ANNUAL REPORT

2021

M.M.WARBURG & CO
BANK

CONTENTS

BUSINESS PERFORMANCE AT A GLANCE

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

in EUR million	2021	2020
Net income before taxes	21.6	–6.7
Net interest income	37.2	50.2
Net fee and commission income	163.3	154.3
Administrative expenses (including depreciation, amortization, and writedowns)	208.0	194.6
Total assets	6,433.9	7,164.6
Business volume	6,458.4	7,197.2
Own funds	382.0	378.1

Bank

in EUR million	2021	2020
Net income before taxes	0.1	–7.9
Net interest income	38.6	43.3
Net fee and commission income	96.4	93.0
Administrative expenses (including depreciation, amortization, and writedowns)	150.6	136.3
Total assets	4,338.9	5,179.9
Business volume	4,363.4	5,212.5
Own funds	357.6	360.1

GOVERNING BODIES AND SENIOR EXECUTIVES

Supervisory Board

Dr. Bernd Thiemann	*Chairman (until January 31, 2022)*
Dr. Reiner Brüggestrat	*Chairman (as from February 1, 2022)*
Prof. Burkhard Schwenker	*Deputy Chairman*
Dr. Claus Nolting	

Shareholders' Committee

Dr. Bernd Thiemann *Management Consultant*	*Chairman (until January 31, 2022)*
Dr. Reiner Brüggestrat *Diplom-Ökonom*	*Chairman (as from February 1, 2022)*
Prof. Burkhard Schwenker *Management Consultant*	*Deputy Chairman*
Dr. Henneke Lütgerath *Chairman of the Board of the Joachim Herz Stiftung*	
Dr. Claus Nolting *Lawyer*	

Senior Management

Markus Bolder	*– as from July 25, 2022*
Stephan Schrameier	*– as from February 16, 2022*
Manuela Better	*– July 5, 2021–July 31, 2022*
Patrick Tessmann	*– until March 31, 2022*
Joachim Olearius	*– until September 30, 2021*
Dr. Peter Rentrop-Schmid	*– until July 5, 2021*
Matthias Schellenberg	*– until June 10, 2021*

Executive Directors

Dr. Roman Rocke	
Klaus Sojer	*– as from April 1, 2021*
Dominik Wilcken	
Henry Werkmeister	*– until May 31, 2021*

Chief Legal Counsel

Dr. Christoph Greiner

REPORT OF THE SENIOR MANAGEMENT

For a large part of the world's population, the most pressing question at the start of 2021 was definitely "Will this year see the end of the pandemic?" The development of vaccines at record-breaking speed, followed by the vaccination campaign, kindled hopes that social and economic life would return to normal. In line with this, restrictions were eased during the short "summer break" in the pandemic and vacations became possible again in many cases. Nevertheless, bad news dominated the media. At a global level, topics included the withdrawal of international troops from Afghanistan and the resulting return of the Taliban to power, while Germany saw catastrophic flooding in the Ahr Valley and the surrounding Eiffel region.

Another year of the pandemic revealed that the things that make civilizations strong – international exchanges in the areas of culture, science, and trade, and personal meetings and close contacts with fellow human beings – also make us vulnerable. The massive economic turbulence unleashed by COVID-19 manifested itself particularly clearly in the unusual materials shortages facing industry. As a result, German industrial enterprises are facing a mountain of orders, while bottlenecks are becoming a more and more serious inflation risk. Last year China succeeded in agreeing the world's largest trade agreement with 14 countries in the Asia-Pacific region, whereas the EU was unable to ratify agreements it had already negotiated. European trade policy will have to change in order to combat the vulnerability of its supply chains and value chains. Despite the ongoing coronavirus pandemic, a continuation of the previous expansionary economic policy led to a recovery in almost all countries. The global upturn was driven by the industrialized nations, which benefited not only from rapid vaccine availability but also from ongoing monetary and fiscal policy support.

The pandemic also triggered the majority of the movements seen on the equity and bond markets. The stock market slump in the course of the first major wave of the pandemic quickly turned into a V-shaped recovery due to the highly expansionary monetary and fiscal policy adopted. Most stock exchanges saw encouraging rises in 2021. Stock markets in particular profited from the global economic recovery and robust corporate profits. Investors in dividend stocks had reason to be satisfied in 2021. The DAX rose by 15.6%, breaching the 15,000 point mark for the first time. By contrast, investors in ten-year Bunds were in negative territory at the end of the year.

In the political arena, 2021 was often referred to as a "super election year" in Germany, with Chancellor Angela Merkel, who had been in power for 16 years, retiring in the fall to make way for a successor. The handover also attracted substantial international attention. A "traffic light" coalition between the SPD (which uses the color red), the FDP (yellow), and the Greens was formed for the first time. The international stage saw China and the U.S.A. continued their struggle for global hegemony, military supremacy, political and ideological dominance, and preeminence in the areas of trade and technology. Despite this, the two states are looking to cooperate in the area of climate change, among other things. Joe Biden's first year in office was largely taken up by efforts to defuse the conflicts with the U.S.A.'s traditional partners that had been provoked by Donald Trump, and to intensify cooperation with countries on the edges of China's sphere of influence. For example, he attempted to persuade the Europeans to join efforts to stop China becoming the global leader in IT and biotechnology. China's ambition to become self-reliant and its increased nationalism run the risk of polarization – in other words, that the world's two largest economies and their respective spheres of influence will gradually become decoupled from each other.

A feeling of déjà vu set in at the end of 2021. The seemingly never-ending rounds of tests, masks, and lockdowns began again. Once again, daily media reports were full of rising numbers of infections; public health departments, intensive care wards, and test centers were on overload; while coverage of demonstrations by anti-vaxxers and vaccine refuseniks also increased.

At the end of February 2022, the Russian Federation began its military aggression against Ukraine's territorial integrity, sovereignty, and independence. The move promptly upstaged the topics above, which had dominated 2021 and the start of 2022. This war of aggression ended the peace that had reigned in Europe for 77 years and is a major breach of international law. It is frequently referred to in public as a turning point. Decades of demilitarization seem to have been replaced by rearmament. Some commentators even fear that the situation will escalate into World War Three. The outbreak of the war also hit the capital markets hard. All we can do at present is to hope the fighting will be over as soon as possible.

Mission and Strategy

2021 was M.M.Warburg & CO's 224th year of business as an independent, middle-market, privately owned private bank. M.M.Warburg & CO Gruppe GmbH, the parent company in the holding group structure, holds 100% of the shares in the Bank. M.M.Warburg & CO is headquartered in Hamburg and has nine offices throughout Germany – in Berlin, Braunschweig, Bremen, Frankfurt, Hanover, Cologne, Munich, Osnabrück, and Stuttgart. With its two banking subsidiaries MARCARD, STEIN & CO AG and M.M.Warburg & CO Hypothekenbank AG, its asset management companies WARBURG INVEST AG and WARBURG INVEST KAPITALANLAGEGESELLSCHAFT, and its research company Warburg Research GmbH, it has a presence in eight federal German states.

2021 was also a year of management changes, with the family-owned businesses belonging to the main shareholders separating the ownership of the Bank from its operational management, in line with modern governance and supervisory requirements.

Matthias Schellenberg, Dr. Peter Rentrop-Schmid, Joachim Olearius, Patrick Tessmann, and Manuela Better left the senior management in the course of 2021 and 2022. Stephan Schrameier and Markus Bolder were appointed as new members of the senior management in February 2022 and the end of July 2022 respectively.

The composition of the Supervisory Board also changed: Dr. Reiner Brüggestrat was elected as a new member and Chairman of the Supervisory Board at the beginning of 2022. He succeeded Dr. Bernd Thiemann, who left Warburg Bank's Supervisory Board by amicable consent and on the best of terms.

For further details of the changes to the Supervisory Board and senior management, please see the individual press releases that were published.

The management changes are also linked to the goal of enhancing the Bank's strategy and achieving profitable, sustainable growth based not just on the pursuit of competitiveness but above all on client needs and benefits.

M.M.Warburg & CO is an independent universal bank with Private Banking, Corporate Banking, Capital Markets, and Asset Management divisions. Its mission is to position itself as a high-quality, personal, individual advisor and an independent, personal asset manager serving high net worth private clients, foundations, middle-market, privately held, and listed company owners and companies, the shipping business, institutional clients, and financial investors in the German-speaking area.

ESG (environmental, social, and governance) issues are continuing to become more and more important. The consideration of sustainability aspects is no longer something special but has rather gone mainstream. For more on this topic, please see the essay by Prof. John Schellnhuber entitled "Das gemeinsame Haus der Menschheit" ("Humanity's Common Home"), which is enclosed with the German version of this report. For Warburg Bank, sustainability isn't a trend or a fashion but a firm, long-term part of its business strategy. In line with this, minimum standards have applied to all investments managed by Asset Management since January 1, 2021. As was the case last year, we succeeded in keeping operations running smoothly in the second year of the pandemic while complying with government contact restrictions. The Bank's hygiene policy was continuously updated. Unfortunately, a large proportion of face-to-face discussions and client events had to be canceled, with virtual events being held in their stead. Thanks to the opportunities offered by digital technology, more than 50% of staff worked remotely at times, reducing the risk of infection while ensuring that business and transactions could still be performed. Stable, high-performance, forward-looking IT infrastructures and banking applications are critical in this situation. In addition, European regulatory standards for data security and interchange are becoming stricter. Warburg Bank continued to progress with the renewal of its core banking system in 2021. This modular system, which covers the full range of functionality required by a bank, offers customized solutions for all processes such as payments, loans, forex, and securities transactions up to and including tax issues and is tailored to meet client needs and the requirements of our partners and regulators.

Business Performance

Warburg Bank has adopted its annual financial statements for 2021, which were granted an unqualified audit opinion by its auditors. The Bank broke even in what was an extremely challenging environment. After recording a net loss of EUR 7.9 million (before loss transfer) in the previous year, it generated positive net income of EUR 59 thousand in 2021. This achievement –in another year that was dominated by the pandemic – depended crucially on the dedication, hard work and unwavering commitment of the Bank's staff.

Business and Results in 2021

Activities in fiscal year 2021 focused on derisking, and on organizational and human resources changes. The reduction in exposures in default and the redemption of transactions with Deutsche Bundesbank (TLTRO III) pushed down total assets from EUR 5.2 billion in the previous year to EUR 4.3 billion (a decrease of EUR 0.9 billion, or 16.2%). One key reason for this was the derisking performed in the shipping area. Shipping loan exposures totaling EUR 151 million were eliminated, significantly reducing the associated loan loss provisions.

In addition, the Bank sold four container ships that it had acquired in previous years in the course of bail-out acquisitions. Loans and advances to customers amounted to EUR 0.8 billion, down from EUR 1.1 billion in the previous year. Following this reduction of roughly 25%, the client lending business now accounts for 19% of total assets. Total assets under management and administration for the Group (Warburg Group) climbed to EUR 79.0 billion (previous year: EUR 76.2 billion), while total assets held in custody rose from EUR 33.9 billion in 2020 to EUR 35.1 billion in 2021. With respect to Warburg Bank's financial performance, net interest income fell by EUR 4.7 million year-on-year, from EUR 43.3 million in 2020 to EUR 38.6 million in 2021.

The decrease is due to negative interest rates charged on larger-volume deposits with Deutsche Bundesbank and to reductions in interest-bearing exposures. The interest bonus under TLTRO III had a positive effect of EUR 2.9 million. Net fee and commission income rose by EUR 3.4 million, from EUR 93.0 million in 2020 to EUR 96.4 million in 2021. The increase was largely due to the expansion of the Corporate Finance business and higher fee and commission income from asset management. Administrative expenses grew from EUR 136.3 million (2020) to EUR 150.6 million (2021), a rise of EUR 14.3 million.

The main reasons were higher personnel expenses and expenditure incurred in connection with governance changes (consulting, legal costs, severance pay). As a result, the cost-income ratio of 106.3% was substantially higher than the target figure of < 85%. Warburg Bank and the Warburg Financial Holding Group comply with the supervisory capital requirements. The capital ratios have improved and amount to 23.1% (previous year: 19.4%) for the Bank and 15.8% (previous year: 13.7%) for the Financial Holding Group following the adoption/approval of the financial statements. At EUR 15.7 million, consolidated net income was substantially higher than in the previous year (EUR –10.8 million). The forecasts for a slightly positive result and a corresponding return on equity were clearly exceeded.

Operational Risk

The topic of cum-ex transactions has attracted a high degree of visibility since 2016. Warburg Bank is one of the many banks, financial services providers, and investors mentioned in this context. This is due to trades involving German shares over the dividend date that were executed by Warburg Bank between 2007 and 2011. The investment income tax due when the share were purchased was credited to the Bank. The Finanzamt für Großunternehmen (Tax Office for Large Undertakings) in Hamburg later demanded that the tax be repaid. The tax claims relating to the Bank's share transactions were settled in full in 2020. The majority shareholders paid the amounts due from their private funds and redeemed the loans taken out at Warburg Bank for this purpose. Warburg Group's assessment of the tax treatment of the cum-ex transactions proved to be false. The members of the Supervisory Board and the Executive Board of M.M.Warburg & CO condemn unlawful tax constructs of all kinds.

Corporate Citizenship

At the beginning of the twentieth century, the then owners and managers saw the Bank and its economic activities as being part of a local and regional network of relationships and interrelated effects that also comprised other private sector, civil society and public sector actors. They defined entrepreneurial activity and related decisions as directly impacting, and being impacted by, economic, ecological, and social developments in the region in which they were located. Today, after a successful track record stretching back more than 220 years, the Bank und the Warburg-Melchior-Olearius Foundation take their voluntary commitment to social and cultural activities seriously, and sponsor selected projects that help make society a better place to live for everyone.

At the time, their social commitment led to the foundation of the "Hamburgische Brücke," an association that focuses on helping people. Later on, the Warburg Foundation – subsequently renamed the Warburg-Melchior-Olearius Foundation – was founded. Its main purpose was originally to support staff and their families in their old age and in cases of need. Since then, its range of activities has been steadily increased.

In 2021, the restrictions on contact made the work of many associations and facilities more difficult. Many groups within society were massively impacted; this applied in particular to creative artists, children, and young people. To help alleviate the consequences in this area, the Warburg-Melchior-Olearius Foundation divided its support in the social and healthcare areas between a number of Hamburg-based organizations: German skin cancer foundation Die Hiege Stiftung – die Deutsche Hautkrebsstiftung, children's cancer support organization Fördergemeinschaft Kinderkrebs-Zentrum Hamburg e.V., and

Förderverein für das Kinder-Hospiz Sternenbrücke e.V., a fundraising organization for the "Sternenbrücke" children's hospice.

In the cultural area, support was provided for the Museum am Rothenbaum, Hamburg; Theater N.N. Hamburg e.V., and the Humboldt University Foundation in Berlin. Since 2009, the Warburg-Melchior-Olearius Foundation has actively promoted classical languages at schools and universities. It supports a wide range of activities relating both to classics teaching (professional development and lectures, grants towards theater performances, study trips, etc.) and to university sponsorship for young students and researchers (grants for the "Nachwuchsforum Latein" study project for Latin scholars, specialist workshops, and the Metageitnia events for classical philologists).

Due to the pandemic, school projects and trips were only possible to an extremely limited extent. However, additions were made for the eighth time to the "Rolling Book Cupboard", which contains a large number of classical language books and which gave school students studying at home new ideas and inspiration. In addition, the third "Warburg-Melchior-Olearius Prize for Classical Languages," which honors excellent masters', state examination, or doctoral theses, was awarded in 2021. This prize is given to works that underscore the continuing topicality and social relevance of Latin and Ancient Greek, their teaching, and their ongoing impact.

