M. M. Warburg & CO

1798

Annual Report 2015

Overview of Business Development

Banking Group
(cumulative basis)

in Mio. EUR	2015	2014	2013
Income before taxes	29.3	27.7	25.5
Net interest income	76.0	80.1	72.3
Net fee and commission income	153.7	140.4	132.6
Administrative expenses (incl. depreciation, amortization, and writedowns)	201.9	189.7	180.4
Total assets	8,259.3	7,940.6	8,031.3
Business volume	8,306.5	7,991.3	8,098.8
Liable capital	379.2	342.3	427.0
Own funds	379.2	342.3	427.0

Bank

in Mio. EUR	2015	2014	2013
Income before taxes	24.1	25.0	23.2
Total assets	3,874.2	3,680.3	3,806.7
Business volume	3,904.7	3,711.9	3,852.4
Liable capital	372.0	365.0	339.1
Own funds	356.4	315.0	330.5
Total capital ratio	14.6%	14.0%	15.4%
Common Equity Tier 1 capital ratio (%)	11.1%	11.2%	12.4%

M. M. WARBURG & CO
1798

Annual Report 2015

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

SUPERVISORY BOARD

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

SHAREHOLDERS' COMMITTEE

Dr. Christian Olearius *Banker*	– *Chairman* –
Max Warburg *Banker*	– *Deputy Chairman* –
Dr. Bernd Thiemann *Management Consultant*	
from December 3, 2015 Prof. Burkhard Schwenker *Management Consultant*	

PARTNERS

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

EXECUTIVE DIRECTORS

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

CHIEF LEGAL COUNSEL

Dr. Christoph Greiner

DIRECTORS

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

Report of the Partners

Report of the Partners

Following a dynamic start to the past fiscal year and new highs on the German stock markets at the mid-year point, the financial market environment deteriorated in the second half of the year. Economic growth in China, the slump in oil prices, the VW scandal, and heightened uncertainty regarding the peripheral European countries and the overall political situation in Europe had a sustained adverse effect on the markets. The Fed ventured a positive interest rate move, which might signal the end of the U.S.A.'s low interest rate policy. By contrast, the ECB not only continued its low interest rate policy, but actually cut rates further in response to the flagging economy in Europe. The consequences for investors, social security systems, foundations, and the banking industry were already being felt last year. However, the full effects of this policy will only become evident in the coming months and years – at the latest when the market starts charging negative interest rates on private client deposits as well. This is the environment in which small and medium-sized financial institutions continued facing a "one-size-fits-all" flood of regulatory requirements from Brussels and Berlin that are essentially aimed at systemically important banks but nevertheless impact all institutions, more or less regardless of size, causing considerable effort and expense. Falling interest income and rising expenses for regulatory compliance are making it increasingly difficult for banks to increase their equity organically. Because of its strong, independent partner base and the large number of sources of income from its diversified business, M.M.Warburg & CO (AG & Co.) KGaA (Warburg Bank) and its subsidiary institutions were able to weather these adverse challenges.

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

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

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

Warburg Banking Group

Warburg Bank and its subsidiary institutions in Germany, Luxembourg, and Switzerland (the Warburg Banking Group) generated aggregate income before taxes of EUR 29.3 million (previous year: EUR 27.7 million). At EUR 23.3 million (previous year: EUR 22.8 million), the profit transferred by Warburg Bank to its parent, M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA (Warburg Group), was at a level deemed satisfactory by the partners.

Net interest income was kept stable in the reporting period, due above all to extraordinary income. Although the figure for Warburg Bank was higher than the previous year, at EUR 29.7 million (EUR 28.8 million), the effects of the continuous cuts in interest rates were felt in the Warburg Banking Group's net interest income, which amounted to an aggregate EUR 76.0 million, compared with EUR 80.1 million in the previous year. There was encouraging growth in net fee and commission income, which rose at Warburg Bank from EUR 60.8 million in the previous year to EUR 67.6 million. The Warburg Banking Group's aggregate net fee and commission income increased to EUR 153.7 million (previous year: EUR 140.4 million).

Additionally, the earnings power and strength of the partners enabled Warburg Bank to counter the ongoing lack of a recovery in the shipping markets by making additional loan loss provisions. The majority of the operating result was used for individual valuation allowances and to establish accounting reserves to provide for loan losses, in particular for the shipping loan business. These measures were internally funded and did not dilute the ownership interests – an approach that reflects Warburg Bank's conservative risk policy.

Mission and Strategy

The Warburg Banking Group is a family-run private universal bank rooted in a tradition of continuity. Members of the owner families head both the Supervisory Board and the management. The stable partner base consisting of a small number of private individuals creates a high degree of independence, allowing the interests of clients, employees, and owners to be safeguarded equally. In addition to the owners, the operating profitability of the Warburg Banking Group that results from the breadth of its business model guarantees this independence.

The wide variety of business areas in which the Warburg Banking Group operates clearly demonstrate its role as a private universal bank. At the heart of the Warburg Banking Group is Warburg Bank, with its three main business areas of Private Banking, Asset Management, and Investment Banking including the lending business. Warburg Bank is supplemented by subsidiaries with their own specialized focus, such as Marcard, Stein & Co AG (family office banking), M.M.Warburg & CO Hypothekenbank AG (real estate finance), and M.M.Warburg Luxembourg S.A, (custodian and fund administrator). Institutional clients can use the services offered by the Warburg Banking Group's two investment companies in Germany and Luxembourg to obtain professional support, management, and settlement services not only for their liquid assets, but also for investments in alternative assets. In addition to this wide range of specializations, the breadth of the business model is underlined by the Warburg Banking Group's broad regional presence in 15 locations across the German-speaking countries of Europe.

Business Performance

The Warburg Banking Group's total assets recorded a modest increase from EUR 3.68 billion to EUR 3.87 billion in the reporting period. Total assets in the Warburg Banking Group also grew moderately to EUR 8.26 billion (previous year: EUR 7.94 billion).

Warburg Bank's own funds result in a total capital ratio of 14.6% (previous year: 14.0%). The Common Equity Tier 1 capital ratio is 11.1% (previous year: 11.2%). The liable capital at the reporting date amounted to EUR 372 million (previous year: EUR 365 million). Warburg Bank thus meets all of the regulatory capital requirements. The Warburg Banking Group's liable capital grew to EUR 379 million (previous year: EUR 342 million).

The Sales and Trading unit, and especially Bond Sales and Currency Trading, made an above-average contribution to net fee and commission income in fiscal year 2015. The Corporate Finance unit can look back on an encouraging year in which the M&A and Restructuring segments in particular advised prominent clients.

The negative trend in net interest income was mitigated last year by our policy of continuing our lending business with private and corporate clients as well as financing in the real estate and shipping areas, thereby avoiding a more pronounced decline.

The subsidiaries once more successfully contributed to the Warburg Banking Group's overall earnings thanks to their regional or thematic specializations. Warburg Bank disposed of most of its shares in the former Warburg-Henderson last year, selling them to HIH Real Estate GmbH (formerly HIH Hamburgische Immobilien Handlung). This rounded off the strategy of bundling all real estate activities at HIH. This company, which has a similar partner base to the Warburg Banking Group, offers a wide and deep range of services in the real estate sector. Following the departure of Warburg Bank and Henderson Global Investors as shareholders, Warburg-Henderson's business is now being continued under the name Warburg-HIH Invest Real Estate GmbH. Its existing services, in particular asset and property management and project development, are being supplemented by IntReal's fund administration and service investment company business.

Following the transfer of Warburg-HIH Invest Estate GmbH, its employees (167 in December 2015) and the assets under management there (EUR 12.3 billion in 2015) are no longer attributable to the Warburg Group, but to the HIH Group. The realignment of Asset Management has been a success, with client funds again recording an increase: despite the sale of the shares in Warburg-HIH Invest Real Estate GmbH, total assets under management reached EUR 51 billion. Equally, the decline in the Warburg Group's headcount is solely because of the disposal of Warburg-Henderson. It employed 1,201 people (previous year: 1,296) as of the reporting date.

Corporate Citizenship

Warburg Bank and the foundation associated with it, the Warburg-Melchior-Olearius-Stiftung, supported social, cultural, and political goals to a significant extent. The focus last year was on corporate citizenship, such as supporting the "Hamburgische Brücke," an organization that helps care for dementia sufferers that the Bank was involved in founding more than 100 years ago. We also supported "Pik As" and "Herz As," two organizations that help homeless people in Hamburg. In the area of promoting education, the classical languages program was continued, under which financial support is provided for events held in Latin at Hamburg schools and for educational trips for groups of school students. In addition to this financial support, the program aims to enhance networking among teachers and university lecturers of Latin and Ancient Greek. The program dedicated to restoring historical books at two schools in Hamburg offering classical languages was continued.

This year's essay in the "Current Developments" series was entitled "Die Deutsche Einheit: Eine Zwischenbilanz nach 25 Jahren" (German Unification: An Assessment after 25 Years). In it, prominent historian Professor Andreas Rödder takes the opportunity offered by this year's jubilee to look back at what has been achieved so far.

Outlook

The low interest rate environment is becoming more entrenched in Europe, posing considerable challenges for investors and banks. For the financial sector, this means there is a need to fundamentally change the way the deposit business is managed. Negative interest rates are becoming widespread – they are already a reality for institutional clients and will increasingly also hit corporate clients, and soon even private clients. As a result, negative interest rates will start to reach the real economy – taking this trend to its logical conclusion, it is possible that there will be discounts for late payments in the not-too-distant future. This would be but one of the consequences of the path out of public debt and the economic crisis in the European periphery that the politicians want. At any rate, the low interest rate environment will continue to put considerable pressure on all banks' net interest income.

In addition to depressing earnings, the continued growth in regulation is not only pushing up costs: It is also imposing ever greater capital requirements on banks. Both the Warburg Banking Group's broad business base, with its large number of income sources, and its stable and powerful partner base will enable the Warburg Banking Group to meet the capital requirements in future, too. Nevertheless, capital is becoming scarcer, so there are no plans to expand the lending business through the Bank's own balance sheet. However, the Warburg Banking Group will safeguard its flexibility: Attractive opportunities that emerge – including in the area of loan financing – will be used.

The importance of the non-interest-bearing business continued to grow in the entire Warburg Banking Group in the reporting period. Investment banking advisory services will remain a key pillar of our fee and commission income. Private Banking and Asset Management, which also comprises the services offered by the Warburg Group's investment companies, are generating stable income. Further growth in the volume of client assets not only reflects profound client confidence, but also allows us to offer a wide variety of services at our customary high quality. In particular, there are plans to expand Warburg Bank's expertise in the shipping business. The departure of many competitors from this business area opens up numerous opportunities beyond the traditional shipping finance business to leverage attractive income sources for the Bank by offering client-focused services.

Despite an environment that is not easy for banks in general, as well as the considerable pressure on the sector to adapt, the partnership is upbeat about the future. In its 218th year, Warburg Bank will successfully continue its role as an independent, private universal bank that serves the interests of its clients, its employees, and its owners.

Hamburg, April 27, 2016

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

Overview of
Warburg Banking Group

Warburg Bankengruppe im Überblick

ECONOMIC ENVIRONMENT

The eurozone economy expanded in 2015, with growth being somewhat above the long-term trend. A number of factors benefited the eurozone economy: the fall in the price of oil, with Brent down roughly 45% year-on-year at an annual average of a mere USD 53, the weakness of the common currency, and an overall increase in consumer spending. Nevertheless, a few clouds did weigh on this generally positive economic development: the economic environment in many major emerging markets deteriorated increasingly over the course of the year, threatening to impact growth in the industrialized nations as well and to depress corporate profits. However, apart from a slight worsening of sentiment among manufacturing enterprises in particular, the effect on the eurozone economy of the slowdown in growth in the emerging markets as a whole was relatively limited. As in the past, economic growth within the eurozone was mixed. Thus the Irish and Spanish economies outperformed the rest of the eurozone overall, while growth in France was comparatively weak. Real eurozone GDP growth of approximately 1.5% is expected for the year as a whole. The German economy expanded by roughly 1.7% in 2015. As in the rest of the eurozone, strong consumer spending – which was buoyed by the positive labor market trend – had a positive effect.

