory Board in the fiscal year amounted to EUR 107 thousand (EUR 107 thousand).

56. Offices held as of December 31, 2018

Joachim Olearius
- Chairman of the Supervisory Board, M.M.Warburg & CO Luxembourg S.A., Luxembourg *(until January 31, 2019)*
- Chairman of the Supervisory Board, WARBURG INVEST KAPITALANLAGEGESELL-SCHAFT mbH, Hamburg
- Chairman of the Supervisory Board, Warburg Invest Holding GmbH, Hanover (formerly NORD/LB Asset Management Holding GmbH)
- Member of the Supervisory Board, MARCARD, STEIN & CO AG, Hamburg
- Member of the Supervisory Board, KanAm Grund Kapitalanlagegesellschaft mbH, Frankfurt

Dr. Peter Rentrop-Schmid
- Chairman of the Supervisory Board, Warburg Invest Luxembourg S.A., Luxembourg *(until January 31, 2019)*
- Chairman of the Supervisory Board, Warburg Invest AG, Hanover (formerly NORD/LB Asset Management AG)
- Deputy Chairman of the Supervisory Board, Warburg-HIH Invest Real Estate GmbH, Hamburg
- Deputy Chairman of the Supervisory Board, IntReal International Real Estate Kapitalverwaltungsgesellschaft mbH, Hamburg *(until February 28, 2019)*
- Chairman of the Supervisory Board, GBK Beteiligungen AG, Hanover

Patrick Tessmann
- Deputy Chairman of the Supervisory Board, Warburg Invest Holding GmbH, Hanover (formerly NORD/LB Asset Management Holding GmbH)

Dr. Jens Kruse
- Member of the Supervisory Board, M.A.X. Automation AG, Düsseldorf
- Member of the Supervisory Board, PNE AG, Cuxhaven

Dominik Wilcken
- Member of the Supervisory Board, M.M.Warburg & CO Luxembourg S.A., Luxembourg *(until January 31, 2019)*

57. Consolidated financial statements

M.M.Warburg & CO Gruppe GmbH, Hamburg, prepares exempting consolidated financial statements and a group management report in accordance with the HGB that include M.M.Warburg & CO and that are published in the Bundesanzeiger (German Federal Gazette).

58. Auditors' fees

The General Meeting of M.M.Warburg & CO resolved on April 25, 2018, to appoint PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the auditors of the financial statements for fiscal year 2018.

Audit fees net of VAT in the amount of EUR 1,450 thousand (EUR 1,395 thousand) were recognized in income, as were fees for statutory assurance services of EUR 189 thousand (EUR 0 thousand) and for other services of EUR 52 thousand (EUR 315 thousand).

Audit and other assurance services were performed for subsidiaries.

59. Appropriation of net retained profits

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

A proposal will be made to the General Meeting that the net retained profits in the amount of EUR 27 thousand (EUR 27 thousand) be carried forward to new account.

60. Report on post-balance sheet date events

There were no significant events after the end of the reporting period.

Hamburg, March 29, 2019

M.M.Warburg & CO (AG & Co.)
Kommanditgesellschaft auf Aktien

M.M.WARBURG & CO
BANK

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