The Bank also extended its long-term sponsorship of cultural institutions at specific locations in 2021. These include the Elbphilharmonie concert hall in Hamburg, the Unter den Linden state opera house in Berlin, the Bavarian State Opera House, the Heinz Bosl Ballet Foundation in Munich, and the Württembergisches Staatstheater in Stuttgart. In addition to making donations to the "Zuversicht für Kinder" foundation in Hanover, and the "Löwenherz" children's hospice in Syke, the Bank decided to support the work of the "Arche – Christliches Kinder- und Jugendhilfswerk" association instead of sending clients and business partners Christmas presents during the reporting period. This charitable association, which was founded in Berlin in 1955 on the initiative of Pastor Bernd Siggelkow, aims to improve living conditions for disadvantaged children and families.

Outlook

Forecasting developments at the start of 2022 is difficult because of the many uncertainties involved. These include but are not limited to the continuation of the coronavirus pandemic, despite the vaccines and new drugs that are now available. As already mentioned, the tense geopolitical situation escalated when Russia attacked Ukraine. The flight of civilian refugees presents major challenges for the countries in European that are taking them in, but also offers opportunities. Further conflicts – which hopefully will not lead to any serious military escalations – also exist in many other regions of the world: Taiwan is experiencing incidents in its airspace involving Chinese fighter jets almost every day, while displays of military strength have become the norm in the South China Sea. At the same time, China seems to be adjusting its economic policy in favor of taking a harder, Communist line. All this is leading to a worrying mix of global political conflicts. After the economic upturn in Germany fell well short of expectations in 2021, the outlook for 2022 has both upsides and downsides: The German economy is suffering more than average from global supply chain problems, shortages of memory chips and intermediates, and high transportation and raw materials costs. Household savings rates remain high and could potentially stimulate private consumption. However, offsetting factors – such as persistent shortages, the above-average rise in energy costs, and extremely high inflation – cannot be ignored. What is more, companies are not afraid to pass on price increases to their customers and consumers in order to maintain their margins.

All in all, economic growth of 3.6% can be expected. 2021 saw an almost imperceptible trend reversal in interest rates on the back of climbing inflation rates and the economic recovery. Monetary watchdogs are proceeding extremely cautiously, presumably to avoid the danger of dampening the nascent recovery too soon. Although the PEPP – the Pandemic Emergency Purchase Programme – expires in March 2022, the European Central Bank will continue its bond purchases over the course of the year and reinvest all maturities if inflation declines significantly.

The banking sector can expect to see ongoing turbulence in 2022, not least because of ESG issues. At the same time, platforms are capturing market share in the mass volume business. Foreign competitors will continue to make advances in the wholesale business . In addition, lifestyle companies such as Apple and Google are increasingly entering the market with embedded finance offerings and payment services. Consolidation in the German banking sector will continue not least because of the core driver for this development: cost pressure.

Even after more than 220 years, M.M.Warburg & CO still needs to rise repeatedly to the challenges posed by new technologies, new competitors, and innovative business models. The Bank confirmed its resilience and adaptability in the second year of the coronavirus pandemic, retaining key customers, and taking initial steps to adapt its governance. This included the resolution to give the Bank a new legal form and to continue the streamlining process. The holding structure, which is headed by M.M.Warburg & CO Gruppe GmbH and has a large number of subsidiaries, is to be simplified and aligned even more closely with the changed legal and economic requirements. This includes merging M.M.Warburg & CO Gruppe GmbH with Warburg Bank, which will be the sole central company in future. Germany's Federal Financial Supervisory Authority, BaFin, was informed of this plan. M.M.Warburg & CO will remain a privately held bank – with a management that meets modern governance requirements and can act without any conflicts of interest. The Bank considers these far-reaching changes as way to prevail and stand out from the crowd in today's banking environment. Both its management and its other staff are consistently passionate about working on the best possible offerings and solutions for its clients.

OVERVIEW OF THE WARBURG GROUP

ECONOMIC ENVIRONMENT

The global economy recovered comparatively quickly from the short, sharp recession seen at the beginning of 2021. Major fiscal policy measures in many industrialized countries and expansionary monetary policy were key measures behind the pronounced upswing. However, supply shortages, inadequate transportation capacity, and a rise in new COVID-19 infections negatively impacted economic growth in certain countries and regions in the course of the third quarter, depressing economic momentum. All in all, global economic output rose by roughly 6% in 2021, with emerging economies growing somewhat faster than industrialized nations. The macroeconomic framework deteriorated substantially as of the start of Russia's war of aggression against Ukraine. At the beginning of the year, it was thought that the global economy would continue to recover from the negative economic impacts of the coronavirus pandemic in 2022, and that above-average growth would be seen again. Now, however, a clear softening in global economic growth is expected, at least in the short term.

The U.S economy experienced a major boom in 2021. The country's expansionary monetary policy and fiscal policy both offered strong economic stimuli. The recovery was driven by a robust jobs market. The U.S. unemployment rate – which was 6.3% in January 2021 – had dropped to 3.9% by the end of the year. High employment levels and a household savings rate that was above the historical average served to prop up U.S. consumption. However, high price trends and supply shortages dampened the economy. In Q4 2021, U.S. economic growth picked up again quarter-on-quarter, lifting real GDP growth for the full year to 5.7%.

By contrast to the U.S., German economic growth was disappointing. The country is high dependent on manufacturing industry, with a particular focus on the automotive sector. This meant that the economy suffered more than average from the global supply chain problems, shortages of memory chips and intermediates, and high transportation and raw materials costs. In addition, COVID-19 restrictions depressed private consumption. The German economy grew by 2.9% in full-year 2021. Growth rates in 2022 will be lower. The country's dependence on Russian energy imports and the negative economic impact of China's zero-COVID policy are hitting its economy particularly hard. Household purchasing power is declining due to the sharp rise in inflation, meaning that hopes of private consumption serving an engine for growth are likely be dashed or, at the least, that this will boost growth less than was previously expected.

Economic growth in the eurozone was slowed at the beginning of 2021 by the large numbers of new COVID-19 infections in many countries belonging to the bloc. However, the economy then recovered in the second and third quarters of the year. Many countries saw extremely strong growth, due above all to catch-up effects in the services sector. Austria, France, Portugal, and Spain led the field in terms of growth rates. Trends on the labor market were also encouraging. The jobless rate fell from 8.2% in January 2021 to 7.2% in November 2021, undershooting the pre-COVID figure of 7.5% seen in January 2020.

Inflation rates in recent years had almost always been below 2%, particularly since the financial crisis in 2008/2009. In 2021, by contrast, they made a rip-roaring comeback Base effects, shortages of intermediates, soaring demand for goods, and higher raw materials prices pushed U.S. and eurozone inflation rates far above the two percent mark. The oil price saw the most pronounced year-on-year changes at times. After averaging around USD 10 per barrel in Germany in April 2020, it recovered to USD 80 per barrel in the course of 2021. This led to a sharp rise in inflation, since energy prices are a key component of the baskets of good used to calculate this. As a result, December 2021 inflation rates were around 7% in the United States and had climbed to 5% in the eurozone by the end of the year, far above the ECB target. They then continued to rise in the first months of 2022 due to raw materials prices, with a slight easing not being expected until later on in the year. What is more, there is a growing danger of a wage-price spiral developing, especially in the U.S.A.

Note to the figure: The DAX now comprises 40 companies

Central banks were slow to take their foot off the gas, despite the economic recovery and the hike in inflation rates. The ECB revised its monetary policy and will now consider price stability as having been maintained with a medium-term if the inflation rate of 2%. This symmetrical goal allows it to tolerate a rate that is temporarily in excess of the 2% target if prior rates were below-target. However, the high level of inflation is increasing pressure on central banks to lift their key rates. The United States Federal Reserve has already ushered in a turnaround in interest rates by lifting its key rate in March and May. Monetary policy will be successively tightened in the period up to the end of the year, and additional steps are likely to follow in 2023. The central bank's balance sheet will also be shortened, which again has the effect of tightening monetary policy. The European Central Bank let its Pandemic Emergency Purchase Programme (PEPP) expire in March 2022 and will end its Asset Purchase Programme (APP) at the start of the third quarter at the latest. After that, two or three interest rate hikes can be expected in the eurozone as well this year. In contrast to the Fed and the ECB, central banks in the emerging economies in particular started raising their key interest rates back in 2021. Even isolated central banks in industrialized nations such as Norway and New Zealand also began tightening monetary policy and making initial upward interest rate adjustments.

Rising inflation and the economic recovery put pressure on government and corporate bonds, with yields rising as a result. The yield for ten-year Bunds climbed from approximately –0.58% at the start of the year to around –0.18% at its close. 10-year U.S. Treasuries also declined in value (–2.4%). However, this corresponds to a rise of approximately 5% in euros, due to the strong U.S. dollar. The widening difference in interest rates between the eurozone and the U.S.A. already led to substantial pressure on the euro last year. All in all, it fell by 7.6% against the dollar. Many stock markets performed extremely well in 2021 on the back of good economic data and strong corporate profits. Indexes in industrialized nations in particular reached record highs. For example, the DAX broke the 16,000 point barrier for the first time in November and closed the year nearly 16% up. The Euro Stoxx 50 saw an even larger rise of 24.1%. The U.S. stock market also recorded record highs and sharp increases in value since the beginning of the year (S&P 500: 28.7%; Dow Jones: 20.9%). For euro investors, this resulted in increases of 39.4% (S&P 500) and 31.0% (Dow Jones) respectively, due to the strong appreciation of the U.S. dollar.

Warburg Bank's macro research arm won another award for its performance in 2021. "€uro-Magazin" crowned the Bank's Chief Economist, Carsten Klude, its "2021 Interest Rate Expert."


M.M.WARBURG
BANK

THE WARBURG GROUP'S BUSINESS AREAS

CORPORATE BANKING

Corporate Banking serves as the front office for Warburg Bank's entire lending business. It focuses on arranging finance for middle-market company owners and for the Bank's shipping, real estate, and fund clients. In addition, it offers classic banking services in the areas of payments, cash management, deposits, and currency transactions, with a particular focus on shipping and asset management clients. Smaller companies are primarily interested in loans and selected additional services. Larger enterprises increasingly have more complex requirements. One core need common to clients across all segments is reliable access to banking services – and they expect highly automated, efficient, and price-competitive processes.

The division generated an encouraging result in the reporting period. Income remained stable while the return on equity rose thanks to the drop in risk costs. This was due not least to the extremely thorough management of risk-weighted assets (RWAs). Ensuring efficient RWA portfolio management and allocation of capital – a precious commodity – was and is a core task. As a result, the volume of loans fell whereas fee and commission income rose encouragingly.

The main area to see growth was private debt investment management: Working together with two institutional investors, the unit outplaced shipping and real estate loans in excess of EUR 100 million using private debt vehicles. This offering for institutional investors has three special features: Firstly, all loans offered to co-investors have gone through a credit process that meets strict supervisory requirements. Secondly, the fact that the Bank continues to hold a portion of the loan receivables ensures that the interests of the Bank and co-investors remain aligned. Thirdly, supervisory oversight guarantees co-investors that credit servicing – which the Bank continues to perform even after the loan has been outplaced – meets strict standards. In line with Corporate Banking's stated goal to grow substantially in this area, investments were made last year in technology and staff to implement this strategy.

The Bank's classic lending business, which is performed by its Shipping, Corporate Clients, and Real Estate Finance units, remains dovetailed with this.

Corporate Banking – Corporate Clients

The Corporate Clients business continues to focus on supporting company owners and owner families in non-standard situations such as the acquisition of equity interests, equity bridge loans, or changes in shareholder structures. This is experiencing growing market demand for tailor-made advisory and financing solutions. The individual issues addressed are flanked by the provision of appropriate short- to medium-term finance. Such activities also frequently form part of more extensive capital market and M&A mandates held by Corporate Finance, or are supplemented by advisory offerings. The bespoke design of the finance provided requires in-depth knowledge of the sector environment and the clients' situation; as a result, only a limited number of new mandates are taken on each year.

Corporate Banking – Shipping

Last year saw a historically unparalleled and initially unexpected upturn in a market segment that had largely made negative headlines, both in Germany and abroad, for almost 13 years. The Bank responded to these market trends with a risk-conscious, cautious lending policy. The bulk segment in particular offered extremely lucrative financing options with very low loan-to-value ratios. In line with this the Shipping business, which had undergone restructuring in the period since 2016, disbursed a record number of loans last year. Institutional investors took significant stakes in these loans. In our opinion, structuring conservative shipping finance for standard (and hence liquid) ships will be a growth area in the coming years.

The services business flanking the shipping business was also expanded encouragingly. The number of clients and the volume of foreign payments handled have both experienced double-digit growth rates for years. U.S. dollar deposits have risen particularly fast due to client growth and higher shipping charter rates, with the expected interest rate rises for this currency offering earnings potential.

This business growth allowed the unit to further increase its headcount while continuing to make extremely strong contributions to earnings.

Corporate Banking – Real Estate Finance

Demand for real estate finance remained robust in 2021. At the start of the year – due not least to the ongoing COVID-19 crisis – it initially seemed as if investor caution might depress demand for loans at all locations. However, by the end of the first quarter the reverse had proved to be the case. Especially keen demand was recorded in the Bank's areas of specialization – land purchases, development projects, and small and medium-sized development schemes. As the trend in previous years had already shown, investors were interested both in the large cities of Berlin, Leipzig, and Dresden and increasingly also in the well-off suburbs surrounding them, with the goal being to satisfy the massive demand for residential properties. The Bank responded to this development, offering services and products there and in other metropolitan regions of Germany. Today's real estate portfolio buyers need more than just conventional short-term loans: They also want effective support across the Bank's entire range of services. This is why classic short-term credits were increasingly combined with Corporate Finance offerings, e.g., in order to provide access finance products that are not offered by the classic lending business.

Corporate Banking – Investment Funds

The unit was able to build on its positive track record of providing support for asset management companies and their investment funds, further expanding the volume of business transacted in this area. This applied especially to real estate investment funds. Apart from account management and providing depositary services for clients, the lending business focused on currency hedging lines, short-term finance, and providing margin lines for liquid investment funds.

MARKETS AND INSTITUTIONAL BANKING

The Markets and Institutional Banking business area combines support for institutional clients, equities research, and the Bank's trading and sales activities. Divisional and business area management serve as an umbrella for the different activities by this area, are jointly responsible for its strategic development, and sustainably ensure its efficiency and the high quality of M.M.Warburg & CO's product and service offering in its role as a capital markets specialist for all kinds of equities, bond, and currency market activities.

Equities

The Equities unit again significantly enhanced its profile as an expert in German equities. Its activities combine the equities research performed by the Bank's subsidiary Warburg Research GmbH, support for institutional equities investors (Institutional Sales – Equities), and the execution of equities orders on the global markets (sales trading/stock market trading). The unit substantially increased market share for both Warburg Research GmbH's capital market mandates and in the area of designated sponsoring. Tremendous progress was made in executing primary market transactions in particular. For the first time for many years, the Bank provided support for a total of four companies that successfully went public, and in the case of Veganz AG led the transaction as its global coordinator. Coronavirus restrictions again meant that the Bank's flagship conference, "Warburg Highlights," could only be held in virtual form, although at least the "Meet the Future" conference in Berlin was held in a slightly modified physical form off the premises. Earnings recorded another substantial increase due to gains in market share and in particular to the Bank's excellent placement performance.

Warburg Research GmbH

Warburg Research GmbH was exceptionally successful in 2021, providing support for numerous ECM transactions and continuing to grow the number of capital market support mandates it holds. This has out it in an extremely good position for 2022. Even though the COVID-19 pandemic continued to dominate both events and working conditions, this did not impact the company's operational success. The introduction of more flexible workflows led to a further efficiency gain. Conditions for staff were improved further and service levels (such as the time to market for products) further enhanced. The unit's extremely successful ECM business was a key reason behind its overall success in fiscal year 2021.

