M. M. Warburg & CO

1798

Annual Report 2014

Overview of Business Development

Banking Group

(cumulative basis)

in Mio, EUR	2014	2013	2012
Income before taxes	27.7	25.5	39.8
Net interest income	80.1	72.3	88.9
Net fee and commission income	140.4	132.6	132.3
Administrative expenses (incl. depreciation, amortization, and write-downs)	189.7	180.4	168.1
Total assets	7,940.6	8,031.3	8,456.6
Business volume	7,991.3	8,098.8	8,536.9
Liable capital	342.3	427.0	422.0
Own funds	342.3	427.0	422.0
Assets under management	55,994	50,101	44,372

Bank

in Mio, EUR	2014	2013	2012
Income for the year (before taxes)	25.0	23.2	35.4
Total assets	3,680.3	3,806.7	4,181.7
Business volume	3,711.9	3,852.4	4,237.4
Liable capital	365.0	339.1	346.4
Own funds	315.0	330.5	333.0
Total capital ratio	14.0%	15.4%	15.4%
Common Equity Tier 1 capital ratio (%)	11.2%	12.4%	12.3%

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Annual Report 2014

Executive Bodies of
M.M.Warburg & CO (AG & Co.) KGaA

SUPERVISORY BOARD

until July 7, 2014

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

from July 7, 2014

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

SHAREHOLDERS' COMMITTEE

until July 7, 2014

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

Dr. Bernd Thiemann *- Deputy Chairman -*
Management Consultant

Gerhard Brackert
Auditor/Tax Adviser

Wolfgang Traber
Businessman

from July 7, 2014

Dr. Christian Olearius *- Chairman -*
Banker

Max Warburg *- Deputy Chairman -*
Banker

Dr. Bernd Thiemann
Management Consultant

PARTNERS

Dr. Christian Olearius	*- Spokesman -*	*until June 30, 2014*
Max Warburg		*until June 30, 2014*
Joachim Olearius	*- Spokesman -*	*from July 1, 2014*
Dr. Henneke Lütgerath		
Eckhard Fiene		
Dr. Peter Rentrop-Schmid		

EXECUTIVE OFFICERS

Manfred Bruhn
Volker Hahnau
Dr. Jens Kruse
Thomas Schult
Dominik Wilcken

CHIEF LEGAL COUNSEL

Dr. Christoph Greiner

SENIOR EXECUTIVES

Reinhold Albers
Dr. Jan-Frederik Belling
Regina Bendner
Uwe Boehmer
Ulf-Dieter Brandt
Rainer Brombach
Ralf Budinsky
Andreas Büttner
Robert Czajkowski
Martin Dörscher
Sandra Duttke
Barbara Effler
Klaus-Dieter Engel
Boris Fischer-Zernin
Richard Göbel
Dieter Grosenick
Silke Harms
Friedrich Bernhard Henne
Dr. Christian Hennig
Christoph Herms
Thomas Hock
Daniel Hupfer
Dr. Christian Jasperneite
Helmut Katt
Ingrid Kindsmüller
Carsten Klude
Jutta Kuhn
Dr. Ulrike Lambardt-Mitschke
Dr. Joachim Liese
Rainer van der Meirschen
Oliver Merckel
Gerhard Müller
Sven-Michael Nareyka
Holger Nass
Sanjay Oberoi
Roland Rapelius
Paul Recum
Dirk Rosenfelder
Hans-Jürgen Schäfer
Klaus Schilling
Christian Schmaal
Joachim Schmidt
Rüdiger Seiffert
Klaus Sojer
Achim Urbschat
Jörn Voderberg
Henning Voigt
Erich Waller
Martin Wehrle
Daniel Wendig
Till Wrede

Report of the Partners

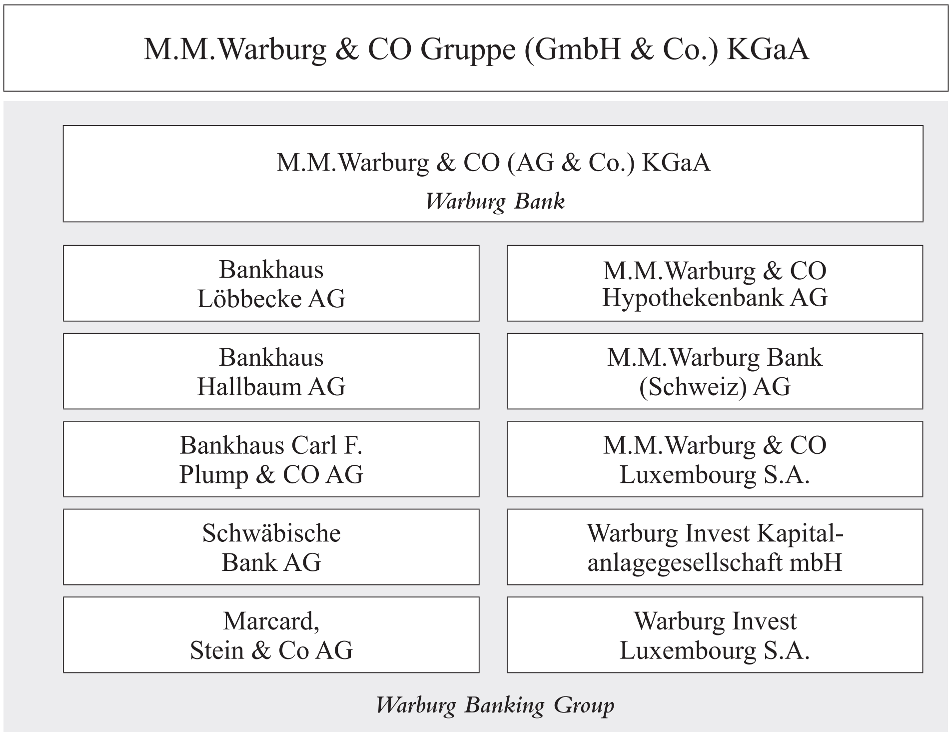
Report of the Partners

The high expectations for macroeconomic development in the 2014 reporting period were not met. Instead, the ECB was compelled to continue its low interest rate policy, regardless of the consequences for investors and the banking industry. At the same time, financial institutions faced a large number of new supervisory regulations, which had to be implemented within a very short time frame.

In this difficult environment for banks, M.M.Warburg & CO (Warburg Bank) and its subsidiary institutions in Germany, Luxembourg, and Switzerland (the Warburg Banking Group) generated aggregate income before taxes of EUR 27.7 million (previous year: EUR 25.5 million). Profit of EUR 22.8 million was transferred to the parent company, M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA (previous year: EUR 20.9 million).

Net interest income rose in the past fiscal year, despite the increasingly entrenched low interest rate environment and amounted to EUR 80.1 million (previous year: EUR 72.3 million) on an aggregate basis in the Warburg Banking Group. Aggregate net fee and commission income rose to EUR 140.4 million (previous year: EUR 132.6 million). This encouraging increase in the operating result confirms the Warburg Banking Group's solid profitability, which is the result of its broad-based business model.

Warburg Bank pursues a conservative and balanced risk policy. Consequently, the continued absence of a cross-segment recovery on the shipping markets led to precautionary measures being taken. Accounting reserves previously created for this purpose were used to provide loan loss provisions for the shipping loan business.



Mission and Strategy

Dr. Christian Olearius and Max Warburg stepped down as general partners of the Warburg Banking Group in 2014 after almost three decades of intensive and successful work for the Bank, the Bundesverband deutscher Banken, and the interests of the north German business community. In the future, they will guide and support the next generation of partners in all questions concerning the Bank as members of the Supervisory Board. The Company will maintain its traditional focus as a family-run, private universal bank rooted in a tradition of continuity. Maintaining its independence is its top priority – only a bank that is free of institutional influences can serve the interests of its clients, employees, and owners while remaining largely unaffected by external factors. The balanced business model of a universal bank prevents one-sidedness and hence avoids inappropriate risks, thus guaranteeing our independence.

The breadth and depth of this business model is evidenced by the wide range of specialist areas offered to customers. The parent bank is active in three main business areas – Private Banking, Asset Management, and Investment Banking, including lending services. Marcard, Stein & Co, M.M.Warburg & CO Hypothekenbank, and M.M.Warburg & CO Luxembourg, which all belong to the Warburg Banking Group, have their own specialist focuses – family office banking, real estate finance, and fund administration.

Alongside this wide range of specializations, the breadth of the business model is underlined by the Warburg Banking Group's comprehensive regional presence in 15 locations throughout Germany, Luxembourg, and Switzerland.

Banks such as Carl F. Plump, Löbbecke, Hallbaum, and Schwäbische Bank can maintain close client relationships thanks to their strong regional roots. Each of these institutions has its own identity shaped not least by its home region and offering cultural diversity. These advantages are at risk of being lost amid the increasing standardization and quantitative management being seen in the current banking environment. However, as tightly integrated members of the Warburg Banking Group, private banks of this size can continue to respond flexibly to their clients' wishes locally or in specific markets, while benefiting from the efficiency offered by integration with the central organization and service units of a larger parent bank.

Business Performance

Warburg Bank's total assets decreased to EUR 3.68 billion (EUR 3.81 billion) at the reporting date due to a further deliberate reduction in risk-weighted assets. Total assets in the Warburg Banking Group declined from EUR 8.03 billion to EUR 7.94 billion.

Warburg Bank's liable capital rose to EUR 365 million in 2014 (previous year: EUR 339.1 million) in anticipation of the withdrawal of a silent partner's contribution in the amount of EUR 25 million, which is planned for 2015. The Warburg Bank's strong capital cushion is demonstrated by its total capital ratio of 14.0% and its Tier 1 capital ratio of 11.2%. The Warburg Banking Group's own funds have been reported in accordance with the new requirements of the Capital Requirements Regulation (CRR) for the first time as of year-end 2014. As a consequence, they declined from EUR 427 million to EUR 342 million as forecast, although their quality improved thanks to a stronger Common Equity Tier 1 Capital Ratio. Tier 2 capital components that are scheduled to expire in the future will be replaced by placing financial instruments that comply with the new CRR.

In fiscal year 2014, Sales and Trading, and especially the Bond Sales unit, again made above-average contributions to net fee and commission income. The reorganization of the Asset Management division and in particular of portfolio management was successful: the average performance of investor portfolios was extremely satisfactory, with even balanced portfolios generating double-digit returns.

Our continued lending business with private and corporate clients and real estate and shipping finance enabled us to break the negative trend in net interest income and lifted its contribution to earnings in the past year.

Customer funds again increased on the back of the Warburg Banking Group's reputation as a solid, reliable business partner: Total assets under management grew from EUR 50.1 billion in the previous year to EUR 56.0 billion. The Warburg Banking Group also manages custodian bank assets totaling EUR 36.8 billion.

The subsidiaries made a further successful contribution to the Warburg Banking Group's overall earnings thanks to their regional/subject area specializations. At the end of the past year, Warburg Bank acquired the remaining shares in Schwäbische Bank from the minority shareholders, and is now the sole owner.

The Warburg Banking Group recorded a moderate increase in headcount, employing 1,275 people (previous year: 1,230) as of the reporting date.

Corporate Citizenship

Warburg Bank contributed significantly to social, cultural, and political projects in the year under review. Particular mention should be made in this context of the foundation associated with Warburg Bank, the Warburg – Melchior – Olearius – Stiftung. In addition to helping employees in need, this foundation supports cultural, educational, sporting, and religious projects. In the past year, it focused on heritage protection, making donations to the University Church of St. Paul in Leipzig and the Ensemble Resonanz in Hamburg. It also continued its support for the teaching of classical languages at grammar schools in northern Germany. The program dedicated to restoring parts of the historical book collections at two well-known schools in Hamburg was continued.