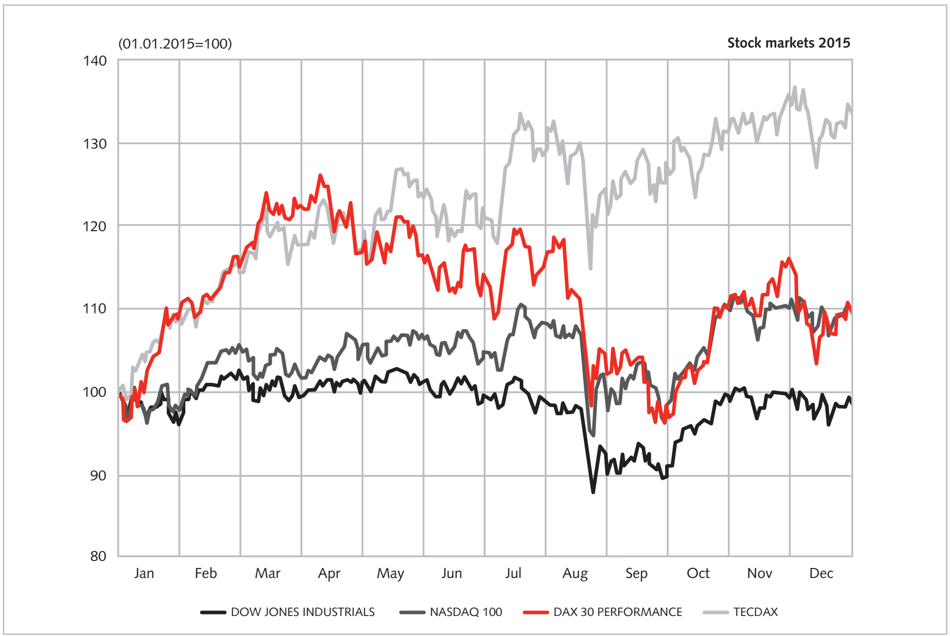
Overall, the US economy performed encouragingly in 2015, thanks above all to a mid-year surge in growth. Real full-year GDP in the U.S.A. rose by approximately 2.5%. However, this was accompanied at times by a clear increase in inventories, which may negative impact the economy later on. The situation on the labor market has improved considerably: The number of people in work reached a new record high and the unemployment rate declined from 5.7% in January to 5.0% in December. This boosted consumer spending in particular, which made a significant contribution to economic growth in the U.S.A. Whereas sentiment in the services sector remained robust during the reporting period, skepticism among manufacturing enterprises clearly increased in the course of the year. Listed U.S. company earnings did not improve in 2015; profit forecasts for the broad-based S&P 500 index were at roughly the same level at the beginning and the end of the reporting period.

Central banks in the industrialized nations maintained their highly expansionary monetary policies, although these were increasingly divergent. The European Central Bank left its key interest rate unchanged at 0.05%, while the deposit rate remained in negative territory. In addition, in early 2015 the Bank announced that it would buy back EUR 60 billion worth of sovereign bonds and other instruments per month from eurozone member countries in the period between March 2015 and September 2016. The ECB also hinted that, in view of the low level of inflation, it would take additional measures to loosen monetary policy even further if necessary. In December, the timeframe for the bond buyback program was extended to at least March 2017. In the United States, the Federal Reserve kept capital markets guessing as to when it might raise its historically low key interest rate for the first time from 0.00% to 0.25%. Then, in December 2015, it lifted the rate to between 0.25% and 0.5%, due to positive labor market trends – the first rate rise since 2006.

Consumer prices in the eurozone remained unchanged on average year-on-year in 2015. This was partly attributable to lower energy prices. However, annual average inflation excluding food and energy prices also declined and was well below the long-term average, at only 0.8%. Annual average producer prices fell by approximately 2.6% year-on-year. The depreciation of the euro led to import prices rebounding slightly. All in all, there was almost no inflationary pressure during the reporting period.

Bund yields were highly volatile over the course of the year with the prices of long-dated bonds gyrating wildly, leading at times to significant losses. Nevertheless, from a full-year perspective German government bonds recorded slight increases in value across all maturities (two years: 0.2%; five years: 0.7%; ten years: 0.2%). Irish and southern European sovereign bonds performed significantly better in some cases. They profited from the ECB's even looser monetary policy and investors' quest for higher-yielding bonds. The euro fell by a total of 10.3% against the U.S. dollar.

Stock markets were also highly volatile: A very strong first quarter in Germany and Europe was followed by a prolonged correction. Nevertheless, gains were recorded in 2015 as a whole (DAX: 9.6%, MDAX: 22.7%, Euro Stoxx 50: 3.8%). In contrast, listed companies in the U.S.A. were unable to profit much from the upbeat overall economic environment in the United States and notched up slight losses: The Dow Jones Industrials fell 2.2% over the year, while the broad S&P 500 index shed 0.7%.



WARBURG BANKING GROUP

The Warburg Banking Group is headed by M.M.Warburg & CO, which is headquartered in Hamburg. The Group's capital is held by a small number of private individuals. Members of this high-powered owning family not only chair the Supervisory Board and the Shareholders' Committee but also occupy senior management positions. This guarantees that the Warburg Banking Group is largely free of institutional influences, enabling it to maintain a balance between the interests of its clients, its employees, and its owners at all times.

The Warburg Banking Group has branch offices and subsidiaries at 15 locations in German-speaking Europe (Germany, Luxembourg, and Switzerland). Three of the subsidiaries are specialist institutions – Marcard, Stein & Co AG (family office), M.M.Warburg & CO Hypothekenbank AG (real estate finance), and M.M.Warburg & CO Luxembourg S.A. (custodian bank business). In the funds business, two asset management companies – Warburg Invest Germany GmbH and Warburg Invest Luxembourg S.A. – offer clients solutions covering both liquid assets and alternative investments.

As a universal bank, M.M.Warburg & CO provides sophisticated services to private clients, corporate clients, and institutional investors in its core business segments of Private Banking, Asset Management, and Investment Banking.

M.M.Warburg & CO's Private Banking division offers both asset management and personalized securities advisory services. Warburg Bank's multi-award winning research is not only closely integrated with the Asset Management division's portfolio management activities, but also serves as the basis for all investment proposals made by its advisory arm. The combination of a highly granular, systematically structured investment process, flanked by state-of-the-art IT systems and research and analysis processes ensures high-quality products. Leading-edge information technology permits rapid implementation of client guidelines and investment decisions. Customer portfolios are monitored closely, managed using risk inputs, and actively adapted to reflect changing market conditions. In addition, proposals for tuning the portfolio are submitted to clients as part of the investment advice provided.

Institutional clients see Warburg Bank as a sound business partner whose advisory approach is focused on long-term success. These credentials are manifested not only in the independence of this family-owned bank, which is now in its 217th year of business, but also in its use of state-of-the-art asset management solutions. The Bank's Relationship Management function meets institutional clients' needs for a wide range of products, from special funds investing in liquid or alternative assets or investments in real estate through to structured interest rate products and alternative investments. Additionally, the Warburg Banking Group's independence allows it to consistently offer the best products for its clients, even if this means sourcing them from other prestigious providers.

M.M.Warburg & CO's third core division is Investment Banking, which comprises its corporate finance, sales and trading, and lending businesses. During the reporting period, the Corporate Finance unit advised a large number of clients on corporate actions, restructurings, and in particular company sales. In addition to high-visibility IPOs in the shipping and automotive segments, the unit supported the insolvency administrator of a large renewable energies enterprise during its restructuring. Advice was provided to a number of owner families during the sale of their businesses – in addition to further enhancing its good reputation, which even the other side in such negotiations frequently acknowledges, this allows the Bank to continue supporting the families behind the businesses after the sale, e. g., in the areas of private banking or family office solutions.

The Sales and Trading unit executes and settles equity, fixed-income, and currency transactions. The Foreign exchange unit performed well. Apart from currency trading, its core business is currency hedging transactions for corporate and institutional clients. The Bond Sales unit made its usual strong contribution to earnings for the period thanks to keen demand for fixed-income securities from institutional clients.

The lending business is broken down into real estate, corporate, and ship finance. This area made a significant contribution to keeping net interest income levels stable in the ongoing low interest rate environment despite the moderate decline in the lending volume. Clients in a lending relationship frequently ask about currency hedging and foreign payments services. We are upgrading our service offering and IT processes with the goal of generating substantial growth that will allow us to serve our clients not only faster and more efficiently, but also with a far greater degree of vertical integration.

In fiscal year 2015, the Warburg Banking Group generated aggregate income before taxes of EUR 29.3 million, up slightly on the previous year (EUR 27.7 million). The increase in earnings is attributable to an improved operating result: At an aggregate level, net fee and commission income, at EUR 153.7 million (previous year: EUR 140.4 million), offset the slight decline in net interest income to EUR 76.0 million (previous year: EUR 80.1 million). Earnings from proprietary trading, which is deliberately kept at a manageable level for risk reasons, amounted to EUR 11.7 million compared with EUR 9.0 million in the previous year.

Administrative expenses rose further in the reporting period, climbing from EUR 189.7 million in the previous year to EUR 201.9 million. This increase is attributable among other things to the depreciation of tangible fixed assets and higher non-personnel operating expenses caused by new administrative requirements.

The Warburg Banking Group's aggregate total assets grew moderately, increasing from EUR 7.94 billion to EUR 8.26 billion.

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

Warburg Bank closed the reporting period with income before taxes of EUR 24.1 million, only slightly less than the prior-year figure of EUR 25.0 million. Net income of EUR 23.3 million was transferred to the shareholder, M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA (previous year: EUR 22.8 million). The business volume amounted to EUR 3,904.7 million compared with EUR 3,711.9 million in 2014. Total assets increased moderately from EUR 3.68 billion to EUR 3.87 billion.

The Tier I capital requirements were met in full. Warburg Bank's net fee and commission income rose from EUR 60.8 million in the previous year to EUR 67.6 million. Net interest income (including current income and income from profit transfer agreements) rose from EUR 49.6 million in the previous year to EUR 51.6 million.

General and administrative expenses saw a further rise, from EUR 84.8 million to EUR 95.9 million, with personnel expenses accounting for EUR 51.9 million instead of the prior-year figure of EUR 47.4 million.

Warburg Banking Group's Business Areas

INVESTMENT BANKING

At M.M.Warburg & CO, Investment Banking comprises corporate finance, sales and trading, and relationship management. Investment Banking made an above-average contribution to net income in the reporting period. Bond Sales continued servicing the high level of demand from institutional clients at the same encouraging level. Currency Trading and Equity Sales also made a healthy contribution to the Bank's net fee and commission income. Corporate Finance supported high-profile M&A transactions, IPOs, and restructurings. The Warburg Banking Group's lending business is diversified across regions and sectors, and offers bespoke services to private clients, institutional clients, and corporate clients. The Bank is seeking to secure growth in Relationship Management for the shipping industry and in related services, in particular because of the potential for additional fee and commission income.

Relationship Management

Relationship Management – which is responsible for supporting institutional clients, corporate clients (including companies in the shipping industry), and correspondent banks – focused on acquiring new mandates in addition to providing services for existing client relationships. It achieved this in all segments and was also able to deepen existing client relationships. Growth in high-margin areas allowed Relationship Management to keep its interest income from the commercial client business stable and at the same time to increase its fee and commission income.