It continued to expand its excellent positioning with respect to German small and mid-caps during the year. This was helped by the low staff turnover that forms the basis for Warburg Research GmbH's long-term approach, among other things, and that is also reflected in the quality of its research. As in previous years, the recommendations made in 2021 generated substantial value for clients who followed them. The MDAX (share price index) investment recommendations highlighted in the "Warburg Monthly Stock Tracker" yielded an outperformance of 43.5% and an absolute performance of 56.2%.

Unfortunately, restrictions on personal contact made it impossible to hold as many events with face-to-face client participation as we had wished. However, the variety of digital formats offered went down very well both with investors and with the managing boards of listed companies. Both face-to-face and online conferences were well attended.

Warburg continues to provide coverage for well over 200 stocks and remains the go-to-address for national and international investors looking to invest in German equities.

Institutional Sales – Equities

The Institutional Sales – Equities unit has a first-rate reputation within its client target group: institutional investors focusing on Europe. It confirmed and expanded its market position as the "number one in German small and mid-cap equities." In addition to its advisory services for institutional investors, the unit provided support for nearly 20 corporate actions.

Macro impacts, especially due to the variety of effects caused by the coronavirus pandemic and worries regarding global supply chains and rising inflation, led to high levels of uncertainty. Nevertheless, investor appetite for transactions and companies' readiness to implement corporate actions were extremely encouraging. Marketing activities – which were clearly focused on German equities – continued at a high level. Several hundred days of roadshows were held with company board members and analysts alike, albeit it virtually in most cases.

Fixed Income and FX

The upbeat mood on the capital markets in December was spoiled at the beginning of the year by rising inflation rates in the U.S.A. and the United Kingdom in particular. Fixed income market emissions were extremely strong at the beginning of the year, as was demand, which also came from central bank purchasing programs. In addition, COVID-19 and associated lock-down measures plus rising inflation continued to affect the markets throughout the year.

Many foreign exchange clients used this scenario primarily for classic hedging instruments. The Interest Rate and Currency Advisory Services and Currency Trading departments made a positive contribution to net fee and commission income, as in previous years. Fixed Income had to cope with increased yield volatility in 2021, in contrast to the situation seen in previous years. Measured in terms of 10-year Bunds, the year started with a yield of –0.60% before hitting an interim high of –0.10% in mid-May. The end of July saw a brief renewed fall to –0.50%. After reaching a new high of –0.08% in October, the year ended at –0.177%.

The unit's close, trusting, long-term relationships with institutional clients, which focused on investments in issues with medium to long durations, were a critical success factor in these market conditions. The Bonds unit continued to generate good results, with brisk business being done with new issues and private placements by European issuers.

Treasury

The Treasury unit is responsible for managing all the Bank's liquidity and funding risks and all interest rate risk in the banking book. M.M.Warburg & CO's stable liquidity situation improved further last year despite a market environment that was dominated by the coronavirus pandemic and stricter regulatory requirements. In addition to the planned reduction in the lending business, this was due to systematic enhancements of internal management processes and expanded repo activities. What is more, the negative impact of the low interest rate environment was mitigated by active management of the securities portfolio.

M.M.Warburg & CO participated in Deutsche Bundesbank's targeted longer-term refinancing operations (GLRG III and TLTRO-III), securing the attractive interest rate on offer during the special reporting period.

2021 was also the year of the IBOR reform, with key LIBOR rates expiring at the end of the period. Necessary contractual and process-related adaptations were implemented. The product developments required are based on client needs and on the market standards that are emerging in this area.

Corporate Market Solutions

The mission of the newly established Capital Market Solutions group is to provide end-to-end advisory services and support for listed companies and other companies subject to market disclosure requirements. In the first year of its existence, the unit established a large number of new client relationships, entered into client mandates, and provided support companies during successful capital market transactions. Key focuses included research and designated sponsor mandates, capital increases, block placements, secondary placements, and bond issuance. In addition, more road show activities and a more precise investor focus enhanced the general capital market presence of companies for which the unit provides support.

ASSET MANAGEMENT

2021 was a successful year for Warburg Bank's portfolio management activities. Assets under management increased thanks to the strong performance recorded by the various investment strategies and highly successful client acquisition by Private Banking's client servicing function.

Due to this and to the large number of all-in-fee models, Asset Management made a significant contribution to the Bank's net income. In addition, income is highly stable since it is not performance-related.

Most international stock markets recorded encouraging growth in 2021. In particular, they benefited from the recovery of the global economy and hence of corporate profits in the second year following the coronavirus outbreak. With only a few exceptions, European stock indexes saw double-digit percentage rises, with the DAX – the German bellwether index – somewhat underperforming other indexes with a roughly 16% increase. By contrast, fixed income investors did not have a particularly positive year. The prices of both European and U.S. government bonds dropped, leading to an average performance of roughly –3%. Corporate bonds did somewhat better, but still saw losses of roughly 1% at index level.

In this environment, Warburg Asset Management's various asset management strategies performed extremely well. Equities-based investment strategies recorded clear gains in excess of 20%. Warburg's dividend strategy even generated an annual gain of 27.4%. Conservative investment strategies also saw very sound gains. Warburg's International Foundations strategy, which rose by 12%, is worth particular mention here. Its positive development was due to its focus on sustainable securities. A comparison to the benchmarks used by Warburg in its investment strategies was generally positive. The outperformance was especially clear in the fixed-income area, where a positive performance was achieved in absolute terms, despite a weak overall bond market in 2021. Driving factors here were the focus on corporate bonds and the inclusion of bond segments that generated an extremely positive performance in the past year. These included high-yield, lower quality corporate bonds; subordinated bonds; and specialty topics such as cat bonds and microfinance products.

After 2020 – a turbulent investment year in which they were able to avoid significant asset losses – Asset Management's clients can now look back on an extremely successful 2021 as well. This provided further proof that a transparent investment policy based on economic facts, coupled with active management, are the key to successful investment. Work continued at high speed to incorporate sustainability aspects in the investment process and in client reporting, with the result that sustainability risks are now fully reflected.

In line with the volatile general conditions, the Advisory Office developed investment ideas and strategies with the goal of adapting client portfolios to expected developments in the capital markets as optimally as possible. Factors taken into account included the ongoing growth trend in the technology sector, the partial easing of the lockdown imposed during the coronavirus pandemic, and the pivot towards attractively valued companies with highly cyclical business models. In addition, we expanded the functions offered by our internally developed "INSIGHT ALPHA" app, which is becoming an increasingly important tool in the highly customized advisory services offered by Private Banking and Asset Management.

CORPORATE FINANCE

Activities in 2021 continued to focus on providing end-to-end support for companies about everything to do with corporate finance. More than 25 transactions were completed in an extremely positive capital market environment, with the majority of activities and more than 50% of the income generated relating to the equities markets. Income rose significantly overall compared to previous years, whereas costs remained stable.

Equity Capital Markets (ECM)

The Equity Capital Markets (ECM) unit was able to continue its upward trend from 2020. With 19 transactions in Germany, it was the most active ECM bank in the country according to data provider Dealogic.

Among other things, the unit provided support for the IPOs of KATEK SE, Apontis Pharma AG, and Cherry AG, while in November it took the Veganz Group AG public as the sole global coordinator. In addition to these four IPOs, it participated in a large number of capital increases including those for Heliad AG, Adesso SE, Medios AG, 7C Solarparken AG, Clearvise AG, and BRAIN Biotech AG, as well as structured secondary placements for the shareholders of secunet SE, Fabasoft AG, and flatex DEGIRO AG, among others. Apart from its strong performance in the placement business, the unit was also able to showcase its particular expertise in implementing complex technical transactions. Examples are its support for Nagarro SE (merger trustee and listing agent), Medios AG and Epigenomics AG (listing agent), or the cross-border public takeover offer made by Digital Turbine, Inc. to the shareholders of Fyber N.V.

All in all, the Bank was involved in capital market transactions with a total volume of approximately EUR 1 billion – a significant increase on the previous year (approximately EUR 225 million). It was also able to further consolidate its leading position as an advisor to listed German companies in the small and mid-cap segment, despite the ongoing coronavirus pandemic. Assuming that capital market sentiment remains positive, continued growth and the implementation of a large number of capital market projects for German small and mid-cap stocks are expected in 2022.

Debt and Mezzanine Markets (DMM)

ESG requirements are becoming more and more important in the debt market, both for investors and for the companies involved. Work by the Debt and Mezzanine Markets (DMM) unit reflected this, with the placement of two ESG-linked bonds with a volume of EUR 150 million each. First, the Bank supported Vossloh AG as joint lead manager and joint bookrunner with the structuring and placement of a hybrid bond. The hybrid capital served to strengthen the issuer's equity. Second, the unit structured and placed a senior unsecured bond for UBM Development AG, an Austrian company, as joint lead manager and joint bookrunner. Both bonds have an ESG mechanism that provides for a premium to be levied on repayment of the bonds if these do not meet minimum thresholds for their ESG ratings. This means that the two companies' ESG targets were included in the bond financing and a cost-effective ESG-linked structure established that is based on external ESG ratings. One team activity in the area of Financial/Debt Advisory services was the major role played in providing support for a complex Lombard loan on a package of shares in an SDAX company.

Mergers & Acquisitions (M&A)

The massive uncertainty caused by the pandemic eased substantially as from mid-2020 onwards, resulting in a highly dynamic M&A market overall in 2021. This was driven by the availability of cheap finance and pressure to invest among both financial and strategic investors, who quickly lifted moratoria on investing. A slightly above-average number of insolvencies was recorded – a fact that further fueled transaction activity – although these remained well below the level feared by certain experts.

However, as in 2020 transactions required in-depth support so as to safely manage the coronavirus-related implications in terms of both content and timing. One example was the successful sale of the AIC Group. The leading customer service provider for the travel and aviation industry had been hit particularly hard by the pandemic and the associated travel ban. The company was sold to financial investor Auctus and a significant stake in the parent company was negotiated for the sole shareholder-manager.

This transaction and the team's strategic support in the course of the Tengelmann dispute again demonstrated its expertise in providing complex advisory services for family-owned companies this year. In addition, the unit worked for the seller to initiate and implement the significant minority shareholding in Euroclear S/A acquired by Bank Julius Bär. It also provided asset management company Paribus with in-depth advice on its strategic action options in relation to Northrail. A fairness opinion was also produced on the price offered under the public delisting takeover bid made by Burda Digital SE to shareholders of HolidayCheck AG.

Private Placements/Venture & Growth Capital

The Bank was able to continue and accelerate its high level of growth in the Venture & Growth Capital business. Among other things, Private Placements/Venture & Growth Capital was formally established as an independent unit and the fourth element of the Bank's integrated approach to corporate finance in the past year. As a flanking measure, a dedicated, specialized deal team was established in 2021 and 2022. This has created the basis for additional growth and for expanding the range of services offered by Private Placement/Venture & Growth Capital. The unit's positioning as a long-term, end-to-end partner for company owners that provides access to all relevant groups of investors, including a wide range of family offices allows it to advise founders and growth enterprises across all stages of their companies' development and in all areas. It also enables the Bank to set itself apart from the competition. In addition, the unit draws on the knowledge offered by colleagues from other areas of Corporate Finance and the Bank.

One example here is its partnership with the Customcells Group, a global leader in the development and manufacture of premium high-performance battery cells for electrifying key industries (roads, air travel, water). In 2021, we successful advised Customcells on a number of transactions on an exclusive basis. The first case was the formation of a joint venture with Porsche AG (the Cellforce Group) aimed at establishing series production for battery cells for automotive applications. The second related to structuring a double-digit million financing round with leading venture capital funds (468 Capital, Vsquared Ventures) and corporate investors (Primepulse, Porsche Investment), with the funds being intended for use in the secondary placement of shares in the company, growth finance for Customcells companies, and increasing Customcells' shareholding in the Cellforce Group. In addition, the Bank furnished the company with a bridging loan to enable it to repay loans and meet its short-term capital requirements, thus adding another component from its range of services to the mix.

Not only do we advise more mature growth companies during financing rounds; we also provide selective support in the form of strategic partnerships for leading venture and growth capital funds seeking to acquire investment from company owners. At present, these include the Green Generation Fund, which is a food impact and tech fund. Our many and varied points of contact in the venture and growth capital area allowed us to expand and deepen our close contacts with numerous owner families in the past.

Our current mandates and pipeline of projects make us confident for 2022. Our early adoption of the topics of sustainability and digital transformation have laid the foundations for further growth in the area of capital market advisory services for companies.

PRIVATE BANKING

Partnering with clients in trusting relationships is the basis for success in Private Banking. A business mindset, reliability, and proactive flexibility are critical to providing clients with customized, individual services and products designed to meet high quality standards.

Activities in 2021 focused squarely on client dialog. Clients sought advice – which mainly related to questions on long-term asset preservation – in face-to-face discussions (to the extent possible) or using digital channels. Together with the experts from Private Asset Management, the team addressed topics such as delivery bottlenecks and the comeback of inflation, as well as generally reviewing asset strategies in order to exploit emerging opportunities in a highly challenging capital market environment. Overall, 2021 was an extremely good year for almost all investors who maintained a diversified investment strategy.

Private Banking again increased the volumes of client assets under management in the reporting period, firstly by expanding existing client relationships and secondly through successful acquisitions and attracting new clients.

The Bank has always attached great importance to its advisors' training and continuing professional development, e.g., in the form of the Estate Planning course. Only extremely well qualified staff can adequately respond to the complex wishes and goals of wealthy, sophisticated private clients. The Bank's homegrown junior advisors also took their first steps on the career ladder, helping to rejuvenate the team. Clients' online banking services were revamped and made more intuitive.

One key aspect of the advisory services provided by Private Banking is ensuring a smooth transition to the next generation. Young clients had another opportunity to attend the well-established Warburg Banking School in the past fiscal year. A total of 25 of them took up the offer and received a day's training on portfolio management and sustainable investment, which was given by experts from Private Asset Management and Private Banking. Generally speaking, 2021 saw a further increase in demand for sustainable investment opportunities and for knowledge about this investment focus.

As in the past, clients can choose between asset management and securities advisory services. Asset management is the most important service provided; it has consistently generated extremely strong and highly competitive results and has substantially increased in popularity. By contrast, securities advice has changed in recent years due to stiffer regulatory requirements, and the processes have become more effort-intensive for both clients and advisors. As a result, the specialist support provided by the Advisory Office has proven valuable for sophisticated clients.

It was not possible to hold exclusive events at all locations in 2021 because of the coronavirus pandemic. Instead, the well-established Warburg Aktuell Digital format was continued and information provided on a number of topics, in some cases together with external presenters. This medium naturally cannot replace face-to-face meetings, but it was successfully used to provide interesting insights into capital market topics or issues such as "The Asian Decade – More than China," "Biotechnology – More than Just Developing Effective COVID-19 Vaccines," or "Germany in the Run-up to the Polls."

Warburg Navigator

The Bank's Warburg Navigator offers online asset management – something that continued to attract keen interest in the second year of the pandemic due to the opportunity to execute transactions, and obtain access to other services, digitally at any time.

However, just because it is fully digital doesn't mean it is impersonal. On the contrary: in 2021 it was again used to host a large number of digital events and several personal discussions with actual and potential clients. Apart from additional online information events on retirement provision, ETFs, sustainability, and the capital market outlook, the Bank's free weekly newsletter and its online e-book, which offers a handy ready reference about the capital markets, were highly sought-after.