In this year's essay in the "Current Developments" series entitled "Die Ausdauerarbeit nach der Krise" ("Persevering after the crisis"), Swiss historian Ignaz Miller takes an outsider's view of the euro crisis, its causes, and Germany's reservations about the approach to a solution that has long-since been adopted.

Outlook

The low interest rate environment – the deliberate political solution to the debt crisis – will remain a challenge for investors and banks for a long time. Banks have already responded by adjusting their deposit policy. Negative interest rates are being introduced, although these are initially limited to institutional clients' deposits. It seems only a matter of time before they are rolled out across the board to private clients in retail banking.

Continuing the lending business has proven a successful move for the Warburg Banking Group. The operating net interest income it generated is more than satisfactory given the prevailing interest rate environment. However, non-interest-bearing business is becoming increasingly important. The realignment of Asset Management and a streamlining of the structures of the investment companies in the Warburg Banking Group will enable growth in this key business area to continue in the current year.

A stronger Equity Sales presence in Frankfurt is improving the reach of Warburg Bank's research and brokerage services, which focus on small- and mid-cap German shares. The Corporate Finance unit will be based not only in Hamburg in the future – it will also serve middle-market companies in southern Germany from Munich.

Its broad expertise in ship financing enables Warburg Bank to profitably leverage opportunities arising in the current market environment and hence to deepen existing customer relationships. The Corporate Finance unit advises a large number of shipping companies on modern ship financing options.

The reliability and solidity of the Warburg Banking Group inspires trust among our clients: the volume of both private and institutional client funds is continuing to increase in the current fiscal year. The partnership in its new composition therefore remains confident about the current year and aims to exploit the many business opportunities that arise in the best possible interests of its clients, employees, and owners.

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

Overview of Warburg Banking Group

Overview of Warburg Banking Group

ECONOMIC ENVIRONMENT

Although the eurozone economy grew in the year under review, momentum remained subdued overall and trends were mixed. Economic growth initially slowed and eurozone leading indicators also increasingly deteriorated until into the third quarter. This trend was exacerbated by growing geopolitical uncertainties. Business and consumer sentiment first saw gradual improvement towards the end of the year. The German and Spanish economies grew more strongly than the rest of the eurozone overall, while growth was comparatively weak in Italy in particular. The eurozone recorded real GDP growth of just under 1% for the year as a whole. The German economy expanded by approximately 1.5% in 2014. This is due among other things to higher private consumption, which was lifted by the positive labor market trend. Exports also contributed to economic growth in Germany.

The U.S. economy performed well in 2014. After a weak start to the year due to weather-related factors, the economy increasingly gained speed to record full-year growth of 2.4%. The situation on the labor market improved considerably: Employment reached a new record high and the unemployment rate declined from 6.6% in January to 5.6% in December. This benefited private consumption in particular, which made a significant contribution to economic growth in the U.S.A. The situation on the property market also continued to stabilize overall; prices rallied and the number of forced sales declined. The earnings position at listed U.S. companies improved further in the year under review, with higher profits being reported year-on-year.

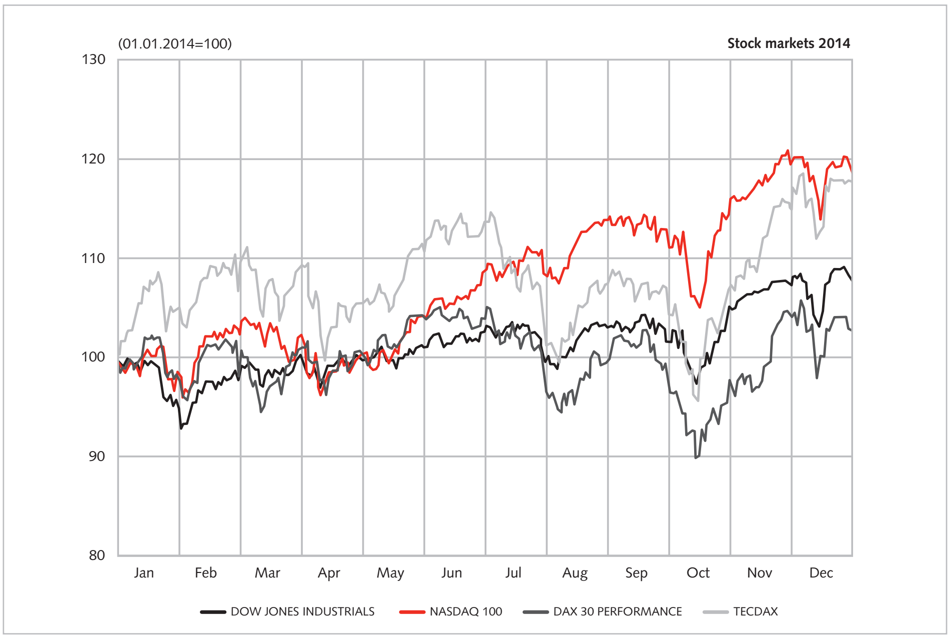
The central banks in the industrialized countries maintained their highly expansionary monetary policies, although these were increasingly divergent. The European Central Bank launched a veritable monetary fireworks display, cutting its key interest rate by ten basis points in June and again in September to the current figure of only 0.05%. The deposit rate entered negative territory for the first time. Additional long-term refinancing operations were introduced to provide sufficient liquidity to commercial banks on an ongoing basis. The ECB also started to buy Pfandbriefe (public mortgage bonds) and asset backed securities on the secondary market. In addition, it indicated that it would take additional measures to loosen monetary policy even further if necessary. The Japanese central bank, the Bank of Japan, also further relaxed its expansionary monetary policy, announcing in October that it would buy significantly more government bonds as well as more ETFs and Japanese REITs on the market. It held its key rates in a corridor of 0.0% to 0.1%. In contrast to the European Central Bank and the Bank of Japan, the U.S. Federal Reserve announced the start of a cautious change in direction towards a less expansive monetary policy and started to reduce its securities purchases. It completed this tapering exercise in October 2014, ending the third round of quantitative easing. The fed funds rate remained at a record low of 0.0% to 0.25% throughout the year.

Consumer prices in the eurozone rose by an average of just 0.4% year-on-year. This was partly attributable to lower energy prices. However, annual average inflation excluding food and energy prices also declined and was well below the long-term average, at only 0.9%. In some southern European countries, inflation was below zero for almost the whole year.

Import and producer prices also indicated that inflationary pressure in the eurozone has widely eased.

Yields on 10-year Bunds fell from around 1.9% at the beginning of the year to a mere 0.5% or so at the end of the year. Against this background, German government bonds recorded strong increases in value across all maturities (two years: 0.6%; five years: 5.7%; ten years: 16.7%). Government bonds from Ireland and southern Europe (excluding Greece) performed even better, benefitting from higher overall confidence in the eurozone and the European Central Bank's even more expansionary monetary policy. The euro depreciated by a total of 12.0% against the U.S. dollar.

Trends on the stock markets were mixed. Germany and Europe posted only slight gains (DAX: 2.7%, MDAX: 2.2%, Euro Stoxx 50: 1.2%). In contrast, listed companies in the U.S.A. profited from the more upbeat overall economic environment in the United States, recording healthy gains: The Dow Jones 30 rose by 7.5% over the year, while the broad S&P 500 firmed 11.4%.



WARBURG BANKING GROUP

The Warburg Banking Group comprises M.M.Warburg & CO, headquartered in Hamburg, its offices in Frankfurt, Cologne, and Munich, and all of its subsidiaries in Germany, Luxembourg, and Switzerland. The Warburg Banking Group is represented in 13 German cities and in Zurich (Switzerland) and Luxembourg. Its capital is held solely by private individuals. The Group's independence from institutional influences is its most valuable asset and is particularly important to its customers, enabling it to weigh up the opportunities and risks associated with potential business transactions objectively.

The Warburg Banking Group's subsidiaries operate in the following business areas: private banking, lending and mortgages, family office services, fund management, and corporate and institutional clients.

Each company within the Warburg Banking Group has its own character. It has outstanding expertise in its segment and understands its local clients like no other. Many client relationships have existed for several generations.

The Warburg Banking Group is headed by M.M.Warburg & CO, which is headquartered in Hamburg. As a universal bank, it provides sophisticated banking services to private clients, corporate clients, and institutional investors. Its core business segments are Private Banking, Asset Management, and Investment Banking.

M.M.Warburg & CO's Private Banking division offers both asset management and personalized securities advisory services.

The investment process used in asset management is based on a top-down approach that reflects all relevant market parameters: the economic situation, growth, inflation, interest rates, etc. Clients specify the guidelines used to determine the proportion of shares, bonds, and liquidity held. The most promising sectors, currencies, and maturities are then selected. The best individual securities are chosen together with international research partners and Warburg Research's multi-prizewinning analysts. The results are individual portfolios that comply with the defined guidelines and that are actively adapted to reflect changing market conditions.

Securities advisory services are tailored to clients who prefer to play an active role on the financial markets and make their own individual investment decisions. Supported by the experts from Private Banking and by M.M.Warburg & CO's outstanding research, clients receive qualified securities recommendations based on state-of-the-art information and analysis systems. The investment decisions made on this basis are then implemented quickly and reliably thanks to the Bank's short communication channels and fast data processing systems.

Warburg Banking Group's specialist units provide institutional investors with comprehensive support in finding and selecting the appropriate services. The solutions offered must not only meet investors' expectations but also conform with their institutional environment. The aim is sustainable – rather than short-lived – success for a long-term business relationship. The Warburg Banking Group is able to provide single-source solutions for a wide range of products, from special funds (M.M.Warburg & CO Luxembourg) and real estate investments (Warburg – Henderson/IntReal), down to structured interest-bearing securities and alternative investments (Investment Banking). However, it does not just offer in-house products: The independence of the Warburg Banking Group means that clients can also choose from suitable products from other reputable providers at any time.

M.M.Warburg & CO's 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 a large number of clients on corporate actions, restructurings, and in particular on company sales.

The Sales and Trading unit provides advice on and executes equity, fixed income, and currency transactions. The Equity Sales unit with its brokerage business turned in an encouraging performance. The Bond Sales unit again generated above-average results thanks to strong demand for fixed-income securities.

The lending business is broken down into private, institutional, and corporate clients. The shipping loans business can now respond more flexibly to client needs after a number of measures were taken to dissolve syndicate arrangements. Loan loss provisions again helped to improve protection against negative market conditions.

Within the Warburg Banking Group, M.M.Warburg & CO Hypothekenbank AG and Warburg – Henderson Kapitalanlagegesellschaft für Immobilien mbH offer a particularly high level of specialization. In addition, HIH Hamburgische Immobilien Handlung GmbH, which is associated with the Bank's shareholders, is active in the real estate business as a project developer, asset manager, and facility manager. These companies make it possible for clients to invest in real estate either directly or indirectly through special funds and provide the necessary long-term financing. At the same time, asset management services are also offered for this investment class. Clients thus benefit from in-depth expertise and a wide range of services.

In fiscal year 2014, the Warburg Banking Group generated aggregate income before taxes of EUR 27.7 million, up slightly on the previous year (EUR 25.5 million). The increase in earnings is attributable to an improved operating result: Both aggregate net fee and commission income and aggregate net interest income improved year-on-year, at EUR 140.4 million (previous year: EUR 132.6 million) and EUR 80.1 million (previous year: EUR 72.3 million) respectively. Earnings from proprietary trading, which is deliberately kept at a reasonable volume for risk reasons, amounted to EUR 8.3 million compared with EUR 3.6 million in the previous year.

Administrative expenses rose from EUR 180.4 million in the previous year to EUR 189.7 million in the reporting period. This increase is primarily attributable to the higher non-personnel operating expenses resulting from new administrative and regulatory requirements.

The Warburg Banking Group's aggregate total assets were again consciously reduced from EUR 8.03 billion to EUR 7.94 billion. The great trust placed in the Group by its clients was reflected in the rise in assets under management from EUR 50.1 billion to EUR 56 billion.