Since the completion of the project to realign Relationship Management in 2014, institutional clients have benefited from end-to-end support from a single source. The investment products offered in the area of liquid and illiquid asset classes met with great interest and were brokered to clients on a needs-driven basis.

This was helped by the absorption of Warburg Invest Deutschland's sales unit and the integration of Warburg Invest Luxembourg S.A. with the parent bank in the course of the realignment. This new arrangement offers significant flexibility and scope for further growth.

As in the past, the banks' role as service providers for the economy was met in 2015 by the lending business, which is focused on various sectors. Attractive cross-selling opportunities were leveraged by supplementing the existing value chain in the Warburg Banking Group with a wide range of complementary services.

The ability to turn complex issues into simple solutions is one of Relationship Management's particularly strong features. However, the healthy financial resources of our existing, new, and potential clients limit opportunities for making liquid funds available to this clientele.

The real estate sector continued to flourish in 2015, and this was the reason why this key component of the product range again encountered strong demand. Significant new business was generated on the back of the low interest rates already mentioned and the associated healthy economic environment in this segment. Other components of the Bank's value chain, such as the custodian unit that provides custody services to the Warburg Group's retail and special funds and to external asset management companies, also profited from this situation.

The shipping industry experienced its eighth consecutive year of crisis. The decision that we took in the past to systematically finance clients independently and thus to reduce our dependence on our former consortium partners, whose interests sometimes diverge from those of the Bank, again paid off for our clients in 2015. With Warburg Bank, they can rely on a partner who meets the common challenges with appropriate, tailored solutions.

Once again, interest income from this unit was attractive and good progress was also made in generating additional fee and commission income from this segment.

Because global trade without shipping is unthinkable, the latter will remain an important sector in Hamburg and north Germany in the future. Consequently, Warburg Bank will continue to be active in this business area with the intention of further extending its exposure to an appropriate extent.

Relationship Management also handles cooperation with external banks through its Bank Relationship Management unit.

This unit maintains close links with banks with which a proven partnership exists. In addition to analyzing these banks, its activities also include examining political issues. The lifting of the economic and financial sanctions imposed by the U.S.A. and the EU on Iran because of the nuclear dispute is one example of the sort of topics that will require greater communication and interchange between banks in the future.

At present, this relates in particular to banks with an Iranian background. The objective here is to transform the Warburg Bank's historically good relationships into a viable future collaboration. In general terms, Warburg Bank's longstanding established relations with external banks were extremely stable thanks to the maintenance of these close contacts.

Lending

The Bank sees the lending business as a key component of its services offering, and is a consistently reliable partner that can offer its clients tailored responses to individual financing wishes.

Last year, the Warburg Banking Group's lending business continued to operate in an environment characterized by high competitive pressure and historically low interest rates. Additionally, the demands of the crushing regulatory burden had to be mastered, which tied up considerable human, technical, and financial resources. Warburg Bank focused in particular on potential process optimization measures and efficiency improvements to increase the strength of its services.

Warburg Bank offers its private, middle-market, and institutional clients tailored solutions for financing equity investments, commercial transactions, real estate, and cargo vessels, even in complex market phases. The close cooperation that is anchored in the Warburg Banking

Group strengthens the Bank's needs-driven credit offering in the regions – leading to a positive response. This allowed the Bank to keep the volume of committed loans stable in 2015 and still deliver solid earnings contributions, despite the fierce competition and extremely healthy levels of cash available for financing at companies themselves.

Corporate Finance

Corporate Finance can look back on a successful 2015. The team of 20 employees successfully completed 26 transactions and advisory mandates in the reporting period. Since August 2015, the Hamburg-based Corporate Finance team has been supplemented by two colleagues, who look after the southern Germany region from Munich.

In the M&A advisory segment, transactions that were successfully completed in 2015 include the sale of Coppenrath & Wiese GmbH & Co. KG to the Oetker Group, the sale of Prokon Regenerative Energien GmbH to a newly formed cooperative, the sale of inotec Barcode Security GmbH to the Obermark group of companies, the sale of a 50 MW wind farm in Groß Eilstorf to Stadtwerke Hannover AG, the sale of a higher education group to Ernst Klett AG, and the sale of shares of Studiosus Reisen München GmbH.

In the Equity Capital Markets segment, our membership of IPO syndicates for Elumeo SE, Hapag-Lloyd AG, and EDAG Engineering Group AG deserve particular mention. Capital increases at Nanogate AG and Lotto24 AG were supported during the reporting period. In addition, both a convertible bond for SFC Energy AG and a large parcel of shares for Zeal Network SE were placed. Public takeover offers for IMW Immobilien SE and UMS United Medical Systems International AG were managed. Moreover, the Equity Capital Markets segment generated significant income from the technical management of capitalization measures.

The Debt and Mezzanine Markets segment can also look back on a successful 2015. For Prokon Regenerative Energien GmbH, profit participation rights were transformed into a bond as part of the above-mentioned restructuring concept. Bonds were placed for Grenke Finance Plc., VTG Finance S.A., IFB Hamburg, and Deutsche Pfandbriefbank, and profit participation rights were placed for Biesterfeld AG. In addition, advisory mandates were entered into for refinancing transactions at Hamburg Energienetze GmbH and GoodMills Deutschland GmbH.

The prolonged low interest rate phase and the related high corporate valuations are expected to lead to a further increase in transaction activity, even if the growing uncertainty on the markets cannot be ignored. The fact that equity participations are highly attractive is likely to have a positive effect on both the M&A market and the number of IPOs in Germany.

Transaction support for listed companies offers excellent opportunities in the M&A segment in addition to the traditional sell-side advisory services for family shareholders. Venture capital advisory services will also be expanded. We shall continue to exploit our unique market position in independent restructuring advisory services for publicly traded companies. Corporate Finance's experienced employees are in an excellent position to do this and additional staff will also be recruited for the segment team.

Sales and Trading

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

Equities

Equities unit with further significant income growth

The Equities unit, which was restructured in the year before last and which bundles the equity research activities of our Warburg Research GmbH subsidiary with advisory services for institutional equity investors (Institutional Sales – Equities), again recorded a highly positive performance last year. The accuracy of the estimates and recommendations by Warburg Research and the sales team's activities are appreciated by investors and win awards from independent institutions. Creative new products were added to the established offerings last year, including the Warburg Stockpicker and the Warburg "Meet the Founders" conference in Berlin. The expansion of the Frankfurt office that was opened in the year before last, and hence of the sales team's placement strength, is bearing fruit; support was provided for considerably more transactions in 2015. There has been a further improvement in overall awareness of M.M.Warburg & CO's expertise in German equities. This is also reflected in the substantial rise in fee and commission income.

Institutional Sales – Equities

High level of marketing activities

Equity Sales saw a further increase in its fee and commission income. This was achieved both by providing additional services to existing clients and by further expanding the client base. The unit and its employees enjoy an excellent reputation among its target groups.

Marketing activities continued at a high level, with several hundred roadshow days in total featuring both company board members and analysts. The unit also organized the sixth "Warburg Highlights" conference in Hamburg and various "Klein aber Fein" ("Small but Powerful") events as a forum for micro-caps covered by Warburg Research. The new "Meet the Founders" conference series was also established; this offers investors access to start-ups. In addition to providing purely advisory services, Institutional Sales – Equities was involved in numerous transactions.

Foreign Exchange

Encouragingly strong performance by Foreign Exchange unit

Income increased significantly in the areas of interest rate and currency advisory services, and in proprietary trading. As a result the department generated a significant contribution to net fee and commission income.

Following a very trend-driven 2014, volatility returned to the markets in the reporting period, due to numerous political and economic events that led to uncertainty globally among capital market participants.

In this market environment, the segment profited in particular from increased client need for hedging, as well as from a very well-balanced risk/reward ratio for its own positions.

Bonds

2015 saw a further increase in the very buoyant corporate issuing activity recorded in 2014. The low yield levels – ten-year bunds fell to approximately 0.07% in April 2015 – encouraged international issuers to place bonds on the markets. The Bonds unit participated very successfully in the placement of these issues on behalf of its institutional clients. Our lead management of bond issues by north German development banks, which were successfully marketed to the Bank's institutional clients, also deserves particular mention. The unit also repeated its very good placement success for traditional and structured registered securities, not least due to its excellent advisory services and close links with clients.

Warburg Research GmbH

1st place for German equities in 2015 Thomson Reuters Starmine Awards

2015 was a very successful year for Warburg Research GmbH. Its first place nomination in the broker awards rating for German equities in the 2015 Thomson Reuters Starmine Awards was encouraging. The close cooperation with the Institutional Sales, Designated Sponsoring (Sales and Trading), and Corporate Finance departments was further extended in 2015. Warburg Research GmbH also facilitates capital market access for companies that are not in investors' immediate spotlight by providing Designated Sponsor mandates and capital markets support.

The success of the "Warburg Highlights" conference, which draws national and international investors to the Elbchaussee in Hamburg every year, underscores Warburg's expertise in German equities. In light of the tremendous demand, the number of companies making presentations at board level will be increased in 2016. Overall, Warburg Research GmbH's results recorded a further significant improvement over the already good previous year, and the company believes that it is well positioned for fiscal year 2016.

PRIVATE BANKING

Further increase in number and volume of assets under management in 2015

Central bank policies resulted in a further expansion in investments in risk assets. As in the previous year, the focus was on assets held in fiduciary portfolios with different risk orientations.

In the securities advisory business, the fact that many banks no longer provide this service resulted in encouraging growth. One reason for this performance is that our advisory services are not subject to any business policy restrictions or sales targets. The challenging market developments intensified not only many clients' desire for additional advice, but also demand for hedging strategies. The quantitative preselection of shares in the STOXX 600 and equivalent indices in North America and Asia was used successfully in investment advisory and asset management services.

The number of information events with existing and prospective clients was further increased in 2015. There was a particular focus on topics of relevance to foundations and the capital markets.

Asset Management

Despite the highly volatile capital market environment and a large number of geopolitical uncertainties, Asset Management achieved positive results with all of its investment strategies and thus successfully helped counter the prolonged low interest rate phase. The key factors in the good performance remain accuracy in predicting the direction of the global economy, an investment strategy based on this with diversified securities portfolios, and active management. In an increasingly volatile capital market environment, Asset Management believes that the latter factor in particular is vital for leveraging opportunities and mitigating risks. The focus of equity investments returned to the European market in 2015, following a preference for U.S. equities in the previous year. The background to this was the positive economic momentum in Europe, which was reinforced by weak euro exchange rates and low commodity prices. Fixed-income securities generated a positive contribution to Asset Management's performance through investments in funds that are less severely affected by the low interest rate environment. There was a further significant rise overall in assets under management in the course of 2015. In addition to top-ups by existing clients following the good years of 2012 to 2014, this was achieved primarily by new asset management mandates. The continuity of Warburg's portfolio management and Warburg Bank's consistently positive business performance are increasingly making themselves felt here.

Equity Investments

Continued strong demand for residential and commercial property

Despite rising prices and the supply shortage, there was growing demand for real estate investments, which concentrated in particular on affordable housing in central locations in large German metropolitan areas. However, special-purpose properties such as parking structures in the Netherlands (combining real estate and infrastructure) also met with a buoyant response due to the higher yields.

Encouragingly, the healthy state of the real estate sector meant that a range of real estate companies in which clients had invested ten or more years ago following recommendations by Warburg Bank were able to sell their largely commercial properties at a considerable profit, following high distributions during the lifetime of the investments.

A private placement for semi-professional clients in accordance with the new 'Kapitalanlagegesetzbuch' (German Investment Code) was offered following an in-depth due diligence process. The prominent property developer builds new housing in metropolitan areas using full equity financing and sells the properties to owner-occupiers during the construction period.