Warburg Navigator is managed in parallel to the Bank's classic asset management services. This allows clients to benefit from the Asset Management team's expertise and investment philosophy. As the previous year showed, purely automated/rule-based approaches that are not combined with a certain level of qualitative decision-making lead to suboptimal results. An active approach is particularly crucial in volatile market periods. While the Navigator benefits from Portfolio Management's more "analog" asset management skills, classic asset management services can benefit from the experiences gained with digital workflows.

In 2021, business magazine "Capital" again tested sustainable investment offerings in the area of asset management. Warburg Navigator received top marks (a five-star rating) for sustainability, making it one of the most sustainable robo-advisors in Germany.

WARBURG INVEST HOLDING

Warburg Invest Holding GmbH serves as the holding company for the Warburg Group's asset management companies, WARBURG INVEST KAPITALANLAGE-GESELLSCHAFT MBH and Warburg Invest AG. As a result, it is one of the largest asset managers in northern Germany. Clients – who are predominately drawn from the institutional sector – have access to a broad range of customized asset management solutions and comprehensive asset services. In addition, many of the retail funds managed are also suitable for private investors wishing to accumulate capital for the long term.

In addition to the need to deal with the fallout from the COVID-19 pandemic, attention will increasingly focus on the global transition to a sustainable economy – driven in Europe by the legislative measures proposed by the European Commission (the "Green Deal"). As a result, it will have an even greater influence on investment decisions by both institutional and private investors. The two asset management companies, which are among the pioneers in this field on the German market, have sustainable products and will successively expand these so as to further raise their profile in this forward-looking area. They have both signed up to the United Nations Principles for Responsible Investment (UNPRI) and are assessed by this organization on an annual basis.

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH

Hamburg-based WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH offers institutional investors management services for asset management mandates in the form of special funds and discretionary mandates. Another core business area for the company is launching and managing retail funds, an area that is supplemented by fund administration services for third-party asset managers.

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH aims for a high level of client satisfaction, which it achieves with fair, transparent fee models, a high degree of reliability, excellent expertise, and a modern management and work culture.

The company's actions are based on, and motivated by, the drive to generate appropriate returns that meet clients' goals and requirements after risk adjustment.

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH generated a record result in fiscal year 2021, despite conditions that were by no means easy. Its enhanced profitability is based on four factors: 1. An increase in high-margin business, 2. The acquisition of additional profitable portfolio management mandates, 3. Strict cost discipline, and 4. Collecting performance-based fees. Assets under administration as of the 2021 year-end fell tangibly by EUR 1.2 billion compared to 2020, to total EUR 9.0 billion. A large proportion of the decline was due to funds administered for external initiators. These outflows had been announced some time previously and had been planned for accordingly. We see the new portfolio management mandates we acquired and decisions to extend existing mandates as a recognition of Portfolio Management's achievements and the high quality of its services. Nevertheless, new client business was below expectations, and the acquisition of new business relationships remained difficult. Some clients also restructured existing mandates. For example, in individual cases the investment management company function was transferred to specialized master investment management companies, although Warburg Invest remained the portfolio manager.

Overall, Portfolio Management turned in an excellent performance. Equities management and multi-asset mandate management in particular achieved exceptional results. Results in the bond mandate management area were in line with market movements, in an environment dominated by rising base interest rates and nascent inflation. Good credit risk management produced advantages here. Clients were highly satisfied with liquid alternatives. WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH is especially well positioned to provide solutions-oriented, proactive support for capital market developments thanks to its enhanced global interest rate strategies, its refined and updated concepts in other areas, and its high level of ESG integration.

The first effects of the EU's Sustainable Finance Disclosure Regulation (SFDR) on the funds business became clear in the past fiscal year. In this connection, the decision to only classify funds that are managed using a well-founded sustainability approach as Article 8 or Article 9 funds (i.e., sustainable investment funds) proved correct. In the area of special funds mandates, our portfolio managers' knowledge and expertise were highly appreciated, while additional funds were also included in our own investment philosophy, "Warburg Invest Responsible." The preparation of clear, informative ESG fact sheets dovetailed with investors' desire for transparency. The revamped web page listing the engagement calls held with companies over the past year in order to provide constructive help with transforming their business models also creates transparency.

Despite a decline in the volumes under management, the company's net fee and commission income was up year-on-year in fiscal year 2021, at EUR 45.6 million (EUR 43.6 million). Net income before taxes amounted to EUR 6.1 million (previous year: EUR 3.0 million). The figure for net income includes extraordinary expenses associated with risk workouts for two funds from the years 2009 and 2010 that have been wound up.

While 2021 was a record year, 2022 will see a return to normality and consolidation for WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH. Investments will be made in the coming fiscal year in line with the goal of laying the foundations for above-average growth in the future.

With its expertise in active asset management and its compelling product portfolio, WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH is a key tool for Warburg Bank as it implements its future group strategy. The ongoing plans to merge it with its sister company Warburg Invest AG, which specializes in high-quality administrative services, will help achieve this goal.

Warburg Invest AG

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

2021 – which continued to be dominated by the COVID-19 pandemic – was another extremely encouraging fiscal year for Warburg Invest AG. Bond market volatility proved a particular challenge, since the funds administered and managed by the company are invested to a significant extent in fixed-income products and the company's clients are also having to cope with declining risk budgets due to the ongoing low interest rate period. Despite these challenges, the company again offered its clients appropriate solutions in the past year, raising net funds of EUR 2.4 billion (EUR 1.6 billion from new clients) for the funds administered by it and EUR 1.4 billion (EUR 1.0 billion from new clients) for the funds it manages. In addition, the company benefited from the stock market boom in particular. Assets under administration rose by EUR 4.1 billion or 15% to EUR 31.3 billion, while assets under management rose by EUR 2.9 billion or 15% to EUR 21.7 billion. Fee and commission income rose by 19% year-on-year to EUR 22.6 million, due in particular to encouraging new business and continued high inflows of funds from existing clients. The strong business performance pushed up net income before taxes year-to-year to EUR 3.6 million (prior-year figure: EUR 2.6 million).

The trend towards sustainable investments that was seen in the last two years among both institutional and private investors continued. The expected transformation of the global economy towards sustainability and the accompanying regulatory framework – especially in the European Union – for financial market participants will continue to drive demand for sustainable investments in the coming years. As one of the pioneers of sustainable investment, Warburg Invest AG is well positioned to take advantage of this trend: It has almost totally integrated ESG issues in its retail fund strategies.

WI Global Challenges Index-Fonds – the flagship fund for sustainable equities strategies – reached a volume of more than EUR 500 million for the first time in 2021. As in previous years, the retail fund again qualified for the prestigious sustainability label awarded by Forum Nachhaltige Geldanlage e.V., scoring two out of a maximum of three stars for the first time. This ability to combine sustainable investment and performance is also seen in the extremely encouraging development of Warburg Invest AG's regional MSCI ESG Leaders index tracking funds. All in all, the volume of the three index tracking funds rose by roughly EUR 460 million in the past fiscal year, while performance was 23.89% (Europe), 11.29% (Asia Pacific), and 42.80% (North America). The first fund was in line with the average for its peer group in performance terms, while the other two came second (Asia Pacific) and third (North America) in their peer group rankings for retail funds authorized in Germany. Here, too, the company is expecting continuing fund inflows from investors wanting to invest cost-effectively and sustainably in highly diversified global equities markets.

As in previous years, Warburg Invest AG was among the leaders in a number of areas in the "small asset manager" category of the 2021 TELOS institutional investors' satisfaction study. It came top in the "product offering," "risk management," "reporting," and "developed markets equities" categories. In addition, it came second in the "overall satisfaction" category and third in the "investment process," "corporate bonds," "quality of advice," and "customer support" categories. The company's positive reputation above and beyond the "small asset manager" category is underscored by its third place in the "master investment management company" ranking, which is not size-dependent, and its inclusion in the list of "top three German asset managers." These accolades reflect clients' deep satisfaction with Warburg Invest AG.

COMPLIANCE AND ANTI-MONEY LAUNDERING

Anti-money Laundering

The role of the independent Anti-Money Laundering department is to ensure the prevention and combating of money laundering, terrorist financing, and other criminal acts, and to guarantee that the Group's anti-money laundering and fraud prevention guidelines are complied with. The independent department aims to counter potential risks relating to money laundering, terrorist financing, and other criminal acts to which the Bank might otherwise be exposed.

Stricter regulatory requirements mean that anti-money laundering has become particularly important The Federal Finance Ministry's National Risk Analysis considers that Germany is at a "medium to high" risk of money laundering and a "high" risk of terrorist financing.

The core element in designing an effective, Group-wide prevention policy is the bank-specific risk analysis, which reflects the threats to the Bank and its downstream entities in the areas of money laundering, terrorist financing, and other criminal activities.

In the opinion of the Anti-money Laundering and Fraud Officers, the prevention policy implemented at the Bank and its downstream enterprises is appropriate and effective. Additionally, the measures taken and the principles and procedures established in the 2021 reporting period, together with the manual and systems-based monitoring and control activities in place, meet the enhanced supervisory requirements.

WpHG Compliance

The independent Compliance department, which reports directly to senior management, is responsible for identifying, assessing, actively managing, and constantly monitoring compliance risks and conflicts of interest. As part of the internal control system, Compliance monitors the appropriateness and effectiveness of relevant processes, employee training, and the advice and support provided to the business units on new products, the development of processes, and transactions in financial instruments/equity investments. Other relevant prevention systems are the obligation to obtain approval for securities transactions in areas relevant to insider dealing and the checks made on mandatory time away for staff performing key front office functions. Another key function performed by Compliance is to continuously monitor compliance with all relevant statutory and supervisory law provisions, and with internal company requirements. In addition, Compliance focuses on ensuring client and investor protection, and acts as a key contact point both internally and externally. The Bank's risk profile for existing WpHG compliance risks is determined as part of the regular risk analysis. This takes into account the results of previous monitoring and supervision by Compliance itself and by Internal Audit, findings by external auditors, and all other relevant insights (e.g., those gained from complaints management). The results of the risk analysis and of monitoring and supervision are submitted to senior management both quarterly and in an annual activity report, so that the compliance risk strategy can be based on this.

MaRisk Compliance

In addition to its WpHG compliance function, M.M.Warburg & CO's Compliance department has a MaRisk Compliance function. This combats the risks arising from potential non-compliance with statutory rules and requirements by working to implement appropriate procedures to ensure that the Bank observes the material statutory rules and requirements governing it, plus appropriate checks. MaRisk Compliance uses VÖB-Service GmbH's teamRADAR software tool to provide technical assistance in managing the standards. Quarterly meetings of the MaRisk Compliance Committee, which is chaired by the member of the senior management team responsible, are held in order to identify any need for action at an early stage and to facilitate close cooperation with the user departments concerned and with senior management.

From a regulatory perspective, work in fiscal year 2021 focused primarily on implementing two major BaFin circulars. The provisions of both the sixth set of amendments to the Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management) and the revised Bankaufsichtliche Anforderungen an die IT (BAIT – Supervisory Requirements for IT in Financial Institutions) had to be put into practice. Certain (mainly technical) requirements will need to completed in fiscal year 2022. Sustainability will remain a key factor influencing the Bank's business going forward. In this

area, the work performed by Compliance is continuing to revolve primarily around implementing the requirements of the SFDR. The decision by the Federal Court of Justice on April 27, 2021, regarding changes to banks' terms and conditions of business and price changes led to modifications that were implemented at the Bank in the course of the fiscal year. 2021 also saw the successful completion of the major project devoted to the IBOR transition. The introductions of the CRR II, CRD V, and BRRD II were also largely completed in the course of the year, although new versions (the CRR II, CRD VI, and BRRD III) are already under development at European level and must be mentioned as part of the regulatory outlook.

As in the past, the COVID-19 pandemic continues to pose an exceptional situation for the Bank's Compliance department as well, being dominated among other things by mobile working and the need to adapt certain business processes and related checks. However, the department adapted rapidly to the new requirements and therefore helped the Bank to operate smoothly.

DATA PROTECTION AND DATA SECURITY

Data Protection

Data Protection was transferred to a dedicated staff department in 2021, reflecting the continually growing important of the topic for the digitalization of the Bank's business processes and services, which involves the exchange of information between the Bank and its clients, service providers, and business partners. However, it is still attached to the Compliance function.

The Bank continued during the second year of the coronavirus pandemic to observe the data protection recommendations and rules issued by the supervisory authorities. These related in particular to the growth in mobile working since the start of the pandemic and to implementation of the checks and controls required by the Infektionsschutzgesetz (IfSG – German Protection Against Infection Act). The Bank raised employee awareness of data protection issues by providing a training program on the subject that was taken by all staff. In addition, the course is obligatory for all new recruits.

At a technical level, the Bank addressed the provisions of the Telekommunikation-Telemedien-Datenschutz-Gesetz (TTDSG – German Telecommunications Telemedia Data Protection Act), which entered into force as of December 1, 2021. This piece of legislation contains specific data protection provisions for the Telekommunikationsgesetz (TKG – German Telecommunications Telemedia Data Protection Act) and the Telemediengesetz (TMG – German Telemedia Act), which had not previously been adapted to comply with the GDPR and the ePrivacy Directive. The greatest impact in practice has been on the use of cookies and the integration of third-party services such as fonts, consent management tools, video platforms, maps, and payment services on websites. The TTDSG makes clear that the provisions of the GDPR also apply to websites and apps.

The Bank continues to be a member of the data protection working groups run by the Bundesverband deutscher Banken (BdB – the German Banking Association), the Gesellschaft für Datenschutz und Datensicherheit (GDD – the German Association for Data Protection and Data Security), and industry association Bitkom. These groups discuss current data protection law issues and the implementation of legal requirements in this area.

Information Security

Information security is becoming increasingly critical to Warburg Bank as it continues its the digital transformation process. The Bank defines this area as including not only on its own information, premises, and IT systems, but also those of its clients and service providers. The strategic guidelines contained in the Bank's overarching overall risk strategy and its information security strategy continue to apply in full to handling information security risks.

The threat scenario described in the regular reporting, the BSI's IT Security Situation Report, and the reports published by the European Union Agency for Cybersecurity (ENISA), among other places also apply to Warburg Bank. According to these sources, criminals focus on a large number of extortion scenarios to obtain protection money, hush money, or ransoms. Ransomware attacks are frequently performed by different groups using ransomware services. Falling prices for this crime-as-a-service model suggest that little improvement is in sight, since successful attacks can reach existential proportions for any company affected. In addition, critical weaknesses such as the recent security breach discovered in the Java Log4J component represent a particular challenge, since they demand immediate and far-reaching action.

In November 2021, the Information Security unit was restructured and a new Information Security Officer appointed in order to be able to react appropriately to this development and to future challenges. Upgrading the Bank's information security management system (ISMS) and the existing information risk and emergency management functions are being given top priority. In all cases, the specifications and associated processes are being designed in line with established standards.

National and international financial supervisors also reacted in 2021, drastically increasing the security requirements to be met by IT systems and information risk management. The German financial supervisor BaFin revised its existing Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management) and Bankaufsichtliche Anforderungen an die IT (BAIT – Supervisory Requirements for IT in Financial Institutions). Warburg Bank's information security staff will continue to ensure compliance with, and the appropriate implementation of, these regulatory requirements in the future, too.

EMPLOYEES

The coronavirus pandemic dominated 2021 for M.Warburg & CO's staff, as it had the previous year. The ebb and flow of infection rates determined the level of protective measures necessary in private, in public, and in business environments.