M.M.WARBURG & CO (AG & CO.) KGAA

Warburg Bank closed the year under review with net income before taxes of EUR 25.0 million, up on the 2013 figure of EUR 23.2 million. Net income of EUR 22.8 million was transferred to the shareholder, M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA (previous year: EUR 20.9 million). The business volume amounted to EUR 3,711.9 million compared with EUR 3,852.4 million in 2013. Total assets declined from EUR 3.81 billion to EUR 3.68 billion due to the reduction in risk-weighted assets.

The Tier 1 capital requirements under Basel III were met some time ago. Warburg Bank's net fee and commission income rose from EUR 56.3 million in the previous year to EUR 60.8 million. The negative net interest income trend was broken: Net interest income amounted to EUR 49.6 million, after EUR 45.5 million in the previous year.

General and administrative expenses saw a further rise, from EUR 79.7 million to EUR 84.8 million. They were impacted in particular by depreciation and writedowns of tangible fixed assets. Personnel expenses remained virtually unchanged at EUR 47.4 million (previous year: EUR 47.1 million).

Warburg Banking Group's Business Areas

INVESTMENT BANKING

At M.M.Warburg & CO, Investment Banking comprises corporate finance, sales and trading, the lending business, and relationship management units for investment banking-specific offerings. Warburg Research GmbH and Equity Sales have been combined under new management since the past year.

Investment Banking made an above-average contribution to net income in the year under review. The Bond Sales team again successfully satisfied the strong demand from institutional clients for its services. Corporate Finance was primarily responsible for advising prominent M&A clients. The Equity Capital Markets team demonstrated its strengths in corporate actions, in particular restructuring scenarios.

The Warburg Banking Group's lending business is diversified across regions and sectors, and offers bespoke services to private clients, institutional clients, and corporate clients. Earnings from the ship financing business made a strong contribution to the Group's net interest income and net fee and commission income.

Relationship Management

Relationship Management is responsible for providing services to institutional clients, corporate clients, shipping companies, and banks, and advised its clients with the familiar flexibility and reliability, as well as the necessary care and diligence.

Relationship management for institutional clients successfully realigned

In addition to supporting existing client relationships, the unit focuses on winning new mandates for M.M.Warburg & CO. It successfully deepened existing client relationships and established a wide range of new relationships.

The project launched in 2013 to reorganize and realign relationship management for institutional clients was successfully completed in September 2014. Sales staff from subsidiary Warburg Invest were integrated into the Relationship Management team for institutional clients. These employees are expanding the unit's existing illiquid assets expertise to include deep knowledge of liquid asset products. Together, clients' challenges are now addressed from a single source.

Institutional clients are advised by clearly structured teams that are focused on their specialist sectors. Ten front office areas form the core of our demand-driven client advisory services. This gives clients access to the full range of Warburg Banking Group products and services, and the tailored offering is also supplemented by those of external institutions. The front office areas are supported by a streamlined structure of back office units. This enables us to focus on our clients' core needs.

In line with the proven conservative approach in the lending business, Relationship Management only advises clients with the highest credit ratings and only enters into manageable risks. However, extraordinary opportunities were also leveraged. Assuming that the appropriate safeguards are in place, these are a good way to round off the lending portfolio.

In addition to traditional finance, the department also provides its clients with diverse complementary banking services. The ability to turn complex issues into comprehensible and appropriate solutions serves as a benchmark for its activities.

The real estate finance business is again a key component of the product range this year. This finance segment generated significant new business on the back of the low interest rates and associated healthy economic environment.

The focus here is on end-to-end client services along the entire Warburg Banking Group value chain. For example, Warburg – Henderson Kapitalanlagegesellschaft's expertise in structuring and administration and Warburg Bank's custody services are also offered.

The crisis in the shipping business continued for a seventh consecutive year. In order to preserve M.M.Warburg & CO's customary independence, part of the financing portfolio for the shipping business was converted into exclusive finance for the clients in question based on corresponding agreements with former consortium partners.

This move provides freedom of action that will also benefit our clients. They are now in contact with partners at just one bank, enabling them to benefit from custom solutions that are tailored to the challenges.

Interest income from the lending business again healthy

This segment again posted healthy earnings in the interest and fee and commission businesses. For this reason, M.M.Warburg & CO will remain active in this area. The Bank has strong links to this business and concentrates on its supporting role within the shipping industry. While keeping close track of the risks, which at present are a priority for many, it will not lose sight of the future opportunities.

Relationship Management also handles cooperation with banks outside of the Warburg Banking Group through its Bank Relationship Management unit. The unit maintains close links with banks, which lead to partnerships. In addition to analyzing these banks, its activities also include clarifying regulatory issues. This is a challenging tasks in times of heightened regulation imposed on the domestic financial sector not just by German and European authorities, but also to an increasing extent due to transatlantic relations. One example is the U.S. Dodd-Frank Act that governs services provided to U.S. residents by institutions from outside the U.S.A.

Despite, or rather because of, the worsening global environment for the banking business and its consequences for the institutions affected, the Bank's long-term relationships with external banks have proved extremely stable.

Lending

The Bank provides tailored lending services to its middle-market corporate clients, private clients, and institutional clients. The lending portfolio covers ship and real estate finance, among other things. The Bank remains a reliable partner that stands by its clients, including during challenging market phases.

Lending can look back on a successful 2014. Against the backdrop of reduced investment appetite and the continuing strong cash position available for financing at companies, which was clear from the muted demand for lending, volumes in the lending business remained stable during the year with a slight upward trend. However, the Bank was not able to fully overcome the intensive competitive pressure between banks in the lending business. This put pressure on the interest margin.

The back office is implementing the requirements of the constantly changing regulatory environment in line with clients' needs. Scope to optimize internal processes is being exploited to increase the department's efficiency and to enhance the Bank's service-driven approach.

Corporate Finance

24 transactions successfully completed

Corporate Finance can look back on a successful 2014. The team, which was increased to 20 employees, successfully completed 24 transactions and advisory mandates in the fiscal year. Further important mandates were close to completion at the end of the year.

In the M&A advisory segment, the sale of the Fleesensee resort to the Lindner group was completed in 2014 after many years of work for a consortium of investors. Herbert Turnauer Stiftung was advised on the sale of its share in Constantia Flexibles to the Wendel group. Advisory services were also provided to the principal shareholder of Mevis Medical Solutions, a listed company, on the sale of its interest to the U.S. Varian Medical Systems group in connection with a public takeover bid. We supported Tivoli Malz GmbH in its acquisition of all of the shares of GlobalMalt Polska. Other public M&A transactions worked on in 2014 but not yet completed included advising the shareholders of Coppenrath & Wiese on the sale of the company, advising Prokon's insolvency administrator on structuring the transaction and selling the company, as well as supporting Burger King GmbH's insolvency adviser in finding investors. The M&A team prepared fairness opinions for the supervisory and management boards of DAB Bank, UMS Medical Systems, and update software. After resuming venture capital advisory services, a private placement was made on behalf of investment company Venture Stars.

In the Equity Capital Markets segment, a particularly noteworthy achievement was the successful completion of its advisory mandate in connection with the restructuring of and the termination of insolvency proceedings for IVG. The segment handled capital increases at Softing AG, Lotto24 AG, and SFC Energy AG in the year under review.

In addition, larger packages of shares in Adler Modemärkte AG and elmos Semiconductor AG were successfully placed. We provided support in connection with public takeover bids to Aalberts Industries in its acquisition of a majority interest in Impreglon SE, to Tocos Beteiligung GmbH in its acquisition of a majority interest in Hawesko Holding AG, as well as to Joma Industrial Source Corp. in its acquisition of a majority interest in C.A.T. oil AG and the acquisition of shares in AXA Immoselect, a real estate fund.

In contrast to the previous years, the Debt and Mezzanine Markets segment saw a decline in 2014. In particular, the persistently low interest rates and the aggressive marketing of lending services by banks meant that there was lower demand for corporate advisory services relating to the structuring and acquisition of credit finance. The restructuring of credit financing for DMK Deutsche Milchkontor GmbH was successfully completed in this area. As well as advising Prokon on the structuring of a bond as described above, the segment acted as co-manager in the placement of a high-yield bond for Hapag-Lloyd AG. The demand for capital will increase further on the back of the ongoing low interest rate environment. As a result, there will be additional growth in M&As. The high capital market valuations will also create scope for capital increases and occasional IPOs.

A significant increase in revenue is expected in 2015, due in particular to the substantial business backlog. Transaction support for listed companies continues to offer excellent opportunities in the M&A segment, in addition to the traditional sell-side advisory services for family shareholders. Venture capital advisory services are also being expanded. As in the reporting period, the plan for 2015 remains to secure a recognized share in the market for capital increases at listed companies and for IPOs. Further advantage will be taken of the Bank's unique market position in independent restructuring advisory services for listed companies. Financing advisory services are expected to see a return to past growth rates. In addition, the first weeks of the new year saw a significant increase in mandates for the structuring and placement of bonds.

Sales and Trading

Warburg Bank's stock market-related activities are pooled in the Sales and Trading unit. These activities center on advisory services for clients and the execution of and support for transactions in equities, bonds, currencies, and structured investment solutions initiated by clients. By contrast, 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.

Equities

Equities unit saw significant income growth last year

The Equities unit was restructured last year and is bringing the equities analysis provided by subsidiary Warburg Research GmbH and the advisory services for institutional equities investors (Institutional Sales – Equities) closer together. The unit can look back on a successful year that saw significant growth in its fee and commission income, and its earnings. Sales activities were further boosted by the opening of an office in Frankfurt am Main. Overall, the healthy performance over the last few years has led to a noticeable improvement in client awareness and market position.

Sales Trading – Equities

Marketing activities at a high level, increase in fee and commission income, top rating from Extel

Equity Sales saw a further increase in its fee and commission income. This was achieved through providing additional services to existing clients and through further expanding the client base. The unit and its employees enjoy an excellent reputation among its target groups. For example, it took first place in the German Small- and Mid-Cap Sales category of the prestigious Extel ranking by Thomson Reuters.

Marketing activities remained at a high level, with over a hundred roadshow days in total, both with corporate board members and analysts. The unit also organized the fifth

"Warburg Highlights" conference in Hamburg, various "Klein aber Fein" ("Small but Powerful") events as a forum for micro-caps supported by Warburg Research, and the first "Warburg German Ideas Day" in London. In addition to advisory services, Institutional Sales – Equities was involved in numerous transactions.

Foreign Exchange

The European Market Infrastructure Regulation (EMIR) completely changed the regulatory landscape for Europe's derivatives markets. As a consequence, numerous agreements were made with clients relating to risk mitigation techniques and reporting obligations for derivatives transactions.

This process contributed to the strengthening and deepening of existing client relationships.

There was strong client demand for the unit's interest rate and currency advisory services due to euro exchange rate shifts against the U.S. dollar, but also against the Swiss franc towards the end of the year. Overall, the Foreign Exchange unit can look back on a successful fiscal year.

Bonds

The extremely low yield level continued to motivate many companies to engage in brisk issuing activity. This was supported with great success by the Bond Sales team and resulted in the corresponding healthy placement results for the Bank's institutional clients. Of particular note is the Hapag-Lloyd bond. In cooperation with other Bank departments, Bond Sales was instrumental in implementing this transaction. The Bonds unit also recorded impressive placement results in marketing plain vanilla and structured registered securities to the Bank's institutional clients. This represented a significant improvement on the already considerable achievements of 2013, and the unit's close client relationships were further deepened.

Warburg Research GmbH

Strong coverage of German stock market indexes, long-term approach and high-quality analysis valued by companies and investors

Warburg Research GmbH can look back on a successful 2014. The company's day-to-day business covers intensive support for clients in close cooperation with the Bank's Institutional Sales team. In addition, the company was involved in various ECM transactions and established new business relationships with listed companies.