ASSET MANAGEMENT

Warburg Invest Kapitalanlagegesellschaft mbH

Warburg Invest Kapitalanlagegesellschaft mbH can look back on an encouraging fiscal year 2015. It managed 26 special AIFs at the end of the year (previous year: 28, following 37 at end-2013) and 68 retail funds (previous year: 70). A range of smaller portfolios in these two groups of funds were closed. This streamlining resulted in considerably higher efficiency and cost savings. At the same time, attractive new mandates were acquired. Although there was a further reduction in the number of special AIFs, their volume at the end of the year amounted to EUR 3.5 billion (previous year: EUR 2.8 billion). Taken together, the two types of investment fund have a total volume of EUR 5.6 billion (previous year: EUR 4.5 billion), accounting together for around 85% of all assets under management. The remaining 15% is attributable to 25 discretionary mandates – both advisory mandates and discretionary financial portfolio management mandates. With a total volume of EUR 1.0 billion (previous year: EUR 0.9 billion), these are becoming increasingly important for the company. Total assets under management grew by approximately 20% to EUR 6.6 billion (previous year: EUR 5.5 billion) and are spread across a total of 128 portfolios.

There has been a sustained improvement in the company's results of operations. Fee and commission income amounted to EUR 29.1 million, while fee and commission expenses were EUR 17.5 million. At the same time, other administrative expenses remained almost unchanged, and there was a significant reduction in personnel expenses. Cash generated from existing client relationships was a particularly important growth driver in 2015. In addition, the cooperation with Warburg Bank's Relationship Management unit for institutional clients was expanded sustainably, with the result that client support and acquisition were managed successfully by a single source.

The company's future development will again be strongly influenced by the situation on the capital markets in 2016 and the prolonged extremely low interest rate phase. Whereas the majority of mandates closed last year with positive results in light of the buoyant equities markets, despite the temporary sharp rise in interest rates, it will be difficult in 2016 to repeat the results achieved in recent years because of global economic concerns and the renewed drop in interest rates. Warburg Invest is well equipped to meet the expectations of its existing investors and to continue to be an attractive provider of individual mandate solutions for its sophisticated target client base thanks to its expertise in asset management, in particular in managing multi asset, equity, value preservation, overlay, and (steadily increasing) sustainability products. The extension of its expertise to global interest rate markets is a strategic move that represents an appropriate response to a prolonged phase of low interest rates in Europe.

Warburg Invest Luxembourg S.A.

Successful expansion of the comprehensive administration services offering for fund structures

Luxembourg-based asset management company Warburg Invest Luxembourg S.A. increased the total volume of assets under management by just under 4% to more than EUR 21 billion last year. The services it offers are the launch, structuring, and management of Luxembourg retail and special funds, as well as central administration services for the full range of Luxembourg fund structures. In addition, the company administers all funds of its German fellow subsidiary Warburg Invest Kapitalanlagegesellschaft mbH, whose share of the total volume was increased to 31% in the reporting period (previous year: 26%). While the number of Luxembourg fund structures increased slightly to 222 (previous year: 211), their volume was down slightly year-on-year, at just under EUR 15 billion. Alternative investments recorded modest growth, as in previous years, while investments in traditional securities declined.

After all funds under management had been migrated to the newly introduced integrated asset management software solution at the end of 2014, the focus in 2015 was on optimizing specific areas of the installation. The introduction of new workflows and processes was supplemented by restructurings of various departments and the centralization of certain tasks.

In the fall of 2015, the CSSF, the Luxembourg supervisory authority, added the real estate asset class to Warburg Invest Luxembourg S.A.'s authorization to operate as an alternative investment fund manager (AIFM). As a result, the company now acts as an AIFM in addition to central administration for further alternative investment funds (AIFs). Finally, the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – Federal Financial Supervisory Authority) authorized Warburg Invest Luxembourg S.A. to launch its first UCITS fund under German law. The ability to act as an AIFM and the cross-border administration of German UCITS round off the company's comprehensive administration services offering for fund structures.

W&Z FinTech GmbH

W&Z FinTech GmbH was formed in summer 2015 as a subsidiary of Warburg Bank with the mission of developing digital concepts for private clients. A web-based application enables an overview of all assets across accounts and portfolios held at different banks and for different asset classes. In addition, it offers users high-quality information about investments and access to exclusive products and services. The aim is to reflect changing user preferences regarding the use of smartphones and other mobile devices and to offer them their own mobile private bank.

Subsidiaries in Germany

BANKHAUS HALLBAUM AG

Only private bank with its head office in Hanover

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

Its clear strategic focus on its core business areas and its established regional market, along with the supplementary services provided by the parent bank and the Warburg Group, have proven their worth. The bank continued to expand its client base in all business areas and in particular recorded encouraging growth in the number of asset management mandates. Total assets under management for institutional and private clients increased by EUR 500 million to EUR 4.3 billion. Within this figure, the volume of securities managed for private clients rose by EUR 89.6 million to EUR 960 million. The number of asset management mandates increased by 28% to 750. This means that Bankhaus Hallbaum continues to be one of the largest asset managers in Lower Saxony.

Net interest income fell year-on-year to EUR 8.1 million against the backdrop of the continuing challenges posed by the low interest rate environment and the associated 16% drop in interest income. At the same time, however, net fee and commission income rose by EUR 689 thousand to EUR 8.7 million. This means that net fee and commission income exceeded net interest income for the first time in the bank's history. Strict cost discipline kept administrative expenses at the prior-year level, at EUR 13.3 million. The profit transferred to the parent company decreased by EUR 1.7 million to EUR 3.1 million.

Bankhaus Hallbaum considers itself well prepared to further strengthen its market position in Hanover and the region in which it is active, and to expand its business with high net worth individuals, owners of middle-market companies, corporate clients, and institutional investors in fiscal 2016. The business is expected to perform well overall.

BANKHAUS CARL F. PLUMP & CO AG

Oldest private bank in Bremen

Founded in 1828, Bankhaus Carl F. Plump & CO AG is the oldest private bank in Bremen. Its core business activities are private banking (including asset management and specialist asset advisory services for private clients and institutional investors), regionally based lending to selected clients, and the foreign documentary and non-documentary business that the bank has conducted for many years. Private banking has been expanded to include an additional focus area, financial planning. In addition to its main office in Bremen, Bankhaus Plump has a representative office in Oldenburg.

In line with its strategic positioning, Bankhaus Carl F. Plump & CO is focused squarely on the commission business. Total assets under management increased substantially in fiscal 2015. The same applies to the personalized advisory services area. Against this backdrop, fee and commission income from asset management increased by 32.7% year-on-year. Fee and commission income from the securities brokerage business was up 53.5% on the prior year. Foreign fee and commission business declined in comparison to the previous year due to the drop in documentary business.

The change in net interest income was mainly due to the limited opportunities for generating earnings given the flat yield curve and persistently low interest rates. For strategic reasons, the bank specifically did not increase its exposure to issuers or in the area of maturity transformation. As a result, its net interest income declined.

The bank plans to continue expanding its business in the Asset Advisory, Asset Management, and Financial Planning segments in 2016. It aims to successively grow the lending portfolio with high-quality loans.

BANKHAUS LÖBBECKE AG

Private bank with headquarters in Berlin

Bankhaus Löbbecke AG was founded in 1761 and is the only private bank with its head office in Berlin. It provides services to clients in Berlin, Brunswick, and eastern Germany. Its local offices in Brunswick and Dresden are also managed from its prestigious Behren Palais building in central Berlin's banking quarter.

Löbbecke's three main business activities are investment management for private and institutional clients, corporate banking and lending, and its KreditService offering, which for years has provided successful workout services for distressed debt receivables.

Bankhaus Löbbecke AG's investment business won new private clients, foundations, and institutional clients, primarily for its asset management operations, and deepened relationships with existing clients. The bank's lending business for private and corporate clients generated a large number of cross-selling opportunities. Its highly service-driven approach allowed it to enter into a large number of loan commitments despite its strict credit quality requirements. In the case of loans in excess of EUR 2 million, Löbbecke acts as a credit agent for M.M.Warburg & CO. As in the past, long-term real estate finance is provided in cooperation with its sister institution, M.M.Warburg & CO Hypothekenbank AG.

The KreditService unit has become the center of excellence within the Group for dealing with challenging cases. Attractive business opportunities led to new client relationships and portfolio acquisitions. Business partners include banks and financial investors in Germany and abroad. KreditService manages total client receivables of over EUR 1 billion.

MARCARD, STEIN & CO AG

A family office bank as an independent partner for wealthy families and foundations

As a family office, Marcard, Stein & Co AG specializes in end-to-end services for large family estates and ultra high net worth individuals. Its core business is providing strategic and operational support for clients across all asset classes, offering the full range of family office services. Clients are advised by a team of 63 employees who combine expert knowledge, dedication, and discretion.

In 2015, the bank's strategy was enhanced in a disciplined, well-structured manner, allowing it to acquire a number of demanding new mandates whose assets have grown due to the sale of equity interests in companies. This process requires considerable dedication in order to enable clients to efficiently select the best investments from among the wide range of opportunities on the market. Unanimous decisions by the legal entities holding the assets or the family members are of overriding importance here.

In the past year, a growing number of foundations also took advantage of the advisory services offered by this family office bank. Like others, these institutions are increasingly thinking about changing their asset allocations due to the low interest rates in the fixed-income area and the higher interest rate risk. Marcard, Stein & Co with its wide-ranging real estate know-how, for example, can be of assistance here.

Marcard, Stein & Co enjoys a special position in the heterogeneous family office market not only thanks to its experience and its decades of expertise as a partner for wealth holders, but also because of 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, the bank again used this strategic advantage to assert its quality leadership and expanded its market position. Its improved market recognition is demonstrated by the significant increase in external inquiries, among other things. In 2015, it made continued headway in the booming capital, Berlin, in particular.

Marcard Stein & Co can look back on a successful fiscal year in which it lived up to its reputation as a family office for end-to-end asset management across all asset classes. Liquid assets are enjoying a particularly high level of interest from many clients thanks to their transparency and flexibility. In the Operating Family Office business area, this is in fact often the only asset class in which advisory services are provided. Asset administration in all areas is based on a common investment strategy aimed at long-term capital preservation.

Strong demand for "real estate asset management" concept

One of the Strategic Family Office's core business areas is real estate asset management. For more than ten years, this area has managed clients' real estate assets, regardless of whether these are held directly or via funds. The services provided cover the entire range of management tasks in the real estate business: acquisition, pre-purchase evaluations, asset management, financing, leasing, development, renovation, reporting/financial control, sale, workout services for directly held portfolios, asset management services for indirect fund investments, and structuring exclusive club deals in the real estate private equity sector.

Directly held commercial and residential real estate worth several million euros was bought and sold, despite an extremely dynamic transaction environment. The main focus of purchasing activities was on value investments – i.e., undervalued properties in good locations that are in need of optimization. The ability to leverage their potential depends on the bank's proprietary, interdisciplinary real estate team, which completed or launched roughly a dozen construction projects for the rental sector and a number of large-scale leasing transactions last year.

Private equity boom continues

The "real estate asset management" concept practiced by the bank sets standards in the family office segment. It is highly sought after by clients and prospects and increasingly well known in the market as a whole. In line with this, the team was expanded further.

The investment management unit provides support for and manages clients' activities in the area of equity investments. On the one hand, the goal is to ensure efficient screening of investment opportunities up to and including full coordination of successful investment processes. On the other, Marcard, Stein & Co takes over long-term responsibility for financial control and reporting, as well as for representing client interests in relation to investments in the portfolio. Its expertise allows it to support clients in the case of both indirect investments made via external asset managers (and especially via private equity funds) and direct equity investments. The target investments cover the full range of illiquid assets.

