



M. M. WARBURG & CO

1798

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

Banking Group

(cumulative basis)

EUR million	2013	2012	2011
Income before taxes	25.5	39.8	43.6
Net interest income	72.3	88.9	86.6
Net fee and commission income	132.6	132.3	138.0
Administrative expenses (incl. depreciation, amortization, and write-downs)	180.4	168.1	157.3
Total assets	8,031.3	8,456.6	8,651.9
Business volume	8,098.8	8,536.9	8,752.6
Liable capital	427.0	422.0	419.0
Regulatory capital as defined by the KWG	427.0	422.0	419.0
Assets under Management	50,101	44,372	38,055

Bank

EUR million	2013	2012	2011
Income for the year (before taxes)	23.2	35.4	40.7
Total assets	3,806.7	4,181.7	4,460.9
Business volume	3,852.4	4,237.4	4,523.0
Liable capital	339.1	346.4	351.1
Regulatory capital as defined by the KWG	330.5	333.0	326.4
Total capital ratio (Solvency Regulation)	15.4%	15.4%	13.2%
Core Tier 1 ratio	12.4%	12.3%	10.7%



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Annual Report 2013



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**Executive Bodies of
M.M. Warburg & CO KGaA**

SUPERVISORY BOARD

Dr. Erwin Möller	- Chairman -
Dr. Bernd Thiemann	- Deputy Chairman -
Wolfgang Traber	

SHAREHOLDERS' COMMITTEE

Dr. Erwin Möller <i>Chairman of the Supervisory Board of M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA</i>	- Chairman -
Dr. Bernd Thiemann <i>Management Consultant</i>	- Deputy Chairman -
Gerhard Brackert <i>Auditor/Tax Adviser</i>	
Wolfgang Traber <i>Businessman</i>	



Report of the Partners

Report of the Partners

The overall economic environment stabilized over the course of the past fiscal year; in particular, the debt crisis in Europe took a back seat. The central banks' ongoing interventions played their part in this development. A significant side-effect of these measures is the low interest rate environment, which is becoming entrenched and is impacting investors and banks alike. Declining net interest income and sustained high regulatory expenses meant that 2013 was not an easy year for the banking industry.

In this environment, M.M.Warburg & CO KGaA (Warburg Bank) and its subsidiary institutions in Germany, Luxembourg, and Switzerland (the Warburg Banking Group) generated aggregate income before taxes of EUR 25.5 million (previous year: EUR 39.8 million). Warburg Bank transferred profit of EUR 20.9 million (previous year: EUR 35.6 million) to M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA.

Aggregate net interest income in the Warburg Banking Group amounted to EUR 72.3 million in the year under review (previous year: EUR 88.9 million); aggregate net fee and commission income rose slightly to EUR 132.6 million (previous year: EUR 132.3 million). Thanks to the stable net fee and commission income, a satisfactory level of net income for the year was recorded, despite declining interest income due to market conditions. This result confirms the solid profitability of the Warburg Banking Group's broad-based business model.

A portion of the operating result was used to recognize additional provisions for risks arising from ship financing. In conjunction with other measures, this allowed us to shield most of the shipping portfolio in the past year from the effects of potential negative market developments for a number of years to come. In the future, Warburg Bank will also use the ship financing expertise it has gained over the years to actively participate in this market. Already, both institutional clients investing in this sector and shipping companies looking for financing are being supported in ways that transcend traditional loans.

M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA

M.M.Warburg & CO Kommanditgesellschaft auf Aktien

Bankhaus Hallbaum AG	Bankhaus Carl F. Plump & CO AG	Bankhaus Löbbbecke AG
Schwäbische Bank AG	Marcard, Stein & Co AG	M.M.Warburg & CO Hypothekenbank AG
M.M.Warburg Bank (Schweiz) AG	M.M.Warburg & CO Luxembourg S.A.	Warburg Invest Kapitalanlagegesellschaft mbH

Warburg Banking Group

Mission and Strategy

The Warburg Banking Group pursues long-term objectives and is not subject to short-term pressures. The central aim guiding the family enterprise is to maintain its independence in the long term. A balanced risk policy that is reflected in the broad-based business model of a universal bank and that avoids one-sided approaches is therefore the declared overarching strategy in all activities.

With its 14 locations, the Warburg Banking Group, together with its subsidiaries and offices, is represented throughout Germany and in other German-speaking countries. It maintains this clear regional focus on German-speaking countries in Europe without neglecting international business, for example in equity sales, in the process.

The Warburg Banking Group's subsidiaries have either a regional or a specialist focus. As the parent of the Warburg Banking Group, M.M. Warburg & CO KGaA is active in the business areas of private banking, asset management, and investment banking (including lending). In addition, it is the central entity of the Warburg Banking Group in which numerous internal functions for the entire Group are brought together.

This structure allows the Warburg Banking Group's institutions to preserve the highest possible degree of autonomy, in order to respond flexibly to the wishes of their clients locally or in specific markets without having to forego the cost benefits that central service units deliver.

It is this spirit of independence that permits entrepreneurial thinking and allows us to offer our clients flexible, tailored solutions that can all be implemented within the Group's own, comprehensive infrastructure without being dependent on the involvement of external third parties. In this context, the number of employees involved is limited as far as possible. End-to-end handling within the Warburg Group ensures a degree of discretion that other banks are hardly able to offer.

Business Performance

Warburg Bank's total assets declined from EUR 4.18 billion to EUR 3.81 billion as a result of the targeted reduction in risk-weighted assets. Total assets in the Warburg Banking Group decreased from EUR 8.46 billion to EUR 8.03 billion.

The Basel III capital requirements and the requirements of the European Banking Authority (EBA) have already been met by Warburg Bank. The total capital ratio amounted to 15.4%, while the core Tier 1 ratio stood at 12.4% (previous year: 12.3%). The liable capital of the Warburg Banking Group was EUR 427 million as of December 31, 2013 (previous year: EUR 422 million).

The Bond Sales and Corporate Finance units again made above-average contributions to net fee and commission income in the year under review. The positive equity market trend led to a noticeable increase in net fee and commission income in the private client business.

Net interest income was impacted by the effects of the low interest rate policy combined with a risk-averse investment policy. The lending business with private and corporate clients as well as financing in the real estate and shipping areas helped to offset this trend.

Last fiscal year, the Warburg Banking Group again benefited from its reputation as a solid and reliable partner. An impressive inflow of new client deposits and successful portfolio management led to total assets under management rising from EUR 44.4 billion in the previous year to EUR 50.1 billion.

The subsidiaries once more successfully contributed to the Warburg Banking Group's overall earnings thanks to their regional or thematic specializations. Capital increases at both M.M. Warburg & CO Hypothekenbank AG and M.M. Warburg & CO Luxembourg S.A. form the basis for further growth.

In the reporting period, 1,230 people (previous year: 1,199) were employed in the Warburg Banking Group. This moderate increase in the workforce is in line with previous years.

Corporate Citizenship

Alongside Warburg Bank, the subsidiaries are also active in the field of corporate social responsibility in their regional areas. Donations are supplemented by the personal social commitment of many Warburg Banking Group employees. In addition, the foundation associated with Warburg Bank, the Warburg-Melchior-Olearius-Stiftung, is highly active in supporting social and cultural projects. Once again, a focus of corporate citizenship activities in the past year was on supporting the teaching of classical languages and restoring parts of the historical book collections of the Johanneum and Christianeum grammar schools in Hamburg.

This year's article from the "Current Developments" series addresses the erosion of basic principles on which the Western world's success rests. It was written by Niall Ferguson and is an extract from his book "The Great Degeneration: How Institutions Decay and Economies Die" (published in Germany by Propyläen in 2013 under the title "Der Niedergang des Westens").

Outlook

Even six years on from the insolvency of investment bank Lehmann Brothers, policymakers are trying to find answers to the questions raised by the financial and sovereign debt crisis. One such answer at the European level is the planned banking union. In connection with this, systemically important banks will be subjected to a special ECB stress test in the current year. At the same time, the low interest rate environment is impacting institutions with high deposits and traditionally low fee and commission income. Added to this is the requirement for banks to meet the increased Tier 1 capital requirements in successive stages by 2019. Not all of our competitors will be able to rise to these challenges. It is to be expected that the banking landscape will change even more, following the considerable erosion that has already occurred.

The Warburg Banking Group is ready for these challenges, having already met the Tier 1 capital requirements under Basel III ahead of time. Our conservative deposit terms, risk-averse

and optimally timed investment policy, along with our established lending business, resulted in the stabilization of net interest income in summer 2013. In addition to this, our broad-based business model with its wide variety of income sources is a key strength of the Warburg Banking Group. These factors mean that the partnership can look towards the future confidently and optimistically, and that we have the necessary freedom to make business decisions flexibly in the interests of our clients, employees and owners in the future as well. One of the crucial foundations for this is Warburg Bank's independence as an owner-managed institution. Even after the previous owners retire from senior management, the younger partners will ensure the continuity of ownership within the group of partners. This will safeguard a seamless succession.

Dr. Christian Olearius
Max Warburg
Dr. Henneke Lütgerath
Joachim Olearius
Eckhard Fiene
Dr. Peter Rentrop-Schmid



**Overview of
Warburg Banking Group**

Overview of Business Development

ECONOMIC ENVIRONMENT

The eurozone emerged from recession in 2013. Although the economic data was initially disappointing, the negative trend started to reverse in the middle of the year, improving both business and consumer sentiment. The economic recovery also spread on a wide scale, with green shoots increasingly apparent, including in southern European countries that had been particularly hard hit by the European debt crisis. The German economy again recorded stronger growth than the eurozone, and German GDP rose by around 0.4% in 2013. Private consumption was the mainstay of the German economy. The labor market also remained robust and the unemployment rate declined from 7.4% in January to 6.7% in December.

At around 1.9%, U.S. economic growth outpaced that of Europe, but was slower than in the previous year. The positive full year in the U.S.A. is largely attributable to growth in private consumption. However, the government spending cuts had a negative impact. Although the U.S. government managed to almost halve the budget deficit in the space of a year, this held back growth by around one percentage point. The situation on the U.S. labor market improved considerably and the unemployment rate declined from 7.9% in January to 6.7% in December. Corporate profits also improved, with higher profits reported overall than in the previous year. On the housing market, the number of transactions increased and prices rose, meaning the property market also positively contributed to U.S. economic growth.

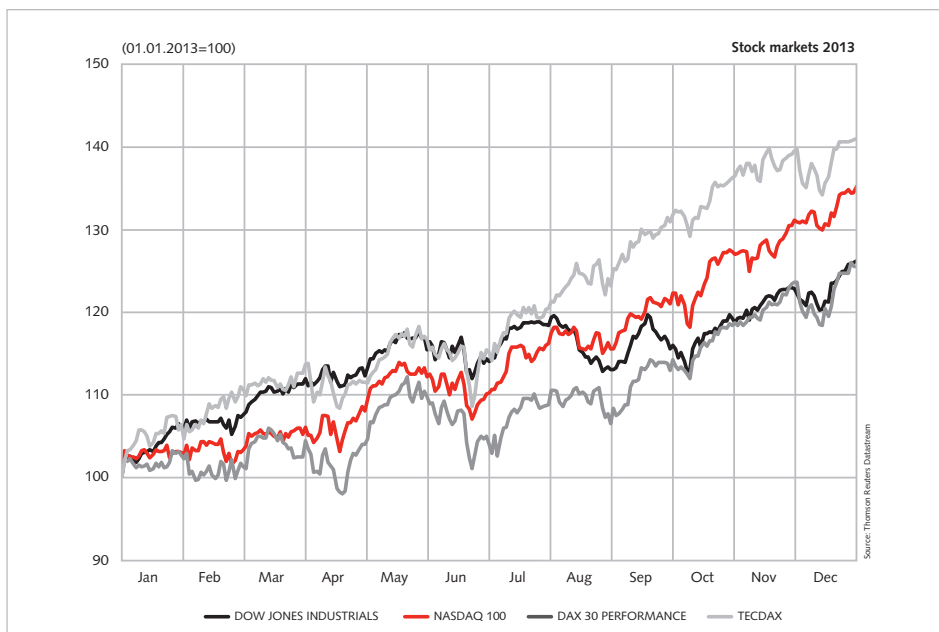
The central banks in industrialized countries maintained their highly expansionary monetary policies. In both May and November, the European Central Bank (ECB) reduced its key rate by 25 basis points, bringing it to a record low of 0.25%. The ECB's intention to purchase government bonds of distressed countries on the secondary market, which was announced in 2012, continued to have an effect in 2013. Consequently, the yields on southern European and Irish bonds decreased further. The U.S. central bank (Fed) also held its key rates at a record low of zero to 0.25% and purchased additional bonds to push down yields on longer-term bonds. At the end of 2013, the Fed announced its intention to taper its bond purchases starting in January 2014. This reflects the improved labor market data in particular. Irrespective of this, the Fed stressed that interest rates will remain unchanged for an extended period. The Bank of Japan held its key rates in a corridor of zero to 0.1% and confirmed its inflation target of 2%. To achieve this, the Japanese central bank announced that it will double the monetary base over two years, and again increased its bond and securities purchases.