The stocks monitored by Warburg Research GmbH analysts feature strong coverage of the main German indexes (DAX, MDAX, SDAX, and TecDAX). One key way in which Warburg Research GmbH distinguishes itself from its competitors is through reliable long-term support for listed companies. This ensures high quality research for investors, but is also highly valued by the companies themselves. This long-term approach is also reflected in the above-average professional experience of the company's analysts (over 13 years) and their length of service (over nine years). A further unique characteristic of Warburg Research GmbH is its coverage of smaller stocks that are only monitored by a handful of other banks.

The large number of corporate and analyst roadshows and the organization of wide-ranging field trips for individual investors promotes close ties between investors and companies. Warburg Research GmbH saw a year-on-year rise in both its revenue and earnings, and is confident about the prospects for 2015 in light of the volatile but positive capital market environment.

PRIVATE BANKING

Encouraging growth in assets under management

Private Banking saw encouraging growth in assets under management in the year under review, particularly in accounts held in trust. The persistently low interest rate environment had a significant impact on the funds invested on the capital market.

Securities advisory services continued to see a willingness to invest in higher-risk vehicles due to a lack of interest-bearing investments. Of particular note here are direct share acquisitions, as well as increased interest in venture capital.

Client events mainly related to specialist lectures, which often dealt with capital market topics as a result of events in the stock markets. These were attended by around 2,000 guests, demonstrating the appeal of the topics selected and the fact that employees were sought-after for discussion on the basis of their expertise.

Foundation-related events held across Germany offered a platform for lively discussion. These activities will again be expanded in the coming year.

Asset Management

Over 10 % growth in the value of almost all investment strategies

Warburg Bank's Asset Management recorded one of its best years in the Bank's recent history, with the value of almost all of its investment strategies rising by over 10%. Asset Management clients posted another year of healthy asset growth after good years in 2012 and 2013. Portfolio risk was kept low by a high level of diversification and systematic loss limitation for individual securities. Key to the good results was on the one hand the largely correct forecast of the economic environment, which formed the basis for Asset Management's investment decisions. On the other hand, the active implementation of the investment strategy again proved successful for another year.

Asset allocation was adapted to the changing environment a number of times over the course of the year, and the equity weighting in particular varied significantly. At the same time, the proportion of European shares was reduced and U.S. securities increased after the growth gap further widened in favor of the U.S.A.

The composition of bond holdings also changed significantly over the course of the year: Bonds were bought from the European periphery, from emerging countries, and from companies with lower ratings, and terms were also extended.

Assets under management rose significantly over the course of the year, lifted by Asset Management's good results and in particular a large number of new asset management clients. The low interest rate environment and the geopolitical uncertainties are becoming increasingly challenging for investors – a challenge that Warburg Bank's Asset Management rises to meet.

Equity Investments

Successful placement of venture capital

Since 2013, equity investments have been subject to the new Kapitalanlagegesetzbuch (KAGB – German Investment Code), which classifies and regulates closed-end funds as financial instruments. Under the new legislation, equity investments are now treated in the same way as equities, certificates, or open-ended funds. The provision of advice on closed-end funds by banks and savings banks is therefore a regulated securities service.

In the area of equity investments, there was strong market demand for investments in affordable, centrally located housing in large German metropolitan areas. After many months of screening and reviewing a large number of products in this area, a product from a Bavarian-based property development company specializing in new residential properties was selected. The company is active in five German cities solely as an equity investor and sells the apartments to end users during the construction phase. The private placement was made in accordance with the new law and has a term of five years. Its activities concentrate on Berlin, among other cities.

Clients were given the opportunity to invest in the digital world of e-commerce with a private placement in a Munich-based venture capital company. The special fund was also established in accordance with the new rules and is invested in four already operational German start-ups. It aims to grow the companies into market leaders. E-commerce is expanding by over 20% a year in Germany alone, while classic retail is largely stagnating. However, access to and information about such investments is limited since no public market exists.

The shipping markets continue to suffer from known problems. Nevertheless, some types of ships – in particular tankers – recorded much higher charter rates in the second half of the year, and some shipping companies once again distributed dividends to investors after a long dry spell.

Outlook

The Warburg Banking Group's Private Banking division recorded healthy growth in assets under management in almost all regions. We will continue to expand the service offering in the current year.

ASSET MANAGEMENT

Warburg Invest Kapitalanlagegesellschaft mbH

Assets under management up 15 %

The fiscal year ending December 31, 2014 was a successful one for Warburg Invest Kapitalanlagegesellschaft mbH. As of the end of the year, the company managed 28 special funds (previous year: 37), and 70 retail funds (previous year: 66). A series of smaller mandates were signed for special funds, meaning that a higher total volume was distributed across a much smaller number of investment funds as of the end of 2014. The two fund types have an aggregate volume of EUR 4.5 billion (previous year: EUR 4.1 billion). In addition, both advisory mandates and discretionary financial portfolio management mandates are playing an increasingly important role for the company and now have a volume of EUR 0.9 billion (previous year: EUR 0.6 billion). Total assets under management thus amounted to EUR 5.4 billion, an increase of 15 %. The company's results of operations improved further as against the previous year. Fee and commission income rose to EUR 27.4 million (previous year: EUR 25.0 million), while fee and commission expenses increased to EUR 15.4 million (previous year: EUR 14.0 million). The integration of the company's sales function into M.M.Warburg & CO as of September 1, 2014 has already had a particularly positive effect. This was merged with an existing institutional clients function to create an efficient Relationship Management unit for institutional clients. The concept of bundling the sale of fund products and other types of investments for institutional clients in a single unit meets clients' needs. The fact that new, well-known clients have been won and existing clients have significantly increased their mandates show that the chosen strategy is the right one.

The company's future development will be strongly influenced by the situation on the capital markets and the prevailing extremely low interest rate phase. Although our bond and mixed mandates in particular turned in an excellent performance last year, continuing to generate satisfactory results in these mandates in the new year will be a particular challenge. Warburg Invest is well equipped to meet investor expectations and to continue to be an attractive provider of individual mandate solutions for a sophisticated target client base with its expertise in asset management, as well as in managing multi asset, equities, value preservation, overlay, and sustainability products, with the latter becoming increasingly important.

Warburg Invest Luxembourg S.A.

Successful, future-proof positioning in difficult market environment

The Luxembourg-based asset management company Warburg Invest Luxembourg S.A., which has been held directly by M.M.Warburg & CO (AG & Co.) KGaA since October 2014, continued to expand its market position as one of the leading service investment companies for fund administration and structuring services in 2014. Its service offering covers the launch and management of Luxembourg retail and special funds, as well as central administration services for the full range of Luxembourg fund structures.

At the end of the year, the investment company managed over EUR 15 billion in a total of 211 fund structures under Luxembourg law, up almost 17% on the previous year. The increase was due in part to net cash inflows of just under EUR 1.3 billion. In contrast to the previous years, this inflow was attributable in roughly equal measure to traditional securities funds and structures used to bundle alternative asset classes. The company benefited in this context in particular from the withdrawal of another market participant. Alongside the Luxembourg fund structures described above, Warburg Invest Luxembourg S.A. also administers the funds of its German sister institution Warburg Invest Kapitalanlagegesellschaft mbH. As a result, it managed a volume of over EUR 20 billion as of the end of the year under review.

The project to roll out an integrated asset management software solution that was launched in 2012 together with the sister institutions M.M.Warburg & CO Luxembourg S.A. and Warburg Invest Kapitalanlagegesellschaft mbH reached a key milestone at the end of October 2014, when the migration of all securities funds was completed. These were followed by the fund structures used to manage alternative assets, enabling the legacy systems to be retired by the end of the year. The Warburg Banking Group's Asset Management expects the new system to further strengthen its competitive position and to generate economies of scale by making internal workflows more efficient.

In May 2014, Warburg Invest Luxembourg S.A. was granted authorization to operate as an alternative investment fund manager (AIFM) by the Luxembourg supervisory authority (CSSF). As a consequence, the company has now also assumed an AIFM function – alongside its central management services – for various alternative investment funds (AIFs), most recently with a focus on investment in private equity and infrastructure. It plans to extend this license to include additional asset classes, in particular real estate. Warburg Invest Luxembourg S.A. also intends to manage cross-border UCITS funds under German law in the future.

Warburg – Henderson Kapitalanlagegesellschaft für Immobilien mbH

Warburg – Henderson Kapitalanlagegesellschaft für Immobilien mbH, in which Warburg Bank holds a 50% equity interest, is one of Germany's leading providers of open-ended real estate special funds. The investment manager was granted a license by BaFin to operate as a licensed asset management company (Kapitalverwaltungsgesellschaft) in accordance with the KAGB at the end of 2014. Warburg – Henderson handles real estate investments in Germany and abroad for institutional investors, primarily in the form of open-ended real estate special AIFs. The company managed real estate assets of around EUR 4.7 billion as of December 31, 2014.

Warburg – Henderson wins two new individual fund mandates

Warburg – Henderson further expanded its position as an investment manager and provider of customized real estate investment concepts for institutional investors in 2014. For example, the company won two new individual fund mandates for the pension fund of a large German company as well as for a large German foundation, for which the investment manager will develop and manage pan-European real estate portfolios.

In addition, a new open-ended real estate special AIF was launched following the acquisition of the Dibag portfolio, which has an investment volume of approximately EUR 320 million. The Warburg – Henderson Germany High Income Fund, which has seven institutional investors, invests in core-plus commercial real estate in Germany with a focus on office properties. In total, Warburg – Henderson raised capital of around EUR 450 million in 2014.

Warburg – Henderson exceeded the one billion mark with purchases and sales in Germany, France, Austria, the UK, and Poland totaling approximately EUR 1.25 billion, again demonstrating its transaction capabilities in an extremely mixed market environment. Investments focused mainly on Germany, followed by the UK, Austria, and Poland. Compared with the previous year, it again mostly acquired office and commercial property.

The trend seen in the previous year continued: Alongside core real estate, institutional investors again increasingly returned to core-plus real estate in 2014 following a further recovery on the European markets. Office and retail properties were once again the sectors with the highest demand in the past year.

Warburg – Henderson grew last year. Investment Management and Product Development were strengthened by the appointment of five new employees, bringing the company to a total of 45 specialists.

IntReal closes anniversary year with growth of 16%

IntReal, the first investment company providing real estate services and a wholly owned subsidiary of Warburg – Henderson, further expanded its position as Germany's leading service investment company and continued its growth path in 2014. The number of employees increased by 13 to 74 real estate administration specialists. The investment volume of the 21 partner funds grew by 31%, rising from EUR 1.05 billion to around EUR 3.2 billion – exceeding the one billion mark for the first time – as a result of realized transaction volumes. Together with the 19 Warburg – Henderson partner funds and one multi asset manager fund, IntReal administers 41 funds with real estate assets of around EUR 7.9 billion. IntReal was granted a license to operate as an investment company in March 2014.

Subsidiaries in Germany

BANKHAUS HALLBAUM AG

Only Hanover-based private bank

Founded in 1879, Bankhaus Hallbaum AG is the only Hanover-based private bank. The Warburg Group institution serves clients in the Hanover region and elsewhere in the German federal state of Lower Saxony. The bank's strategic approach is focused consciously on its established regional market and the business areas of asset administration, asset management, and credit financing. The subsidiary's clients comprise high net worth families and individuals, entrepreneurs and owner-managed companies, insurers, foundations, and associations as investors.

Bankhaus Hallbaum's clear strategic focus on its core business areas and its established regional market, supplemented by the services of the parent bank, again proved its worth. The bank expanded its client base in all business areas and recorded encouraging growth in the number of mandates, particularly in asset management. The total volume of securities under management and custody for institutional and private clients (assets under management) rose by EUR 316 million or 9% to EUR 3.8 billion.