Last year, the bank again partnered with clients to support them in a series of new indirect and direct investments, based on its constant screening of several hundred opportunities and its detailed examination of a small number of highly compelling potential investments.

SCHWÄBISCHE BANK AG

Additional staff recruited in Stuttgart

Schwäbische Bank AG has been engaged in the classic private banking business in Stuttgart, the capital of the state of Baden-Wuerttemberg, since the 1930s. The business is focused on wealthy private clients, owner-managed middle-market enterprises, and institutional clients.

Strong growth was recorded last year in Asset Management, which again succeeded in significantly expanding its mandate business after two successful years. Personalized asset advisory services were also highly attractive given the volatile financial markets. As a result, fee and commission income increased by an impressive 22% year-on-year. Net interest income declined by 12% as a direct effect of the continued deterioration of the interest rate environment.

Organizational structures were optimized at the beginning of 2015. Schwäbische Bank's four market teams, all of which specialize in investment and lending, makes it even easier for the bank to offer a single-source solution to clients' needs in a skilled, risk-oriented manner. The recruitment of additional staff associated with the organizational changes was completed in September. The bank intends to continue expanding its business with high net worth private clients, owner-managed companies, foundations, and institutional clients in 2016. Its goal is to grow in a controlled, profitable manner together with its existing and new clients while at the same time enhancing the quality of its services and processes for its clients' benefit.

M.M.WARBURG & CO HYPOTHEKENBANK AG

M.M.Warburg & CO Hypothekenbank AG is continuing to concentrate primarily on providing customized finance above and beyond the standardized mass-market business for multi-use commercial and residential real estate in Germany's metropolitan areas. Loans are only extended for properties requiring management, such as hotels or social welfare facilities, in exceptional cases; the same also applies in principle to properties abroad. The mortgage bank, which celebrated its 20th anniversary in the past fiscal year, once again turned in a very encouraging performance.

Encouraging level of new lending

Without straying from its traditionally conservative business strategy, its real estate finance commitments, at EUR 289.2 million, were almost on a par with the prior-year figure, despite much fiercer competition. The client base for financing requests made to the mortgage bank was selectively expanded, including in cooperation with other Warburg Group companies. Very healthy levels of new business lifted real estate lending volumes to EUR 1.58 billion at the end of the year, despite continued substantial repayments.

'Pfandbriefe' are still the mortgage bank's main means of refinancing, making it possible to obtain funding for transactions with matching maturities. Demand, particularly for low-volume registered mortgage 'Pfandbriefe', was again very encouraging last year.

At EUR 7.7 million, Hypothekenbank's pre-tax profit was up year-on-year. Although Warburg Bank's equity interest only amounts to 60%, the mortgage bank is an integral part of the Warburg Banking Group's business strategy. Cooperation with the co-shareholder – Landeskrankenhilfe V. V. a. G.(Lüneburg) – takes place in a strong spirit of partnership and on the basis of a shared vision of the mortgage bank's business strategy.

Subsidiaries in Luxembourg and Switzerland

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

Successful expansion of core business areas

Warburg Luxembourg specializes in custodian bank services for internationally diversified assets and the provision of services to high net worth private clients. The bank's clear orientation on its two core business areas again proved its worth in 2015. Its main area of activity continues to be the provision of custody services. In addition to the legally required custodianship of asset pools (funds), investment companies, and securitization companies under Luxembourg law, this includes complementary registrar and transfer agency, calculating agent, paying agent, brokerage, and cash and currency management services.

Custodian bank clients, in particular asset management companies, fund administrators, asset managers, insurers, and pension funds value the independence, flexibility, and experience of M.M.Warburg & CO Luxembourg. It is one of the few custodian banks in this financial center that can still model practically all established asset classes in funds at system level and provide custody services for them. Its proven expertise in alternative investments also enabled Warburg Luxembourg to profit from the growing demand for AIFM fund structures, although it also recorded encouraging volume growth in securities funds. Driven by continued growth in 2015 and its investments in systems and people, it was able to further extend its position in the financial center of Luxembourg. This is reflected in the growth of assets held in custody by EUR 2.0 billion to EUR 24.6 billion.

The bank's second core competency is its international private client business, from traditional advisory accounts to asset management. This business area was also significantly expanded in the past fiscal year, with particularly high growth in asset management. Clients in this area valued the bank's independence, good asset allocation, and its ability to cater to individual client needs. The lending business is only offered as a complement to the other services, with a focus on Lombard loans and prefinancing of capital calls at funds.

M.M.WARBURG BANK (SCHWEIZ) AG

M.M.Warburg Bank (Schweiz) AG has been present in Switzerland for more than 20 years and specializes in asset management, investment advisory, and related services for high net worth clients primarily in Switzerland, Germany, and certain western European countries.

Alongside investment advisory services and asset administration, M.M.Warburg Bank Switzerland also provides services in the areas of asset management, including securities fund management, securities and currency trading on behalf of clients, and support to independent asset managers. In individual cases, it also provides services in cooperation with other Warburg Group entities. The bank also offers Lombard loans and performs proprietary trading in securities and foreign exchange products.

As well as asset management, the bank also offers a very well received value investment program that follows a long-term value approach. For more than ten years, investors have been earning attractive returns either through separate investment mandates or by purchasing units in the Warburg Value Fund, which invests in global equities and is managed on the basis of this approach.

The bank manages client assets with a volume of approximately CHF 1.5 billion in what continues to be a challenging environment. The demands placed on employees, processes, and systems remain high. Nevertheless, the bank was able to achieve a positive result.

Private client business boosted

The Swiss subsidiary intends to expand its private client business in 2016 and plans to recruit additional qualified advisory staff for high net worth private clients. Switzerland remains a globally important center of the international private client business thanks to its political and economic stability and longstanding expertise.

Compliance Functions

The number of supervisory and legislative requirements affecting banks is increasing all the time. This trend, on which the Bank takes a critical stance, is resulting in compliance tasks becoming more and more important within the Warburg Group. The overarching responsibility of the compliance and money laundering functions ensures an appropriate, effective response to this challenge.

WpHG compliance

The independent Compliance department, which reports directly to senior management, is responsible for identifying, preventing, and managing conflicts of interest, among other things. As part of its regular risk analysis, the Compliance function determines the Bank's risk profile for existing compliance risks. Among other things, this incorporates the results of previous supervisory activities by Compliance itself, by Internal Audit, and the results of audits by external auditors, as well as all other relevant sources of information (for example from complaints management). In an increasingly international regulatory regime, the focus on compliance will be even stronger than before when it comes to implementing additional good conduct requirements and new rules imposing greater consumer protection and transparency.

Particular emphasis on anti-money laundering

The "Anti-Money Laundering" department is particularly important in the wake of the tougher regulatory requirements. The objectives of this department are to prevent and combat money laundering, terrorist financing, and other criminal acts, so as to protect the Bank and its clients. This risk analysis was comprehensively overhauled in 2015 in order to reflect the tougher requirements. In particular, the quality of the statistical analysis of the entire client base was further improved with regard to transaction, country, legal form, product, and sector risks. Appropriate measures to safeguard against money laundering, terrorist financing, and other criminal acts were derived from the risk analysis. The monitoring of all client transactions was extensively revised in 2015 in order to ensure end-to-end oversight.

Data protection and IT security

This function ensures that client data is handled responsibly as part of an IT security process and that data protection laws are complied with. A separate position was created for this last year to comply with legal and supervisory requirements.

MaRisk compliance

The "MaRisk compliance" function (compliance with the 'Mindestanforderungen an das Risikomanagement' (MaRisk) – Minimum Requirements for Risk Management) at banks is designed to identify changes in the legal framework by continuously monitoring new and amended statutory requirements and to ensure that they are implemented effectively. The goal is to minimize compliance risks that could arise from noncompliance with key rules and requirements in the shape of liability risks, sanction risks, and reputational risks. The challenge in 2015 was to review and filter the uninterrupted flood of regulatory requirements at national, European, and international level, to feed them into the effective implementation process, and to oversee their implementation. The ongoing phased implementation of European legislation governing payments (SEPA) and derivatives trading (EMIR), as well as U.S. tax rules (FATCA) and a large number of other supervisory and regulatory initiatives played a particular role.

Employees

Employees

For the first time in many years, there was an appreciable drop in the Warburg Group's headcount in 2015, although this was due solely to the transfer of Warburg-Henderson (now Warburg-HIH Invest Real Estate GmbH) to the HIH Group. Including this transfer, the headcount at year-end 2015 declined by 7.33% year-on-year. A comparison excluding the 117 employees employed by Warburg-Henderson in December 2014 reveals slight growth in the Warburg Group's headcount (1.70%). Overall, the Warburg Group had 1,201 employees at the end of the year, including 512 at Warburg Bank (previous year: 497), representing growth of 3.02%.

Number of employees

	M.M.Warburg & CO	Warburg Banking Group	M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA
Dec. 31, 2013	466	1,230	1,244
Dec. 31, 2014	497	1,275	1,296
Dec. 31, 2015	512	1,180	1,201
Increase/decrease	15	–95	–95
Increase/decrease in %	3.02%	–7.45%	–7.33%

Staff turnover at M.M.Warburg & CO grew slightly, but remained below the industry average. The average length of service of 11.12 years is comparatively high, and the ratio of departures due to employee resignations remains low, at 3.4%.

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

	Average length of service in years	Turnover rate (employee resignations)	Turnover rate (total)
Dec. 31, 2013	11.87	2.98%	4.89%
Dec. 31, 2014	11.56	3.32%	4.15%
Dec. 31, 2015	11.12	3.40%	4.80%

Following several years with an increase in the average age of the workforce to almost 44 years (2014), there has now been a slight decrease to 43.73 years. This is the result of hiring new vocational and graduate trainees and the integration of many young direct recruits. It means that the Bank is very close to the average age established by the Arbeitgeberverband Banken (the Private Bank Employers Association).

Illness-related absence rose again slightly and is now above 5% (including employees with long-term illnesses). For this reason, Human Resources increased its focus on health management last year and signed a works agreement on occupational integration management with the Works Council at the end of 2015.

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

	Average age in years	Illness-related absence	Illness-related absence excluding long-term illnesses
Dec. 31, 2013	43.85	4.08%	2.68%
Dec. 31, 2014	43.97	4.80%	2.37%
Dec. 31, 2015	43.73	5.17%	3.03%

In 2015, Warburg Bank's Human Resources assumed responsibility for the employees of Bankhaus Hallbaum, with the result that all German subsidiaries of the Warburg Group now have a central contact for all HR issues.

Our employees' continuing professional development is one focus of Human Resources activities. Employees can use the Group-wide offerings for professional and personal development, with the result that the quality of work is rising both in client-facing units and in back office areas. The seminars are designed with the involvement of the specialist departments. They are preceded by a needs assessment supported by employee discussions and a survey. Training courses are offered on the topics of communication, negotiation, leadership, and project management. IT training courses, language classes, and self-learning programs on money laundering, compliance, U.S. withholding tax, and the 'Allgemeines Gleichbehandlungsgesetz' (GAG – German General Equal Treatment Act) round off the program. The self-learning programs are mainly used to fulfill the constantly increasing statutory training requirements. Our internal continuing professional development offering is supplemented by participation in external seminars.

Human Resources received many applications from exceptionally well-qualified candidates. Filling traditional banking positions focusing on administrative and processing functions provided to be difficult at times because the number of qualified candidates available on the market in Hamburg is on the decline. Internal training is becoming more important for these areas.

The Works Council again made a well-balanced contribution to supporting the interests of the Bank and its employees. The members of the Works Council and the employer representatives again worked together in a spirit of constructive cooperation, and the partners would like to express their sincere thanks to the Works Council for this. Equally, the partners would like to thank the employees very warmly for all their hard work and achievements in 2015.