Despite these continuing challenges, M.M.Warburg & CO's employees remained highly resilient and extremely flexible, showing untiring dedication in their work for the Bank. They succeeded in maintaining business operations unimpaired, even though the social aspects of cooperation were frequently missing. Maintaining a true community spirit within a business depends on personal meetings. As in 2020, almost all internal events had to be canceled in 2021: For another year promotion parties, office parties, the Advent carol service, and other events were unable to take place. Increased use of newsletters, e-mails, and video messages replaced this communication to some extent, but it will only be possible to fully revive the culture that has such a lively tradition in a family-owner private bank once the pandemic restrictions have been lifted.

The number of staff employed rose slightly in 2021. In many cases, new colleagues were recruited using web interviews, although a final, face-to-face meeting was always held before a final offer was made.

Number of employees

	M.M.Warburg & CO	The Warburg Group
Dec. 31, 2019	664	952
Dec. 31, 2020	688	962
Dec. 31, 2021	698	985
Increase	10	23
Increase in %	1.45%	2.39%

The average age of the workforce at M.M.Warburg & CO continued to decline slightly between 2020 and 2021, and is now 44.7 years. The average for the private banking sector as a whole according to the employers' association was 45.8 years. The average length of service for MM Warburg & CO staff fell slightly to 11.6 years.

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

	Average age in years	Average length of service in years
Dec. 31, 2019	45.2	13.0
Dec. 31, 2020	45.0	12.0
Dec. 31, 2021	44.7	11.6

The market for qualified specialists is tight. It is not just the banks that are competing with each other for the best staff: IT companies, management consultants, and large accounting and audit firms are also looking to recruit employees with the same qualifications. At the same time, the restrictions imposed as a result of the pandemic have made integrating and retaining new staff more difficult. In this challenging environment, we succeeded in keeping turnover rates at a just about tolerable level.

Turnover rate at M.M.Warburg & CO

	Turnover rate (employee resignations)	Turnover rate (total)
Dec. 31, 2019	8.67%	15.24%
Dec. 31, 2020	5.37%	7.45%
Dec. 31, 2021	7.96%	9.70%

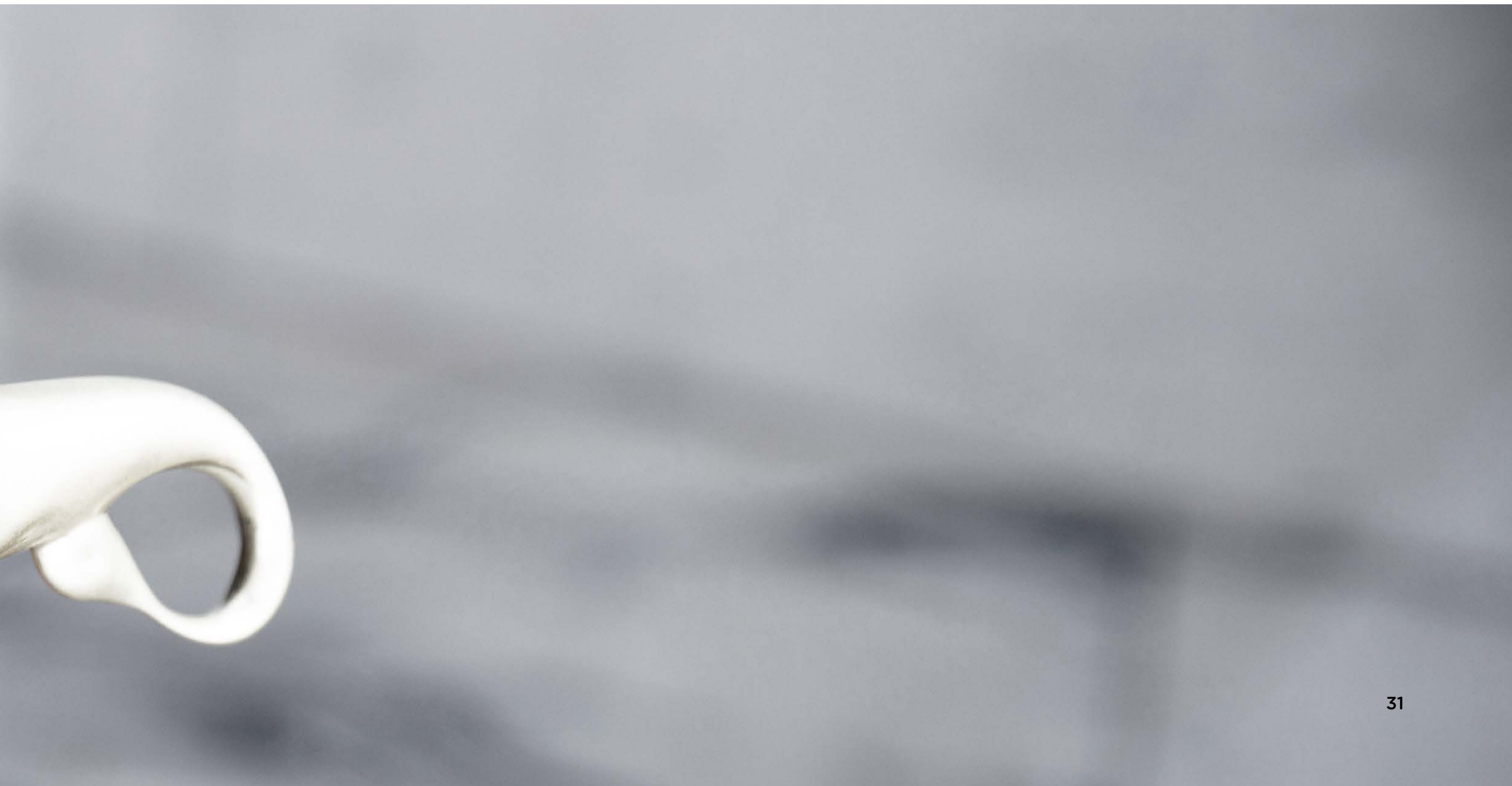
The number of illness-related absences was positive/stable, and at a low level compared to the industry as a whole and to other sectors. This is particularly remarkable given the impact of COVID-19 infections.

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

	Illness-related absences	Illness-related absences excluding long-term illnesses
Dec. 31, 2019	4.65%	3.50%
Dec. 31, 2020	4.06%	2.56%
Dec. 31, 2021	3.95%	2.67%

Training and staff development measures were held almost as normal despite the more difficult conditions caused by the pandemic restrictions. The planned events took place in small groups, via webinars, or using hybrid formats. Internal and external trainers have adapted to the new situation and achieved good results using a wide range of digital technology.

The senior management would like to thank the Bank's staff for their hard work in 2021. The extremely positive cooperation between the employer representatives and the works council members continued, something for which the senior management would like to thank all concerned.




MARCARD, STEIN & CO

MARCARD, STEIN & CO AG

As a family office, Marcard, Stein & Co specializes in providing end-to-end services for owner families. Its core business is providing comprehensive strategic and operational support for clients across all asset classes, offering the full range of family office services. A team of approximately 80 highly specialized employees supplies the considerable expert knowledge needed for this, advising them with exceptional dedication and the greatest possible discretion.

Clients' wishes to safeguard and protect their families are playing a much greater role given the ongoing coronavirus pandemic and current geopolitical crises. This applies not only to health issues but also to risk management and to ensuring they are still able to take decisions and take action in difficult situations. Securing the family strategy, complete with succession planning and professional contingency management, has become more important.

In addition, Marcard, Stein & Co focuses on providing advisory services covering all aspects of strategic asset management and all asset classes such as liquid assets, real estate, and private equity.

Marcard, Stein & Co enjoys a special position in the heterogeneous family office market thanks to its decades of experience and expertise as a partner for wealth holders, and to its banking license. The family office bank is subject to the full range of supervisory and regulatory requirements, ensuring the highest possible process quality and security for its clients. In the year under review, it again used this strategic advantage to maintain its quality leadership and expand its market position.

Marcard, Stein & Co turned in a successful performance in the last fiscal year, significantly lifting both its income and net income. The size of the team was increased to support new family office mandates.

Managing clients' real estate assets is a key aspect of the family office's advisory services. The direct and indirect real estate holdings are managed by a highly experienced, interdisciplinary team of real estate specialists who act as the owners' representatives.

Real estate portfolio management makes basic recommendations on strategic real estate asset allocations across individual regions, types of use, and value added strategies, based on forecasts for the supply and demand situations in question, and on investment market trends. In 2021 as in the past, suitable properties and equity interests in real estate companies were acquired to implement these recommendations. The high prices seen on the residential real estate market in Germany in particular offered an opportunity to sell off certain portions of holdings so as to streamline existing portfolios and lock in gains.

In fiscal year 2021, Marcard, Stein & Co's Equity Investment Management team assisted clients with managing their directly held equity interests in companies. Key tasks performed included monitoring of and reporting on the equity interests and representing clients' interests e.g., on advisory councils or in informal roles.

The investments made in past years in the Private Equity segment have paid off. Marcard, Stein & Co expanded its private equity fund offering in the last fiscal year and consistently acquired attractive investment opportunities. In-house due diligence was positive for six funds, offering Marcard clients on three continents the ability to adopt a number of different investment styles.

Real estate and equity interests are core elements of asset allocation for clients in general. Attractive investments are in increasingly short supply in both asset classes. At the same time, there is now considerably more uncertainty as to whether rising interest rates will lead to a sustained revaluation and market correction in the medium term.

M.M.WARBURG & CO HYPOTHEKENBANK AG

M.M.Warburg & CO Hypothekenbank AG ("Hypothekenbank"), which was founded in 1995, has focused for more than 25 years on long-term real estate finance and its refinancing. Hypothekenbank largely provides custom financing for multipurpose office and retail real estate in Germany's metropolitan regions, with loans ranging between EUR 1.0 million and EUR 10.0 million. Properties in Austria are also financed and used as security for loans in a few exceptional cases.

In the residential real estate area, Hypothekenbank primarily looks to work with long-term investors active in key German centers. Its target clients include commercial investors, institutional investors, and high net worth private clients above and beyond the standardized mass-market business. In order to further diversify its income base, Hypothekenbank has started building a portfolio of short- and medium-term real estate loans plus a modest portfolio of higher-income special transactions. Key focal areas here are client expertise and credit quality, the properties' location quality, and the plausibility of the usage plans. The initial transactions for these portfolios were executed in the past fiscal year. However, volumes remained below expectations in this area.

At EUR 3.4 million, Hypothekenbank's 2021 pre-tax profit was down substantially year-on-year, and in comparison to its forecasts. This was largely due to Hypothekenbank's selective approach to new business, and to the fact that the high income from early repayment penalties seen in 2020 was not repeated to the same extent last year.

Encouragingly, real estate finance transactions reflecting Hypothekenbank's conservative risk profile and yield expectations rose from EUR 1,636 million to EUR 1,657 million. In many cases, client agreements that were up for renewal were prolonged. At EUR 139.3 million, new loan commitments were below the prior-year figure of EUR 171.7 million. The share of Hypothekenbank's loan portfolio accounted for by commercial real estate clearly outstrips the loans extended for residential properties. A large majority of exposures have loan-to-value ratios of less than 60%, underscoring the loan portfolio's high quality. The COVID-19 pandemic did not negatively impact the lending business in the reporting period. There were no exposures that would have had to be assigned to Intensive Care or Resolution and Recovery as of the 2021 year-end.

Pfandbriefe are still the main means of refinancing, making it possible to obtain funding for transactions with matching maturities. Hypothekenbank's refinancing structure was reviewed in 2021 and a funding plan drawn up for the coming years. All in all, refinancing sales jumped year-on-year from EUR 131 million to EUR 183 million. Hypothekenbank was able to meet all its refinancing requirements in full.

M.M.Warburg & CO has a 60% equity interest in M.M.Warburg & CO Hypothekenbank AG, making the latter part of the Warburg Banking Group. Landeskrankenhilfe VVaG, which owns 40% of M.M.Warburg & CO Hypothekenbank AG, is a private health insurance scheme that is based in Lüneburg. The mutual insurance association, which was founded in 1926, does not belong to the Group and is one of the major and most prestigious organizations in its sector, with approximately 400,000 insurees.

A number of management changes took place at Hypothekenbank in 2021. Thomas Buer, who had been a member of the management board since the bank was founded in 1995 retired with effect from July 31. The partners would like to thank him for his achievements. He was succeeded on August 1 by Andreas Rehfus. Joachim Olearius stepped down as chairman of Hypothekenbank's supervisory board as of October 13. He was succeeded with effect from October 14 by Manuela Better.

REPORT OF THE SUPERVISORY BOARD OF M.M.WARBURG & CO (AG & CO.) KGAA

During fiscal year 2021, the Supervisory Board advised, monitored, and oversaw senior management on an ongoing basis, and satisfied itself at all times that the Executive Board's work was performed in a legally correct and due and proper manner, and that it was fit for purpose. The senior managers of M.M.Warburg & CO are also the members of the executive board of the personally liable partner, M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft.

Matthias Schellenberg resigned as a member of the senior management as of June 10, 2021, Dr. Peter Rentrop-Schmid as of July 5, 2021, and Joachim Olearius as of September 30, 2021. The Supervisory Board would like to thank all three former members of the senior management for their constructive work and close cooperation. Effective July 5, 2021, the Supervisory Board welcomed Manuela Better, an experienced risk and back office manager, as a new senior manager on an equal footing with Patrick Tessmann. The position of Spokesman for the Partners has been abolished. At the same time, the departmental responsibilities were reassigned. The Supervisory Board is looking forward to working together closely and successfully with the senior management team.

The Supervisory Board held seven quorate meetings in fiscal year 2021 – four ordinary meetings and three extraordinary ones. All members of the Supervisory Board and the senior management took part in all meetings, either in person or by phone.

The Supervisory Board was informed in a timely manner and comprehensively, both in writing and orally, of all questions relating to strategy, planning, business development, internal control mechanisms and internal audit reports, the risk situation, risk control, risk management measures, and compliance that were relevant to M.M.Warburg & CO and the Financial Holding Group. This applied throughout the entire fiscal year, both in all meetings and on an ongoing basis between them. The information provided included deviations between actual figures and projections, and the planned course of business. In this context, the members of the Supervisory Board had ample opportunity to critically review the reports and proposed resolutions submitted by the senior management, and to make their own suggestions. In the meetings, the members of the Supervisory Board discussed in detail all transactions that were material to the company, the company's goals, the risk situation, liquidity planning, and the equity situation, and the reports and explanations provided by senior management. Plausibility checks were also performed. In addition, the changes to and requirements of the regulatory environment were discussed at length by the Supervisory Board. The court cases pending in relation to the cum-ex affair required the entire Supervisory Board's particular attention.

The Supervisory Board approved individual transactions to the extent that this was required by law, the articles of association, or the rules of procedure for senior management.

In the Supervisory Board's opinion, the senior managers therefore fully discharged their duties to report and provide information to the Supervisory Board.

Regular checks for potential conflicts of interest are made when preparing decisions to be taken by the Supervisory Board. These also include an internal procedure for reviewing certain related party transactions. No conflicts of interest on the part of senior management or Supervisory Board members were identified in the past fiscal year.

The term of office of all three Supervisory Board members under the articles of association ends at the end of the General Meeting in 2023. However, the Chairman of the Supervisory Board resigned as of January 31, 2022, ahead of the end of his term of office. Dr. Reiner Brüggestrat was recruited as a new member of the Supervisory Board, and also took over as Chairman.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Hamburg, which was elected as the auditors of the financial statements by the 2020 General Meeting, audited the annual financial statements prepared by the senior managers and the management report of M.M. Warburg & CO as of December 31, 2021, and issued both of them with an unqualified audit opinion.

