M. M. WARBURG & CO
1798

Press Release

Warburg Bank demonstrates stable earning power

- **Satisfactory result achieved once again in 2015**
- **Close relationship with customers leads to increased earnings from commissions**
- **Regulatory requirements and interest rate situation unsatisfactory**

Hamburg, April 28, 2016 – The strategic focus of the Warburg Bank and its subsidiary institutions (Warburg Banking Group), as one of the few independent, private German banks that offers a comprehensive range of services for discerning customers, has proven successful despite the difficult market situation in 2015.

Joachim Olearius, spokesman for the partners: *"In light of the challenging environment, in 2015 we achieved earnings in line with the times. As a result, we view the fiscal year as a successful one. With our services tailored to small and medium-sized enterprises, we fulfilled our duties as a universal bank and in doing so, served society well. Thanks to the hard work for our customers carried out by all of our employees, we were able to increase earnings from commissions and the volume of assets customers have placed in our care. We were able to limit the decline in interest earnings caused by low and even negative interest rates. The close relationship we have with each and every business partner forms the foundation of our success."*

2015 Fiscal Year in Figures

The Warburg Banking Group generated total earnings before taxes of EUR 29.3 million (previous year: 27.7 million). This slight increase in earnings was due to an improved operative result, since the year-over-year increase in total commissions to EUR 153.7 million (previous year: EUR 140.4 million) was able to compensate the slight year-over-year decline in interest earnings, which totaled EUR 76 million (previous year: EUR 80.1 million). Administrative costs increased from EUR 189.7 million in the previous year to EUR 201.9 million, whereby a major portion of this figure was caused by an increase in non-personnel expenses as a result of new regulatory requirements.

The Warburg Bank transferred a total of EUR 23.3 million (previous year: EUR 22.8 million) in profits to its parent company M.M.Warburg & CO Group (GmbH & Co.) KGaA (Warburg Group), a satisfactory amount for the shareholders.

The Warburg Bank's equity capital resources led to a total capital ratio of 14.6% (previous year: 14.0%). The tier one capital ratio totals 11.1% (previous year: 11.2%). Liable equity at the end of the reporting period totaled EUR 372 million (EUR 365 million at the end of the previous year). As such, the Warburg Bank fulfills all regulatory capital requirements. Liable equity within the Warburg Banking Group increased to EUR 379 million (previous year: EUR 342 million).

The Warburg Banking Group's total assets increased modestly at the end of the reporting period from EUR 7.94 billion in the previous year to EUR 8.26 billion.

From the Business Segments

In 2015, the number and volume of managed assets in the **Private Banking** segment was once again expanded. The majority of customers placed the responsibility for individual investing decisions in the hands of the bank within the scope of asset management. In this context, customers selected strategies with more risk due to central bank policy and the interest rate situation. But the bank also saw increased demand for advice in the field of securities, not least of which was the result of many banks no longer providing this service, which has become complex from an administrative perspective. With regard to investments in corporate assets, the focus of interest was once again on private and commercial real estate. The positive trend overall is bolstered by the bank providing advice that is not restricted by business policies or sales requirements.

Despite the extremely volatile capital market environment as well as a number of geopolitical unknowns, the **Asset Management** segment achieved above-average results in 2015 and operated successfully against the ongoing period of low interest rates. The key growth factors in this area continue to be an accurate economic forecast of the global economy, an investment strategy based on this forecast with diversified portfolios, as well as active management. The Warburg Banking Group's capital management companies look back on a satisfactory 2015 fiscal year. Warburg Invest Germany managed a total of 128 portfolios with assets of EUR 6.6 billion (previous year: EUR 5.5 billion). Warburg Invest Luxembourg was able to increase the total volume of managed assets in the completed fiscal year by nearly 4% to over EUR 21 billion.