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

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

The Supervisory Board was informed regularly and in a timely manner by the general partner, M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft, about the position of the Bank and its subsidiaries and their business development. The members of the Executive Board of M.M.Warburg & CO Geschäftsführungs-Aktiengesellschaft are both the managers of and the partners in M.M.Warburg & CO ("partners").

The Supervisory Board comprehensively performed the duties assigned to it by law and under the Articles of Association. Between meetings, the Spokesman for the Partners informed the Chairman of the Supervisory Board continuously about key developments and decisions. The partners fulfilled their reporting obligations to the Supervisory Board in accordance with the Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management) and the 'Mindestanforderungen an die Compliance-Funktion' (MaComp – Minimum Requirements for Compliance) as well as in accordance with the Aktiengesetz (AktG – German Stock Corporation Act), and in particular section 90 of the AktG.

At its four meetings in 2015, held together with the Shareholders' Committee, the Supervisory Board received detailed reports from the partners on the course of business, the Company's position, issues relating to business and risk policy, and other important matters, and took decisions on the items of business presented to it that required its approval. Above and beyond this, all of the members of the Supervisory Board were promptly informed at all times by the partners about all important and unusual events and transactions.

In addition to ongoing developments in the business, the Supervisory Board discussed issues relating to business policy and strategy; important individual events and transactions; banking supervision; supervisory law; and the effects of market developments and the low interest rate environment on the earnings and risk position of the Bank and its subsidiaries. Additionally, topics related to the internal control system and financial reporting were discussed.

The annual financial statements and the management report for fiscal year 2015 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and, according to KPMG's findings, comply with the legal requirements. An unqualified audit opinion was issued.

The annual financial statements, the management report, and the auditors' report on the audit of the annual financial statements were made available to the Supervisory Board prior to its meeting on April 27, 2016. The Supervisory Board took note of and approved the findings of the audit. The auditor responsible participated in the discussions on the annual financial statements and the management report.

The management report and annual financial statements as of December 31, 2015, prepared by the partners were examined by the Supervisory Board. The Supervisory Board did not raise any objections. Based on the results of its examination, the Supervisory Board approved the annual financial statements.

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

Hamburg, April 27, 2016

The Supervisory Board
- Chairman -

Condensed Annual Financial Statements of M.M.Warburg & CO KGaA as of December 31, 2015

The full annual financial statements and the management report of M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien, Hamburg, for the fiscal year from January 1 December 31, 2015, were granted an unqualified audit opinion by KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, which was signed in Hamburg on April 26, 2016. The documents were published in the electronic Bundesanzeiger (German Federal Gazette).

Balance Sheet as of December 31, 2015

Assets			EUR	EUR	EUR	Previous year EUR thou.
1. Cash reserve						
a) Cash-in-hand				1,389,115.30		1,487
b) Central bank balances				10,882.57		39,915
of which: with Deutsche Bundesbank	EUR	10,882.57				(39,915)
c) Postal giro balances				0.00		0
					1,399,997.87	
2. Public-sector debt instruments and bills eligible for refinancing with central banks						
a) Treasury bills, discounted treasury notes similar public-sector debt instruments				0.00		0
of which: eligible for refinancing with Deutsche Bundesbank	EUR	0.00				(0)
b) Bills				0.00	0.00	0
3. Loans and advances to other banks						
a) Payable on demand				426,423,388.57		174,340
b) Other				333,366,179.48		256,133
					759,789,568.05	
4. Loans and advances to customers					1,020,642,967.41	1,107,147
of which: secured by mortgages	EUR	63,603,097.47				(105,820)
Public-sector loans	EUR	0.00				(40,052)
5. Bonds and other fixed-income securities						
a) Money market securities						
aa) public-sector issuers			0.00			0
of which: eligible as collateral for Deutschen Bundesbank advances	EUR	0.00				(0)
ab) other issuers			20,000,000.00	20,000,000.00		20,004
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	20,000,000.00				(20,004)
b) Bonds and notes						
ba) public-sector issuers			553,424,644.06			466,544
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	553,424,644.06				(466,544)
bb) other issuers			789,210,073.45	1,342,634,717.51		918,690
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	777,828,148.04				(902,573)
c) Own bonds and notes				0.00		0
at par	EUR	0.00				
					1,362,634,717.51	
6. Equities and other variable rate securities					16,992,423.58	20,044
6a. Trading portfolio					139,479,115.12	111,961
7. Shares in other investees and investors					24,829,371.01	33,453
of which: in banks	EUR	41,274.16				(41)
of which: in financial services institutions	EUR	142,341.20				(15)
8. Shares in affiliated companies					250,632,479.16	259,994
of which: in banks	EUR	223,473,845.49				(225,985)
of which: in financial services institutions	EUR	2,667,823.91				(0)
9. Fiduciary assets					56,318,208.41	49,357
of which: fiduciary loans	EUR	0.00				(0)
10. Equalization claims against the government including bonds and notes issued in substitution thereof					0.00	0
11. Intangible fixed assets						
a) Internally generated industrial rights and similar rights and assets				0.00		
b) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets				3,981,475.34		
c) Goodwill				0.00		
d) Prepayments				0.00	3,981,475.34	3,633
12. Tangible fixed assets					150,011,848.63	129,625
13. Unpaid contributions to subscribed capital					0.00	0
of which: called	EUR	0.00				(0)
14. Other assets					86,786,998.35	86,152
15. Prepaid expenses and deferred income					675,646.80	1,784
16. Deferred tax assets					0.00	0
17. Excess of plan assets over pension liability					0.00	0
18. Deficit not covered by equity					0.00	0
			Total assets		**3,874,174,817.24**	**3,680,263**

Equity and liabilities			EUR	EUR	EUR	Previous year EUR thou.
1. Liabilities to other banks						
a) Payable on demand				202,996,303.14		236,209
b) With agreed maturities or periods of notice				581,733,588.96		444,719
					784,729,892.10	
2. Liabilities to customers						
a) Savings deposits						
aa) with agreed periods of notice of three months			15,337,462.67			15,261
ab) with agreed periods of notice of more than three months			14,972,541.58	30,310,004.25		16,283
b) Other liabilities						
ba) payable on demand			1,672,645,345.31			1,703,238
bb) with agreed maturities or periods of notice			784,000,394.14	2,456,645,739.45		666,559
					2,486,955,743.70	
3. Securitized liabilities						
a) Bonds issued				0.00		0
b) Other securitized liabilities				0.00	0.00	0
of which: money market securities	EUR	0.00				(0)
own acceptances and promissory notes outstanding	EUR	0.00				(0)
3a. Trading portfolio					75,797,904.75	59,570
4. Fiduciary liabilities					56,318,208.41	49,357
of which: fiduciary loans	EUR	0.00				(0)
5. Other liabilities					56,384,432.69	84,329
6. Prepaid expenses and deferred income					163,810.55	181
6a. Deferred tax liabilities					0.00	0
7. Provisions						
a) Provisions for pensions and similar obligations				23,156,900.00		21,909
b) Provisions for taxes				1,000,000.00		0
c) Other provisions				17,628,046.41		17,766
					41,784,946.41	
8. (repealed)					0.00	0
9. Subordinated liabilities					83,000,000.00	52,000
10. Profit participation capital					10,000,000.00	10,000
of which: maturing in less than two years	EUR	0.00				(0)
11. Fund for general banking risks					4,013,215.23	2,855
of which: special reserve (HGB s. 340e)	EUR	4,013,215.23				(2,079)
12. Equity						
a) aa) subscribed capital			125,000,000.00			125,000
ab) contributions by silent partners			0.00	125,000,000.00		25,000
b) Capital reserves				135,000,000.00		135,000
c) Revenue reserves						
ca) legal reserve			0.00			0
cb) reserve for shares in a parent or majority investor			0.00			0
cc) reserves provided for by the articles of association			0.00			0
cd) other revenue reserves			15,000,000.00	15,000,000.00		15,000
d) Net retained profits				26,663.40		27
					275,026,663.40	
			Total equity and liabilities		**3,874,174,817.24**	**3,680,263**

	EUR	EUR	Previous year EUR thou.
1. Contingent liabilities			
a) Liabilities on endorsed bills settled with customers	0.00		0
b) Liabilities from guarantees and indemnities	30,558,944.10		30,770
c) Liabilities from the granting of security for third-party liabilities	0.00	30,558,944.10	0
2. Other commitments			
a) Repurchase agreements under sales with an obligation to repurchase	0.00		0
b) Placement and underwriting commitments	0.00		0
c) Irrevocable loan commitments	225,823,903.92	225,823,903.92	178,779

Income statement for the Period

January 1 to December 31, 2015

Expenses	EUR	EUR	EUR	Previous year EUR thou.
1. Interest expense		40,818,176.88		48,075
less positive interest		-109,153.67	40,709,023.21	0
2. Fee and commission expense			7,896,918.99	6,288
3. Net trading expense			0.00	0
4. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	43,681,718.20			40,601
ab) Social security, post-employment and other employee benefit expenses	8,212,381.07	51,894,099.27		6,791
of which: post-employment benefit expenses EUR 2,867,214.99				(1,727)
b) Other administrative expenses		30,395,137.34		29,622
			82,289,236.61	
5. Amortization and writedowns of intangible fixed assets and depreciation and writedowns of tangible fixed assets			13,584,714.42	7,786
6. Other operating expenses			11,037,913.09	4,553
7. Writedowns of and allowances on loans and advances and certain securities and additions to loan loss provisions			42,140,360.64	16,164
8. Additions to the fund for general banking risks			0.00	0
9. Writedowns of and allowances on shares in other investees and investors, shares in affiliated companies and securities classified as fixed assets			0.00	0
10. Cost of loss absorption			0.00	8,122
11. (repealed)			0.00	0
12. Extraordinary expenses			0.00	0
13. Taxes on income			0.00	0
14. Other taxes not included in item 6			91,295.48	95
15. Profit transferred under profit pooling, profit transfer, or partial profit transfer agreements			24,053,566.67	25,009
16. Net income for the year			0.00	0
Total expenses			**221,803,029.11**	**193,106**

Income	**EUR**	**EUR**	**EUR**	**Previous year EUR thou.**
1. Interest income from				
a) lending and money market operations	67,786,683.11			69,309
less negative interest	-645,175.15			-5
		67,141,507.96		
b) fixed-income securities and registered government debt	3,220,364.91			7,578
less negative interest	0.00			
		3,220,364.91		0
			70,361,872.87	
2. Current income from				
a) equities and other variable-rate securities		582,329.36		947
b) shares in other investees and investors		2,793,307.07		4,556
c) shares in affiliated companies		11,391,000.00		6,545
			14,766,636.43	
3. Income from profit pooling, profit transfer, or partial profit transfer agreements			7,224,792.17	8,753
4. Fee and commission income			75,466,617.54	67,107
5. Net trading income			10,422,132.80	6,982
6. Income from the reversal of writedowns of and allowances on loans and advances and certain securities and the reversal of loan loss provisions			0.00	0
7. Withdrawals from the fund for general banking risks			0.00	0
8. Income from the reversal of writedowns of and allowances on shares in other investees and investors, shares in affiliated companies and securities classified as fixed assets			19,801,837.03	6,735
9. Other operating income			23,759,140.27	14,599
10. (repealed)			0.00	0
11. Extraordinary income			0.00	0
12. Income from loss absorption			0.00	0
13. Net loss for the year			0.00	0
Total income			**221,803,029.11**	**193,106**

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

Notes

BASIS OF PREPARATION

The annual financial statements of M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien for fiscal year 2015 have been prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV – German Accounting Regulation for Banks). The provisions of German stock corporation law were complied with.