The bank's total assets amounted to EUR 523.5 million as of the end of the year. The extended business volume rose to EUR 584.2 million. Client lending (excluding banks) declined slightly from EUR 306 million to EUR 302 million due to ongoing low demand for lending in Lower Saxony. Loan loss provisions in the lending business were again reduced year-on-year in 2014. The encouraging trend is attributable to the robust health of the bank's corporate clients. Client deposits declined to EUR 395 million as a result of the low interest rates, with the majority of client funds invested via the bank in securities.

Bankhaus Hallbaum generated a good result despite the negative impact of the low interest rate environment and the high competitive pressure on the market.

As one of the region's largest asset managers, Bankhaus Hallbaum considers itself well positioned to further strengthen its market position in Hanover and the region, and to expand its business with high net worth individuals, middle-market corporate clients, corporate clients, and institutional clients in fiscal 2015.

BANKHAUS CARL F. PLUMP & CO AG

Oldest private bank in Bremen

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 significantly expanded its market position in 2014. Assets under management rose by over 20% in both core business areas – asset management and asset advisory services. Net fee and commission income from securities trading increased by more than 30% year-on-year. Demand for individual advisory services from high net worth private clients and in the form of special mandates for foundations and companies again increased in 2014.

In this context, the financial planning business area further increased the number of financial plans for high net worth entrepreneurs and private clients.

Overall, the corporate clients business was virtually unchanged as against the previous year. Lending to high-quality clients was also maintained at the 2013 level over the course of the year. As expected, the foreign fee and commission business was down on the previous year, while the financial derivatives transactions segment recorded growth. Other commission income declined as against the prior year, in line with forecasts.

Total net fee and commission income was up significantly year-on-year. Interest income was at a low level amid still declining interest rates and was almost in line with expectations. Net income exceeded the forecast and the prior-year figure.

The bank plans to keep expanding its business in the Financial Planning, Asset Advisory, and Asset Management segments in 2015. It aims to successively grow the lending portfolio with high-quality loans. The bank plans to hire employees to further expand the area of sales and sales support in 2015.

BANKHAUS LÖBBECKE AG

Private bank with headquarters in Berlin

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

The bank has strong roots in Brunswick – its first headquarters and location for 200 years – and operates a branch for clients from the region. The Dresden office has moved to new premises close to the Frauenkirche.

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. Berlin is the Group's competence center for problem loans.

In the investment business, Bankhaus Löbbecke AG won new private clients, foundations, and institutional clients and strengthened relationships with existing clients. As in previous years, the bank recorded encouraging growth in asset management. It continued to work closely and successfully together with its parent institution in the area of larger loans and with its sister institution M.M.Warburg & CO Hypothekenbank AG in the area of long-term real estate finance.

The bank's KreditService offering is still performing very well, turning attractive business opportunities into mandates and portfolio acquisitions until right before the end of the year under review. Business partners include banks and financial investors in Germany and abroad.

KreditService manages total client receivables of over EUR 1 billion.

Expansion of business in eastern Germany

In 2015, Bankhaus Löbbecke AG will continue to target new clients in its established regional markets of Berlin and Brunswick, as well as in eastern Germany with the new Dresden office, and build on the existing confidence in the bank to strengthen and expand its client business. Increasing numbers of entrepreneurs and investors in eastern Germany value the particular benefits a private bank can offer.

MARCARD, STEIN & CO AG

Prominent competitive position as a family office bank

As a family office bank, Marcard, Stein & Co specializes in end-to-end services for large family estates and ultra high net worth individuals. Its activities concentrate on providing strategic and operational support for clients at an overarching level across all asset classes with the full range of family office services. A team of 58 employees advises clients with expert knowledge, dedication, and discretion.

A particular focus in the past year was the provision of advice on and the professional development of family strategies addressing all of the aspects of succession management and models for generational shifts. As a facilitator and initiator, the bank strengthened families' cohesion and started laying the necessary foundations for the future of family businesses.

It successfully supported clients in major projects relating to direct equity investments in 2014, including advising and supporting the acquisition of a company by way of a public takeover bid procedure and the sale of a company through a complex bidding process. Marcard, Stein & Co played a key role in these projects as the link between the various internal and external teams of experts to safeguard the interests of the wealth holders as best possible.

Marcard Stein & Co enjoys a strong position in the heterogeneous family office market thanks to its experience in complex projects like these, its many decade of expertise as a partner for wealth holders, as well as its banking license. The family office bank complies with all supervisory and regulatory requirements to ensure the highest possible process quality and security for its clients. In the year under review, the bank again asserted its quality leadership on the basis of this strategic advantage and expanded its market position. Its greater market recognition is demonstrated by the significant increase in external inquiries, among other things.

Encouraging trends in the international capital markets

Marcard Stein & Co can look back on a successful fiscal year and lived up to its name as a family office for end-to-end asset management across all asset classes. Liquid assets enjoyed a particularly high level of interest from many clients thanks to their transparency and flexibility.

In the Operating Family Office business area, advisory services are often performed for this asset class only. Asset administration services are provided in all areas. These are based on a common investment strategy aimed at long-term capital preservation.

The focus on high-quality equities in particular in the previous year paid off. A more in-depth analysis of the over- and undervaluation of asset classes at the beginning of the year created added value for clients when making allocation decisions. Clients also benefited from the unusually positive trend on the bond markets, since they invested in those bond market segments – primarily European government bonds – that recorded particularly high growth. The bank's investment office developed a sophisticated model to manage currency allocation together with M.M.Warburg & CO.

"Real estate asset management concept" enjoys strong demand and growing market recognition

One of Strategic Family Office's core business areas is real estate asset management. This manages clients' physical and fund-based real estate assets. The services provided span the full spectrum of real estate asset management: acquisition, pre-purchase evaluation, asset management, financing, leasing, development, renovation, reporting/financial control, disposal, workout services for directly held assets, asset management services for indirect fund investments, and structuring exclusive club deals in the real estate private equity sector.

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 in the residential and office sectors amounting to a figure in the hundreds of millions were bought and sold. In addition, a large number of leases were signed and maintenance measures overseen. Tactical use was made of the market's current absorption capacity, taking into account portfolio considerations, to profitably dispose of weaker properties and, at the same time, improve the portfolio's risk-bearing capacity and returns by acquiring modernized properties. One institutional real estate fund mandate again exceeded the German benchmark. Two exclusive club deals for co-investments in development projects were successfully sold for an amount in the triple-digit millions, securing a strong double-digit return on equity for the client. New investments have already been made in this segment.

The "real estate asset management concept" applied serves as a benchmark in the family office segment. Its growing market recognition means that it is highly sought after by clients and end customers.

The investment management team manages clients' long-term investment portfolios and provides related services. This involves structured direct investments and professional fund-based investments in the form of club deals and covers all relevant market segments, such as direct equity investments, private equity, renewable energy, and shipping investments.

Positive trend in private equity asset class continues

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 2014, several hundred investment opportunities were screened for potential new investments.

The private equity segment continued the positive trend seen in the previous year: The market environment remained favorable in 2014, which led to the successful execution of selected transactions in the professional fund segment. Factors for success included in particular relationships with international partners, market access, as well as links to regional experts.

Overall, Marcard, Stein & Co can look back on a successful fiscal year. It will further expand its market position as a family office bank in 2015. The bank's main challenge is to continue to grow steadily but also profitably with its clients and, at the same time, to further optimize and strengthen the quality of its services and processes for the benefit of its clients so as to make this growth possible.

SCHWÄBISCHE BANK AG

Schwäbische Bank AG is based in the Königsbau building in Stuttgart and has offered traditional private banking services in Baden-Wuerttemberg for more than three-quarters of a century. Its comprehensive range of banking services is focused on selected client groups: high net worth private clients, owner-managed middle-market companies, foundations, and institutional clients receive professional and personal support in all financial matters. Asset management again demonstrated its forward-looking, risk-conscious expertise, resulting in encouraging growth in new mandates in 2014. Net fee and commission income increased by almost 7% year-on-year. Interest income was impacted by the historically extremely low interest rates and declined by four percentage points despite a slight increase in volumes.

Change in shareholder base

M.M.Warburg & CO acquired the remaining privately held shares of Schwäbische Bank AG as of December 31, 2014 and is now the sole shareholder of the bank. It was previously the majority shareholder.

Schwäbische Bank aims to further expand the business with high net worth private clients, owner-managed companies, and foundations in 2015. Over the course of the year, it plans to increase the number of qualified advisory staff for high net worth individual and corporate clients.

M.M.WARBURG & CO HYPOTHEKENBANK AG

Founded in 1995, M.M.Warburg & CO Hypothekenbank AG continued to concentrate primarily on tailored commercial and residential real estate finance in Germany's metropolitan areas above the standardized mass-market business, as well as on refinancing these loans using Pfandbriefe. The bank once again turned in a very encouraging performance.

New real estate financial commitments worth over EUR 300 million

Without straying from its traditionally conservative business strategy, the mortgage bank's real estate finance commitments rose year-on-year to EUR 300.1 million. The client base for financing by the mortgage bank, in particular in Germany, was selectively expanded in cooperation with other Warburg Banking Group companies. As in the past, specialty finance solutions were only provided in exceptional cases, with the same applying to foreign business. Very healthy new business volumes lifted real estate finance volumes to EUR 1.45 billion at the end of the year, despite continued substantial repayments.

No new ship financing commitments were entered into in the past fiscal year. Ship financing declined to EUR 18 million. Municipal lending remains an insignificant element of the business, since in the bank's opinion there are still no business opportunities in this area with appropriate risk levels. Since it was founded, the bank has never invested in foreign government bonds.

Pfandbriefe 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.

The Warburg Banking Group holds a 60% equity interest in the mortgage bank, making it a an integral part of the Group's business strategy. Cooperation with the co-shareholder – Landeskrankenhilfe VVa.G. (Luneburg) – is characterized by a spirit of partnership and common expectations about the direction of the mortgage bank.

Despite the now significantly more challenging business environment for real estate finance, we remain optimistic about the bank's future performance.

Subsidiaries in Luxembourg and Switzerland

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

Warburg Luxembourg 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 its two core business areas again proved its worth in 2014. 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 independence, flexibility, and experience of M.M.Warburg & CO Luxembourg, as well as the new asset management system for the fund business that was rolled out in the past fiscal year. Warburg Luxembourg is one of the few custodian banks that can hold practically all established asset classes in asset pools and map these at system level. Alongside established types of securities, it further increased the number of assets under management in alternative asset classes. The bank's continued growth in 2014 further consolidated its position as a custodian in Luxembourg, a major financial center. Fund assets under custody rose by EUR 2.2 billion to EUR 22.6 billion as a result of growth in funds, asset pools, and securitizations under custody.

Core business areas again successfully expanded

The bank's second core competency is its 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 with particularly high growth in asset management. Clients in this area value the bank's independence, good asset allocation, and its ability to cater to individual client needs. Lending is only offered as a complementary service.

The two core business areas – custody services and the private client business – will remain a focus in fiscal year 2015. The bank will also continue its growth path, supported by further investment.

M.M.WARBURG BANK (SCHWEIZ) AG

The Warburg Banking Group has been present in Switzerland for a good 20 years. M.M.Warburg Bank (Schweiz) AG's activities concentrate on the private client business. The Swiss subsidiary increasingly advises clients that principally reside in Switzerland, primarily in greater Zurich. Another promising target group are German citizens based in Switzerland, who are playing an increasingly important role in the bank's business.

Alongside investment advisory services and asset administration, Warburg Bank Switzerland also provides services in the areas of asset management, including securities fund management, securities and currency trading on behalf of clients, and support to independent asset managers.

In individual cases, it additionally provides services in cooperation with other Warburg Banking Group entities. The bank also offers Lombard loans and performs proprietary trading in securities and foreign exchange products.

Warburg Value turns ten

In spite of the challenging environment, the Swiss subsidiary increased the volume of client assets to just under CHF 1.7 billion. The demands placed on employees, processes, and systems remain high. In light of this, the bank achieved a satisfactory result.