The financial statements documents and the audit reports for fiscal year 2021 were discussed in detail in the Supervisory Board meeting on June 27, 2022. The representatives of the auditors took part in the meeting, where they reported on the key findings of their audit and were available to provide supplementary information. No objections were raised to the findings of the audit of the annual financial statements and the combined management report. The Supervisory Board concurred with the findings of the audit by the auditors and approved the annual financial statements for fiscal year 2021 prepared by the senior managers.

The Supervisory Board wishes to thank the senior managers and all M.M.Warburg & CO employees for their achievements in fiscal year 2021.

Hamburg, June 27, 2022

The Supervisory Board
– *Chairman* –


M.M.WARBURG&CO
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CONDENSED ANNUAL FINANCIAL STATEMENTS OF M.M.WARBURG & CO (AG & CO.) KGAA AS OF DECEMBER 31, 2021

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

Assets	EUR	EUR	EUR	Dec. 31, 2021 EUR	Dec. 31, 2020 EUR
1. Cash reserve					
a) Cash-in-hand			2,007,275.74		1,895,613.25
b) Central bank balances			43,686,547.27		1,168,054,336.43
of which: with Deutsche Bundesbank	43,686,547.27				(1,168,054,336.43)
				45,693,823.01	1,169,949,949.68
2. Loans and advances to other banks					
a) Payable on demand			1,073,316,200.34		85,440,173.97
b) Other			8,422,099.26		59,935,043.30
				1,081,738,299.60	145,375,217.27
3. Loans and advances to customers				822,004,253.63	1,096,026,549.18
of which:					
secured by mortgages	170,651,775.46				(256,970,245.29)
Public-sector loans	32,253,869.00				(32,352,649.15)
4. Bonds and other fixed-income securities					
a) Money market securities					
aa) public-sector issuers		0.00			0.00
of which:					
eligible as collateral for Deutsche Bundesbank advances	0.00				(0.00)
ab) other issuers		0.00			0.00
of which:					
eligible as collateral for Deutsche Bundesbank advances	0.00				(0.00)
			0.00		
b) Bonds and notes					
ba) public-sector issuers		604,002,430.06			669,005,197.57
of which: eligible as collateral for Deutsche Bundesbank advances	604,002,430.06				(669,005,197.57)
bb) other issuers		927,211,104.17			938,733,951.96
of which: eligible as collateral for Deutsche Bundesbank advances	890,076,926.98				(902,888,056.28)
			1,531,213,534.23		
c) Own bonds and notes			0.00		0.00
at par	0.00				(0.00)
				1,531,213,534.23	1,607,739,149.53
5. Equities and other variable-rate securities				18,520,446.88	27,394,101.11
6a. Trading portfolio				69,097,148.74	50,670,891.99
7. Shares in other investees and investors				53,810,129.23	54,580,982.87
of which:					
in banks	18,100,404.46				(17,530,187.60)
in financial services institutions	56,946.49				(56,946.49)
8. Shares in affiliated companies				72,566,511.82	88,974,645.77
of which:					
in banks	40,054,450.15				(55,705,451.37)
in financial services institutions	0.00				(0.00)
9. Fiduciary assets				443,276,144.58	608,772,687.02
of which: fiduciary loans	0.00				(0.00)
10. Intangible fixed assets					
a) Internally generated industrial rights and similar rights and assets			0.00		0.00
b) Purchased concessions, industrial rights and similar rights and assets, and licenses in such rights and assets			875,144.00		810,434.57
c) Goodwill			0.00		0.00
d) Prepayments			7,769,404.69		2,544,083.27
				8,644,548.69	3,354,517.84
11. Tangible fixed assets				90,207,938.57	198,206,758.58
12. Other assets				100,859,791.90	127,560,197.31
13. Prepaid expenses				1,246,897.19	1,344,995.74
14. Deferred tax assets				0.00	0.00
15. Excess of plan assets over pension liability				0.00	0.00
16. Deficit not covered by equity				0.00	0.00
			Total assets	4,338,879,468.07	5,179,950,643.89

Equity and liabilities	EUR	EUR	EUR	Dec. 31, 2021 EUR	Dec. 31, 2020 EUR
1. Liabilities to other banks					
a) Payable on demand			83,226,344.00		71,290,959.52
b) With agreed maturities or periods of notice			106,359,674.09		614,864,286.21
				189,586,018.09	686,155,245.73
2. Liabilities to customers					
a) Savings deposits					
aa) with agreed periods of notice of three months		22,144,795.19			25,284,007.02
ab) with agreed periods of notice of more than three months		3,946,235.78			4,720,634.27
			26,091,030.97		30,004,641.29
b) Other liabilities					
ba) payable on demand		2,754,994,937.43			2,608,872,464.41
bb) with agreed maturities or periods of notice		413,955,554.97			697,360,190.72
			3,168,950,492.40		3,306,232,655.13
				3,195,041,523.37	3,336,237,296.42
3. Certificated liabilities					
a) Bonds issued			0.00		0.00
b) Other certificated liabilities			0.00		0.00
				0.00	0.00
of which: money market securities	0.00				
own acceptances and promissory notes outstanding	0.00				
4. Trading portfolio				40,481,362.17	51,664,459.10
5. Fiduciary liabilities				443,276,144.58	608,772,687.02
of which: fiduciary loans	0.00				
6. Other liabilities				37,295,309.94	70,474,777.55
7. Prepaid expenses				15,260,490.60	8,403,916.45
8. Deferred tax liabilities				0.00	0.00
9. Provisions					
a) Provisions for pensions and similar obligations			39,521,799.00		38,129,543.00
b) Provisions for taxes			0.00		0.00
c) Other provisions			15,981,494.95		12,736,764.51
				55,503,293.95	50,866,307.51
10. Subordinated liabilities				98,500,000.00	103,500,000.00
11. Profit participation capital				0.00	0.00
of which: maturing in less than two years	0.00				(0.00)
12. Fund for general banking risks				3,849,290.71	3,849,290.71
of which special reserve (HGB s. 340e)	3,849,290.71				(3,849,290.71)
13. Equity					
a) Subscribed capital			125,000,000.00		125,000,000.00
b) Capital reserves			135,000,000.00		135,000,000.00
c) Revenue reserves					
ca) legal reserve		0.00			0.00
cb) reserve for treasury shares		0.00			0.00
cc) reserve for shares in a parent		0.00			0.00
or majority investor					0.00
cd) other revenue reserves		0.00	0.00		
d) Net retained profits			86,034.66		26,663.40
				260,086,034.66	260,026,663.40
			Total equity and liabilities	4,338,879,468.07	5,179,950,643.89

	EUR	Dec. 31, 2021 EUR	Dec. 31, 2020 EUR
1. Contingent liabilities			
a) Contingent liabilities on endorsed bills settled with customers	0.00		0.00
b) Liabilities from guarantees and indemnities	24,539,968.12		32,566,258.13
c) Liabilities from the granting of security for third-party liabilities	0.00		0.00
		24,539,968.12	32,566,258.13
2. Other commitments			
a) Repurchase agreements under sales with an obligation to repurchase	0.00		0.00
b) Placement and underwriting commitments	0.00		0.00
c) Irrevocable loan commitments	111,691,765.61		151,971,224.24
		111,691,765.61	151,971,224.24

Expenses	EUR	EUR	EUR	Dec. 31, 2021 EUR	Dec. 31, 2020 EUR
1. Interest expense			15,829,900.64		18,752,773.05
less positive interest			−17,229,508.04		−11,888,798.02
				−1,399,607.40	6,863,975.03
2. Fee and commission expense				8,933,752.62	7,171,674.87
3. Net trading expense				0.00	0.00
4. General and administrative expenses					
a) Personnel expenses					
aa) wages and salaries		60,906,879.30			54,254,038.46
ab) social security, post-employment, and other employee benefit expenses		11,498,785.30	72,405,664.60		10,263,542.45
					64,517,580.91
of which: post-employment benefit expenses	3,404,230.93				(2,325,568.20)
b) Other administrative expenses			67,006,418.33		60,255,458.58
				139,412,082.93	124,773,039.49
5. Amortization and writedowns of intangible fixed assets and depreciation and writedowns of tangible fixed assets				11,230,278.34	11,535,099.22
6. Other operating expenses				33,876,558.93	20,954,491.51
7. Writedowns of and allowances on loans and advances and certain securities, and additions to loan loss provisions				0.00	23,955,326.47
8. Addition to the fund for general banking risks				0.00	0.00
9. Writedowns of and allowances on shares in other investees and investors, shares in affiliated companies, and securities classified as fixed assets				11,584,204.11	644,075.74
10. Cost of loss absorption				0.00	0.00
11. Extraordinary expenses				0.00	0.00
12. Taxes on income				0.00	0.00
13. Other taxes not included in Other operating expenses				5,011.00	7,484.18
14. Profit transferred under profit pooling, profit and loss transfer agreements, or partial profit transfer agreements				0.00	7,447,800.00
15. Net income for the year				59,371.26	0.00
			Total expenses	203,701,651.79	203,352,966.51

Income	EUR	EUR	Dec. 31, 2021 EUR	Dec. 31, 2020 EUR
1. Interest income from				
a) Lending and money market operations	37,579,400.64			44,536,248.62
less negative interest	−8,389,248.37			−5,905,216.40
		29,190,152.27		38,631,032.22
b) Fixed-income securities and registered government debt	−2,898,149.24			−354,380.84
less negative interest	0.00			0.00
		−2,898,149.24		−354,380.84
			26,292,003.03	38,276,651.38
2. Current income from				
a) Equities and other variable-rate securities		180,628.83		948,313.04
b) Shares in other investees and investors		3,157,326.13		3,568,223.47
c) Shares in affiliated companies		2,618,000.00		3,909,000.00
			5,955,954.96	8,425,536.51
3. Income from profit pooling, profit transfer, or partial profit transfer agreements			4,958,177.88	3,496,154.98
4. Fee and commission income			105,337,297.57	100,185,280.18
5. Net trading income			6,710,005.72	6,616,955.01
6. Income from the reversal of writedowns of and allowances on loans and advances and certain securities, and from the reversal of loan loss provisions			3,574,665.66	0.00
7. Withdrawals from the fund for general banking risks			0.00	1,850,000.00
8. Income from the reversal of writedowns of and allowances on shares in other investees and investors, shares in affiliated companies, and securities classified as fixed assets			0.00	0.00
9. Other operating income			50,873,546.97	29,098,966.83
10. Extraordinary income			0.00	403,421.62
11. Income from loss absorption			0.00	0.00
12. Net loss for the year			0.00	15,000,000.00
		Total income	203,701,651.79	203,352,966.51

	EUR	Dec. 31, 2021 EUR	Dec. 31, 2020 EUR
1. Net income/net loss for the year		59,371.26	−15,000,000.00
2. Retained profits/accumulated losses brought forward from previous year		26,663.40	26,663.40
		86,034.66	−14,973,336.60
3. Withdrawals from capital reserves		0.00	0.00
		86,034.66	−14,973,336.60
4. Withdrawals from revenue reserves			
a) from the legal reserve	0.00		0.00
b) from the reserve for shares in a parent or majority investor	0.00		0.00
c) from reserves provided for by the articles of association	0.00		0.00
d) from other revenue reserves	0.00	0.00	15,000,000.00
		86,034.66	26,663.40
5. Withdrawals from profit participation capital		0.00	0.00
		86,034.66	26,663.40
6. Transfers to revenue reserves			
a) to the legal reserve	0.00		0.00
b) to the reserve for shares in a parent or majority investor	0.00		0.00
c) to reserves provided for by the articles of association	0.00		0.00
d) to other revenue reserves	0.00	0.00	0.00
		86,034.66	26,663.40
7. Replenishment of profit participation capital		0.00	0.00
8. Net retained profits/net accumulated losses		86,034.66	26,663.40

NOTES TO THE FINANCIAL STATEMENTS

GENERAL DISCLOSURES

1. Basis of preparation

M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien ("M.M.Warburg & CO"), which is domiciled in Hamburg, is entered in the commercial register of the Local Court in Hamburg under the number HRB 84168.
The annual financial statements of the Company for fiscal year 2021 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

As part of the process of retiring its core banking system, MBS, the Bank switched the method used to post securities transactions from the value date to the trade date. In other words, securities transactions are recognized in the financial statements directly on the trade date. The resulting effects (> EUR 100) ("balance sheet extension") can be broken down as follows:

Item	Amount in EUR thou.
Receivable/Bank/abroad	699
Receivable/Bank/Germany	5,254
Receivable/client/abroad	1,989
Receivable/client/Germany	3,164
Liability/Bank/abroad	508
Liability/Bank/Germany	3,189
Liability/client/abroad	2,338
Liability/client/Germany	5,020

2. Receivables

Loans and advances to other banks and to customers are recognized at their nominal amount or at cost and reduced by valuation allowances if necessary. Any differences between the nominal amount and the amount paid out that are similar in nature to interest are reported under prepaid expenses or deferred income (see notes 7 and 10).

3. Securities

Bonds and other fixed-income securities and equities and other variable-rate securities intended to be held for the long term are accounted for as long-term financial assets. Certain portfolios are accounted for under section 253(3) sentence 5 of the HGB; the option in accordance with section 253(3) sentence 6 of the HGB has been exercised in the case of securities accounted for as long-term financial assets that are assigned to other portfolios. Expenses from writedowns of certain securities are offset against income from reversals of such writedowns in accordance with section 340c(2) of the HGB. See note 15 for information on the accounting treatment of securities held that are included in hedges.
Bonds and other fixed-income securities and equities and other variable-rate securities that are neither intended to serve business operations for the long term nor allocated to the trading portfolio are accounted for as current assets and recognized at the lower of cost or quoted market price or fair value using the strict principle of lower of cost or market value in accordance with section 340e(1) sentence 2 of the HGB in conjunction with section 253(1) and (4) of the HGB. Writedowns are reversed in accordance with the requirement to reverse writedowns under section 253(5) of the HGB.
The measurement of bonds and other fixed-income securities and equities and other variable rate securities that are held for trading is described in the "Trading portfolio" section below.

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

4. Trading portfolio

The definition of the trading portfolio is based on point (85) of Article 4 of the Capital Requirements Regulation (CRR). This defines "positions held with trading intent" as follows:

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

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

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

In accordance with the provisions of section 340e(4) sentence 1 of the HGB, 10% of net trading income must be transferred to the "fund for general banking risks" special reserve in accordance with section 340g of the HGB. Reversals of the special reserve may only be made under the conditions specified in section 340e(4) sentence 2 of the HGB. No reversal was made in the past fiscal year. The previous year saw a reversal of EUR 60 thousand.

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

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

6. Tangible and intangible fixed assets

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

7. Prepaid expenses

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

8. Other assets

The other assets not mentioned here are measured at the lower of cost or market. The Bank has not exercised the option to recognize deferred taxes set out in section 274(1) sentence 2 of the HGB.

9. Liabilities

Liabilities are recognized at their settlement or nominal amount.

10. Deferred income

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

11. Provisions

All provisions for pensions and similar obligations are measured at the settlement amount calculated using the projected unit credit method on the basis of biometric probabilities in accordance with the 2018 G mortality tables published by Klaus Heubeck, which were revised in 2018. Provisions for pensions and similar obligations are discounted using the average market rate of interest for the past 10 fiscal years, assuming a general remaining maturity of 15 years, published by the Deutsche Bundesbank (section 253(2) of the HGB).
The option not to recognize a liability in the case of pension commitments within the meaning of article 28(1) of the Einführungsgesetz zum Handelsgesetzbuch (EGHGB – Introductory Act to the German Commercial Code) was exercised.
Other provisions that are provisions for uncertain obligations or for expected losses from executory contracts are recognized in compliance with section 253(1) of the HGB at the required settlement amount, taking account of expected future price and cost increases in accordance with the principles of prudent business judgment. Material provisions with a remaining maturity of more than one year are discounted at the average market rate of interest for the past seven fiscal years corresponding to their maturity, as calculated and published by the Deutsche Bundesbank.