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

ACCOUNTING POLICIES

1. Receivables

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

2. Securities

Bonds and other fixed-income securities designed to be held for the long term are included in hedges and accounted for as long-term financial assets using the less strict principle of lower of cost or market value. Please refer to notes 12 and 22 for further information on the measurement of these assets.

Equities and other variable-rate securities designed to be held for the long term are accounted for as long-term financial assets. The option under section 255(3) sentence 44 of the HGB is exercised for these securities. Expenses from writedowns of certain securities are offset against income from reversals of such writedowns in accordance with section 340c(2) of the HGB.

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

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

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

3. Trading portfolio

The definition of the trading portfolio is based on point (85) of Article 4 of the Capital Requirements Regulation (CRR). 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 Banks' own account with the financial instruments (and precious metals) concerned.

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

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

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

Shares in other investees or investors and shares in affiliated companies are carried at the lower of cost or – in the event of permanent impairment – fair value in accordance with section 340e(1) sentence 1 of the HGB in conjunction with section 253(3) sentence 3 of the HGB. Unlisted companies are measured using an income approach.

Writedowns are reversed in accordance with the requirement to reverse writedowns under section 253(5) of the HGB. Expenses from writedowns of certain securities are offset against income from reversals of such writedowns in accordance with section 340c(2) of the HGB.

5. Tangible and intangible fixed assets

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

6. Other assets

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

7. Liabilities

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

8. Provisions

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

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

9. Loan loss provisions

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

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

Global valuation allowances are recognized to reflect expected credit risks.

10. Currency translation

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

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.

11. Fair value

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

The amount, timing, and probability of future cash flows from derivatives are subject to uncertainties that have a corresponding effect on their fair value.

The key determinants in this respect are:
- Future trends affecting market prices, especially interest rates, exchange rates, and share prices;
- The volatility of those prices; and
- Counterparty default risk.

12. Hedge accounting

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

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

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

14. 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

15. Receivables and liabilities

Maturity structure

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

Balance sheet item 3b:	Dec. 31, 2015	Dec. 31, 2014
Other loans and advances to other banks	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	104,820	201,348
b) more than three months to one year	103,546	27,400
c) more than one year to five years	125,000	27,385
d) more than five years	0	0
Total	333,366	256,133

Balance sheet item 4:	Dec. 31, 2015	Dec. 31, 2014
Other loans and advances to customers	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	215,252	281,241
b) more than three months to one year	183,981	120,597
c) more than one year to five years	349,098	377,707
d) more than five years	272,312	327,602
Total	1,020,643	1,107,147
of which undated	155,069	117,269

Balance sheet item 5:	Dec. 31, 2015	Dec. 31, 2014
Bonds and other fixed-income securities	EUR thou.	EUR thou.
of which due in the following year	431,733	459,207

Repurchase agreements

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

16. Securities

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

Balance sheet items		Listed		Unlisted	
		Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Balance sheet item 5	Balance sheet item 5 Bonds and other fixed-income securities	1,271,356	1,287,286	91,278	117,951
Balance sheet item 6	Balance sheet item 6 Equities and other variable-rate securities	0	5,074	12,570	11,471

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

Investment funds

EUR thou Dec. 31, 2015	Equity funds	Real estate funds	Total
Carrying amount	5,000	7,500	12,500
Fair value	5,144	7,883	13,027
Difference v. carrying amount	144	383	527
Distributions made	0	86	86

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

The real estate funds have a minimum holding period of 24 months and a notice period of 12 months.

17. Subordinated assets

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

Balance sheet items		Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Balance sheet item 3	Loans and advances to other banks	17,916	22,696
Balance sheet item 4	Loans and advances to customers	2,197	1,439
Balance sheet item 5	Bonds and other fixed-income securities	11,382	12,892
Balance sheet item 6	Equities and other variable-rate securities	2,400	1,500

18. Trading portfolio assets

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

Trading portfolio Assets	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Other assets	2,216	377
Bonds and other fixed-income securities	11,340	15,425
Equities and other variable rate securities	6,284	2,065
Derivative financial instruments	120,512	94,531
Total	140,353	112,398

A value-at-risk allowance of EUR 874 thousand (EUR 438 thousand) was deducted from the assets in the trading portfolio amounting to EUR 140,353 thousand (EUR 112,398 thousand), resulting in a carrying amount of EUR 139,479 thousand (EUR 111,961 thousand).

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

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

Balance sheet items		Listed		Unlisted	
		Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Balance sheet item 7	Shares in other investees and investors	0	5,833	8,371	8,371
Balance sheet item 8	Shares in affiliated companies	0	0	237,037	239,549

20. Fiduciary assets

Item	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Loans and advances to other banks	0	0
Loans and advances to customers	0	0
Shares in other investees and investors	0	0
Other assets	56,318	49,357
Total	56,318	49,357

21. Fixed assets

Statement of changes in fixed assets	Historical cost				Reversals of write-downs	Depreciation, amortization and writedowns			Carrying amounts	Carrying amounts
EUR thou.	Balance at								Balance at	Balance at
	Jan. 1, 2015	Disposals	Additions	Transfers		Cumulative	Transfers	Current year	Dec. 31, 2015	Dec. 31, 2014
Intangible fixed assets	38.389	2.659	0	0	0	34.756	0	2.311	3.981	3.632
Tangible fixed assets	188.455	31.664	0	0	0	58.830	0	11.277	150.012	129.625
	Changes									
Shares in other investees and investors	-8.624								24.829	33.453
Shares in affiliated companies	-9.362	Amounts have been aggregated as permitted by section 34(3) of the RechKredV							250.632	259.994
Long-term securities	-25.257								11.198	36.455

Tangible fixed assets

At the reporting date, tangible fixed assets included owner-occupied land and buildings in the amount of EUR 32,493 thousand (EUR 33,364 thousand). Three container ships and one bulk freighter are reported in the amount of EUR 112,451 thousand (EUR 92,221 thousand). The vessels are operated on behalf of the Bank by a third party with experience of the business. EUR 5,022 thousand (EUR 3,751 thousand) relates to operating and office equipment.

Payments on account attributable to assets and assets under construction amounted to EUR 46 thousand (EUR 289 thousand).

Long-term financial assets

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

22. Hedge accounting inheiten

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

Securities with a notional value of EUR 9,250 thousand (EUR 37,240 thousand) and 583 (1,951) index options, plus corresponding liabilities, were accounted for as a macro hedge of interest rate and equity price risk. Negative changes in the fair value of the hedged items are offset by positive changes in the fair value of the hedging instruments.

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

23. Reclassifications

As in the previous year, there were no reclassifications in fiscal year 2015.

24. Other assets

Other assets include collateral relating to executory contracts in the amount of EUR 56,590 thousand (EUR 56,048 thousand) and receivables relating to allocation account balances due from affiliated companies and other investees and investors in the amount of EUR 18,885 thousand (EUR 19,892 thousand). This item also contains current tax receivables amounting to EUR 3,310 thousand (EUR 2,563 thousand).

25. Prepaid expenses

As in the previous year, there were no prepaid expenses as defined in section 250(3) of the HGB; prepaid expenses as defined in section 340e(2) of the HGB amounted to EUR 291 thousand (EUR 1,609 thousand).

26. Assets denominated in foreign currencies

Assets denominated in foreign currencies totaled EUR 818,280 thousand (EUR 662,298 thousand).

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

The asset items in the balance sheet contain the following items relating to the companies designated above:

Loans and advances to	Affiliated companies		Other investees and investors	
Item	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Loans and advances to other banks	116,780	116,189	0	0
Loans and advances to customers	26,615	77,250	0	69,510
Bonds and other fixed-income securities	0	0	0	0
Other assets	18,885	19,892	0	0
Total	162,280	213,331	0	69,510

28. Liabilities

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

Balance sheet item 1b: Liabilities to other banks	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
with residual terms of		
a) up to three months	168,295	217,219
b) more than three months to one year	407,439	227,500
c) more than one year to five years	6,000	0
d) more than five years	0	0
Balance sheet items	581,734	444,719

Balance sheet items 2a, 2ab: Savings deposits	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
with residual terms of		
a) up to three months	1,848	2,223
b) more than three months to one year	10,302	11,661
c) more than one year to five years	2,805	2,381
d) more than five years	18	18
Total	14,973	16,283

Balance sheet items 2b, 2bb: Other liabilities to customers	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
with residual terms of		
a) up to three months	494,092	291,065
b) more than three months to one year	116,908	176,539
c) more than one year to five years	38,000	9,955
d) more than five years	135,000	189,000
Total	784,000	666,559

29. Trading portfolio liabilities

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

Trading portfolio Liabilities	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Liabilities	2,421	724
Derivative financial instruments	73,377	58,845
Total	75,798	59,569

30. Fiduciary liabilities

Item	Dec. 31, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Liabilities to other banks	0	0
Liabilities to customers	0	0
Other liabilities	56,318	49,357
Total	56,318	49,357

31. Other liabilities

Other liabilities include collateral received amounting to EUR 13,091 thousand (EUR 10,100 thousand), structured products amounting to EUR 9,081 thousand (EUR 35,880 thousand), and liabilities to the German tax authorities of EUR 2,200 thousand (EUR 2,650 thousand). This item also includes the net income for the reporting period of EUR 23,332 thousand (EUR 22,809 thousand) to be transferred to M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA under the control and profit and loss transfer agreement dated December 5, 2007. Other liabilities to affiliated companies and other investees and investors amounted to EUR 1,777 thousand (EUR 1,891 thousand). Other liabilities also include the distribution on profit participation capital for 2015 (see note 35).

32. Deferred income

As in the previous year, no deferred income as defined in section 340e(2) of the HGB was recognized.

33. Provisions

Pensions and similar obligations

The principal assumptions applied as of December 31, 2015, are:

Discount rate p. a.	3.89%
Defined benefit trend (e. g. salary) p. a.	1.50%
Trend for income threshold for contribution assessment p. a.	1.50%
Pension trend p. a.	1.60%
Average staff turnover	6.03%

Other provisions

Of the reported amount of EUR 17,628 thousand (EUR 17,766 thousand), EUR 8,500 thousand (EUR 7,950 thousand) was attributable to profit-related employee remuneration and EUR 1,828 thousand (EUR 3,382 thousand) to loan loss provisions.

34. Subordinated liabilities

The subordinated liabilities totaling EUR 83,000 thousand (EUR 52,000 thousand) can be broken down by maturity as follows:

Amount in EUR thou.	Currency	%	Maturity	Early repayment obligation
5,000	EUR	7.00	July 2, 2018	Not possible
2,000	EUR	7.00	July 3, 2018	Not possible
10,000	EUR	5.75	May 13, 2019	Not possible
10,000	EUR	6.10	May 27, 2019	Not possible
500	EUR	6.10	Dec, 9 2021	Not possible
9,500	EUR	6.10	Dec. 9, 2021	Not possible
6,000	EUR	4.00	Oct. 13, 2025	Not possible
5,000	EUR	4.00	Oct. 13, 2025	Not possible
1,000	EUR	4.00	Oct. 12, 2026	Not possible
5,000	EUR	4.10	Oct. 12, 2027	Not possible
5,000	EUR	4.13	Dec. 13, 2027	Not possible
3,000	EUR	4.15	Dec. 13, 2028	Not possible
5,000	EUR	4.25	Oct. 10, 2029	Not possible
3,000	EUR	4.40	Oct. 15, 2030	Not possible
3,000	EUR	4.40	Oct. 15, 2030	Not possible
5,000	EUR	4.25	Nov. 4, 2030	Not possible
5,000	EUR	4.30	Nov. 11, 2030	Not possible

Interest expenses totaling EUR 2,721 thousand (EUR 2,945 thousand) were incurred for subordinated liabilities in the reporting period.