The Warburg Value Fund, which is managed in line with a long-term value approach and invests in equities worldwide, celebrated its ten-year anniversary. The fund has grown to a volume of over EUR 400 million following its launch in December 2004, since when it has generated a net annual yield of almost 10%, meeting the target set when the fund was established. The bank offers this value-driven investment program together with an external consultant in the form of separate mandates or units in the Warburg Value Fund.

Switzerland remains a safe harbor

Despite the structural change in the private client business, Switzerland remains in demand thanks to its political and economic stability and longstanding expertise. M.M.Warburg Bank (Schweiz) AG continues to apply a cautious risk policy and is confident that it will produce another set of good results in the current fiscal year despite an environment that remains demanding and challenging.

Compliance and Risk Management

The Compliance department, as an independent control function, ensures that all legal requirements applicable to the Bank are complied with in full.
In particular, this includes client protection, which is enshrined in law. Protecting clients' interests takes top priority. Warburg Bank's independence from institutional influences allows it to weigh up opportunities and risks associated with potential business transactions for the benefit of its clients. The Compliance department's preventive measures ensure that the Bank's business activities and employees' own-account transactions satisfy market and client protection requirements in the securities business. Securities services are executed with care, professional expertise, and diligence. Conflicts of interest are minimized using effective precautionary measures or disclosed. Internal organizational and working instructions drawn up by the Compliance department ensure that all legislative requirements are implemented.

In addition, the department is responsible for anti-money laundering and fraud prevention measures, which protect clients from fraudulent activity and prevent the Bank from being misused for money laundering purposes. The Compliance department also ensures that client data is handled responsibly and that data protection laws are complied with.

In the risk management area, the Compliance function ensures that all statutory and regulatory requirements are identified and implemented as part of a formal procedure. This new role for the Compliance department protects the Bank and its clients by minimizing the risk of any infringements of the law at the Bank. The Compliance function has a coordinating and advisory role here and makes sure that the business areas are fulfilling their responsibilities. As part of the internal control system, the Compliance department is involved in all significant processes at the Bank.

The number of supervisory and legislative requirements affecting banks is increasing all the time. This trend, on which the Bank takes a critical stance, is resulting in the Compliance department becoming more and more important within the Bank.

Employees

Employees

The companies belonging to M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA (the Warburg Group) employed 1,296 people as of the end of 2014, 52 more than in the previous year. This 4.18% increase is in line with the strategy. It is not attributable to acquisitions, but is instead a partial reflection of the increasing volume of funds and assets under management and the increased regulatory requirements. After the headcount at Warburg Bank was deliberately reduced in the previous year, the number rose in 2014 by 31. One-third of this figure is attributable to the intragroup relocation of customer advisers from Warburg Invest to Warburg Bank's Relationship Management unit. Adjusted for this one-off effect, the increase was also in line with the strategy, at 4.3%.

Number of employees

	M.M.Warburg & CO	Warburg Banking Group	M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA
Dec. 31, 2012	474	1,199	1,211
Dec. 31, 2013	466	1,230	1,244
Dec. 31, 2014	497	1,275	1,296
Increase	31	45	52
Increase in %	6.65 %	3.66 %	4.18 %

The staff turnover figures for M.M.Warburg & CO only changed slightly. At 11.56 years, the average length of service is comparatively long and turnover rates are significantly below the industry average. This is in line with our human resources strategy, which aims to ensure clients have proven, long-term points of contact. At the same time, the Bank is faced with the challenge of constantly modernizing by recruiting talented young staff.

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, 2012	11.73	2.38 %	4.10 %
Dec. 31, 2013	11.87	2.98 %	4.89 %
Dec. 31, 2014	11.56	3.32 %	4.15 %

By recruiting new vocational trainees, graduate trainees, and young direct recruits, the average age of M.M.Warburg & CO employees was kept at just under 44 years. This is in line with the industry average calculated by the German Banking Employers' Association, although the distribution of employees across the various demographic age groups is more balanced than at many other banks. This shows that our sustainable, consistent human resources policy is having an impact.

Illness-related absences were also below the industry average, although we view the increase in long-term illnesses with concern. Human Resources will therefore increase its health management activities in 2015.

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, 2012	43.54	4.50 %	2.54 %
Dec. 31, 2013	43.85	4.08 %	2.68 %
Dec. 31, 2014	43.97	4.80 %	2.37 %

The Warburg Group continues to invest substantial amounts in its employees' continuing professional development. Particular mention should be given to Group-wide opportunities that contribute to the quality of the services provided and to employee development in both front- and back- office units. The seminars are designed in line with the results of a needs assessment and with the involvement of the specialist departments concerned. The program's main focuses are on communication, negotiation, leadership, and project management. 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 (AGG – German General Equal Treatment Act). The self-learning programs mainly fulfill the constantly increasing statutory training requirements. Our internal continuing professional development offering is supplemented by external seminars.

Human Resources received a large number of applications from highly qualified candidates in 2014, in particular from people just starting out in their careers. The level of many applicants is remarkable: in particular practical experience in financial services, international training and education, and fluency in foreign languages have become more or less standard for qualified entry-level positions. Like Warburg Group employees, many applicants are also distinguished by their considerable personal commitment to continuous development throughout their careers.

The partners would like to warmly thank all employees for their hard work in 2014. Our constructive cooperation with the Works Council was in the best interests of both the employees and the business, in line with the principles set out in the Betriebsverfassungsgesetz (BetrVG – German Works Constitution Act). Here, too, the partners would like to express their sincere thanks.

The sense of community and solidarity among the owners, partners, and employees has again proven its worth in this challenging environment and is what makes M.M.Warburg & CO so special.

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

Report of the Supervisory Board of M.M.Warburg & CO (AG & 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. Since two of the general partners stepped down as of June 30, 2014, M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft, represented by its Executive Board, remained the sole general partner. The members of the Executive Board are both the managers of and the partners in M.M.Warburg & CO.

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/the 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 2014, 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 ongoing developments in the business, the Supervisory Board discussed in particular issues relating to business policy and strategy; important individual transactions; banking supervision; supervisory law; and the effects of market developments and the low interest rate environment on the earnings and risk position of the Bank and its subsidiaries.

The annual financial statements and the management report for fiscal year 2014 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, 2015. 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, 2014 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, 2015

The Supervisory Board
- Chairman -

Condensed Annual Financial Statements of M.M.Warburg & CO KGaA as of December 31, 2014

The full annual financial statements and the management report of M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien, Hamburg, for the fiscal year from January 1, 2014 to December 31, 2014 were granted an unqualified audit opinion by KPMG AG Wirtschaftsprufungsgesellschaft, Hamburg, which was signed in Hamburg on March 30, 2015. The documents were published in the electronic Bundesanzeiger (German Federal Gazette).

Balance Sheet as of December 31, 2014

Assets			EUR	EUR	EUR	Previous year EUR thou.
1. Cash reserve						
a) Cash-in-hand				1,486,659.34		1,078
b) Central bank balances				39,914,578.17		172,598
of which: with Deutsche Bundesbank	EUR	39,914,578.17				(172,598)
c) Postal giro balances				0.00		0
					41,401,237.51	
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				174,339,627.79		184,578
b) Other				256,133,471.37		192,540
					430,473,099.16	
4. Loans and advances to customers					1,107,147,053.05	1,066,248
of which: secured by mortgages	EUR	105,819,860.58				(90,974)
Public-sector loans	EUR	40,052,250.55				(30,000)
5. Bonds and other fixed-income securities						
a) Money market securities						
aa) public-sector issuers			0.00			0
of which: eligible as collateral for Deutschen Bundesbank	EUR	0.00				(0)
ab) other issuers			20,003,566.67	20,003,566.67		30,022
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	20,003,566.67				(30,022)
b) Bonds and notes						
ba) public-sector issuers			466,543,718.59			525,263
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	466,543,718.59				(522,721)
bb) other issuers			918,689,784.18	1,385,233,502.77		992,539
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	902,573,257.07				(962,974)
c) Own bonds and notes				0.00		0
at par	EUR	0.00				
					1,405,237,069.44	
6. Equities and other variable-rate securities					20,043,780.09	30,549
6a. Trading portfolio					111,960,949.31	70,869
7. Shares in other investeres and investors					33,453,322.64	41,545
of which: in banks	EUR	41,274.16				(408)
of which: in financial services institutions	EUR	15,431.20				(15)
8. Shares in affiliated companies					259,993,850.64	259,997
of which: in banks	EUR	225,985,216.85				(221,097)
of which: in financial services institutions	EUR	0.00				(0)
9. Fiduciary assets					49,357,425.00	43,770
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 l icenses in such rights and assets				3,632,683.00		
c) Goodwill				0.00		
d) Prepayments				0.00	3,632,683.00	1,824
12. Tangible fixed assets					129,624,597.98	134,733
13. Unpaid contributions to subscribed capital					0.00	0
of which: called	EUR	0.00				(0)
14. Other assets					86,153,473.41	55,683
15. Prepaid expenses					1,784,162.84	2,817
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		**3,680,262,704.07**	**3,806,653**

Equity and liabilities			EUR	EUR	EUR	Previous year EUR thou.
1, Liabilities to other banks						
a) payable on demand				236,208,512.51		441,668
b) with agreed maturities or periods of notice				444,718,743.50		555,885
					680,927,256.01	
2. Liabilities to customers						
a) Savings deposits						
aa) with agreed periods of notice of three months			15,261,022.34			14,088
ab) with agreed periods of notice of more than three months			16,283,490.62	31,544,512.96		16,366
b) Other liabilities						
ba) payable on demand			1,703,238,403.68			1,353,935
bb) with agreed maturities or periods of notice			666,559,137.49	2,369,797,541.17		861,763
					2,401,342,054.13	
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					59,569,670.85	60,126
4. Fiduciary liabilities					49,357,425.00	43,770
of which: fiduciary loans	EUR	0.00				(0)
5. Other liabilities					84,329,113.49	84,072
6. Deferred income					180,731.52	198
6a. Deferred tax liabilities					0.00	0
7. Provisions						
a) Provisions for pensions and similar obligations				21,908,886.00		21,742
b) Provisions for taxes				0.00		0
c) Other provisions				17,765,703.20		13,934
					39,674,589.20	
8. (repealed)					0.00	0
9. Subordinated liabilities					52,000,000.00	52,000
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					2,855,200.47	2,079
of which: special reserve (HGB s. 340e)	EUR	2,855,200.47				(2,079)
12. Equity						
a) aa) subscribed capital			125,000,000.00			100,000
ab) contributions by silent partners			25,000,000.00	150,000,000.00		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
					300,026,663.40	
			Total equities and liabilities		**3,680,262,704.07**	**3,806,653**

	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	30,769,506.98		45,736
c) Liabilities from the granting of security for third-party liabilities	0.00	30,769,506.98	0
2. Other commitments			
a) Repurchase agreements under sales with an obligation to repurchase	0.00		0
b) Placement and underwriting commitments	0.00		0
c) Irrevocable loan commitments	178,778,641.74	178,778,641.74	141,267

Income statement for the Period

January 1 to December 31, 2014

Expenses			EUR	EUR	EUR	Previous year EUR thou.
1. Interest expense					48,074,654.73	60,398
2. Fee and commission expense					6,287,664.55	10,805
3. Net trading expense					0.00	0
4. General and administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			40,600,579.51			40,669
ab) Social security, post-employment and other employee benefit expenses			6,790,903.87	47,391,483.38		6,422
of which: post-employment benefit expenses	EUR	1,726,836.73				(1,789)
b) Other administrative expenses				29,622,214.93		27,418
					77,013,698.31	
5. Amortization and writedowns of intangible fixed assets and depreciation and writedowns of tangible fixed assets					7,786,375.56	5,237
6. Other operating expenses, including profit-related distributions to managing partners					4,552,671.76	5,286
7. Writedowns of and allowances on loans and advances and certain securities and additions to loan loss provisions					16,163,937.92	5,103
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	0
10. Cost of loss absorption					8,122,945.58	4,173
11. (repealed)					0.00	0
12. Extraordinary expenses					0.00	0
13. Taxes on income					0.00	91
14. Other taxes not included in item 6					94,541.23	88
15. Profits transferred under profit pooling, profit transfer, or partial profit transfer agreements					25,009,364.27	23,073
16. Net income for the year					0.00	0
			Total expenses		**193,105,853.91**	**188,763**

Income	EUR	EUR	Previous year EUR thou.
1. Interest income from			
a) lending and money market operations	69,303,900.44		76,093
b) fixed-income securities and registered government debt	7,577,619.01		8,748
		76,881,519.45	
2. Current income from			
a) equities and other veriable-rate securities	947,254.79		1,639
b) shares in other investees and investors	4,555,917.13		4,280
c) shares in affiliated companies	6,544,625.17		8,307
		12,047,797.09	
3. Income from profit pooling, profit transfer, or partial profit transfer agreements		8,753,338.66	6,829
4. Fee and commission income		67,107,115.88	67,055
5. Net trading income		6,982,331.04	2,299
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		6,734,743.50	2,796
9. Other operating income		14,599,008.29	10,717
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		**193,105,853.91**	**188,763**

	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	0
		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
		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 (AG & Co.) Kommanditgesellschaft auf Aktien for fiscal year 2014 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

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 that are similar in nature to interest are reported under prepaid expenses or deferred income and amortized.