12. Loan loss provisions

Loan loss provisions comprise valuation allowances and provisions for all identifiable credit and country risks and for inherent default risks, plus the provision for general banking risks. The size of the loan loss provisions for individual counterparty credit risk exposures is based on the difference between the carrying amount of the receivables and the probable recoverable amount.
Global valuation allowances are recognized to reflect inherent credit risks. The way in which these are calculated was modified in 2019 in preparation for IDW RS BFA 7 and is based on the loss that can be expected within a period of one year as a result of the failure to comply with contractual capital and interest obligations in the originally agreed amount or at the originally agreed time (12-month expected loss); gains from the realization of loan collateral received are taken into account during the calculation. A global valuation allowance in the amount of EUR 1.9 million was reversed in the past fiscal year. Reversals of the global valuation allowances in the previous year totaled EUR 3.9 million.

13. Currency translation

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

14. Fair value

The fair value of financial instruments is normally measured on the basis of quoted prices in an active market (marking to market). If no such prices are available, the Bank examines the extent to which prices can be obtained from business partners or price agencies, or observable market data can be used (marking to matrix). If this is not possible, suitable models are used to measure fair value (marking to model).
The amount, timing, and probability of future cash flows from derivatives are subject to uncertainties that have a corresponding effect on their fair value. The key determinants in this respect are:

- Future trends affecting market prices, especially interest rates, exchange rates, and share prices,
- The volatility of those prices, and
- Counterparty default risk.

15. Hedge accounting

Hedged items (assets) are combined with hedging instruments to hedge offsetting changes in fair value 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 are offset. The net hedge presentation method is used to present the hedged portion.

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

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

17. Negative interest income and expense

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

NOTES TO THE BALANCE SHEET

18. Loans and advances to other banks

Loans and advances to other banks	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Payable on demand	1,073,316	85,440
thereof to affiliated companies	6,752	6,079
thereof to other investees and investors	0	0

Other loans and advances to other banks	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
With residual terms of		
a) up to three months	8,072	8,585
b) more than three months to one year	350	51,350
c) more than one year to five years	0	0
d) more than five years	0	0
Total	8,422	59,935
thereof to affiliated companies	1,334	2,436
thereof to other investees and investors	0	0
thereof subordinated	0	0

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

19. Loans and advances to customers

Loans and advances to customers	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
With residual terms of		
a) up to three months	304,553	422,166
b) more than three months to one year	185,893	129,918
c) more than one year to five years	279,846	422,230
d) more than five years	51,713	121,713
Total	822,004	1,096,027
thereof undated	216,529	283,979
thereof to affiliated companies	16,459	165
thereof to other investees and investors (subordinated)	6,276	6,276
thereof subordinated	7,456	2,164

The Bank's portfolio of shipping and marine loans, which is diversified in terms of the types of ship involved, amounted to EUR 140.3 million including open-ended committed credit lines to third parties (previous year: EUR 305.3 million).
As in the previous year, there were no repurchase agreements as of the balance sheet date.

20. Bonds and other fixed-income securities

Bonds and other fixed-income securities	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Due in the following year	146,590	180,527
Issued by affiliated companies	11,064	14,758
Listed	1,446,439	1,538,700
Unlisted	84,775	69,039
Subordinated	0	0

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

	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.	Change
Carrying amount	1,461,627	1,441,649	19,978

Of these holdings, securities with a carrying amount of EUR 950,628 thousand (EUR 933,821 thousand) were hedged (see note 28). With respect to the remaining holdings in the amount of EUR 510,988 thousand (EUR 507,828 thousand), the volume of writedowns to the lower market value that were avoided totaled EUR 3,263 thousand (EUR 56 thousand). No writedowns were performed since the impairment is not permanent.

21. Equities and other variable-rate securities

Equities and other variable-rate securities	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Subordinated (not marketable)	2,400	2,400
Listed	0	0
Marketable but unlisted	69	18,808

The Bank holds investment fund units accounting for more than 10% of the units in circulation with a carrying amount of EUR 15,239 thousand (EUR 19,205 thousand); this corresponds to the fair value. Of this amount, EUR 0 thousand (EUR 13,779 thousand) can be redeemed giving 30 days' notice. The other units held for sale in the amount of EUR 15,239 thousand (EUR 5,426 thousand) can be returned to the asset management company at the end of the term involved (10 to 16 years). The investment funds are invested in equity interests in companies and did not make any distributions in 2021.
The following overview shows the changes in the carrying amounts of equities and other variable-rate securities accounted for as long-term financial assets; amounts have been aggregated as permitted by section 34(3) of the RechKredV.

	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.	Change
Carrying amount	2,401	2,401	0

22. Trading portfolio assets

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

Trading portfolio Assets	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Derivative financial instruments	62,225	43,891
Bonds and other fixed-income securities	6	6
Equities and other variable-rate securities	5,671	5,164
Other assets	1,394	1,851
Value at risk (VaR)	–198	–241
Total	69,097	50,671

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

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

Balance sheet items	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.	Change EUR thou.
Shares in other investees and investors	53,810	54,581	–771
Shares in affiliated companies	72,567	88,975	–16,408

The decrease in the holdings largely relates to the sale of one equity interest and to impairment losses charged on shares in affiliated companies.

As of December 31, 2021, M.M.Warburg & CO had no listed shares in other investees and investors or shares in affiliated companies. This also applied to the prior year.
The following table gives a breakdown of the marketable shares contained in the balance sheet items specified.

Balance sheet items	Unlisted	
	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Shares in other investees and investors	20,000	20,000
	0	
Shares in affiliated companies	40,054	55,705

24. Fiduciary assets

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

Fiduciary assets	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Loans and advances to customers	0	0
Shares in other investees and investors	50	2,676
Other assets	443,226	606,097

25. Intangible and tangible fixed assets

Statement of changes in fixed assets EUR thou.	Purchased concessions	Prepayments	Intangible fixed assets	Tangible fixed assets
Historical cost Jan. 1, 2021	**35,083**	**2,543**	**37,626**	**265,404**
Additions	615	5,229	5,844	2,072
Disposals	0	0	0	155,895
Transfers	0	0	0	0
Exchange rate changes	0	0	0	8,538
Historical cost Dec. 31, 2021	**35,698**	**7,772**	**43,470**	**120,119**
Cumulative depreciation, amortization, and write-downs as of Jan. 1, 2021	**34,268**	**0**	**34,268**	**67,197**
Depreciation and amortization	554	3	557	10,676
Disposals	0	0	0	48,167
Reversals of writedowns	0	0	0	0
Exchange rate changes	0	0	0	205
Cumulative depreciation, amortization, and write-downs as of Dec. 31, 2021	**34,822**	**3**	**34,825**	**29,911**
Carrying amounts on Dec. 31, 2021	**876**	**7,769**	**8,645**	**90,208**
Carrying amounts on Dec. 31, 2020	**812**	**2,543**	**3,355**	**198,207**

No owner-occupied land and buildings were held as of the reporting date (EUR 0 thousand).
Three maritime vessels (previous year: seven maritime vessels) were recognized in the amount of EUR 83,124 thousand (previous year: EUR 190,953 thousand). The vessels are operated on behalf of the Bank by third parties with experience of the business. EUR 7,078 thousand (EUR 7,254 thousand) relates to operating and office equipment.

26. Other assets

Other assets include collateral relating to executory contracts in the amount of EUR 35,470 thousand (EUR 49,795 thousand). USD cash collateral worth the equivalent of EUR 22,058 thousand (EUR 20,357 thousand) was furnished as security for contingent repurchase agreements. Current tax receivables were recognized in the amount of EUR 1,869 thousand (EUR 2,801 thousand). Receivables relating to allocation account balances due from affiliated companies and other investees and investors amounted to EUR 7,576 thousand (EUR 7,405 thousand). The remaining amounts disclosed here (EUR 33,887 thousand; previous year EUR 47,202 thousand) primarily relate to receivables for services rendered but not yet invoiced.

27. Hedge accounting

Hedges are used to mitigate exposure to interest rate risk.

The critical terms match method is used for prospective testing of the effectiveness of hedging relationships over the entire remaining term; retrospective effectiveness testing is performed by comparing the remeasurement results for the hedged items and the hedging instruments. Ineffectiveness in hedging relationships between the hedged items and the hedging instrument resulting from unhedged risks was accounted for using the imparity principle.

Bonds classified as fixed assets in the nominal amount of EUR 923,200 thousand (EUR 908,200 thousand) were measured using interest rate swaps in the corresponding amounts over the remaining term of the hedged item as part of microhedges. The hedged risks amounted to EUR 6,841 thousand (EUR 7,447 thousand). Positive changes in the fair value of the hedged items are offset by negative changes in the fair value of the hedging instruments for hedged risks. In the previous year, negative changes in the value of the hedged items were offset by the changes in the value of the hedging instruments.

The critical terms match method is used to document the fact that the offsetting changes over the time of the individual hedges (time to maturity of the hedged item) will probably match in future.

Writedowns to the lower market value resulting from unhedged risks were avoided in the total amount of EUR 3.5 million (EUR 0.7 million). No writedowns were performed since the impairment is not permanent.

28. Reclassifications

As in the previous year, there were no reclassifications in fiscal year 2021.

29. Assets denominated in foreign currencies

Total assets denominated in foreign currencies amounted to EUR 404,738 thousand (EUR 450,023 thousand).

30. Liabilities to other banks

Liabilities to other banks	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Payable on demand	83,226	71,291
thereof to affiliated companies	62,561	48,324
thereof to other investees and investors	1	1

Liabilities to other banks	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
With residual terms of		
a) up to three months	4,733	10,290
b) more than three months to one year	1,286	1,900
c) more than one year to five years	93,343	592,980
d) more than five years	6,997	9,694
Total	106,360	614,864
thereof to affiliated companies	0	255
thereof to other investees and investors	0	0

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

31. Liabilities to customers

Savings deposits	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
With residual terms of		
a) up to three months	345	429
b) more than three months to one year	2,640	3,049
c) more than one year to five years	962	1,237
d) more than five years	0	6
Total	3,946	4,721

Liabilities to customers	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Payable on demand	2,754,995	2,608,872
thereof to affiliated companies	30,403	119,659
thereof to other investees and investors	13,128	10,605

Other liabilities to customers	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
With residual terms of		
a) up to three months	118,381	255,646
b) more than three months to one year	167,263	230,701
c) more than one year to five years	128,312	201,013
d) more than five years	0	10,000
Total	413,956	697,360
thereof to affiliated companies	5,501	5,500
thereof to other investees and investors	0	0

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

32. Trading portfolio liabilities

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

Trading portfolio Liabilities	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Derivative financial instruments	38,388	50,097
Liabilities	2,093	1,567
Total	40,481	51,664

33. Fiduciary liabilities

Fiduciary liabilities	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Liabilities to other banks	0	0
Other liabilities	443,276	608,773
Total	443,276	608,773

The items reported under Other liabilities are primarily due to the acquisition of investment funds in accordance with the provisions of section 100(1) and (2) of the KAGB.

34. Other liabilities

Other liabilities include collateral held by third parties in the amount of EUR 6,779 thousand (EUR 23,840 thousand). Further liabilities to affiliated companies and other investees and investors, which primarily relate to collateral received, amounted to EUR 12,912 thousand (EUR 22,600 thousand). Liabilities to the German tax authorities amounted to EUR 7,453 thousand (EUR 7,684 thousand).

35. Deferred income

Deferred income within the meaning of section 340e (2) of the HGB amounted to EUR 11 thousand (EUR 13 thousand).

36. Provisions

Pensions and similar obligations

The principal assumptions applied as of December 31, 2021, are as follows:

Discount rate p.a.	1.87%
Defined benefit trend (e.g., salary) p.a.	1.50%
Trend in income threshold for contribution assessment p.a.	1.50%
Pension trend p.a.	2.00%
Average staff turnover	2.18%

In the case of provisions for pensions and similar obligations, the difference between the carrying amount of the provisions using the average market rate for the past ten fiscal years and the average market rate for the past seven fiscal years must be calculated in each fiscal year (section 253(6) sentence 1 of the HGB). The resulting difference of EUR 2,200 thousand (EUR 2,851 thousand) is subject to a restriction on distribution in accordance with section 253(6) sentence 2 of the HGB. However, according to the circular from the Federal Finance Ministry dated December 23, 2016, this difference is not subject to a restriction on profit transfer. The option not to recognize a liability in the case of pension commitments within the meaning of article 28(1) of the EGHGB was exercised. A pension trend of 1.0% was assumed for the calculations. The present value of the obligations amounted to EUR 214 thousand (EUR 224 thousand). The difference between the two settlement amounts was EUR 2 thousand (EUR 3 thousand). The Bank has been indemnified internally against all obligations under this pension commitment as a result of contractual obligations entered into by a third party.

Other provisions

Of the reported amount of EUR 15,981 thousand (EUR 12,737 thousand), EUR 7,270 thousand (EUR 3,358 thousand) was attributable to provisions for outstanding invoices, EUR 3,750 thousand (EUR 1,793 thousand) to variable employee remuneration, EUR 1,365 thousand (EUR 1,153 thousand) to provisions for partial retirement and anniversaries, EUR 1,307 thousand (EUR 1,362 thousand) to provisions for vacation pay and overtime, EUR 987 thousand (EUR 1,441 thousand) to provisions for litigation risk, and EUR 242 thousand (EUR 658 thousand) to loan loss provisions.

The Other provisions item was modified as follows following the original preparation of the annual financial statements on May 31, 2022: The provision previously recognized was reviewed due to an audit opinion by the tax office originating from the ongoing tax audit in relation to cum/cum transactions by the Ayn Euro Fund for fiscal years 2011/2012 to 2013/2014 that was passed on to the Bank in its capacity as the custodian bank on June 14, 2022. The provision was reversed since the Bank now believes that it has recoverable and enforceable claims for restitution. Conversely, potential internal recourse risks between Warburg Bank and the investor were taken into account by recognizing a provision. This procedure also applies in the same amount to the Other operating expenses item in the income statement. The issue does not have any material impact on either the balance sheet or the income statement.

37. Subordinated liabilities

The subordinated liabilities totaling EUR 98,500 thousand (EUR 103,500 thousand) can be broken down by maturity as follows:

Amount in EUR thou.	Currency	%	Maturity	Early repayment obligation
6,000,000	EUR	4.00	Oct. 13, 2025	Not possible
5,000,000	EUR	4.00	Oct. 13, 2025	Not possible
1,000,000	EUR	4.00	Oct. 12, 2026	Not possible
6,000,000	EUR	3.50	Jan. 12, 2027	Not possible
4,000,000	EUR	3.50	Jan. 17, 2027	Not possible
3,000,000	EUR	3.50	Jan. 24, 2027	Not possible
1,000,000	EUR	3.50	Feb. 28, 2027	Not possible
5,000,000	EUR	4.10	Oct. 12, 2027	Not possible
5,000,000	EUR	4.13	Dec. 13, 2027	Not possible
3,000,000	EUR	4.15	Dec. 13, 2028	Not possible
5,000,000	EUR	4.25	Oct. 12, 2029	Not possible
3,000,000	EUR	4.40	Oct. 15, 2030	Not possible
3,000,000	EUR	4.40	Oct. 15, 2030	Not possible
5,000,000	EUR	4.25	Nov. 4, 2030	Not possible
5,000,000	EUR	4.30	Nov. 11, 2030	Not possible
5,000,000	EUR	4.50	Mar. 19, 2031	Not possible
10,000,000	EUR	5.50	n.a.	Not possible
2,500,000	EUR	5.50	n.a.	Not possible
5,000,000	EUR	5.50	n.a.	Not possible
10,000,000	EUR	5.50	n.a.	Not possible
5,000,000	EUR	5.50	n.a.	Not possible
1,000,000	EUR	5.50	n.a.	Not possible

Interest expenses totaling EUR 5,002 thousand (EUR 4,864 thousand) were incurred for subordinated liabilities in the reporting period.
Subordinated promissory note loans were recognized in the amount of EUR 65,000 thousand (EUR 70,000 thousand). The terms and conditions for these comply with the provisions of Article 62 in conjunction with Article 63 of the CRR. No conversion into capital or another form of debt has been agreed.
The total includes registered bonds in the amount of EUR 33,500 thousand that have been recognized for supervisory purposes as additional Tier 1 capital (AT1). The instruments can be called by the issuer for the first time in October 2022 and every five years thereafter, after obtaining the approval of the competent supervisory authority. If a trigger event occurs, the nominal amount or the repayment amount will be written down.