Consumer prices in the eurozone rose by an average of just 1.4% year-on-year. In some southern European countries, inflation actually fell below zero. However, this was partly due to base effects. In the previous year, consumer prices had temporarily risen more sharply due to higher excise duties. The eurozone did not experience rising price pressure from the labor market or a sharp increase in producer prices.

The European bond market turned in a mixed performance. German government bonds posted losses in the reporting period. Ten-year Bunds suffered most (-2.6%), while Bunds with terms of two and five years also declined in value by 0.1% and 1.0%, respectively.

Concerns over the European debt crisis took a back seat on the financial markets in 2013. As a result, government bonds from southern European states were in demand and their prices rose almost throughout the year. The euro was also bolstered by the renewed confidence, gaining a total of 4.5% against the U.S. dollar.

The stock markets benefited from the central banks' highly expansionary monetary policy and the improved economic environment: The DAX increased by 25.5% and the mid cap companies listed on the MDAX rose by 39.1%. The European stock markets also traded more strongly (Euro Stoxx 50: 17.9%; Stoxx 50: 13.3%). The U.S. stock markets also rose: The Dow Jones 30 rose by 26.5% over the year, while the broad S&P 500 climbed 29.6%.



WARBURG BANKING GROUP

The Warburg Banking Group comprises M.M. Warburg & CO KGaA in Hamburg, its eight subsidiaries in Germany, Switzerland, and Luxembourg, plus several other financial services companies.

The Group offers the comprehensive services of a universal bank through its Private Banking, Asset Management, and Investment Banking (including lending) divisions, and its subsidiaries' regional focus or specialist expertise.

Its target clients are high net worth individuals, middle-market companies, and institutional investors. The Warburg Banking Group's still manageable size means that it is mostly able to offer tailored solutions rather than marketing standard products. The fact that it is owner-managed, coupled with its decentralized structure and the regional or specialist focus of its subsidiaries, gives the Group the freedom it needs to offer such solutions.

Private Banking provides services to high net worth individuals in the form of asset management or personalized investment advisory services. Thanks to its broad infrastructure, the Warburg Banking Group is able to quickly meet clients' requirements internally. Conflicts of interest are reduced, as almost exclusively third-party products are used. These undergo a stringent product selection and control process. Private Banking clients also benefit from the extensive expertise of the Bank's economic research team, Warburg Research GmbH, which has won numerous awards for its accuracy, as well as from the analyses conducted by this team. This Warburg Bank subsidiary analyzes up to 200 German equities.

A separate unit within Relationship Management is responsible for looking after the varied needs of institutional clients such as insurers, pension institutions, foundations, and family offices. It ensures the required expertise is available to its clients through its direct access to the specialist departments. Warburg Banking Group is able to meet the demand for a vast array of products under one roof, from investment funds for private equity funds (Warburg Luxembourg) and real estate investments (Warburg – Henderson/IntReal), down to borrower's note loans or structured solutions (Investment Banking).

Transactions are processed by internal units, including in-house securities settlement and custodian bank services. This ensures a high level of reliability and discretion. Although the Warburg Banking Group has consolidated most of its IT services for Germany in Hamburg, it manages all banking software applications in-house and does not use outsourcing in areas that are sensitive in terms of data protection law. This means that client data is not handled by third parties.

The Investment Banking division comprises services in the areas of corporate finance, sales and trading, and lending. During the year under review, the Corporate Finance unit advised clients on corporate actions, restructurings, and disposals, with very successful results. The Sales and Trading unit provides advice on and executes equity, fixed income, and currency transactions. This unit again saw strong demand for fixed-income securities in 2013.

The lending business is split between individuals, institutional clients, and corporate clients. Shipping loan volumes were further reduced. Extensive loan loss provisions have

been recognized to take account of the market conditions in this segment. This represents a long-term solution, irrespective of the future development of the charter markets.

In addition to the Warburg Banking Group companies M.M. Warburg & CO Hypothekbank AG and Warburg – Henderson Kapitalanlagegesellschaft für Immobilien mbH, HIH Hamburgische Immobilien Handlung GmbH is also active in the real estate business. These companies make it possible for clients to invest in real estate directly or indirectly through special funds and provide the necessary long-term financing. At the same time, management services are also offered for investments in this asset class. Taking into account the full range of real estate services, this unit is among the German market leaders.

In fiscal year 2013, the Warburg Banking Group generated aggregate income before taxes of EUR 25.5 million (previous year: EUR 39.8 million). Aggregate net fee and commission income amounted to EUR 132.6 million (previous year: EUR 132.3 million). This slight rise was unable to compensate for the decline in net interest income from EUR 88.9 million in the previous year to EUR 72.3 million in the year under review. Earnings from proprietary trading, which is deliberately kept at a reasonable volume for risk reasons, amounted to EUR 3.6 million compared with EUR 5.7 million in the previous year.

During the reporting period, administrative expenses rose to EUR 180.4 million from EUR 168.1 million in the previous year. This increase is primarily attributable to the higher non-personnel operating expenses related to administration.

Warburg Banking Group's aggregate total assets were consciously reduced from EUR 8.46 billion in the previous year to EUR 8.03 billion. The trust of the Group's clients was reflected in the rise in assets under management from EUR 44.4 billion to EUR 50.1 billion.

M. M. W A R B U R G & C O K G A A

Warburg Bank generated income before taxes of EUR 23.2 million in the past fiscal year compared with EUR 35.4 million in the previous year. Net income of EUR 20.9 million was transferred to the partners of M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA (previous year: EUR 35.6 million). The business volume amounted to EUR 3,852 million compared with EUR 4,237 million in 2012. Total assets declined from EUR 4.18 billion to EUR 3.81 billion due to the reduction in risk-weighted assets.

The Tier 1 capital requirements under Basel III were met early. At EUR 56.3 million, net fee and commission income fell short of the prior-year amount of EUR 62.4 million. Total net interest income, including current income and income from profit transfer agreements, amounted to EUR 45.5 million compared with EUR 58.1 million in the previous year. The decline is primarily due to the conservative investment strategy and the generally low level of interest rates. This downward trend was countered in the course of the year, so net interest income subsequently stabilized.

General and administrative expenses rose from EUR 75.1 million in the previous year to EUR 79.7 million. This rise is again due to the implementation of increasingly complex banking regulations and compliance rules.

Warburg Banking Group's Business Areas

INVESTMENT BANKING

At M.M. Warburg & CO KGaA, Investment Banking comprises lending and relationship management alongside the traditional areas of corporate finance, sales and trading, and brokerage. Warburg Research GmbH is also part of Investment Banking and has close ties with the Bank's brokerage business.

The Investment Banking division made a very positive contribution to net income in the year under review. As in previous years, there was stable high demand from institutional clients for the Bond Sales team's services. Corporate Finance also enjoyed a strong fiscal year. Both the number of mandates and earnings were significantly higher year-on-year in all segments – Equity Capital Markets, Debt Mezzanine Markets, and M&A. The support provided for the sale of Steigerwald Arzneimittelwerk GmbH to Bayer AG is particularly noteworthy.

The Warburg Banking Group operates a diversified lending business with private clients, institutional clients, and corporate clients. Earnings from the ship financing business, which has been called into question across much of the industry, strengthened the Group's net interest income thanks to the selected portfolio.

Relationship Management

Relationship Management is responsible for providing services to corporate clients, institutional clients, shipping companies, and banks. One of its main roles is to strengthen longstanding relationships with high-quality clients. Winning new clients and identifying business opportunities are also part of the unit's activities. Relationship Management acts as a central point of contact, coordinating with the specialist departments and Warburg Banking Group companies. The newly created Young Entrepreneurs unit within Relationship Management, which has developed an extensive network of contacts with young entrepreneurs and business founders, is experiencing healthy demand.

In line with the proven conservative approach to the lending business with middle-market corporate clients, new loan commitments were selectively made in the year under review. Attractive new clients were won and relationships with existing clients were strengthened thanks to the end-to-end service provided in all areas of corporate finance and our ability to act as a partner; discussing and finding solutions for the most complex situations. Despite increasingly fierce competition, adequate growth was achieved while continuing to adhere to strict risk requirements. The overall service offering is rounded off by services from the documentation and foreign exchange department and the provision of client-focused support in payment transactions.

In the past fiscal year, the Bank launched a project to reorganize the institutional business within the Warburg Group. The client-centric reorganization of the Relationship Management team responsible for institutional clients formed part of this project, which was not completed during the year. Advisers with specialist expertise in clearly defined client segments offered a wide range of investment products to insurers, banks, pension

Selective new loan commitments

Institutional business reorganized

institutions, associations, industrial companies, family offices, and external asset managers. Clearly structured, risk-averse products were in particularly high demand, with clients favoring direct and indirect real estate investments in Germany and Europe, which accounted for the largest investment volume.

Relationship Management was also able to strengthen its position as a point of contact for institutional clients for the Bank's extensive services. The products and services on offer also included active securities management, domestic management company administrative services, and alternative investment products issued by third parties. The Bank believes the further integration of M&A activities in the institutional segment of Relationship Management offers significant potential.

Shipping loan business delivers reasonable earnings in a difficult environment

Cooperation with other banks is managed by Bank Relationship Management. This unit has been observing the market for many years and closely analyzes other banks. Despite the continuation of the global debt crisis, the Bank was not impacted by the credit-rating downgrades of other banks and financial services providers. The same applies with regard to country limits. We continue to closely monitor individual counterparty risks. Our often decades-long business relationships have proved stable even in turbulent times.

2013 was again challenging for the shipping companies who use our services. The markets remained at a largely unsatisfactory level, with some charter rates declining. However, rising rates were observed in certain submarkets in the second half of the year. This was true for smaller container ships, which generally fared better on the charter markets than larger vessels. Restructuring continued or was completed within the financing syndicates and the financing volume declined again. Adequate account was taken of the risks associated with the shipping loan business. In the year under review, the shipping loan business delivered a satisfactory contribution to earnings from interest and commission income.

In the area of relationship management for listed companies and other companies with capital market potential, numerous contacts were established in the past fiscal year, mainly with companies covered by Warburg Research GmbH's analyses. The positive response led to close cooperation with specialists from the different areas of the Banking Group. The main focus was corporate finance, including corporate actions, secondary placements, financing advisory services, and increasingly, the investment or management of company funds. Thanks to our strong flexibility, we were able to provide clients with tailored solutions at short notice.

Young Entrepreneurs segment of Relationship Management attracts significant interest

The Young Entrepreneurs unit within Relationship Management provides support to start-ups with their initial financing issues and helps middle-market companies, family offices, and investment companies to identify and select appropriate investments. Venture capital funds and issuing houses provide the department with expertise on constructing new fund vehicles and administrative banking services, such as custody, asset management, and fiduciary services.

There was an encouraging increase in public interest in start-ups and awareness of their significance for the economy in 2013. The Young Entrepreneurs segment of Relationship Management helps interested clients navigate this trend through its series of "Warburg Innovation Briefings" publications and presentations on the subject in Berlin and other Banking Group locations. Tech start-ups are still suffering from a shortage of equity. This

is particularly true for regions outside the major urban areas of Berlin, Hamburg, Munich, and Cologne. However, this means that there is an attractive choice of options for those who wish to invest in innovative topics. A further rise in the number and volume of transactions and increased activity among middle-market investors is expected in 2014.

Lending

The lending business focuses on middle-market corporate customers, private clients, and ship and real estate finance. The lending volume declined as a result of scheduled repayments. However, net interest income from lending was encouraging. Demand for credit from clients was also modest due to their comfortable liquidity levels.

Rather than aiming to achieve standardization, the lending business focuses on individual solutions and special transactions. This applies in particular to our exposures in the area of shipping. Warburg Bank intends to maintain an active role in ship financing in future and views this as a function that serves the real economy, particularly in challenging market phases.

The challenges posed by the regulatory environment were countered by optimizing internal banking processes, without losing sight of clients' requirements.

Corporate Finance

Corporate Finance can look back on a successful 2013. With 18 employees, the unit increased its revenue by around 40% year-on-year and successfully completed 24 transactions and advisory mandates in the past fiscal year.