2. Securities

Bonds and other fixed-income securities designed to be held for the long term are accounted for as long-term financial assets. Please refer to notes 12 and 17 for disclosures on measurement since these are included in hedges. Equities and other variable-rate 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. Expenses from writedowns of certain securities are offset against income from reversals of such writedowns in accordance with section 340c(2) of the HGB.

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

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

The definition of the trading portfolio is based on point (85) of Article 4 of the Capital Requirements Regulation (CRR), which entered into force on January 1, 2014. It defines "positions held with trading intent" as follows:

a) proprietary positions and positions arising from client servicing and market making;
b) positions intended to be resold short term;
c) positions intended to benefit from actual or expected short term price differences between buying and selling prices or from other price or interest rate variations.

The key criterion for allocation to the trading portfolio is the intention to generate profit for the Banks' own account with the financial instruments (and precious metals) concerned.

Trading portfolios are measured at their risk-adjusted fair value in accordance with section 340e(3) sentence 1 of the HGB. Calculation of the risk allowance, which 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.

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 permanent impairment – fair value in accordance with section 340e(1) sentence 3 of the HGB in conjunction with section 253(3) sentence 3 of the HGB. Unlisted companies are measured using an income approach. 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 write-downs 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 over the standard useful life. 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.

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.

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.

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 periodic (income statement) 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: Other loans and advances to other banks	Dec. 31, 2014 EUR thou.	Dec. 31, 2013 EUR thou.
with residual terms of		
a) up to three months	201,348	87,742
b) more than three months to one year	27,400	65,235
c) more than one year to five years	27,385	38,935
d) more than five years	0	628
Total	256,133	192,540

Balance sheet item 4: Other loans and advances to customers	Dec. 31, 2014 EUR thou.	Dec. 31, 2013 EUR thou.
with residual terms of		
a) up to three months	281,241	747,640
b) more than three months to one year	120,597	99,398
c) more than one year to five years	377,707	141,853
d) more than five years	327,602	77,357
Total	1,107,147	1,066,248
of which undated	117,269	203,397

Balance sheet item 5: Bonds and other fixed-income securities	Dec. 31, 2014 EUR thou.	Dec. 31, 2013 EUR thou.
of which due in the following year	459,207	433,922

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

Balance sheet item 1b: Liabilities to other banks	Dec. 31, 2014 EUR thou.	Dec. 31, 2013 EUR thou.
with residual terms of		
a) up to three months	217,219	410,952
b) more than three months to one year	227,500	139,176
c) more than one year to five years	0	3,000
d) more than five years	0	2,757
Total	444,719	555,885

Balance sheet items 2a, 2ab:	Dec. 31, 2014	Dec. 31, 2013
Savings deposits	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	2,223	2,198
b) more than three months to one year	11,661	10,614
c) more than one year to five years	2,381	3,535
d) more than five years	18	19
Total	16,283	16,366

Balance sheet items 2b, 2bb:	Dec. 31, 2014	Dec. 31, 2013
Other liabilities to customers	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	291,065	559,672
b) more than three months to one year	176,539	87,436
c) more than one year to five years	9,955	20,655
d) more than five years	189,000	194,000
Total	666,559	861,763

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 and shares contained in the balance sheet items specified.

Balance sheet items		Listed		Unlisted	
		Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
		EUR thou.	EUR thou.	EUR thou.	EUR thou.
Balance sheet item 5	Bonds and other fixed-income securities	1,287,286	1,489,185	117,951	58,639
Balance sheet item 6	Equities and other variable-rate securities	5,074	14,805	11,471	11,871
Balance sheet item 7	Shares in other investees and investors	5,833	5,833	8,371	8,674
Balance sheet item 8	Shares in affiliated companies	0	0	239,549	221,100

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 as of the balance sheet date.

Investment funds

EUR thou. Dec. 31, 2014	Equity funds	Real estate funds	Total
Carrying amount	3,907	7,500	11,407
Fair value	4,391	7,718	12,109
Difference v. carrying amount	484	218	702
Distributions made	0	0	0

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

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	Historical cost				Reversals of write-downs	Depreciation, amortization and writedowns			Carrying amounts	Carrying amounts
EUR thou.	Balance at								Balance at	Balance at
	Jan. 1, 2014	Additions	Disposals	Transfers		Cumulative	Transfers	Current year	Dec. 31, 2014	Dec. 31, 2013
Intangible fixed assets	34,052	2,557	0	1,779	0	32,228	869	1,659	3,632	1,824
Tangible fixed assets	188,304	1,930	0	-1,799	0	53,572	-869	6,127	129,625	134,733
	Changes									
Shares in other investees and investors	-8,092	Amounts have been aggregated as permitted by section 34(3) of the RechKredV							33,453	41,545
Shares in affiliated companies	-3								259,994	259,997
Long-term securities	-13,382								36,455	49,837

Tangible fixed assets

At the reporting date, tangible fixed assets included owner-occupied land and buildings in the amount of EUR 33,364 thousand (EUR 34,258 thousand). Two container ships that the Bank had acquired in the previous year as part of its measures to restructure its shipping loan business are reported in the amount of EUR 92,221 thousand (EUR 96,614 thousand). The vessels are operated on behalf of the Bank by third party with experience of the business. EUR 3,751 thousand (EUR 3,861 thousand) relates to operating and office equipment.

Payments on account attributable to assets and assets under construction amounted to EUR 289 thousand (EUR 0 thousand).

Long-term financial assets

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

17. Hedge accounting

Hedges are used to hedge market and counterparty credit risk exposures.

Securities with a notional value of EUR 37,240 thousand (EUR 41,580 thousand) and 1,951 (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.

In the previous year, securities with a notional value of EUR 10,500 thousand and a guarantee issued by the portfolio seller were additionally combined into a portfolio hedge. The hedge was unwound over the course of the year under review by selling the securities to the portfolio seller.

18. Reclassifications

As in the previous year, there were no reclassifications in fiscal year 2014.

19. Trading portfolio

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

Trading portfolio Assets	Dec. 31, 2014 EUR thou.	Dec. 31, 2013 EUR thou.
Other assets	377	247
Bonds and other fixed-income securities	15,425	2,725
Equities and other variable-rate securities	2,065	2,742
Derivative financial instruments	94,531	65,573
Total	112,398	71,287

Trading portfolio Liabilities	Dec. 31, 2014 EUR thou.	Dec. 31, 2013 EUR thou.
Liabilities	724	386
Derivative financial instruments	58,845	59,741
Total	59,569	60,127

The definition of the trading portfolio takes into account the introduction of the CRR; this did not have any effect on the measurement of individual transactions.

A value-at-risk allowance of EUR 438 thousand (EUR 418 thousand) was deducted from the assets in the trading portfolio amounting to EUR 112,398 thousand (EUR 71,287 thousand), resulting in a carrying amount of EUR 111,961 thousand (EUR 70,869 thousand).

20. Fiduciary assets and liabilities

Item	Dec. 31, 2014 EUR thou.	Dec. 31, 2013 EUR thou.
Loans and advances to other banks	0	0
Loans and advances to customers	0	0
Shares in other investees and investors	0	0
Other assets	49,357	43,770
Total	49,357	43,770

Item	Dec. 31, 2014 EUR thou.	Dec. 31, 2013 EUR thou.
Liabilities to other banks	0	0
Liabilities to customers	0	0
Other liabilities	49,357	43,770
Total	49,357	43,770

21. Other assets and liabilities

Other assets include collateral relating to executory contracts in the amount of EUR 56,048 thousand (EUR 31,830 thousand) and receivables relating to allocation account balances due from affiliated companies and other investees and investors in the amount of EUR 19,892 thousand (EUR 16,202 thousand). This item also contains current tax receivables amounting to EUR 2,563 thousand (EUR 2,214 thousand).

Other liabilities include structured products of EUR 35,880 thousand (EUR 39,004 thousand), collateral received of EUR 10,100 thousand (EUR 9,331 thousand), and liabilities to the German tax authorities of EUR 2,650 thousand (EUR 3,935 thousand).

This item also includes the net income for the reporting period of EUR 22,809 thousand (EUR 20,873 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 1,891 thousand (EUR 476 thousand). This item also includes profit-related compensation and the distribution on profit participation capital for 2014.

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 1,609 thousand (EUR 2,631 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, 2014 are:

Discount rate p.a.	4.53%
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%
Average staff turnover	6.40%

Other provisions

Of the reported amount of EUR 17,766 thousand (EUR 13,934 thousand), EUR 7,950 thousand (EUR 7,650 thousand) was attributable to profit-related employee remuneration and EUR 3,382 thousand (EUR 625 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 EUR thou.	Dec. 31, 2012 EUR thou.
Balance sheet item 3	Loans and advances to other banks	22,696	22,920
Balance sheet item 4	Loans and advances to customers	1,439	2,177
Balance sheet item 5	Bonds and other fixed-income securities	12,892	12,904
Balance sheet item 6	Equities and other variable-rate securities	1,500	1,500

The subordinated liabilities totaling EUR 52,000 thousand (EUR 52,000 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

Interest expenses totaling EUR 2,945 thousand (EUR 3,361 thousand) were incurred for subordinated liabilities in the reporting period.

The terms and conditions for the subordinated liabilities comply with the provisions of Article 62 in conjunction with Article 63 of the CRR. Conversion into capital or another form of debt has not been agreed.

25. Profit participation capital

Profit participation capital amounts to EUR 10,000 thousand (EUR 10,000 thousand) and complies with the provisions of Article 62 in conjunction with Article 63 of the CRR. Distributions on profit participation capital of EUR 775 thousand (EUR 775 thousand) are reported under other liabilities in 2014.

26. Equity

Equity rose by EUR 25,000 thousand to EUR 300,027 thousand in fiscal year 2014.

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 125,000 (100,000) no-par value registered shares. The Company's subscribed capital rose by EUR 25,000 thousand year-on-year to EUR 125,000 thousand due to cash contributions.

Shares issued by M.M.Warburg & CO (AG & 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.

Contributions by silent partners

The reported contributions by silent partners amounting to EUR 25,000 thousand contributed in 2001 were unchanged as against the previous year. In 2014, an application for redemption was submitted in accordance with Article 78(1) of the CRR; this has not yet been approved by the relevant supervisory authority.