38. Equity

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

Changes in subscribed capital

The subscribed and fully paid-up share capital of M.M.Warburg & CO is held in full by M.M.Warburg & CO Gruppe GmbH.
The subscribed capital remained unchanged as against the previous year; it is composed of 125,000 no-par value registered shares and continues to amount to EUR 125,000 thousand.
Shares issued by M.M.Warburg & CO were not accepted as security, acquired, or disposed of either by the Company itself or by any of its affiliated companies.
No resolution to create authorized capital was passed in the fiscal year.

Changes in capital reserves

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

Changes in revenue reserves

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

39. Liabilities denominated in foreign currencies

Liabilities denominated in foreign currencies amounted to EUR 697,266 thousand (EUR 432,563 thousand).

40. Collateral pledged

As of the reporting date, securities in the amount of EUR 388,607 thousand (EUR 736,781 thousand) had been deposited as collateral for transactions on derivatives exchanges, for securities lending transactions, and for liabilities to other banks.
Liabilities to other banks relating to restricted funds in the amount of EUR 23,090 thousand (EUR 29,274 thousand) were assigned a corresponding volume of assets as collateral. In addition, securities in the nominal amount of EUR 1,000 thousand (EUR 1,000 thousand) were pledged in relation to partial retirement obligations.
Cash collateral of EUR 35,470 thousand (EUR 49,795 thousand) was furnished for OTC derivatives transactions.
Collateral of EUR 46,432 thousand (EUR 42,852 thousand) was furnished for exchange-traded derivatives.

41. Contingent liabilities and other commitments

Contingent liabilities include other guarantees amounting to EUR 24,540 thousand (EUR 32,566 thousand). Irrevocable loan commitments of EUR 111,692 thousand (EUR 151,971 thousand) are disclosed as other commitments.
The risk of loss from the crystallization of contingent liabilities is mitigated by opportunities for recourse against the individual clients concerned and is thus essentially limited to the clients' credit risk.
Before entering into a binding commitment, the Bank estimates the risk that the crystallization of a contingent liability or a claim under an irrevocable loan commitment or a placement and underwriting commitment will result in a loss. This is done in the course of its credit assessment of the client and, where appropriate, assesses the expected likelihood of the client concerned meeting the underlying obligations.
Additionally, the Bank performs regular assessments during the term of its commitments as to whether losses can be expected from the crystallization of contingent liabilities, from placement and underwriting commitments, or from irrevocable loan commitments.

NOTES TO THE INCOME STATEMENT

42. Interest income from derivatives in the banking book

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

Derivatives in the banking book	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Interest income	1,867	3,212

43. Services

In the past year, the Bank performed services for third parties, particularly in the areas of securities brokerage, securities custody, depositary functions, asset administration and management, corporate finance, the brokerage of OTC debt instruments, fund units, equity interests in companies, and the management of fiduciary assets.

44. Income by geographical market

The Bank does not have any sales offices outside Germany.

45. Other operating income

Other operating income in the amount of EUR 50,874 thousand (EUR 29,099 thousand) includes income from the operation of marine vessels of EUR 32,987 thousand (EUR 22,350 thousand) and income from agency activities of EUR 2,935 thousand (EUR 3,140 thousand). Provisions not relating to the lending business were reversed in the amount of EUR 1,486 thousand (EUR 618 thousand).

46. Extraordinary income

The extraordinary income of EUR 403 thousand generated in the previous year related to the gain resulting from the merger of Lederwerke Wieman GmbH with the Bank.

47. Interest expenses from derivatives in the banking book

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

Derivatives in the banking book	Dec. 31, 2021 EUR thou.	Dec. 31, 2020 EUR thou.
Interest expense	2,124	4,079

48. Other operating expenses

Other operating expenses in the amount of EUR 33,877 thousand (EUR 20,954 thousand) include expenses of EUR 26,170 thousand (EUR 16,783 thousand) arising from the operation of maritime vessels. The expense from the unwinding of discounts on provisions amounted to EUR 2,590 thousand (EUR 2,575 thousand).

49. Writedowns of and allowances on shares in other investees and investors, shares in affiliated companies, and securities classified as fixed assets

Net income from long-term financial assets comprises the income and expense from the measurement/sale of shares in other investees and investors, shares in affiliated companies, and securities classified as fixed assets and amounted after offsetting to EUR 11,584 thousand (EUR 644 thousand). In the case of microhedges, the pro rata writedowns of the premium paid in above-par acquisitions of securities classified as fixed assets are recognized in net interest income due to the offsetting payments from the hedge (EUR 5,127 thousand; previous year EUR 4,603 thousand).

50. Losses assumed under profit pooling, profit transfer agreements, or partial profit transfer agreements

A control and profit transfer agreement was entered into on December 5, 2007, between M.M.Warburg & CO Gruppe GmbH and M.M.Warburg & CO. A profit and loss transfer agreement was entering into by way of a notarized resolution by the Extraordinary General Meeting on June 22, 2021. M.M.Warburg & CO Gruppe GmbH and M.M.Warburg & CO entered into a merger agreement that was notarized on August 26, 2021. The merger triggered qualifying holding procedures pursuant to section 2c (1) of the Kreditwesengesetz (KWG – German Banking Act). Consequently, the merger could not be implemented immediately but rather remains pending until the qualifying holding procedure has been performed. It can only be entered in the commercial register once the qualifying holding procedures have been completed. The condition precedent could not be satisfied by the end of fiscal year 2021. Since the merger therefore did not take effect in 2021, M.M.Warburg & CO Gruppe GmbH and M.M.Warburg & CO entered into a waiver agreement renouncing the claims under the profit and loss transfer agreement on December 30, 2021. The will of the parties at the time the waiver agreement was entered into was to conclusively eliminate all effects of the profit and loss transfer agreement and to rescind the latter agreement in full. In addition, the profit and loss transfer agreement was rescinded in full as of December 31, 2021. This has not yet been entered in the commercial register for formal reasons.
In the previous year, a profit of EUR 7,448 thousand was transferred to M.M.Warburg & CO Gruppe GmbH.

51. Net income for the year

M.M.Warburg & CO's net income amounted to EUR 59 thousand (previous year: net loss of EUR 15,000 thousand).

OTHER DISCLOSURES

52. Other financial commitments

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.

Long-term leases for land and buildings used by the Bank resulted in annual rental payments of EUR 5,775 thousand (EUR 6,000 thousand). Rent increases have been agreed in the case of some of the leased properties starting in 2022. The resulting additional annual payment obligations amount to EUR 212 thousand.

Financial obligations totaling EUR 3,100 thousand (EUR 7,414 thousand) exist for the prescribed dry dock inspections of, and upgrades to, the marine vessels in the Bank's portfolio; these expenses will be incurred in 2022 to 2025.

As of December 31, 2021, the Bank had call obligations totaling EUR 250 thousand to two companies, and of EUR 4,414 thousand to a fund.

Consequently, total other commitments amounted to EUR 13,751 thousand.

53. 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, and
- Stock options, equity index futures.

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

Derivative financial instruments not recognized at fair value

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

	2021			2020		
EUR thou.	Notional values	Positive fair values	Negative fair values	Notional values	Positive fair values	Negative fair values
Interest rate swaps	2,053,221	24,872	15,953	1,929,709	24,192	28,910
Forward interest rate swaps (OTC)	0	0	0	9,000	55	52
Floors (OTC)	0	0	0	0	0	0
Caps (OTC)	0	0	0	12,613	3	2
Total	2,053,221	24,872	15,953	1,951,322	24,250	28,964

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

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

Trading transactions

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

EUR thou.	2021 Notional values*	2021 Positive fair values	2021 Negative fair values	2020 Notional values*	2020 Positive fair values	2020 Negative fair values
Currency transactions						
Currency forwards	3,941,537	61,254	38,373	4,140,009	43,032	50,075
Currency options	101,656	1,083	1,129	103,122	778	812
Total	4,043,193	62,337	39,502	4,243,131	43,810	50,887
Equity/index transactions						
Stock options	0	0	0	100	0	0
Equity index options	0	0	0	325	113	64
Equity index futures	25	0	0	23	0	0
Total	25	0	0	448	113	64

* The figures for equity/index transactions give the number of transactions concerned.

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

54. Employees

The Bank employed an average of 691 (673) people in fiscal year 2021. This figure can be broken down as follows:

	2021			2020
	Female	Male	Total	Total
Employees	294	385	679	659
Vocational trainees	1	11	12	14
Total	295	396	691	673

55. Shareholdings

1. Affiliated companies

Name and domicile of the company	Equity interest in %	Reporting currency	Equity in EUR thou.	Profit/ loss in EUR thou.
capaccess GmbH, Hamburg	100.00	EUR	1,419	–345
M.M.Warburg & CO Hypothekenbank AG, Hamburg	60.01	EUR	98,324	1,793
MARCARD, STEIN & CO AG, Hamburg	100.00	EUR	12,052	PLTA
New Bond Street GmbH, Berlin	100.00	EUR	44	3
W&Z FinTech GmbH, Hamburg	75.00	EUR	176	–106
Warburg Invest Holding GmbH, Hanover	100.00	EUR	26,296	1,994
Warburg Research GmbH, Hamburg	100.00	EUR	2,310	718
Warburg Alternative Assets GmbH, Hamburg	100	EUR	169	144

2. Shares in other investees and investors

Name and domicile of the company	Equity interest in %	Reporting currency	Equity in EUR thou.	Profit/ loss in EUR thou.	
An der Börse 7 Grundstücks GmbH & Co. KG, Hamburg	99.90	EUR	351	127	*
BPE Fund Investors II GmbH, Hamburg	1.00	EUR	17,789	9,484	
BPE Institutional Partners G.m.b.H., Hamburg	0.80	EUR	1,667	39	
CredaRate Solutions GmbH, Cologne	12.88	EUR	4,117	598	*
Equita GmbH & Co. Holding KGaA, Bad Homburg	2.94	EUR	45,134	1,131	*
Ferdinandstraße 75 Grundstücks GmbH & Co. KG, Hamburg	99.90	EUR	1,890	658	*
GEDO Grundstücksentwicklungs- und Verwaltungsgesellschaft mbH & Co. KG, Grünwald	5.00	EUR	35,000	1,550	*
HIH Global Immobilien GmbH & Co Erste Neuseeland KG, Hamburg	18.13	EUR	34,801	189	
M.M.Warburg Bank (Schweiz) AG i.L., Zurich	100.00	CHF	17,959	–237	
Quantum Immobilien AG, Hamburg	10.00	EUR	169,699	6,319	*
Society for Worldwide Interbank Financial Telecommunication S.C.R.L. (SWIFT), La Hulpe	0.03	EUR	–	–	
Steyler Bank GmbH, Sankt Augustin	2.00	EUR	17,985	0	*

** Equity and profit/loss for fiscal year 2020*
Currency translation rate used: EUR/CHF 1.0363

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

56. Governing Bodies

General Partners

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

Manuela Better (as from July 5, 2021)
Back Office, Member of the Executive Board

Stephan Schrameier (as from February 16, 2022)
Front Office, Member of the Executive Board

Patrick Tessmann (until March 31, 2022)
Back Office, Member of the Executive Board

Matthias Schellenberg (until June 10, 2021)
Front Office, Member of the Executive Board

Dr. Peter Rentrop-Schmid (until July 5, 2021)
Front Office, Member of the Executive Board

Joachim Olearius (until September 30, 2021)
Back Office, Spokesman of the Executive Board

No loans and advances had been granted to members of the senior management as of the reporting date (EUR 500 thousand). No contingent liabilities had been assumed on behalf of these persons.
Members of the senior management received remuneration of EUR 8,796 thousand for fiscal year 2021 (EUR 1,986 thousand). The remuneration includes severance payment expenses for a total of four (former) members of senior management amounting to EUR 5,056 thousand overall. As in the previous year, there was no profit-related remuneration falling due after the adoption of the annual financial statements.

Shareholders' Committee

Dr. Bernd Thiemann (until January 31, 2022)
Management Consultant
Chairman

Dr. Reiner Brüggestrat (as from February 1, 2022)
Banker
Chairman

Prof. Burkhard Schwenker
Management Consultant
Deputy Chairman

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

Dr. Claus Nolting
Lawyer

As in the previous year, no loans and advances had been granted to members of the Shareholders' Committee at the year-end. No contingent liabilities had been assumed on behalf of these persons.
The total remuneration for the Shareholders' Committee in the fiscal year amounted to EUR 107 thousand (EUR 90 thousand).

Supervisory Board

Dr. Bernd Thiemann (until January 31, 2022)
Management Consultant
Chairman

Dr. Reiner Brüggestrat (as from February 1, 2022)
Banker
Chairman

Prof. Burkhard Schwenker
Management Consultant
Deputy Chairman

Dr. Claus Nolting
Lawyer

As in the previous year, no loans and advances had been granted to members of the Supervisory Board at the year-end. No contingent liabilities had been assumed on behalf of these persons.
The total remuneration for the Supervisory Board in the fiscal year amounted to EUR 214 thousand (EUR 190 thousand).

57. Offices held as of December 31, 2021

Manuela Better

- Chair of the Supervisory Board, M.M.Warburg & CO Hypothekenbank AG, Hamburg, as from October 2021
- Chair of the Supervisory Board, MARCARD, STEIN & CO AG, Hamburg, as from October 2021
- Chair of the Supervisory Board, WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH, Hamburg, as from November 2021
- Chair of the Supervisory Board, Warburg Invest Holding GmbH, Hanover, as from November 2021

Patrick Tessmann

- Chairman of the Supervisory Board, Warburg Invest AG, Hanover
- Deputy Chairman of the Supervisory Board, Warburg Invest Holding GmbH, Hanover
- Deputy Chairman of the Supervisory Board, MARCARD, STEIN & CO AG, Hamburg

Dr. Christoph Greiner

- Member of the Supervisory Board, Warburg Invest Holding GmbH, Hanover

58. Consolidated financial statements

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

59. Auditors' fees

The General Meeting of M.M.Warburg & CO resolved on May 10, 2021, to appoint PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the auditors of the financial statements for fiscal year 2021.
Expenses of EUR 1,637 thousand before value added tax were billed for audit services in 2021 (EUR 1,403 thousand). EUR 137 thousand of this figures relates to 2020. Fees of EUR 323 thousand were recognized in 2021 for statutory assurance services (EUR 242 thousand), while fees for other services totaled EUR 103 thousand (EUR 780 thousand). Other services primarily relate to quality assurance measures for bank projects in the IT area and in reporting, plus consulting services for the Shipping unit.

60. Appropriation of net retained profits

A proposal will be made to the General Meeting that the net retained profits in the amount of EUR 86 thousand (EUR 27 thousand) should be carried forward to new account.

Hamburg, June 24, 2022

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

M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft

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