18 transactions and advisory mandates successfully completed

In the M&A advisory segment, we began 2013 acting as the exclusive adviser to Clinton Großhandels GmbH in the acquisition of JPhillippGroup and advising Steilmann Holding AG on the acquisition of a majority interest in Adler AG. We were also the exclusive adviser to Diehl Group on the sale of its Photovoltaics division and parts of its Hydrometer division. The sale of Steigerwald Arzneimittelwerk GmbH to Bayer AG was one of the largest M&A transactions the unit was involved in during the fiscal year. In the area of shipping, the sale of four HBC-Hamburg GmbH & Co. KG bulk carriers to Sucden S&D Group Sucres et Denrées was successfully completed.

In the Equity Capital Markets segment, the services provided in the Tipp24 AG, Höft & Wessel AG, Helma Eigenheim AG, and Nanogate AG capital increases, as well as the secondary placement of Tipp24 AG shares, are particularly noteworthy. The support provided in the restructuring of listed companies before and during insolvency also formed a major part of this segment's business activities. This included the restructuring of Centrosolar AG and Höft & Wessel AG, among others. Due to the complex financing structures with a large number of investor groups, this restructuring presents significant technical and legal challenges. Services were also provided in the acquisition of Dresdner Factoring AG by abcfinance Werhahn KG. Capital market expectations for the 2013 IPO year were not met, with no IPOs completed, unlike in 2012.

As expected, demand for advisory services in the Debt and Mezzanine Financing segments continued to expand in 2013. Advisory services were provided to Clinton-Großhandels GmbH and VK Mühlen AG in this area. Warburg Bank also acted as joint lead manager in the structuring and placement of a mid-cap bond for PNE Wind AG that was authorized for trading on the Prime Standard of the Frankfurt Stock Exchange. In addition, we acted as co-manager in the placement of a high-yield bond issued by Hapag-Lloyd AG.

Due to the continued low level of interest rates, the availability of capital will continue to increase, leading to a further rise in M&A activity and higher prices. The high capital market valuations will also create scope for capital increases and occasional IPOs. The trend toward long-term financing is continuing unabated due to the still low interest rates.

The financial services industry is still facing the particular challenges posed by strong demand for independent advice. Accordingly, the Financial Institutions unit provided advice to other banks, insurers, and other financial services providers, as well as their owners, on issues related to M&A and the capital market.

Sales and Trading

*Sales and Trading
again with
encouraging earnings
contribution*

Warburg Bank's stock market-related activities are pooled in the Sales and Trading unit. These activities center on the execution of and support for transactions in equities, bonds, currencies, and structured investment solutions initiated by clients. The level of proprietary trading is very low.

In the year under review, Sales and Trading again made a healthy contribution to Warburg Bank's overall earnings, with the Bond Sales unit's services performing particularly well.

Institutional Sales — Equities

The Equity Sales team significantly increased its net fee and commission income in 2013. It achieved this through the provision of additional services to existing clients and the acquisition of new clients, with a focus on English-speaking countries. The positive market environment, which saw a sharp rise in share prices (DAX 25%, MDAX 40%) with still relatively low trading volumes, also helped.

Sales Trading — Equities

Client services in the small and micro cap segment remained very active. This was reflected in the clear rise in the number of roadshows, which brought together the management of companies covered by Warburg Research and clients on more than 250 occasions in the past fiscal year.

In addition to advisory services, the unit was involved in numerous transactions. For example, it handled the capital increases of Helma Eigenheimbau AG, Lotto24 AG, and

Nanogate AG together with the Corporate Finance team and successfully placed the new shares. The unit was also involved in the issue of a mid-cap bond by PNE Wind AG and the secondary placement of Tipp24 SE shares.

Foreign Exchange

A very encouraging result was again achieved with middle-market corporate clients in the area of interest rate and currency advisory services. Currency risk was also hedged for shipping and institutional clients using traditional currency forwards and options.

In a turbulent year on the currency markets, the EUR/USD rate fluctuated between 1.2750 and 1.3890 in 2013. This offered clients numerous opportunities to apply hedging strategies.

The liberalization of currency trading with China meant that (offshore) trading in the Chinese currency (CNY), which began in 2012, could be further expanded in 2013.

Bonds

The year under review was characterized by exceptionally brisk issuing activity for financial and corporate bonds. The credit spreads on bonds narrowed further.

We made use of our longstanding and enhanced expertise in traditional and structured registered securities to achieve very good placement results. Our links to European issuers and relationships with investors were successfully developed and strengthened.

Institutional client services/Bonds again see good placement results in 2013

Warburg Research GmbH

Warburg Research GmbH continuously expanded its coverage of the main German indexes (DAX, MDAX, SDAX, and TecDAX) in 2013. In addition, many smaller stocks, which are only covered by a handful of other banks, were also monitored. In close cooperation with the Bank's Institutional Equity Sales department, this makes it possible to keep presenting investors with interesting new companies and identify attractive investment opportunities, among other things. The high quality of the research product, which has been successively improved in recent years, and that of the recommendations made is borne out by the business performance of Warburg Research GmbH, as well as numerous awards.

Warburg Research expands coverage of main German stock market indexes

The "Warburg Highlights" conference with members of the management boards of DAX and MDAX companies again attracted significant interest from national and international investors. The large number of roadshows and the regular "Klein aber Fein" ("Small but Beautiful") event are also key meeting points for companies and investors. Clients have praised the personal nature of the events in particular.

The stable staffing trend and the investments made in recent years have paid off and translated into rising productivity, successful transactions, and, ultimately, to the continued healthy profitability of Warburg Research GmbH.

PRIVATE BANKING

During the year under review, Private Banking significantly expanded the number and volume of assets held in fiduciary and advisory portfolios.

The successful acquisition of new clients by the Munich office, which opened the year before last, is particularly noteworthy. The acquisition of foundation and ecclesiastical assets also made a considerable contribution to increasing assets under management.

The optimism regarding equity investments expressed at the beginning of the reporting period had a clearly positive impact in client portfolios. However, advisory clients were relatively cautious with regard to this asset class during the first half of 2013.

Increase in client portfolio revenue

As the year progressed, this skepticism gave way to confidence, resulting in a sharp rise in net fee and commission income from securities trading by private clients. The shift in the investment strategy of the rather conservative client base toward equity investments partially compensated for the narrower margins caused by the continued low level of interest rates. To ensure real asset preservation, investors steadily increased their risk exposure, generally by allocating a larger proportion of their investments to corporate bonds or equities.

Private Banking continued to make no more than cautious use of structured products such as certificates. The transparency and comprehensibility of investment products is an increasingly important consideration for private investors.

More client events

Private Banking stayed true to the format of smaller meetings with a specialist focus when designing its client events. Around 1,000 private clients were welcomed to events during the year. This clearly demonstrates the increased popularity of and considerable interest in Warburg Bank's services. The Warburg brand has also significantly raised its profile outside of Hamburg.

Asset Management

In 2013, Asset Management picked up the momentum of the previous strong capital market year and further grew its clients' assets. Despite many uncertainties during the year, including the budget dispute in the U.S.A., the parliamentary elections in Italy and their uncertain outcome, and the financial crisis in Cyprus, Asset Management decided to heavily weight solid equity securities and was rewarded with sharp price rises, particularly in the second half of the year. Equity investments were initially focused on Germany and the U.S.A. As the year progressed, the heavy weighting in Germany was shifted slightly in favor of the European periphery, after the first positive economic data from the region indicated the imminent end of the recession. The southern European stock markets offered enormous upside potential and provided a strong tailwind for the equities segment.

In the area of bond investments, Asset Management was faced with a difficult environment. This was due to the low level of interest rates, combined with a slight rise in yields. Based on the positive economic forecasts, Asset Management increased corporate bond holdings and invested carefully controlled amounts in Irish, Spanish, and Italian bonds. The latter investments, in particular, achieved significant price rises, as confidence in the crisis-hit countries increased during course of the year.

The Asset Management team can look back on a successful year overall. In addition to the healthy performance of existing client portfolios, the number of asset management mandates increased sharply.

Equity Investments

Demand from private investors for real estate remained high. In the commercial property segment, Private Banking placed a historic factory in Hamburg-Altona, which has been modernized and converted into offices with a diverse tenant mix and stable cash flow, as part of a club deal. In addition, the product review team applied a stringent selection process to filter the several hundred investment opportunities available on the market. Just two were selected and taken up by interested clients: the development and operation of a shopping center in Stuttgart city center and a new two-star hotel close to Hamburg central station.

In the residential property segment, the unit continued its involvement with the new Sophien Terrassen development on Harvestehuder Weg in Hamburg. It placed individual prime properties, including an art nouveau villa on the Alster, within its client group.

Since last year, equity investments have been subject to the new Kapitalanlagegesetzbuch (KAGB – German Investment Code), which classifies and regulates closed-end funds as financial instruments. Consequently, they are now treated in the same way as equities, certificates, or open-ended funds. The placement of and provision of advisory services on closed-end funds by banks and savings banks are therefore regulated securities services. The first offerings under the new rules will come onto the market and be reviewed by us this year.

Unfortunately, the shipping market has not yet normalized. A fierce price war between a few container shipping companies, a sudden shortage of refinancing, and a stagnation in transport volumes, alongside the unforeseen increase in capacity of certain types of ship, led to weak charter rates. Sponsors, financing banks, and investors all suffered at the hands of this development.

Outlook

Following the successful opening of the Munich office, the Banking Group's Private Banking division now has a presence throughout the German-speaking world. At the same time, Private Banking is in the comfortable position of being able to offer its clients an array of investment opportunities. The unit's market share is therefore set to expand continuously over the coming years.

ASSET MANAGEMENT

Warburg Invest Kapitalanlagegesellschaft mbH

WI increases total assets under management

As of the December 31, 2013 reporting date, Warburg Invest Kapitalanlagegesellschaft mbH managed 37 special funds (previous year: 33) and 66 retail funds (previous year: 64) amounting to a total volume of EUR 4.1 billion (previous year: approx. EUR: 3.6 billion). Taking into account advisory mandates and discretionary financial portfolio management mandates, total assets under management amounted to EUR 4.7 billion (previous year: EUR 4.3 billion). This represents growth of just under 10%. The positive development reflects the success of the redoubled marketing efforts among both institutional investors and distribution partners. New clients again included well-known companies, but existing clients also made a significant contribution to growth.

The company's results of operations improved further. Although both fee and commission income and fee and commission expenses remained at the prior-year level, at around EUR 25.0 million and EUR 14.0 million respectively, personnel expenses were reduced. The measures implemented in the previous year had a positive impact on this item.

The company's future development is naturally heavily reliant on capital market developments. Warburg Invest's product portfolio, which includes total return, value preservation, and multi asset concepts, is able to withstand even uncertain phases on the capital markets. The portfolio is also supplemented by individual products for institutional clients.

Warburg Invest Luxembourg S.A.

Further strong growth in alternative asset management

The Luxembourg-based investment company Warburg Invest Luxembourg S.A. further enhanced its position as a service investment company providing administration and fund structuring services. This growth was attributable to its extensive service offering, which covers the launch and management of retail and special funds as well as central administration services for the full range of Luxembourg-based investment vehicles. The assets under management of the 150 fund structures under Luxembourg law reached a new peak of just under EUR 13 billion at year-end, a year-on-year rise of more than 17%. Net cash inflows of more than EUR 1.5 billion contributed to this increase. As in previous years, demand centered on the administration of structures for pooling alternative asset classes.

Internally, the project to introduce an integrated asset management software solution, which began in the previous year, presented a particular challenge. The first Luxembourg fund was migrated to the system as planned at the start of September, with all migrations scheduled to be completed in mid-2014. By introducing the new system, Warburg Invest Luxembourg S.A. and the other Group entities involved in this project – Warburg Invest Kapitalanlagegesellschaft mbH (Hamburg) and M.M. Warburg & CO Luxembourg S.A. – aim to strengthen their competitive positions and generate economies of scale by making internal workflows more efficient.

At the start of 2014, the company will apply to be authorized as an alternative investment fund manager (AIFM) and thereby round off its service offering, reflecting the entry into force of the AIFM Directive in June 2013.

Warburg – Henderson Kapitalanlagegesellschaft für Immobilien mbH

Warburg – Henderson Kapitalanlagegesellschaft für Immobilien mbH, in which Warburg Bank holds a 50% equity interest, further enhanced its position as an investment manager in 2013. Warburg – Henderson implemented customized real estate investments for institutional investors in Germany and abroad, making it one of the leading providers of real estate special funds with real estate assets under management of around EUR 4.4 billion as of December 31, 2013.

2013 was dominated by the entry into force of the Kapitalanlagegesetzbuch (KAGB – German Investment Code), which now forms the legal basis for all investment companies. One of the main new requirements is the need to obtain a license to act as a domestic management company (Kapitalverwaltungsgesellschaft). In fiscal year 2013, Warburg – Henderson prepared and began taking the necessary steps to ensure that it is able to act as a domestic management company in 2014.