The **Investment Banking** segment with its Corporate Finance, Sales and Trading, and Relationship Management units contributed an above-average share toward the annual result in 2015.
In Corporate Finance, numerous customers received advice with regard to corporate actions, reorganizations, and divestitures (see the appendix "Corporate Finance 2015"). In addition to IPOs in the shipping and automotive sector, assistance was also provided to the insolvency administrator of a

major company active in the field of renewable energy during the restructuring process. Several families were advised during the sale of their companies and furthered supported after the sale within the scope of private banking or family office services.
In the Sales and Trading unit, foreign exchange activities developed nicely, which in addition to foreign exchange trading primarily consisted of foreign exchange hedging activities for companies and institutional customers. The Bonds Sales department saw significant demand for fixed-interest securities from institutional customers.
The Equities department, which was restructured in the year before last, saw significantly positive growth in 2015. As such, the combination of equities analysis provided by Warburg Research GmbH and the advisory services for institutional equities investors (Institutional Sales – Equities) proved successful. The precision of the forecasts and recommendations by Warburg Research as well as the activities of the sales team are both highly appreciated and have received an award by independent institutes. The team of analysts topped the list of brokers for German stocks in the 2015 Thomson Reuters Starmine Awards.
Relationship Management is responsible for providing services to institutional customers, shipping companies, and correspondent banks, and has placed its focus is on acquiring new clients in addition to maintaining existing customer relationships. Since completing the project to restructure the Relationship Management unit, the extensive support provided to institutional customers in all major asset classes is now offered from one source. Within the scope of this reorganization, the Warburg Invest Deutschland’s sales unit was integrated into the Warburg Bank. This new configuration creates the freedom for further growth. The lending business (real estate, corporate, and shipping financing), which comprises a part of Relationship Management, played a significant role in bolstering interest earnings, despite the slight decline in lending volume in an environment which continues to be characterized by low interest rates.

The **Subsidiary Banks**, with their specialization in specific regions or areas of business, once again played a successful role in the Warburg Banking Group’s overall result.

At the end of the previous year, the Warburg Bank sold the lion’s share of its interest in the former **Warburg-Henderson** to HIH Real Estate GmbH (HIH Group). This company, with a shareholder base similar to that of the Warburg Banking Group, offers a wide range and depth of services in the real estate industry.
After the withdrawal of Henderson Global Investors, the business will now continue to operate within the HIH Group as **Warburg-HIH Invest Real Estate GmbH.** As such, its employees (167 in December 2015) and the assets managed by the company (2015: EUR 12.3 billion) are no longer a

part of the Warburg Group, but a part of the HIH Group. Despite not including this figure in the Warburg Group's total, assets managed by the Warburg Group grew to 51 billion, since the group successfully increased customer assets in management.

The **number of employees** in the Warburg Group also only declined as a result of the transfer of Warburg-Henderson. At the end of the reporting period, the group had a total of 1,201 employees (previous year: 1,296).

In the summer of 2015, **W&Z FinTech GmbH** was founded as a subsidiary of the Warburg Bank for the purpose of developing digital concepts for private customers. Here a web application provides an total assets overview of accounts and portfolios at different banks and for differing asset classes. In addition, users are offered high-quality investment information as well as access to exclusive products and services. The goal is to account for people's changing habits with regard to smartphones and other mobile devices and offer users some of the "private bank experience" when they are out and about.

Joachim Olearius believes that enhancing this offering is extremely important: *"We have advised a number of startups in recent years, so it made sense that we would found our own FinTech company. Customers in the private banking segment will soon view an extensive range of digital services as something that goes without saying. We view the associated transparency with regard to the services offered positively. Furthermore, this will make select products and services offered by our private bank digitally accessible to much wider range of potential customers."*

Outlook

In Europe the low and/or negative interest rate environment is taking a deeper hold and as a result, banks, as well as investors which serve the public good, such as corporate pension funds, professional pension funds, foundations, and religious institutions, are all facing significant challenges. For the financial world, this trend means ongoing pressure on interest earnings.

At the same time, banks face another issue – public opinion of business is increasingly based on changing moral categories as opposed to whether laws were broken or not. But in order to identify economic risks and legal liability, companies need to adhere to principles and procedures in line with the rule of law, otherwise decisions are purely arbitrary. This particularly applies to issues discussed within the scope of reporting on cum/ex trades and offshore companies. Sweeping categorizations or premature judgments are not constructive in this context, since the economy needs liquid markets that transcend national borders. Reliable rules and consistent application of the law by governments are the prerequisite for maintaining functional markets.

In early 2016, media outlets reported on the Warburg Bank in relation to securities transactions dealing with ex-dividend dates. After an in-depth internal review of the matter, the bank can maintain its position that it acted in accordance with applicable law. In the event of a judgement which deviates from the bank's position, the bank has a sufficient number of ways to react.