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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Item	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Loans and advances to other banks	116,189	50,818	0	0
Loans and advances to customers	77,250	54,581	69,510	50,160
Bonds and other fixed-income securities	0	0	0	0
Other assets	19,892	16,202	0	0
Total	213,331	121,601	69,510	50,160

Liabilities to	Affiliated companies		Other investees and investors	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Item	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Liabilities to other banks	620,021	897,724	0	19
Liabilities to customers	42,111	60,987	29,272	23,117
Other liabilities	26,900	21,349	0	0
Total	689,032	980,060	29,272	23,136

28. Assets and liabilities denominated in foreign currencies

Assets denominated in foreign currencies amounted to EUR 662,298 thousand (EUR 566,775thousand), while liabilities denominated in foreign currencies totaled EUR 22,157 thousand (EUR 574,494 thousand).

29. Collateral pledged

As of the balance sheet date, bonds and notes with a nominal value of EUR 1,096,662 thousand (EUR 1,047,642 thousand) had been pledged to the collateral pool; these could have been pledged as collateral for Deutsche Bundesbank advances if required.

At the reporting date, securities with a nominal value of EUR 104,163 thousand (EUR 110,581 thousand) had been deposited as collateral for transactions on derivatives exchanges and for securities lending transactions.

Cash collateral of EUR 56,048 thousand (EUR 31,830 thousand) was furnished for OTC derivatives transactions.

30. Contingent liabilities and other commitments

Contingent liabilities include other guarantees amounting to EUR 30,770 thousand (EUR 45,736 thousand). Irrevocable loan commitments amounting to EUR 178,779 thousand (EUR 141,267 thousand) are disclosed as other commitments.

The risk of loss from the settlement of contingent liabilities is mitigated by the recourse opportunities existing against the client concerned and is thus 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 OTC debt instruments, 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. Interest income and expenses from derivatives in the banking book

Interest income und interest expenses include the following interest income and expenses from derivatives entered into for hedging purposes:

Derivatives in the banking book	Dec. 31, 2014 EUR thou.	Dec. 31, 2014 EUR thou.
Interest income	24,369	30,845
Interest expenses	26,240	32,007

34. Other operating expenses and income

Other operating expenses amounting to EUR 4,553 thousand (EUR 5,286 thousand) comprise profit-related remuneration awarded to the general partners in the amount of EUR 2,701 thousand (EUR 3,233 thousand) due after the adoption of the annual financial statements by the General Meeting.

The expense from the unwinding of discounts on provisions for personnel expenses (EUR 1,026 thousand) is reported under other operating expenses for the first time to improve the presentation of the results of operations. In the previous year, this item amounted to EUR 1,053 thousand and was reported under interest expenses.

Other operating income in the amount of EUR 14,599 thousand (EUR 10,718 thousand) includes income from agency activities of EUR 7.683 thousand (EUR 7,369 thousand) and intragroup allocations of EUR 756 thousand (EUR 993 thousand). Provisions not relating to credit risks were reversed in the amount of EUR 1,223 thousand (EUR 558 thousand).

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 7,000 thousand) to cover credit risks. Including this contribution, the combined item amounts to EUR 16,164 thousand, after EUR 5,103 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 and the residual annual profit of EUR 22,809 thousand (EUR 20,873 thousand) are reported in this item; these amounts will be transferred to M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA.

OTHER DISCLOSURES

37. Other financial commitments

Contingent liabilities not reported on the face of the balance sheet related to our equity interest in Liquiditats-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.

As in the previous year, there were no call obligations as of December 31, 2014.

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

38. 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.
- Equity index future transactions.

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

Derivative financial instruments not recognized at fair value

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

	2014			2013		
EUR thou.	Notional values	Positive fair values	Negative fair values	Notional values	Positive fair values	Negative fair values
Interest rate swaps	1,539,308	58,650	58,785	2,005,767	48,364	50,293
Forward interest rate swaps (OTC)	39,937	73	133	0	0	0
Floors (OTC)	780	10	8	780	6	4
Caps (OTC)	780	1	1	780	3	3
Total	1,580,805	58,734	58,927	2,007,327	48,373	50,300

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. The option premiums reported under other assets (EUR 11 thousand) and other liabilities (EUR 14 thousand) in the previous year were fully unwound in the year under review.

Trading transactions

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

	2014			2013		
EUR thou.	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	300	346	20,000	553	635
Floors (OTC)	0	0	0	0	0	0
Caps (OTC)	0	0	0	0	0	0
2. Currency-related transactions						
Currency forwards	3,607,156	89,417	54,648	3,338,553	48,410	31,272
Currency options	510,355	4,814	3,851	2,768,944	16,610	27,833
3. Equity/index transactions						
Equity index futures	2,461	0	0	0	0	0
Total	4,139,972	94,531	58,845	6,127,497	65,573	59,740

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

39. Employees

In fiscal year 2014, the Bank employed an average workforce of 481 (471), which can be broken down as follows:

	2014			2013
	Male	Female	Total	Total
Employees	265	206	471	461
Vocational trainees	9	1	10	10
Total	274	207	481	471

40. Shareholdings

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	1,821	17	
Bankhaus Carl F. Plump & CO AG, Bremen	100.00	EUR	12,211	PLTA	
Bankhaus Hallbaum AG, Hanover	100.00	EUR	40,000	PLTA	
Bankhaus Löbbecke AG, Berlin	100.00	EUR	12,100	PLTA	
Belgravia GmbH, Berlin	100.00	EUR	24	-2	*
Hamburger Waren-Import GmbH, Hamburg	100.00	EUR	7,000	PLTA	
Hamburg-Luxemburger Warenhandelsges. mbH, Luxembourg	100.00	EUR	15	-7	
Lederwerke Wieman GmbH, Hamburg	100.00	EUR	1,213	PLTA	
M,M,Warburg & CO Holding S.A., Luxembourg	100.00	EUR	63	0	
M,M,Warburg & CO Hypothekenbank AG, Hamburg	60.01	EUR	90,953	4,908	
M,M,Warburg & CO Luxembourg S.A., Luxembourg	100.00	EUR	36,792	4,283	
M,M,Warburg & Co. GmbH, Munich	100.00	EUR	30	-10	
M,M,Warburg Bank (Schweiz) AG, Zurich	100.00	CHF	19,018	214	
Marcard Family Office Treuhand GmbH, Hamburg	100.00	EUR	78	28	
MARCARD, STEIN & CO AG, Hamburg	100.00	EUR	12,052	PLTA	
METRACO Verwaltungsgesellschaft S,A,. Luxembourg	100.00	EUR	433	35	
Metropolitan Investment Corp. S.A. Holding, Luxembourg	100.00	EUR	457	-5	
Metropolitan Trading Corp. S.A., Luxembourg	100.00	EUR	1,658	27	
MS Adriatic Beteiligungsgesellschaft mbH & Co. KG, Hamburg	93.18	EUR	-525	-1,232	
MS Antarctic Beteiligungsgesellschaft mbH & Co. KG, Hamburg	93.18	EUR	-618	-1,232	
MS Pacific Beteiligungsgesellschaft mbH & Co. KG, Hamburg	90.23	EUR	-753	-1,298	
Nestor Investment Management S.A., Luxembourg	51.00	EUR	1,229	680	
NESTOR-Fonds-Vertriebs-GmbH i.L., Munich	51.00	EUR	148	5	*
Regent Street GmbH, Berlin	100.00	EUR	18	-7	*
RHL Hamburger Lloyd Shipping Trust GmbH, Hamburg	100.00	EUR	68	23	
RTF Verwaltungsgesellschaft mbH, Hamburg	100.00	EUR	34	0	
Schwäbische Bank AG, Stuttgart	100.00	EUR	24,814	12	
Verwaltung MS Adriatic Beteiligungsgesellschaft mbH, Hamburg	93.18	EUR	29	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	37	-1	
Warburg Invest Kapitalanlagegesellschaft mbH, Hamburg	100.00	EUR	5,600	PLTA	
Warburg Invest Luxembourg S.A., Luxembourg	100.00	EUR	4,819	-1,354	
Warburg Research GmbH, Hamburg	100.00	EUR	2,375	861	
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	25.14	EUR	23,156	1,121	*
Quint:Essence Capital S.A., Munsbach/Luxembourg	20.00	EUR	192	6	
Schiffahrtsgesellschaft "Adriatic" mbH & Co. KG, Hamburg	45.56	EUR	19,634	1,131	
Schiffahrtsgesellschaft "Antarctic" mbH & Co. KG, Hamburg	45.56	EUR	19,433	930	
Schiffahrtsgesellschaft "Pacific" mbH & Co. KG, Hamburg	44.11	EUR	19,072	569	
Warburg - Henderson Kapitalanlagegesellschaft für Immobilien mbH, Hamburg	50.00	EUR	7,509	2,274	

* Data from 2013
Exchange rate used: EUR/CHF 1.2028

41. Executive Bodies

General Partners

Until June 30, 2014:

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 its four Executive Board members

From July 1, 2014:

M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft, Hamburg, represented (unchanged) by

Joachim Olearius
Spokesman for the Executive Board

Dr. Henneke Lütgerath
Member of the Executive Board

Eckhard Fiene
Member of the Executive Board

Dr. Peter Rentrop-Schmid
Member of the Executive Board

Shareholders' Committee

Until July 10, 2014:

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

Gerhard Brackert
Auditor/tax adviser

Wolfgang Traber
Businessman

From July 11, 2014:

Dr. Christian Olearius, chairman
Banker

Max Warburg, deputy chairman
Banker

Dr. Bernd Thiemann
Management consultant

Supervisory Board

Until July 10, 2014:

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

Dr. Bernd Thiemann, deputy chairman
Management consultant

Wolfgang Traber
Businessman

From July 11, 2014:

Dr. Christian Olearius, chairman
Banker

Max Warburg, deputy chairman
Banker

Dr. Bernd Thiemann
Management consultant

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

The total remuneration for the Supervisory Board in fiscal year 2014 amounted to EUR 137 thousand (EUR 49 thousand).

42. Offices held as of December 31, 2014

Joachim Olearius

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

Dr. Henneke Lütgerath

- Chairman of the Supervisory Board, Bankhaus Hallbaum AG, Hanover
- Chairman of the Supervisory Board, Bankhaus Löbbecke 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, CredaRate Solutions GmbH, Cologne
- Member of the Supervisory Board, Bucerius Law School gGmbH, Hamburg

Eckhard Fiene

- Deputy Chairman of the Supervisory Board, Bankhaus Carl F. Plump & CO AG, Bremen
- Deputy Chairman of the Supervisory Board, Warburg Invest Kapitalanlagegesellschaft mbH, Hamburg
- Member of the Supervisory Board, M.M.Warburg & CO Luxembourg S.A., Luxembourg (until December 31, 2014)

Dr. Peter Rentrop-Schmid

- Deputy Chairman of the Supervisory Board, Bankhaus Hallbaum AG, Hanover
- Deputy Chairman of the Supervisory Board, Warburg Invest Luxembourg S.A., Luxembourg
- Deputy Chairman of the Supervisory Board, GBK Beteiligungen AG, Hanover
- Deputy Chairman of the Supervisory Board, GEDO Grundstücksentwicklungs- und Verwaltungsgesellschaft mbH & Co. KG, Grünwald

Dominik Wilcken

- Member of the Supervisory Board, Bankhaus Hallbaum AG, Hanover

Dr. Jens Kruse

- Deputy Chairman of the Supervisory Board, MeVis Medical Solutions AG, Bremen
- Member of the Supervisory Board, Biesterfeld AG, Hamburg
- Member of the Supervisory Board, M.A.X. Automation AG, Düsseldorf

Thomas Schult

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

43. 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 (AG & Co.) KGaA and that are published in the Bundesanzeiger (German Federal Gazette).

44. 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.

45. 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 24, 2015

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

M. M. WARBURG & CO
1798

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* *since April 1st, 2015*

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