The company was very successful on the sales side and, in addition to re-signing with numerous existing investors, won a new club deal mandate. Five occupational pension institutions combined to make EUR 100 million available. In total, Warburg – Henderson raised capital of around EUR 546 million.

With purchases and sales in Austria, France, Germany, and the UK amounting to around EUR 890 million, Warburg – Henderson again demonstrated its transaction capabilities. Investments were focused mainly in Germany, followed by the UK and Austria. In contrast to the previous year, which was dominated by the retail segment, mostly office and commercial property was acquired.

Warburg – Henderson successfully implemented the fund strategy for a former institutional real estate retail fund, which was converted into the real estate special fund “Warburg – Henderson Deutschland TOP 5 Fonds” at the end of 2012. The initial portfolio of two existing properties in Berlin and Frankfurt was expanded to include three properties in Hamburg, Munich, and Frankfurt am Main.

The foundations were laid for the launch of a new fund with an investment focus on northern Germany, “Immobilienfonds Norddeutscher Versorgungswerke,” in 2013.

In addition to investment in the traditional office and retail sectors, the investment strategy provides for the acquisition of operator-run and special-use properties. The fund exclusively invests in northern Germany, with a focus on Hamburg. The fund was launched at the start of 2014.

The first investment company providing real estate services, IntReal International Real Estate Kapitalanlagegesellschaft mbH, a wholly owned subsidiary of Warburg – Henderson KAG, continued its growth story in 2013. The number of employees increased by one-third to 61 real estate administration specialists. The 16 partner funds' investment volume grew

Warburg – Henderson awarded club deal mandate by five occupational pension institutions

IntReal increases real estate assets under administration

by 38%, rising to around EUR 2.2 billion. With a documented transaction volume of approximately EUR 1 billion, the partner funds again exceeded the prior-year figure. Together with the 16 Warburg – Henderson partner funds, IntReal administers real estate assets of around EUR 6.6 billion. It applied for a license to act as a domestic management company in December 2013 to enable it to incorporate investment limited partnerships into its fund product range as an additional real estate investment vehicle.

Subsidiaries in Germany

BANKHAUS HALLBAUM AG

Bankhaus Hallbaum AG is the only private bank headquartered in Hanover and represents the Warburg Group in the Hanover region and elsewhere in the German federal state of Lower Saxony. The bank focuses on the business areas of asset administration, asset management, and credit financing. Its clients comprise high net worth families and individuals, entrepreneurs and owner-managed companies, insurers, foundations, and associations. Bankhaus Hallbaum is one of the largest asset managers in Lower Saxony, with securities under management and custody (assets under management) totaling EUR 3.5 billion.

Bankhaus Hallbaum forecasts positive business development

The bank's clear focus on its core business areas and its established regional market, supplemented by the services of the parent bank, has proved its worth. The client base was expanded in both the private client and corporate clients business and the number of asset advisory and asset management mandates, in particular, increased by an encouraging 12.4%.

Having remained unchanged for decades, the organization is now being streamlined in response to general market developments. The Hildesheim branch was closed and organizational processes realigned. In addition, the Göttingen branch moved to new premises suited to the current requirements of private banking.

Given the challenging environment, the bank's result was satisfactory overall. Bankhaus Hallbaum believes that it is well prepared to further strengthen its position in its established regional market and expand its business with the target client base in fiscal 2014. The business is expected to perform well overall.

BANKHAUS CARL F. PLUMP & CO AG

Bankhaus Carl F. Plump & CO AG was founded in 1828 and is the oldest private bank in Bremen. It opened a representative office in Oldenburg in 2008.

The bank further expanded its market position in 2013. In the area of private banking, considerable growth was achieved in the asset management segment in particular. The total assets under management and the income generated more than doubled year-on-year. Two-thirds of this growth is attributable to inflows of new money. The remaining third is performance based. Demand for individual asset advisory services increased from high net worth private clients, and in the form of special mandates for foundations and companies. A sharp rise in volumes was achieved through new client relationships, particularly in the last few months of the fiscal year.

Bankhaus Plump increases volume of client assets

The corporate clients business continued to perform well. Lending to high-quality clients also increased. Foreign fee and commission business remained at the prior-year level. Overall, net fee and commission income was up slightly year-on-year. Due to the further decline in interest rates, interest income fell well short of expectations. Since the fee and commission business represents the bank's structural earnings focus, the bank's net income for the year was positive overall.

The bank plans to keep expanding its business in the Financial Planning, Asset Advisory, and Asset Management segments in 2014. In the Corporate Clients business, it intends to expand its relationships with high-quality middle-market companies by extending and modernizing its range of services, among other things. However, the existing, proven service range will continue to be offered in full. The bank plans to increase its employee capacities in the area of sales and sales support in 2014.

BANKHAUS LÖBBECKE AG

*Private bank with
headquarters in
Berlin*

As the only private bank with headquarters in the German capital, Bankhaus Löbbecke AG, which was founded in 1761, provides services to clients in Berlin, Braunschweig, and eastern Germany. The Braunschweig and Dresden locations are also managed from Warburg's Berlin office – the Behren Palais in the Mitte district's historic banking center.

The bank has strong roots in Braunschweig, where it was first headquartered, and operates a branch for clients from the region. The Dresden office is to move to new premises close to the Frauenkirche in mid-2014.

The bank's three main business activities are private banking, corporate banking, and lending, as well as its KreditService offering, which provides workout services for distressed debt receivables.

In the investment business, Bankhaus Löbbecke AG again won new private clients, foundations, and institutional clients for its asset management and advisory services, and strengthened relationships with existing clients. The lending business with private and corporate clients generated numerous business opportunities for the bank across the board. The bank's highly service-driven approach allows it to enter into profitable loan commitments, despite its strict credit quality requirements. In the area of real estate finance, it continued to work closely and successfully together with its sister institution M.M.Warburg & CO Hypothekenbank AG.

The bank's KreditService offering is performing very well. Attractive business opportunities were successfully transformed into mandates. Clients include banks and financial investors in Germany and abroad. Total client receivables of well over EUR 1 billion are managed by KreditService.

*Expansion of business
in eastern Germany*

In 2014, Bankhaus Löbbecke AG intends to continue targeting new clients in its established regional markets of Berlin and Braunschweig, as well as in eastern Germany with the new Dresden Office, and to build on the existing confidence in the bank to strengthen its client business. Increasing numbers of entrepreneurs and investors in the Saxony region value the particular benefits a private bank can offer.

MARCARD, STEIN & CO AG

Marcard, Stein & Co AG specializes in providing end-to-end services for large family estates. Its positioning as a family office bank allows it to distinguish itself extremely successfully from the numerous competitors now entering this market without a banking license. Its Strategic Family Office provides holistic services to families, while the Operating Family Office manages partial estates belonging to private clients. Both areas pursue a uniformly conservative investment philosophy aimed at value preservation. Marcard, Stein & Co was able to further extend its position as a family office bank in the year under review.

Strong competitive position as a family office bank

During the year, the capital markets saw increasing risk appetite from investors. While safe investments such as high-quality bonds registered slight price declines, share prices rose considerably, especially in Europe and the U.S.A. Clients were able to participate in this trend by increasing the equity allocation in their portfolios. Gold and bond holdings were reduced accordingly. Key signs of these changes came from two of the models used, the economic cycle model and the systemic risk model. Since the fall, another internally developed market model has been delivering additional information on market timing. The investment office team, which is responsible for the capital markets, also reviewed a large number of appropriate investment solutions and asset managers.

Increasing risk appetite among investors in the capital markets

The real estate asset management team manages clients' physical and fund-based real estate assets. The services provided span the full spectrum of real estate asset management: purchasing, asset management, financing, leasing, development, reporting/financial control, disposal, workout services for directly held assets, asset management services for indirect investments, and structuring exclusive club deals in the real estate private equity sector.

Real estate concept: A benchmark in the family office segment

Overall, the fiscal year was again highly varied and successful for real estate, with the bank's interdisciplinary real estate expertise continuing to pay off. Directly held real estate assets amounting to hundreds of millions were bought and sold, applying a structured due diligence process. Tactical use was made of the market's current absorption capacity, taking into account portfolio considerations, to profitably dispose of properties and, at the same time, improve the portfolio's risk-bearing capacity and returns by acquiring modernized properties. The newly constructed (semi-) institutional funds portfolio put in a very encouraging performance and benefited from anti-cyclical acquisitions in niche markets. The first foreign fund investments were also made, following several years' abstinence. The club deals structured by the bank for co-investments in development projects progressed very well, so an exit from the projects, the volume of which is in the triple-digit millions, is expected across the board next year. The "real estate asset management concept" applied serves as a benchmark in the family office segment, as underscored by articles in books and publications and a wide variety of expert speakers.

The investment management team manages clients' long-term investment portfolios and provides related services. This involves structured direct and fund-based long-term investment in the form of club deals and covers all relevant market segments, such as equity investments, private equity, renewable energy, and shipping investments. The full spectrum of family office services is provided: the economic and legal review of investments, structuring clients' new investments, ongoing services for existing investments, and investment reporting as part of the financial control of clients' assets. In 2013, several hundred investment

Revival in private equity asset class continues

opportunities were screened for potential new investments. The market for traditional closed-end investments was dominated by major regulatory changes. At the same time, the encouraging market revival in the private equity asset class continued, which led to the successful execution of selected transactions in the professional fund segment. Overall, Marcard, Stein & Co can look back on a successful fiscal year. The bank will continue to expand its market position as a family office bank in 2014.

SCHWÄBISCHE BANK AG

Schwäbische Bank AG is active in the Württemberg region's banking market. The private bank has an 80-year history and some of its client relationships go back four generations. Clients have faith in Schwäbische Bank, which is based in the Königsbau building in the heart of the federal state capital of Stuttgart. Renovation work was completed at the end of the year. The bank's clients and employees can now enjoy a pleasant atmosphere, new technology, and a state-of-the-art working environment. The business activities for private clients, institutional clients, and middle-market companies center on advisory services for and the management of private assets, as well as advising on and providing financing for clients.

**Significant expansion
in asset management**

The asset management business continued with the previous year's positive trend and recorded encouraging growth, with more than 50 new mandates. Net interest income was significantly down year-on-year due to market conditions, but net fee and commission was slightly up on the previous year. The personalized advisory services provided to high net worth individuals, the expansion of the asset management business, and the advisory services provided to owner-managed middle-market companies and institutional clients will remain the bank's core business activities in 2014.

M.M. WARBURG & CO HYPOTHEKENBANK AG

**M.M. Warburg & CO
Hypothekenbank in-
creases capital for more
growth**

Very encouraging new business in the area of real estate finance and good sales opportunities in the deposit business laid the foundations for the sharp rise in M.M. Warburg & CO Hypothekenbank AG's operating income.

Without straying from the conservative business strategy, the bank's real estate finance commitments were only slightly lower than the prior-year level, which had been bolstered by several exceptional transactions, at EUR 283.0 million. The strategy of concentrating on tailored commercial and residential real estate finance in Germany's metropolitan areas above and beyond that offered in the standardized mass-market business again proved to be the right one. The client base was selectively expanded in cooperation with other Warburg Banking Group companies. As in the past, only in exceptional cases were specialty finance solutions provided, and activities pursued abroad. Despite the very healthy new business volumes, real estate finance volumes declined due to substantial repayments during the course of the year and were slightly down on the prior-year figure of EUR 1.4 billion at the end of the year. No new ship financing commitments were entered into in the past

fiscal year. Ship financing therefore remained below EUR 30 million. Municipal lending remains an insignificant element of the business, since in our opinion there are still no opportunities in this area with appropriate risk levels. Since it was founded, the bank has never invested in foreign government bonds. Pfandbriefe (public mortgage bonds) are still the mortgage bank's main means of refinancing, making it possible to obtain funding for transactions with matching maturities. Demand, particularly for low-volume registered mortgage Pfandbriefe, was again very encouraging last year. At EUR 6.4 million, the mortgage bank's income before taxes was significantly higher year-on-year.

In 2011, Landeskrankenhilfe V.V.a.G., Lüneburg, initially acquired a 27.5% equity interest in the mortgage bank. Following a capital increase in the amount of EUR 20.0 million, which was fully subscribed by Landeskrankenhilfe V.V.a.G., Warburg Bank's equity interest in the mortgage bank declined to 60% in December 2013. The mortgage bank remains an integral part of Warburg Banking Group. The bank's Tier 1 capital now amounts to EUR 85.9 million, meaning it is well prepared for the much higher regulatory capital requirements.

Given the mortgage bank's significantly improved capital base in the previous year and its successful real estate finance business, we remain optimistic regarding the bank's future performance.

Subsidiaries in Luxembourg and Switzerland

M.M.WARBURG & CO LUXEMBOURG S.A.