In addition to the aforementioned earnings pressure, the undifferentiated regulation has not only triggered cost increases, particularly for small and medium-sized banks, but also means banks must fulfill stringent capital requirements. Its diversified business with different sources of income as well as the stable and effective shareholder base allow the Warburg Banking Group to meet these capital requirements in the future as well. Nevertheless, equity is an increasingly scarce good, which means that the company is not pursuing an expansion of its lending business beyond its own balance sheet. The Warburg Banking Group will maintain its flexibility, however, and take advantage of attractive opportunities wherever they may lie – including in the field of lending.

Business which does not affect total assets has become even more important. Consulting services in the field of investment banking will in the future continue to be a key pillar upon which earnings from commissions is based. Stable earnings are generated in private banking as well as asset management, which also includes services provided by the Warburg Group's asset management companies. The further increasing value of customer assets is not only evidence of their profound trust but also makes it possible to offer a wide range of services at the level of quality they have come to expect. We plan to maintain the Warburg Bank's long-established expertise in the shipping business. The withdrawal of many competitors from this area of business unlocks new opportunities. Similarly, digitalization also brings opportunities at many points in the value chain to not only cut costs, but also expand business models. In recent years, the Warburg Banking Group has concentrated administrative work at a central location and employs as many people as possible in local regions who maintain direct relationships with customers. We will continue this successful strategy while keeping a focus on the high quality and personalized service for our customers.

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Appendices
About M.M.Warburg & CO
Figures 2015 and 2014; Overview of the Warburg Group
2015 Corporate Finance Summary

About M.M.Warburg & CO

The banking company M.M.Warburg & CO, founded in 1798, is an independent private bank in Germany. As a universal bank, it offers discriminating private customers, business customers, and institutional investors high-quality banking services in its core areas of business Private Banking, Asset Management, and Investment Banking.

The Warburg Banking Group, held by the holding company M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA, is active in the financial services sector with liable equity of EUR 379.2 million, assets under management with a total value of EUR 51 billion, as well as 1,201 employees (at the end of the reporting period of December 31, 2015). The banking group consists of the operating and superordinate institute M.M.Warburg & CO and its subsidiaries Bankhaus Löbbecke, Bankhaus Hallbaum, Bankhaus Carl F. Plump & CO, Marcard, Stein & Co, M.M.Warburg & CO Hypothekenbank, Schwäbische Bank, Warburg Invest, M.M.Warburg & CO Luxembourg, and M.M.Warburg Bank (Switzerland). The banking group is represented in 13 German cities.

The wide range and depth of the business model is demonstrated by the multitude of services offered to customers in a variety of business areas. The parent bank is active in three main business segments: Private Banking, Asset Management, and Investment Banking, including the lending business. As a part of the Warburg Banking Group, the institutes Marcard, Stein & Co, M.M.Warburg & CO mortgage bank, and M.M.Warburg & CO Luxembourg have their own specialized focus with their respective orientation as a family office bank, real estate financier, and administrator of special assets. In addition to this variety of different specializations, the breadth of the business model is also underscored by the Warburg Banking Group's extensive regional presence in Germany, Luxembourg, and Switzerland.

The Carl F. Plump, Löbbecke, and Hallbaum banking houses as well as the Schwäbische Bank all have their own regional roots and operate in extreme proximity to their customers. Each of these institutes has its own identity which is shaped by its home region and is an expression of cultural diversity. These institutes are deeply integrated into the Warburg Banking Group, which allows them to operate in a highly flexible manner and offer a wide range of services in their local markets. At the same time, they can count on the efficiency and effectiveness that come with the integration into the parent bank's departments and services areas.