M.M.Warburg Bank Luxembourg S.A. specializes in the custodianship and administration of internationally diversified assets and the provision of services to high net worth private clients. The bank's clear focus on these core business areas again proved its worth in 2013. Its main area of activity continues to be the provision of custody services. In addition to the legally required custodianship of investment funds, asset pools, and securitization companies under Luxembourg law, this includes complementary registrar and transfer agency, calculating agent, paying agent, brokerage, and cash and currency management services. Custodian bank clients such as investment companies, asset managers, insurers, and pension funds value the bank's independence, flexibility and experience. M.M.Warburg & CO Luxembourg S.A. is one of the few custodian banks in Luxembourg that already holds practically all established asset classes in asset pools. This increasingly includes alternative asset classes in addition to securities. The bank thus further consolidated its position as a custodian in Luxembourg, a major financial center. Due to the continued growth in 2013, funds under custody increased by EUR 1.3 billion to EUR 20.4 billion.

Continued successful focus on core business areas

The bank's second core competency is its international private client business, which spans traditional advisory accounts to asset management. This business area was also significantly expanded in the past fiscal year, bucking the financial market trend. The Warburg Group's independence and its ability to cater to individual client needs are also highly valued by clients in this area. The service offering is rounded off with lending.

The Luxembourg subsidiary generated a satisfactory result overall. The bank considers itself well prepared for the further expansion of the custodian and private client business in the current fiscal year, thanks to the capital increase in 2013 and the implementation of a new asset management system.

M.M.WARBURG BANK (SCHWEIZ) AG

The core competency of M.M.Warburg Bank (Schweiz) AG in Zurich is the provision of end-to-end services to high net worth clients from Switzerland and abroad, particularly in the areas of asset management and investment advisory services. Warburg Bank's Swiss clients value its independent asset management services, which are tailored to their needs, as well as the wide range of in-house and third-party products.

Alongside the traditional private client business providing investment advisory services and asset administration, the bank is also active in the areas of asset management, securities and currency trading, and providing support to independent asset managers. In individual cases, it also provides services in cooperation with other Group entities. The bank also offers Lombard loans and performs proprietary trading in securities and foreign exchange products.

In addition to traditional asset management, the bank also offers a special value investment program together with an external consultant, which is based on a long-term value approach, in the form of separate mandates or fund units. The Warburg Value Fund, which

Warburg Value outperforms index

is managed in accordance with this strategy and invests in equities worldwide, grew significantly in volume and clearly outperformed the benchmark index in 2013, rising in value by around 25%.

Growth despite structural change

Despite the structural change in the Swiss private client business, particularly in the cross-border business, Warburg Bank increased the volume of client assets in Switzerland to around CHF 1.6 billion. Employees of all levels, processes, and systems have to meet ever-increasing requirements. However, Switzerland remains in demand thanks to its political and economic stability and longstanding private banking and asset management expertise. The excellent overall conditions are still a strong basis for offering advisory services to high net worth private clients.

In spite of the challenging environment, the Swiss subsidiary ended the fiscal year with satisfactory results. M.M. Warburg Bank (Schweiz) AG is pursuing its growth strategy and sees a variety of opportunities to increase business volumes and earnings, including in Switzerland itself. The bank continues to apply a cautious risk policy and is confident that it will produce another set of healthy results in 2014.

Compliance

The Compliance department reports directly to senior management and, as an independent function, monitors client interests, which take top priority. Warburg Bank's independence from institutional influences allows it to weigh up opportunities and risks associated with prospective business for the benefit of the clients.

The Compliance department uses preventive measures to ensure that the Bank's business activities and the employees' proprietary transactions satisfy the requirements designed to protect both the market and clients in the securities business. Securities services are executed with care, professional expertise, and diligence. Conflicts of interest are avoided using effective precautionary measures.

The importance of the Compliance function within the Bank is growing as a result of the legislative requirements. As part of the internal control system, it is involved in all significant processes, including in the development of new products and entry into new markets. The department is also responsible for preparing all internal organizational and work instructions related to compliance, and implements the legislative requirements in the form of specific work instructions to employees.

At the end of 2013, the compliance functions were expanded so that they now meet the amended requirements of the Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management). This function ensures that all regulatory requirements are identified and implemented in a formal procedure. The new Compliance function protects the Bank and its clients by minimizing the risk of legal infringements. To do this, the Compliance department coordinates and advises, and makes sure that the business areas are fulfilling their responsibilities.



Employees

Employees

Against the backdrop of increasing administrative expenses due to the higher administrative requirements, our aim was to keep the number of Warburg Bank employees at least constant in 2013. We were successful in this, with a 1.69% decrease to 466 employees as of December 31, 2013. The number of employees in the Warburg Group rose by 2.59%, which was largely attributable to the growth of the Luxembourg units and IntReal, which belongs to Warburg-Henderson.

Number of employees

	M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA financial holding group	Warburg Banking Group	M.M. Warburg & CO
Dec. 31, 2011	1,172	1,159	463
Dec. 31, 2012	1,211	1,199	474
Dec. 31, 2013	1,244	1,230	466
Change in 2013	33	31	-8
in %	2.73 %	2.59 %	-1.69 %

The staff turnover figures for Warburg Bank barely changed, so the average length of service was almost 12 years. This stability is exceptional in the current banking environment and particularly in the locations covered by the Warburg Group. Employees feel that they are in good hands with a reliable employer who has a clear strategic focus. Foreign banks' market exits and entries as well as changes in strategy by competitors lead to constant staff turnover elsewhere. In contrast to this, our high level of consistency in client support is appreciated by Warburg Bank's clients.

Turnover rate and employees' length of service at M.M. Warburg & CO

	Average length of service in years	Turnover rate (employee resignations)	Turnover rate (total)
Dec. 31, 2011	11.66	2.86 %	5.40 %
Dec. 31, 2012	11.73	2.38 %	4.10 %
Dec. 31, 2013	11.87	2.98 %	4.89 %

The average age of M.M. Warburg & CO KGaA employees rose slightly as against the previous year to around 44 years. However, the demographic distribution across the age groups is very balanced, reflecting our consistent human resources policy over the past decades. In order to maintain this healthy structure, vocational trainees, graduate trainees, and young direct recruits are hired in numbers that are customary and necessary. This approach was adequate in 2013, a year that was shaped by a conservative recruitment policy.

The increasing prevalence of psychological illnesses received particular attention since 2012, as it was discussed throughout the sector. However, the further increase that had been feared did not materialize, although the working environment continued to be dominated by substantial demands placed on the employees as a result of more numerous regulatory requirements and technological changes.

Average age and illness-related absence at M.M.Warburg & CO

	Average age in years	Illness-related absence	Illness-related absence excluding long-term illnesses
Dec. 31, 2011	42.90	4.31 %	2.41 %
Dec. 31, 2012	43.54	4.50 %	2.54 %
Dec. 31, 2013	43.85	4.08 %	2.68 %

M.M.Warburg & CO KGaA's internal continuing professional development program is entering its tenth year in 2014. The offerings are aimed at employees of the Bank and of the Warburg Group's subsidiaries. The specialist departments are involved in the design of the program as part of an in-depth needs assessment. Training sessions and seminars on communication, negotiation, leadership, and project management form the program's main focuses. In addition to this, there are IT training courses, language classes, and self-learning programs on money laundering, compliance, U.S. withholding tax, and the Allgemeines Gleichbehandlungsgesetz (General Equal Treatment Act). The self-learning programs predominantly fulfill the steadily increasing statutory training requirements. Our internal continuing professional development offering is supplemented by participation in external seminars.

We would like to offer huge thanks to all our employees for their tireless commitment, their hard work, and particularly for their strong loyalty to the Bank.

Once again, the members of the Works Council worked in a spirit of cooperative partnership with the employers in the reporting period, in the best sense of codetermination. Their understanding of constructive codetermination played a large part in the Bank's success, so we would also like to thank them warmly.



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

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

The general partners informed the Supervisory Board regularly and in a timely manner on the position of, and business developments at, the Bank and its subsidiaries. The Supervisory Board performed the duties assigned to it by law and under the Articles of Association. Between the meetings, the Spokesman for the General Partners notified the Chairman of the Supervisory Board of key developments and decisions. The general partners fulfilled their reporting obligations to the Supervisory Board in accordance with the Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management) and the Mindestanforderungen an die Compliance-Funktion (MaComp – Minimum Requirements for Compliance) as well as in accordance with the Aktiengesetz (AktG – German Stock Corporation Act), in particular section 90 of the AktG.

At its three meetings during 2013, held together with the Shareholders' Committee, as well as in the course of additional reporting, the Supervisory Board received detailed reports from the general partners on the course of business, the Company's position, issues relating to business and risk policy, and other important matters, and took decisions on the items of business presented to it for approval. Above and beyond this, all of the members of the Supervisory Board were promptly informed by the general partners of all important and unusual matters.

In addition to the development of current business, it discussed in particular issues relating to: business policy and strategy; important individual transactions; banking supervision; regulatory law; and, the effects of the sovereign debt crisis and the low interest rate environment on the earnings and risk position of the Bank and its subsidiaries.

The annual financial statements and the management report for fiscal year 2013 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and found to be in accordance with the applicable statutory provisions. An unqualified audit opinion was issued.

The annual financial statements and the auditors' report on the audit of the annual financial statements were made available to the Supervisory Board prior to its meeting on April 23, 2014. The Supervisory Board took note of and approved the findings of the audit.

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

The management report and annual financial statements as of December 31, 2013 prepared by the general partners were examined by the Supervisory Board. The Supervisory Board did not raise any objections. Based on the results of its examination, the Supervisory Board approved the annual financial statements.

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

Hamburg, April 23, 2014

The Supervisory Board
- Chairman -



**Condensed Annual Financial
Statements of
M.M. Warburg & CO KGaA
as of December 31, 2013**

The full annual financial statements and the management report of M.M. Warburg & CO Kommanditgesellschaft auf Aktien, Hamburg, for the fiscal year from January 1, 2013 to December 31, 2013 were granted an unqualified audit opinion by KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, which was signed in Hamburg on April 2, 2014. The documents were published in the electronic Bundesanzeiger (German Federal Gazette).

Balance Sheet as of December 31, 2013

Assets	EUR	EUR	EUR	Previous year EUR thou.
1. Cash reserve				
a) Cash-in-hand		1,078,025.15		2,118
b) Central bank balances		172,597,501.70		152,624
of which: with Deutsche Bundesbank	EUR	172,597,501.70		(152,624)
c) Postal giro balances		0.00		0
			173,675,526.85	
2. Public-sector debt instruments and bills eligible for refinancing with central banks				
a) Treasury bills, discounted treasury notes and similar public-sector debt instruments		0.00		0
of which: eligible for refinancing with Deutsche Bundesbank	EUR	0.00		0
b) Bills		0.00	0.00	0
3. Loans and advances to other banks				
a) Payable on demand		184,578,357.23		278,951
b) Other		192,539,677.06		286,541
			377,118,034.29	
4. Loans and advances to customers			1,066,248,148.02	1,131,198
of which: secured by mortgages	EUR	90,974,365.79		(42,505)
Public-sector loans	EUR	30,000,000.00		(30,213)
5. Bonds and other fixed-income securities				
a) Money market securities				
aa) public-sector issuers		0.00		45,035
of which: eligible as collateral for Deutschen Bundesbank	EUR	0.00		(45,035)
ab) other issuers		30,022,347.25	30,022,347.25	55,367
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	30,022,347.25		(55,367)
b) Bonds and notes				
ba) public-sector issuers		525,262,775.17		566,214
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	522,721,382.69		(563,673)
bb) other issuers		992,538,543.93	1,517,801,319.10	988,356
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	962,973,838.31		(976,663)
c) Own bonds and notes at par	EUR	0.00	0.00	0
			1,547,823,666.35	
6. Equities and other variable-rate securities			30,548,395.55	25,058
6a. Trading portfolio			70,869,262.52	178,927
7. Shares in other investeres and investors			41,545,014.05	39,920
of which: in banks	EUR	407,790.91		(408)
of which: in financial services institutions	EUR	15,431.20		(15)
8. Shares in affiliated companies			259,996,521.49	243,480
of which: in banks	EUR	221,097,423.02		(216,355)
of which: in financial services institutions	EUR	0.00		(603)
9. Fiduciary assets			43,770,088.29	58,884
of which: fiduciary assets	EUR	0.00		(0)
10. Equalization claims against the government including bonds and notes issued in substitution thereof			0.00	0
11. Intangible fixed assets				
a) Internally generated industrial rights and similar rights and assets			0.00	
b) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets			1,824,390.00	
c) Goodwill			0.00	
d) Prepayments			0.00	2,420
12. Tangible fixed assets			134,732,915.15	39,193
13. Unpaid contributions to subscribed capital			0.00	0
of which: called	EUR	0.00		(0)
14. Other assets			55,683,785.41	87,140
15. Prepaid expenses			2,817,604.43	231
16. Deferred tax assets			0.00	0
17. Excess of plan assets over pension liability			0.00	0
18. Deficit not covered by equity			0.00	0
Total assets			3,806,653,352.40	4,181,657

Equity and liabilities	EUR	EUR	EUR	Previous year EUR thou.
1. Liabilities to other banks				
a) payable on demand		441,667,924.63		253,653
b) with agreed maturities or periods of notice		555,884,759.05		758,360
			997,552,683.68	
2. Liabilities to customers				
a) Savings deposits				
aa) with agreed periods of notice of three months	14,087,771.10			16,239
ab) with agreed periods of notice of more than three months	16,365,860.86	30,453,631.96		12,653
b) Other liabilities				
ba) payable on demand	1,353,935,247.54			1,121,781
bb) with agreed maturities or periods of notice	861,762,570.19	2,215,697,817.73		1,392,389
			2,246,151,449.69	
3. Securitized liabilities				
a) Bonds issued		0.00		0
b) Other securitized liabilities		0.00	0.00	0
of which: money market securities	EUR	0.00		(0)
own acceptances and promissory notes outstanding	EUR	0.00		(0)
3a. Trading portfolio			60,126,174.15	84,358
4. Fiduciary liabilities			43,770,088.29	58,884
of which: fiduciary loans	EUR	0.00		(0)
5. Other liabilities			84,073,472.56	103,307
6. Deferred income			197,652.49	217
6a. Deferred tax liabilities			0.00	0
7. Provisions				
a) Provisions for pensions and similar obligations		21,742,234.00		21,592
b) Provisions for taxes		0.00		0
c) Other provisions		13,933,548.23		11,873
			35,675,782.23	
8. (repealed)			0.00	0
9. Subordinated liabilities			52,000,000.00	59,500
10. Profit participation capital			10,000,000.00	10,000
of which: maturing in less than two years	EUR	0.00		(0)
11. Fund for general banking risks			2,079,385.91	1,824
of which: special reserve (HGB s. 340e)	EUR	2,079,385.91		(1,824)
12. Equity				
a) aa) subscribed capital		100,000,000.00		100,000
ab) contributions by silent partners		25,000,000.00	125,000,000.00	25,000
b) Capital reserves			135,000,000.00	135,000
c) Revenue reserves				
ca) legal reserve		0.00		0
cb) reserve for shares in a parent or majority investor		0.00		0
cc) reserves provided for by the articles of association		0.00		0
cd) other revenue reserves		15,000,000.00	15,000,000.00	15,000
d) Net retained profits			26,663.40	27
			275,026,663.40	
Total equities and liabilities			3,806,653,352.40	4,181,657

	EUR	EUR	Previous year EUR thou.
1. Contingent liabilities			
a) Liabilities on endorsed bills settled with customers		0.00	0
b) Liabilities from guarantees and indemnities		45,735,553.08	55,751
c) Liabilities from the granting of security for third-party liabilities		0.00	45,735,553.08
2. Other commitments			
a) Repurchase agreements under sales with an obligation to repurchase		0.00	0
b) Placement and underwriting commitments		0.00	8,312
c) Irrevocable loan commitments		141,267,354.83	141,267,354.83
			207,942

Income statement for the Period
January 1 to December 31, 2013

Expenses	EUR	EUR	EUR	Previous year EUR thou.
1. Interest expense			60,398,004.66	88,908
of which: interest on unwinding of discount on provisions for personnel expenses	EUR	1,053,081.00		(1,089)
2. Fee and commission expense			10,804,931.58	9,069
3. Net trading expense			0.00	0
4. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries		40,669,207.28		38,665
ab) Social security, post-employment and other employee benefit expenses		6,421,951.89	47,091,159.17	5,602
of which: post-employment benefit expenses	EUR	1,788,807.14		(1,031)
b) Other administrative expenses			27,417,631.01	27,311
			74,508,790.18	
5. Amortization and writedowns of intangible fixed assets and depreciation and writedowns of tangible fixed assets			5,236,826.76	3,472
6. Other operating expenses, including profit-related distributions to managing partners			5,286,451.86	5,825
7. Writedowns of and allowances on loans and advances and certain securities and additions to loan loss provisions			5,102,702.09	12,047
8. Additions to the fund for general banking risks			0.00	0
9. Writedowns of and allowances on shares in other investees and investors, shares in affiliated companies and securities classified as fixed assets			0.00	1,841
10. Cost of loss absorption			4,173,548.82	2,287
11. (repealed)			0.00	0
12. Extraordinary expenses			0.00	0
13. Taxes on income			91,028.82	-2,396
14. Other taxes not included in item 6			88,270.90	93
15. Profits transferred under profit pooling, profit transfer, or partial profit transfer agreements			23,073,077.61	37,829
16. Net income for the year			0.00	0
Total expenses			188,763,633.28	230,553

Income	EUR	EUR	Previous year EUR thou.
1. Interest income from			
a) lending and money market operations	76,093,152.48		95,882
b) fixed-income securities and registered government debt	8,747,942.20		22,183
		84,841,094.68	
2. Current income from			
a) equities and other variable-rate securities	1,639,106.94		2,283
b) shares in other investees and investors	4,280,146.77		6,283
c) shares in affiliated companies	8,306,470.63		11,937
		14,225,724.34	
3. Income from profit pooling, profit transfer, or partial profit transfer agreements		6,829,373.19	8,452
4. Fee and commission income		67,054,719.44	71,427
5. Net trading income		2,298,701.74	3,491
6. Income from the reversal of writedowns of and allowances on loans and advances and certain securities and the reversal of loan loss provisions		0.00	0
7. Withdrawals from the fund for general banking risks		0.00	0
8. Income from the reversal of writedowns of and allowances on shares in other investees and investors, shares in affiliated companies and securities classified as fixed assets		2,795,683.93	0
9. Other operating income		10,718,335.96	8,615
10. (repealed)		0.00	0
11. Extrordinary income		0.00	0
12. Income from loss absorption		0.00	0
13. Net loss for the year		0.00	0
Total income		188,763,633.28	230,553

	EUR	EUR	Previous year EUR thou.
1. Net income/net loss for the year		0.00	0
2. Retained profits/accumulated losses brought forward from previous year		26,663.40	27
		26,663.40	27
3. Withdrawals from capital reserves		0.00	0
		26,663.40	27
4. Withdrawals from revenue reserves			
a) from the legal reserve	0.00		0
b) from the reserve for shares in a parent or majority investor	0.00		0
c) from reserves provided for by the articles of associations	0.00		0
d) from other revenue reserves	0.00		0
		0.00	
		26,663.40	27
5. Withdrawals from profit participation capital		0.00	0
		26,663.40	27
6. Transfers to revenue reserves			
a) to the legal reserve	0.00		0
b) to the reserve for shares in a parent or majority investor	0.00		0
c) to reserves provided for by the articles of association	0.00		0
d) to other revenue reserves	0.00	0.00	0
		26,663.40	27
7. Replenishment of profit participation capital		0.00	0
8. Net retained profits/net accumulated losses		26,663.40	27

Notes

BASIS OF PREPARATION

The annual financial statements of M.M. Warburg & CO KGaA for fiscal year 2013 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

The accounting policies were largely taken over unchanged.

1. Receivables

Loans and advances to other banks and to customers are recognized at their nominal amount or at cost and reduced by valuation allowances if necessary. Any differences between the nominal amount and the amount paid out are reported under prepaid expenses or deferred income and amortized.

2. Securities

As a rule, bonds and other fixed-income securities designed to be held for the long term are accounted for as long-term financial assets using the strict principle of lower of cost or market value in accordance with section 253(1) and (3) of the HGB. This means that they are written down even if impairment is expected to be other than permanent. Expenses from writedowns of certain securities are offset against income from reversals of such writedowns in accordance with section 340c(2) of the HGB.

If bonds and other fixed-income securities are neither designed to serve business operations for the long term nor allocated to the trading portfolio, they are accounted for as current assets and recognized at the lower of cost or quoted market price or fair value using the strict principle of lower of cost or market value in accordance with section 340e(1) sentence 2 of the HGB in conjunction with section 253(4) of the HGB. Writedowns are reversed in accordance with the requirement to reverse writedowns under section 253(5) of the HGB.

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

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

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

3. Trading portfolio

Financial instruments in the trading portfolio are measured at their risk-adjusted fair value in accordance with section 340e(3) sentence 1 of the HGB. Calculation of the risk allowance, which reflects 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 ten-day holding period and a 99% confidence level over an observation period of 250 trading days. As a rule, VaR is deducted from the assets reported in the trading portfolio; in exceptional cases in which trading liabilities exceed the trading assets, an offsetting item is reported below the trading portfolio on the equity and liabilities side.

In accordance with the provisions of section 340e(4) sentence 1 of the HGB, 10% of net trading income is transferred to the “fund for general banking risks” special reserve within the meaning of section 340g of the HGB. In accordance with section 340e(4) sentence 2 of the HGB, the special reserve may be released to offset net trading expense or if it exceeds 50% of the average net trading income for the past five years.

The criteria applied internally by the Bank for including financial instruments in the trading portfolio were not modified during the fiscal year.

4. Shares in other investees or investors and shares in affiliated companies

Shares in other investees or investors and shares in affiliated companies are carried at the lower of cost or – in the event of impairment – fair value in accordance with the option set out in section 340e(1) sentence 3 of the HGB in conjunction with section 253(3) sentence 4 of the HGB. Unlisted companies are measured using a discounted cash flow model. Writedowns are reversed in accordance with the requirement to reverse writedowns under section 253(5) of the HGB. Expenses from writedowns are offset against income from reversals of writedowns in accordance with section 340c(2) of the HGB.

5. Tangible and intangible fixed assets

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

6. Other assets

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

7. Liabilities

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

8. Provisions

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

The option to allocate the additions to pension provisions required by the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernization Act) over the period up to December 31, 2024 has not been exercised. The entire amount of the additions was recognized directly in the income statement on initial application.

Provisions for taxes and 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 of the past seven financial years corresponding to their maturity, as calculated and published by the Deutsche Bundesbank.

9. Loan loss provisions

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

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

Global valuation allowances are recognized to reflect expected credit risks.

10. Currency translation

Currency translation follows the principles set out in sections 256a and 340h of the HGB. Assets and liabilities denominated in foreign currencies as well as spot foreign exchange transactions were translated at the ECB reference rates prevailing at the closing date. Currency forwards are translated at the forward rate at the reporting date.

Assets, liabilities, and executory contracts outside the trading book 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.

Assets denominated in foreign currencies and classified as fixed assets that are not specifically covered in the same currency are recognized at historical cost.

11. 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 these approaches are not successful, 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.

12. Hedge accounting

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

13. 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.

NOTES TO THE BALANCE SHEET

14. Receivables and liabilities

Maturity structure

The residual terms of loans and advances not payable on demand are shown in the following tables:

Balance sheet item 3b:	Dec. 31, 2013	Dec. 31, 2012
Other loans and advances to other banks	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	87,742	170,005
b) more than three months to one year	65,235	11,632
c) more than one year to five years	38,935	84,175
d) more than five years	628	20,729
Total	192,540	286,541
Balance sheet item 4:	Dec. 31, 2013	Dec. 31, 2012
Other loans and advances to customers	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	747,640	959,705
b) more than three months to one year	99,398	59,384
c) more than one year to five years	141,853	76,885
d) more than five years	77,357	35,224
Total	1,066,248	1,131,198
of which undated	203,397	133,279
Balance sheet item 5:	Dec. 31, 2013	Dec. 31, 2012
Bonds and other fixed-income securities	EUR thou.	EUR thou.
of which due in the following year	433,922	604,344

The residual terms of liabilities not payable on demand are shown in the following tables.

Balance sheet item 1b:	Dec. 31, 2013	Dec. 31, 2012
Liabilities to other banks	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	410,952	420,961
b) more than three months to one year	139,176	320,719
c) more than one year to five years	3,000	12,500
d) more than five years	2,757	4,180
Total	555,885	758,360

Balance sheet items 2a, 2ab:	Dec. 31, 2013	Dec. 31, 2012
Savings deposits	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	2,198	925
b) more than three months to one year	10,614	8,074
c) more than one year to five years	3,535	3,644
d) more than five years	19	11
Total	16,366	12,654

Balance sheet items 2b, 2bb:	Dec. 31, 2013	Dec. 31, 2012
Other liabilities to customers	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	559,672	872,494
b) more than three months to one year	87,436	261,459
c) more than one year to five years	20,655	62,481
d) more than five years	194,000	195,955
Total	861,763	1,392,389

Repurchase agreements

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

15. Securities

The following table shows a breakdown of the marketable securities contained in the balance sheet items.