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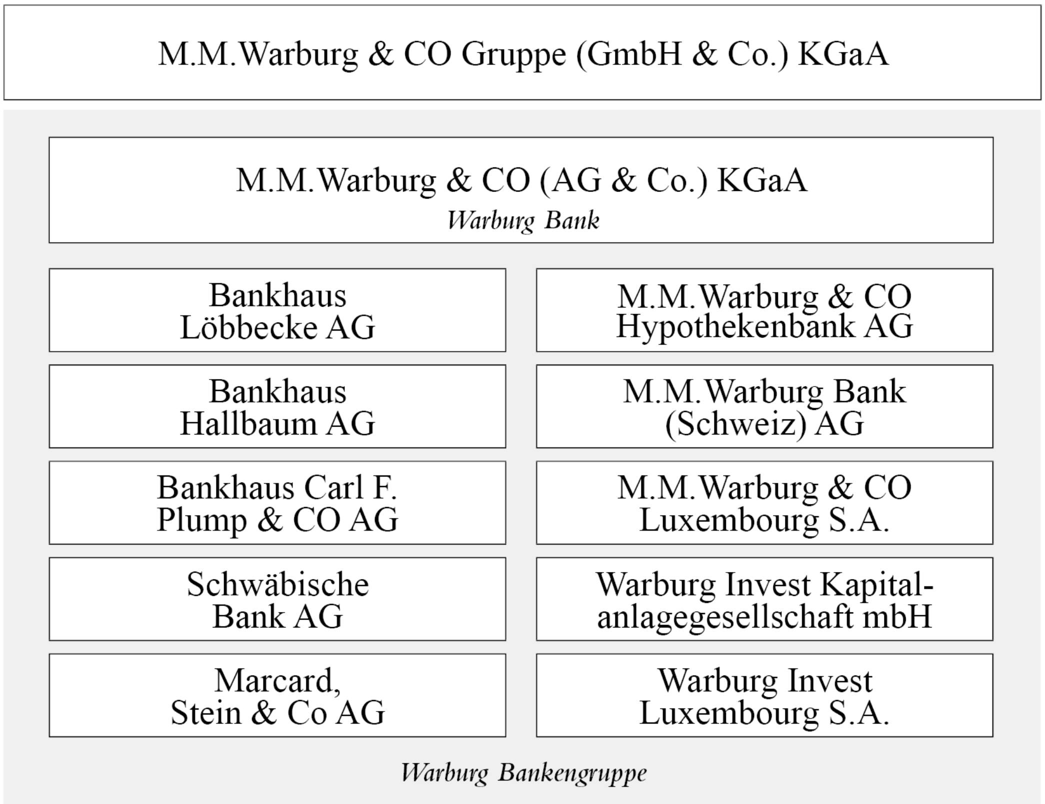
Fiscal Years 2015 and 2014

	2015	2014
Warburg Bank		
Earnings before taxes	EUR 24.1 million	EUR 25.0 million
Warburg Banking Group		
Total interest earnings	EUR 76.0 million	EUR 80.1 million
Total earnings from commissions	EUR 153.7 million	EUR 140.4 million
Total earnings before taxes	EUR 29.3 million	EUR 27.7 million
Liable equity and equity capital pursuant to the German Banking Act	EUR 379.2 million	EUR 342.3 million
Total assets	EUR 8.3 billion	EUR 7.9 billion
Assets under management	EUR 51.0 billion	EUR 56.0 billion



Corporate Finance 2015 – Summary of Transactions and Services

The M&A Consulting segment successfully completed a number of notable transactions in 2015, including the sale of Coppenrath & Wiese GmbH & Co. KG to the Oetker Group, the sale of Prokon Regenerative Energien GmbH to a newly founded cooperative, the sale of inotec Barcode Security GmbH to the Obermark corporate group, the sale of a 50MW wind park in Groß Eilstorf to Stadtwerke Hannover AG, the sale of a university group to Ernst Klett AG, and the sale of an interest in Studiosus Reisen München GmbH.

In the Equity Capital Markets segment, notable underwriting activities included participation in the IPOs of Elumeo SE, Hapag-Lloyd AG, and EDAG Engineering Group AG. The bank oversaw rights issues in the reporting year carried out by Nanogate AG and Lotto24 AG. Furthermore, the bank supported SFC Energy AG in issuing a convertible bond as well as Zeal Network SE in the placement of a block of shares. Public purchase bids were carried out for IMW Immobilien SE and UMS United Medical Systems International AG. The Equity Capital Markets sub-segment also generated considerable earnings through back office services for corporate actions.

The Debt and Mezzanine Markets segments can also look back on a successful year in 2015. The bank structured the conversion of profit-sharing rights into a bond as part of the aforementioned restructuring plan. The bank issued bonds from Grenke Finance Plc. and VTG Finance S.A., bonds from IFB Hamburg and Deutsche Pfandbriefbank AG, as well as profit-sharing rights from Biesterfeld AG. In addition, the bank entered into agreements to provide consulting services to Hamburg Energienetze GmbH as well as GoodMills Deutschland GmbH.