Balance sheet items		Listed		Unlisted	
		Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
		EUR thou.	EUR thou.	EUR thou.	EUR thou.
Balance sheet item 5	Bonds and other fixed-income securities	1,489,185	1,551,764	58,639	103,208
Balance sheet item 6	Equities and other variable-rate securities	14,805	10,817	11,871	6,811
Balance sheet item 7	Shares in other investees and investors	5,833	2,964	8,674	8,674
Balance sheet item 8	Shares in affiliated companies	0	0	221,100	216,960

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

Investment funds

EUR thou. Dec. 31, 2013	Equity funds	Bond funds	Mixed funds	Total
Carrying amount	11,814	0	0	11,814
Fair value	12,273	0	0	12,273
Difference v. carrying amount	459	0	0	459
Distributions made	16	0	0	16

EUR thou. Dec. 31, 2012	Equity funds	Bond funds	Mixed funds	Total
Carrying amount	9,440	0	0	9,440
Fair value	10,072	0	0	10,072
Difference v. carrying amount	632	0	0	632
Distributions made	3	0	0	3

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

16. Statement of changes in fixed assets

Statement of changes in fixed assets EUR thou.	Historical cost				Reversals of write- downs	Depreciation, amortiza- tion and writedowns		Carrying amounts	Carrying amounts
	Balance at Jan. 1, 2013	Reversals of writedowns				Cumulative	Current year	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012
		Additions	Previous year	Disposals					
Intangible fixed assets	33,541	511	0	0	0	32,228	1,107	1,824	2,420
Tangible fixed assets	88,684	99,721	0	100	0	53,572	4,130	134,733	39,193
Changes									
Shares in other in- vestees and investors	1,625							41,545	39,920
Shares in affiliated companies	16,517							259,997	243,480
Long-term securities	-11,119							49,837	60,956

Tangible fixed assets

At the reporting date, tangible fixed assets included owner-occupied land and buildings in the amount of EUR 34,258 thousand (EUR 35,197 thousand). Two container ships, that the Bank acquired as part of its measures to restructure its shipping loan business, are reported in the amount of EUR 96,614 thousand (EUR 0 thousand). The vessels are now being operated on behalf of the Bank by third party with experience of the business. EUR 3,861 thousand (EUR 3,996 thousand) relates to operating and office equipment.

As in the previous year, there were no payments on account attributable to assets and assets under construction.

Long-term financial assets

The Bank's securities portfolio is mostly composed of bonds and other fixed-income securities.

17. Hedge accounting

Hedges in the form of portfolio and macro hedges are used to hedge market and counterparty credit risk exposures.

Securities with a notional value of EUR 10,500 thousand (EUR 20,500 thousand) and a guarantee issued by the portfolio seller were combined into a portfolio hedge of credit risk. Negative changes in the fair value of the hedged items are offset by positive changes in the fair value of the hedging instruments.

Securities with a notional value of EUR 41,580 thousand (EUR 41,924 thousand) and 2,120 (2,120) index options, plus corresponding liabilities, were accounted for as a macro hedge of interest rate and equity price risk. Negative changes in the fair value of the hedged items are offset by positive changes in the fair value of the hedging instruments.

The hedges are tested for effectiveness prospectively and retrospectively using the critical terms match method, under which the critical terms of the hedged item and the hedging instrument attributable to the hedged risk are compared. If they match, it can be assumed that the changes in fair value attributable to the hedged risk will offset over the entire remaining term or the designated term of the transactions.

18. Reclassifications

As in the previous year, there were no reclassifications in fiscal year 2013.

19. Trading portfolio

The following table shows a breakdown of the trading portfolio into assets and liabilities.

Trading portfolio	Dec. 31, 2013	Dec. 31, 2012
Assets	EUR thou.	EUR thou.
Other assets	247	1,488
Bonds and other fixed-income securities	2,725	74,011
Equities and other variable-rate securities	2,742	9,291
Derivative financial instruments	65,573	95,312
Total	71,287	180,102

Trading portfolio Liabilities	Dec. 31, 2013 EUR thou.	Dec. 31, 2012 EUR thou.
Liabilities	386	3,758
Derivative financial instruments	59,741	80,600
Total	60,127	84,358

A value-at-risk allowance of EUR 418 thousand (EUR 1,175 thousand) was deducted from the assets in the trading portfolio amounting to EUR 71,287 thousand (EUR 180,102 thousand), resulting in a carrying amount of EUR 70,869 thousand (EUR 178,927 thousand).

20. Fiduciary assets and liabilities

Item	Dec. 31, 2013 EUR thou.	Dec. 31, 2012 EUR thou.
Loans and advances to other banks	0	0
Loans and advances to customers	0	0
Shares in other investees and investors	0	13,228
Other assets	43,770	45,656
Total	43,770	58,884

Item	Dec. 31, 2013 EUR thou.	Dec. 31, 2012 EUR thou.
Liabilities to other banks	0	0
Liabilities to customers	0	0
Other liabilities	43,770	58,884
Total	43,770	58,884

21. Other assets and liabilities

Other assets include collateral relating to executory contracts in the amount of EUR 31,830 thousand (EUR 58,190 thousand) and receivables relating to allocation account balances due from affiliated companies and other investees and investors in the amount of EUR 16,202 thousand (EUR 20,084 thousand). This item also contains current tax receivables amounting to EUR 2,214 thousand (EUR 3,213 thousand).

Other liabilities include structured products of EUR 39,004 thousand (EUR 36,952 thousand), collateral received of EUR 9,331 thousand (EUR 13,770 thousand), and liabilities to the German tax authorities of EUR 3,935 thousand (EUR 2,398 thousand). This item also includes the net income for the reporting period of EUR 20,873 thousand (EUR 35,628 thousand) to be transferred to M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA under

the control and profit and loss transfer agreement dated December 5, 2007. Other liabilities to affiliated companies and other investees and investors amounted to EUR 476 thousand (EUR 2,451 thousand). This item also includes profit-related compensation and the distribution on profit participation capital for 2013.

22. Prepaid expenses and deferred income

As in the previous year, there were no prepaid expenses as defined in section 250(3) of the HGB; prepaid expenses as defined in section 340e(2) of the HGB amounted to EUR 2,631 thousand (EUR 71 thousand). As in the previous year, no deferred income as defined in section 340e(2) of the HGB was recognized.

23. Provisions

Pensions and similar obligations

The principal assumptions applied as of December 31, 2013 are:

Discount rate p.a.	4.89 %
Defined benefit trend (e.g. salary) p.a.	1.50 %
Trend for income threshold for contribution assessment p.a.	1.50 %
Pension trend p.a.	1.50 %
Staff turnover p.a.	4.40 %

The “2005 G mortality tables” published by Klaus Heubeck are used as the basis for the biometric calculations.

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

Other provisions

Of the reported amount of EUR 13,934 thousand (EUR 11,873 thousand), EUR 7,650 thousand (EUR 6,965 thousand) was attributable to profit-related employee remuneration and EUR 625 thousand (EUR 774 thousand) to loan loss provisions.

24. Subordinated assets and liabilities

The following table shows a breakdown of the subordinated assets contained in the balance sheet item.

Balance sheet items		Dec. 31, 2013	Dec. 31, 2012
		EUR thou.	EUR thou.
Balance sheet item 3	Loans and advances to other banks	22,920	22,923
Balance sheet item 4	Loans and advances to customers	2,177	375
Balance sheet item 5	Bonds and other fixed-income securities	12,904	11,693
Balance sheet item 6	Equities and other variable-rate securities	1,500	3,500

The subordinated liabilities totaling EUR 52,000 thousand (EUR 59,500 thousand) can be broken down by maturity as follows:

Amount in EUR	Currency	%	Maturity	Early repayment obligation
8,500,000	EUR	4.400	28,01,2015	Not possible
6,500,000	EUR	4.400	28,01,2015	Not possible
5,000,000	EUR	7.000	02,07,2018	Not possible
2,000,000	EUR	7.000	03,07,2018	Not possible
10,000,000	EUR	5.750	13,05,2019	Not possible
10,000,000	EUR	6.100	27,05,2019	Not possible
500,000	EUR	6.100	09,12,2021	Not possible
9,500,000	EUR	6.100	09,12,2021	Not possible

The change as against the previous year is due to the maturity of one item amounting to EUR 7,500 thousand.

Interest expenses totaling EUR 3,361 thousand (EUR 3,439 thousand) were incurred for subordinated liabilities in the reporting period.

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

25. Profit participation capital

The issued profit participation capital reported in the amount of EUR 10,000 thousand (EUR 10,000 thousand) complies with the provisions of section 10(5) of the previous version of the KWG. Distributions on profit participation capital of EUR 775 thousand (EUR 775 thousand) are reported under other liabilities in 2013.

26. Equity

As in the previous year, there was no change in equity in fiscal year 2013.

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

Changes in subscribed capital

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

The subscribed capital is composed of 100,000 no-par value registered shares and did not change as against the previous year.

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

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

Silent partnership interest

The reported silent partnership interest amounting to EUR 25,000 thousand contributed in 2001 was unchanged as against the previous 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.

27. Disclosures on transactions with affiliated companies and other investees and investors

Loans and advances to	Affiliated companies		Other investees and investors	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Item	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Loans and advances to other banks	50,818	238,769	0	0
Loans and advances to customers	54,581	55,419	50,160	796
Bonds and other fixed-income securities	0	0	0	0
Other assets	16,202	20,084	0	0
Total	121,601	314,272	50,160	796

Liabilities to	Affiliated companies		Other investees and investors	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Item	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Liabilities to other banks	897,724	899,270	19	1
Liabilities to customers	60,987	13,457	23,117	8,996
Other liabilities	21,349	75,032	0	0
Total	980,060	987,759	23,136	8,997

28. Assets and liabilities denominated in foreign currencies

Assets denominated in foreign currencies amounted to EUR 566,775 thousand (EUR 664,910 thousand), while liabilities denominated in foreign currencies totaled EUR 574,494 thousand (EUR 670,296 thousand).

29. Collateral pledged

Bonds and notes eligible as collateral for Deutsche Bundesbank advances with a nominal value of EUR 1,047,642 thousand (EUR 1,053,303 thousand) have been pledged as collateral for Deutsche Bundesbank advances.

At the reporting date, securities with a nominal value of EUR 110,581 thousand (EUR 121,304 thousand) had been deposited as collateral for transactions on derivatives exchanges and for securities lending transactions.

Cash collateral of EUR 31,830 thousand (EUR 58,190 thousand) was furnished for OTC derivatives transactions.

30. Contingent liabilities and other commitments

Contingent liabilities include documentary credits amounting to EUR 0 thousand (EUR 789 thousand) and other guarantees amounting to EUR 45,736 thousand (EUR 54,963 thousand). Irrevocable loan commitments amounting to EUR 141,267 thousand (EUR 207,942 thousand) are disclosed as other commitments. There were no longer any placement and underwriting commitments as of the reporting date (EUR 8,312 thousand).

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

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

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

NOTES TO THE INCOME STATEMENT

31. Services

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

32. Income by geographical market

The Bank does not have any sales offices outside Germany.

33. Other operating expenses and income

Other operating expenses amounting to EUR 5,286 thousand (EUR 5,825 thousand) comprise profit-related distributions in the amount of EUR 3,233 thousand (EUR 4,058 thousand) due after the adoption of the annual financial statements by the General Meeting.

Other operating income in the amount of EUR 10,718 thousand (EUR 8,616 thousand) includes income from agency activities of EUR 7,369 thousand (EUR 5,922 thousand) and intragroup allocations of EUR 993 thousand (EUR 1,191 thousand). Provisions not relating to credit risks were reversed in the amount of EUR 558 thousand (EUR 73 thousand).

34. Amortization and writedowns of intangible fixed assets and depreciation and writedowns of tangible fixed assets

A writedown of EUR 556 thousand was recognized in the previous year in connection with the adjustment of the useful lives of intangible fixed assets; there was no comparable expense in 2013.

35. Writedowns of and allowances on loans and advances and certain securities and additions to loan loss provisions

M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA contributed EUR 7,000 thousand (EUR 28,500 thousand) to cover credit risks. Including this contribution, the combined item amounts to EUR 5,103 thousand, after EUR 12,047 thousand in the previous year.

36. Profits transferred under profit pooling, profit transfer, or partial profit transfer agreements

Distributions of EUR 2,200 thousand (EUR 2,200 thousand) relating to a silent partnership interest are reported in this item. The residual annual profit of EUR 20,873 thousand (EUR 35,628 thousand) will be transferred to M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA.

OTHER DISCLOSURES

37. Unrealized reserves

The Bank does not currently exercise the option provided by section 10(2b) sentence 1 nos. 6 or 7 of the KWG to allocate unrealized reserves to its regulatory capital.

38. Other financial commitments

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

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

There were no longer any call obligations as of December 31, 2013 (EUR 130 thousand).

An interest guarantee has been provided for certain issues of M.M. Warburg & CO Luxembourg S.A.

39. 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.

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

Derivative financial instruments not recognized at fair value

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

EUR thou.	2013			2012		
	Notional values	Positive fair values	Negative fair values	Notional values	Positive fair values	Negative fair values
Interest rate swaps	2,005,767	48,364	50,293	1,904,821	76,351	80,144
Floors (OTC)	780	6	4	780	9	8
Caps (OTC)	780	3	3	780	3	3
Total	2,007,327	48,373	50,300	1,906,381	76,363	80,155

There were no foreign currency and equity/index derivatives as of the reporting date required to be disclosed under section 285 no. 19 of the HGB.

Derivatives not allocated to the trading portfolio are executory contracts and are therefore not recognized as a matter of principle. However, other assets include option premiums amounting to EUR 11 thousand (EUR 12 thousand) that the Bank as paid as the buyer of options; other liabilities include option premiums of EUR 14 thousand that the Bank received as the seller of options (EUR 0 as of the reporting date, as in the previous year).

Trading transactions

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

EUR thou.	2013			2012		
	Notional values	Positive fair values	Negative fair values	Notional values	Positive fair values	Negative fair values
1. Interest-related transactions						
Interest rate swaps	20,000	553	635	20,000	804	924
Floors (OTC)	–	–	–	–	–	–
Caps (OTC)	–	–	–	–	–	–
2. Currency-related transactions						
Currency forwards	3,338,553	48,410	31,272	4,203,058	64,969	32,877
Currency options	2,768,944	16,610	27,833	596,123	29,539	46,798
Total	6,127,497	65,573	59,740	4,819,181	95,312	80,599

There were no equity/index derivatives as of the reporting date required to be disclosed under section 285 no. 20 of the HGB.

40. Employees

In fiscal year 2013, the Bank employed an average workforce of 471 (457), which can be broken down as follows:

	2013			2012
	Male	Female	Total	Total
Employees	252	209	461	449
Vocational trainees	9	1	10	8
Total	261	210	471	457

41. Shareholding

Name and domicile of the company	Equity interest in %	Reporting currency	Equity in EUR thou.	Profit/loss in EUR thou.
1. Affiliated companies				
Allgemeine Verwaltungsgesellschaft mbH, Bordesholm	100.00	EUR	1,804	13
Bankhaus Carl F. Plump & CO AG, Bremen	100.00	EUR	12,210	EAV
Bankhaus Hallbaum AG, Hanover	100.00	EUR	40,000	EAV
Bankhaus Löbbbecke AG, Berlin	100.00	EUR	12,100	EAV
Belgravia GmbH, Berlin	100.00	EUR	27	0
Hamburger Waren-Import GmbH, Hamburg	100.00	EUR	20,451	EAV
Hamburg-Luxemburger Warenhandelsges. mbH, Luxembourg	100.00	EUR	22	0
Julius Paul Stiegler - Gedächtnisstiftung GmbH Stiftung der Schwäbischen Bank, Stuttgart	78.00	EUR	13	-47
Lederwerke Wieman GmbH, Hamburg	100.00	EUR	1,213	EAV
M,M,Warburg & CO Holding S.A., Luxembourg	98.00	EUR	63	0
M,M,Warburg & CO Hypothekenbank AG, Hamburg	60.01	EUR	90,239	4,258
M,M,Warburg & CO Luxembourg S.A., Luxembourg	100.00	EUR	36,559	4,032
M,M,Warburg & CO GmbH, Munich	100.00	EUR	40	-26
M,M,Warburg Bank (Schweiz) AG, Zurich	100.00	CHF	18,450	1,296
Marcard Family Office Treuhand GmbH, Hamburg	100.00	EUR	104	32
MARCARD, STEIN & CO AG, Hamburg	100.00	EUR	12,052	EAV
METRACO Verwaltungsgesellschaft S.A., Luxembourg	100.00	EUR	397	38
Metropolitan Investment Corp. S.A. Holding, Luxembourg	100.00	EUR	460	4
Metropolitan Trading Corp. S.A., Luxembourg	100.00	EUR	1,631	3
MS Adriatic Beteiligungsgesellschaft mbH & Co. KG, Hamburg	93.18	EUR	707	557
MS Antarctic Beteiligungsgesellschaft mbH & Co. KG, Hamburg	93.18	EUR	614	107
MS Pacific Beteiligungsgesellschaft mbH & Co. KG, Hamburg	90.23	EUR	545	110
Nestor Investment Management S.A., Luxembourg	51.00	EUR	1,349	908
NESTOR-Fonds-Vertriebs-GmbH i.L., Munich	51.00	EUR	143	4
Regent Street GmbH, Berlin	100.00	EUR	25	1
RHL Hamburger Lloyd Shipping Trust GmbH, Hamburg	100.00	EUR	25	--
RTF Verwaltungsgesellschaft mbH, Hamburg	100.00	EUR	35	0
Schwäbische Bank AG, Stuttgart	78.00	EUR	24,802	-694
Verwaltung MS Adriatic Beteiligungsgesellschaft mbH, Hamburg	93.18	EUR	28	1
Verwaltung MS Antarctic Beteiligungsgesellschaft mbH, Hamburg	93.18	EUR	28	1
Verwaltung MS Pacific Beteiligungsgesellschaft mbH, Hamburg	90.23	EUR	26	1
Warburg Asset Management GmbH, Frankfurt/Main	100.00	EUR	38	-1
Warburg Invest Kapitalanlagegesellschaft mbH, Hamburg	100.00	EUR	10,600	EAV
Warburg Invest Luxembourg S.A., Luxembourg	100.00	EUR	7,263	628
Warburg Research GmbH, Hamburg	100.00	EUR	1,579	23

Name and domicile of the company	Equity interest in	Reporting	Equity in EUR	Profit/loss	
2. Investments with an equity interest of 20% or more					
GSI Gesellschaft für strukturierte Investitionen mbH & Co. KG, Düsseldorf	50.00	EUR	1,299	187	
Lang & Schwarz Aktiengesellschaft, Düsseldorf	25.35	EUR	21,673	1,164	*
Quint:Essence Capital S.A., Munsbach/Luxembourg	20.00	EUR	187	2	
Schiffahrtsgesellschaft "Adriatic" mbH & Co. KG, Hamburg	45.56	EUR	15,690	1,672	*
Schiffahrtsgesellschaft "Antarctic" mbH & Co. KG, Hamburg	45.56	EUR	17,012	968	*
Schiffahrtsgesellschaft "Pacific" mbH & Co. KG, Hamburg	45.11	EUR	13,605	582	*
Warburg - Henderson Kapitalanlagegesellschaft für Immobilien mbH, Hamburg	50.00	EUR	8,370	3,205	*

* Data from 2012

PLTA = profit or loss transfer agreement

Currency translation rate used: EUR/CHF 1.2259

The Bank assumed the shares of Lang & Schwarz Aktiengesellschaft previously held by its parent company, M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA, in the fiscal year and issued the following notice to the company in relation to this in a letter dated December 27, 2013:

“In accordance with section 20(1) of the Aktiengesetz (AktG – German Stock Corporation Act), we wish to notify you that M.M. Warburg & CO KGaA (“Warburg Bank”) acquired a total share of the voting rights amounting to 25.40% (798,972 voting rights) on December 24, 2013, and that it now owns more than one-quarter of the shares of your company. This is the case without attribution of the shares set out in section 20(2) of the AktG, about which we also wish to inform you in accordance with section 20(3) of the AktG.

All of Warburg Bank’s voting rights are attributable to M.M. Warburg CO Gruppe (GmbH & Co.) KGaA (“the Warburg Group”) in accordance with section 16(4) of the AktG. As a result, the Warburg Group now holds a 25.40% share of the voting rights (798,972 voting rights) and hence more than one-quarter of the shares. As a matter of form, however, we wish to notify you on behalf of the Warburg Group that the Warburg Group has transferred its direct equity interest in your company in the amount of 13.03% and now only holds its share of the voting rights indirectly.”

42. Executive Bodies

General Partners

Dr. Christian Olearius

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

Max Warburg

Banker

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

Eckhard Fiene

Member of the Executive Board

Dr. Henneke Lütgerath

Member of the Executive Board

Joachim Olearius

Member of the Executive Board

Dr. Peter Rentrop-Schmid

Member of the Executive Board

As of the balance sheet date, loans and advances totaling EUR 2,035 thousand (EUR 909 thousand) had been granted to members of senior management. No contingent liabilities were assumed on behalf of these persons.

The general partners received EUR 2,546 thousand (EUR 2,546 thousand) for fiscal year 2013.

Shareholders' Committee

Dr. Erwin Möller Chairman

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

Dr. Bernd Thiemann Deputy Chairman

Management Consultant

Gerhard Brackert

Auditor/Tax Adviser

Wolfgang Traber

Businessman

As of the end of the year, loans and advances totaling EUR 271 thousand (EUR 1,329 thousand) had been granted to members of the Shareholders' Committee. No contingent liabilities were assumed on behalf of these persons.

Supervisory Board

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

Dr. Bernd Thiemann Deputy Chairman
Unternehmensberater

Wolfgang Traber
Kaufmann

As of the end of the year, loans and advances totaling EUR 271 thousand (EUR 1,329 thousand) had been granted to members of the Supervisory Board. No contingent liabilities were assumed on behalf of these persons.

The total remuneration for the Supervisory Board in fiscal year 2013 amounted to EUR 49 thousand (EUR 58 thousand).

43. Offices held as of December 31, 2013

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

Dr. Christian Olearius

- President of the Board of Directors, M.M. Warburg Bank (Schweiz) AG, Zurich
- Chairman of the Supervisory Board, M.M. Warburg & CO Hypothekenbank AG, Hamburg
- Chairman of the Supervisory Board, Bankhaus Hallbaum AG, Hanover
- Chairman of the Supervisory Board, MARCARD, STEIN & CO AG, Hamburg
- Chairman of the Supervisory Board, Bankhaus Löffbecke AG, Berlin
- Chairman of the Supervisory Board, Bankhaus Carl F. Plump & CO AG, Bremen
- Chairman of the Supervisory Board, M.M. Warburg & CO Geschäftsführungs-AG, Hamburg
- Chairman of the Supervisory Board, Degussa Bank GmbH, Frankfurt am Main
- Chairman of the Board of Directors, Private Client Partners AG, Zurich
- Deputy Chairman of the Supervisory Board,
HamburgMusik gGmbH Elbphilharmonie und Laeiszhalle Betriebsgesellschaft, Hamburg
- Member of the Supervisory Board, VTG Aktiengesellschaft, Hamburg

Max Warburg

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

Eckhard Fiene

- Member of the Supervisory Board
M.M. Warburg & CO Luxembourg S.A., Luxembourg

Dr. Henneke Lütgerath

- Deputy Chairman of the Supervisory Board, Bankhaus Löffbecke AG, Berlin
- Chairman of the Supervisory Board, Sievers Grundbesitz AG, Hamburg
- Member of the Supervisory Board, Blohm+Voss Shipyards GmbH, Hamburg
- Member of the Supervisory Board, Bucerius Law School gGmbH, Hamburg

Joachim Olearius

- Deputy Chairman of the Supervisory Board, M.M. Warburg & CO Luxembourg S.A., Luxembourg
- Deputy Chairman of the Supervisory Board, Bankhaus Carl F Plump & CO AG, Bremen
- Member of the Supervisory Board, Bankhaus Löffbecke AG, Berlin
- Member of the Supervisory Board, Warburg Invest Kapitalanlagegesellschaft mbH, Hamburg
- Member of the Supervisory Board, KanAm Grund Kapitalanlagegesellschaft mbH, Frankfurt am Main

Dr. Peter Rentrop-Schmid

- Deputy Chairman of the Supervisory Board, GBK Beteiligungen AG, Hanover
- Deputy Chairman of the Supervisory Board, GEDO Grundstücksentwicklungs- und Verwaltungsges. mbH & Co. KG, Grünwald
- Member of the Supervisory Board, Degussa Bank GmbH, Frankfurt am Main

Manfred Bruhn

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

Dr. Jens Kruse

- Member of the Supervisory Board, Biesterfeld AG, Hamburg
- Deputy Chairman of the Supervisory Board, MeVis Medical Solutions AG, Bremen

Thomas Schult

- Member of the Supervisory Board, Lang & Schwarz Aktiengesellschaft, Düsseldorf

44. Consolidated financial statements

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

45. Auditors' fees

Disclosures on the auditors' fees in accordance with section 285 no. 17 of the HGB are included in the notes to the consolidated financial statements.

46. Appropriation of net retained profits

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

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

Hamburg, March 25, 2014

M.M.Warburg & CO
Kommanditgesellschaft auf Aktien



Addresses



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