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

35. Profit participation capital

Profit participation capital amounts to EUR 10,000 thousand (EUR 10,000 thousand) and complies with the provisions of Article 62 in conjunction with Article 63 of the CRR. Distributions on profit participation capital of EUR 775 thousand (EUR 775 thousand) are reported under other liabilities in 2015.

36. Equity

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

Changes in subscribed capital

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

The subscribed capital is composed of 125,000 (125,000) no-par value registered shares. It did not change as against the previous year and amounts to EUR 125,000 thousand.

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

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

Contributions by silent partners

Die zum Bilanzstichtag des Vorjahres ausgewiesene Stille Einlage von TEUR 25,000 wurde im Frühjahr des Berichtsjahres zurückgezahlt, Der in 2014 nach Art, 78 Abs, 1 CRR gestellte Antrag zur Rückzahlung der Stillen Einlage war zuvor durch die zuständige Aufsichtsbehörde genehmigt worden,

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.

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

The liabilities items in the balance sheet contain the following items relating to the companies designated above:

Liabilities to	Affiliated companies		Other investees and investors	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Item	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Liabilities to other banks	745,442	620,021	0	0
Liabilities to customers	34,454	42,111	20,774	29,272
Other liabilities	25,831	26,900	0	0
Total	805,727	689,032	20,774	29,272

38. Liabilities denominated in foreign currencies

Liabilities denominated in foreign currencies amount to EUR 704,903 thousand (EUR 522,157 thousand).

39. Collateral pledged

At the reporting date, securities with a nominal value of EUR 97,358 thousand (EUR 104,163 thousand) had been deposited as collateral for transactions on derivatives exchanges and for securities lending transactions.

Cash collateral of EUR 56,590 thousand (EUR 56,048 thousand) was furnished for OTC derivatives transactions.

40. Contingent liabilities and other commitments

Contingent liabilities include other guarantees amounting to EUR 30,559 thousand (EUR 30,770 thousand). Irrevocable loan commitments amounting to EUR 225,824 thousand (EUR 178,779 thousand) are disclosed as other commitments.

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

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

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

NOTES TO THE INCOME STATEMENT

41. Interest 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, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Interest income	26,701	24,369

42. Services

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

43. Income by geographical market

The Bank does not have any sales offices outside Germany.

44. Other operating income

Other operating income in the amount of EUR 23,759 thousand (EUR 14,599 thousand) includes income from agency activities of EUR 5,921 thousand (EUR 7,683 thousand) and income from the operation of maritime vessels of EUR 13,809 thousand (EUR 2,908 thousand). Provisions not relating to credit risks were reversed in the amount of EUR 413 thousand (EUR 1,223 thousand).

45. 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, 2015 EUR thou.	Dec. 31, 2014 EUR thou.
Interest expenses	19,876	26,240

46. Other operating expenses

The expense from the unwinding of discounts on provisions for personnel expenses amounted to EUR 953 thousand (EUR 1,026 thousand).

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

Distributions of EUR 721 thousand (EUR 2,200 thousand) relating to a silent partnership interest that was repaid in the reporting period and the residual annual profit of EUR 23,332 thousand (EUR 22,809 thousand) are reported in this item; these amounts will be transferred to M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA.

OTHER DISCLOSURES

48. Other financial commitments

Due to the dissolution of Liquiditäts-Konsortialbank GmbH, Frankfurt/Main, the contingent liabilities resulting from the equity interest in that company reported in the previous year no longer exist.

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

As in the previous year, there were no call obligations as of December 31, 2015. An interest guarantee has been provided for certain issues of M.M.Warburg & CO Luxembourg S.A.

49. Derivative financial instruments

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

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

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

Derivative financial instruments not recognized at fair value

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

	2015			2014		
EUR thou.	Notional values	Positive fair values	Negative fair values	Notional values	Positive fair values	Negative fair values
Interest rate swaps	1,444,331	36,000	46,969	1,539,308	58,650	58,785
Forward interest rate swaps (OTC)	30,700	551	523	39,937	73	133
Floors (OTC)	780	9	7	780	10	8
Caps (OTC)	780	1	1	780	1	1
Total	1,476,591	36,561	47,500	1,580,805	58,734	58,927

There were no foreign currency and equity/index derivatives as of the reporting date required to be disclosed under section 285 no. 19 of the HGB. Derivatives not allocated to the trading portfolio are executory contracts and are therefore not recognized as a matter of principle.

Trading transactions

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

	2015			2014		
EUR thou.	Notional values	Positive fair values	Negative fair values	Notional values	Positive fair values	Negative fair values
1. Interest-related transactions						
Interest rate swaps	0	0	0	20,000	300	346
2. Currency-related transactions						
Currency forwards	3,603,903	109,833	56,676	3,607,156	89,417	54,648
Currency options	2,252,143	10,679	16,701	510,355	4,814	3,851
3. Equity/index transactions						
Equity index futures	0	0	0	2,461	0	0
Total	5,856,046	120,512	73,377	4,139,972	94,531	58,845

50. Employees

In fiscal year 2015, the Bank employed an average workforce of 497 (481), which can be broken down as follows:

	2015			2014
	Male	Female	Total	Total
Employees	272	215	487	471
Vocational trainees	9	1	10	10
Total	281	216	497	481

51. Shareholdings

Name und Sitz der Gesellschaft	Equity interest in %	Reporting currency	Equity in EUR thou.	Profit/loss in EUR thou.
1. Affiliated companies				
Bankhaus Carl F. Plump & CO AG, Bremen	100.00	EUR	12,210	EAV
Bankhaus Hallbaum AG, Hanover	100.00	EUR	40,000	EAV
Bankhaus Löbbecke AG, Berlin	100.00	EUR	12,100	EAV
Belgravia GmbH, Berlin	100.00	EUR	22	-2
Lederwerke Wieman GmbH, Hamburg	100.00	EUR	3,071	EAV
M.M.Warburg & CO Hypothekenbank AG, Hamburg	60.01	EUR	90,916	5,029
M.M.Warburg & CO Luxembourg S.A., Luxembourg	100.00	EUR	37,761	5,018
M.M.Warburg Bank (Schweiz) AG, Zurich	100.00	CHF	21,173	20
Marcard Family Office Treuhand GmbH, Hamburg	100.00	EUR	107	28
MARCARD, STEIN & Co AG, Hamburg	100.00	EUR	12,052	EAV
METRACO Verwaltungsgesellschaft S.A. Luxembourg	100.00	EUR	459	27
Metropolitan Trading Corp. S.A., Luxembourg	100.00	EUR	1,588	-70
MS "RHL Audacia" Schiffahrtsgesellschaft mbH, Hamburg	100.00	EUR	-22	-47
MS "RHL Novare" Schiffahrtsgesellschaft mbH, Hamburg	100.00	EUR	-715	-740
Nestor Investment Management S.A., Luxembourg	51.00	EUR	1,008	459
New Bond Street GmbH, Berlin	100.00	EUR	23	-3
Regent Street GmbH, Berlin	100.00	EUR	19	1
RHL Hamburger Lloyd Shipping Trust GmbH, Hamburg	100.00	EUR	74	21
RTF Verwaltungsgesellschaft mbH, Hamburg	100.00	EUR	33	-1
Schwäbische Bank AG, Stuttgart	100.00	EUR	20,314	EAV
W&Z FinTech GmbH, Hamburg	75.00	EUR	134	-66
Warburg Invest Kapitalanlagegesellschaft mbH, Hamburg	100.00	EUR	6,747	1,147
Warburg Invest Luxembourg S.A., Luxembourg	100.00	EUR	4,879	60
Warburg Research GmbH, Hamburg	100.00	EUR	2,958	1,403
2. Investments with an equity interest of 20 % or more				
Quint:Essence Capital S.A., Munsbach/Luxembourg	20.00	EUR	193	1

* Equity and profit/loss for fiscal year 2014
Currency translation rate used: EUR/CHF: 1.0814

52. Executive Bodies

General Partners

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

Joachim Olearius
Spokesman for the Executive Board

Dr. Henneke Lütgerath
Member of the Executive Board

Eckhard Fiene
Member of the Executive Board

Dr. Peter Rentrop-Schmid
Member of the Executive Board

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

Members of senior management received EUR 2,042 thousand (EUR 2,271 thousand) for fiscal year 2015. EUR 1,435 thousand (EUR 2,701 thousand) was recognized as an expense for profit-related distributions due for payment after adoption of the annual financial statements.

Shareholders' Committee

Dr. Christian Olearius, Chairman
Banker

Max Warburg, Deputy Chairman
Banker

Dr. Bernd Thiemann
Management Consultant

Prof. Dr. Burkhard Schwenker *(from December 3, 2015)*
Management Consultant

No loans and advances had been granted to members of the Shareholders' Committee at the year-end, as in the previous year. 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 56 thousand (EUR 65 thousand).

Supervisory Board

Dr. Christian Olearius, Chairman
Banker

Max Warburg, Deputy Chairman
Banker

Dr. Bernd Thiemann
Management Consultant

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

The total remuneration granted to the Supervisory Board in the fiscal year amounted to EUR 107 thousand (EUR 137 thousand).

53. Offices held as of December 31, 2015

Joachim Olearius

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

Dr. Henneke Lütgerath

- Chairman of the Supervisory Board, Bankhaus Hallbaum AG, Hanover
- Chairman of the Supervisory Board, Bankhaus Löbbecke AG, Berlin
- Chairman of the Supervisory Board, Sievers Grundbesitz AG, Hamburg
- Member of the Supervisory Board, Bucerius Law School gGmbH, Hamburg
- Deputy Chairman of the Supervisory Board, HFI Hansische Vermögensverwaltungs AG i.L., Hamburg
- Member of the Advisory Board, CredaRate Solutions GmbH, Cologne

Eckhard Fiene

- Deputy Chairman of the Supervisory Board, Bankhaus Carl F. Plump & CO AG, Bremen
- Deputy Chairman of the Supervisory Board, Warburg Invest Kapitalanlagegesellschaft mbH, Hamburg

Dr. Peter Rentrop-Schmid

- Deputy Chairman of the Supervisory Board, Bankhaus Hallbaum AG, Hanover
- Deputy Chairman of the Supervisory Board, Bankhaus Löbbecke AG, Berlin
- Deputy Chairman of the Supervisory Board, M.M.Warburg & CO Luxembourg S.A., Luxembourg
- Deputy Chairman of the Supervisory Board, Warburg Invest Luxembourg S.A., Luxembourg
- Deputy Chairman of the Supervisory Board, Warburg-HIH Invest Real Estate GmbH, Hamburg
- Deputy Chairman of the Supervisory Board, IntReal International Real Estate Kapitalverwaltungs-Gesellschaft mbH, Hamburg
- Chairman of the Supervisory Board, GBK Beteiligungen AG, Hanover
- Deputy Chairman of the Supervisory Board, GEDO Grundstücksentwicklungs- und Verwaltungsgesellschaft mbH & Co. KG, Grünwald

- Member of the Advisory Board, Hannover Finanz GmbH, Hanover
- Member of the Advisory Board, HF Fonds VII Unternehmensbeteiligungs GmbH, Hanover

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

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

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

Wulf Matthias
- Chairman of the Supervisory Board, Wirecard AG, Aschheim
- Chairman of the Supervisory Board, Wirecard Bank AG, Aschheim

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

54, Konzernabschluss

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

55. Auditors' fees

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

56. Appropriation of net retained profits

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

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

Hamburg, April 25, 2016

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

Adresses

M. M. WARBURG & CO
1798

M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien
Ferdinandstraße 75, 20095 Hamburg, Germany
Phone +49 40 3282-0 · Fax +49 40 3618-1000
www.mmwarburg.com

Private Banking Frankfurt
Liebigstraße 6, 60323 Frankfurt/Main, Germany
Phone +49 69 505071-0 · Fax +49 69 505071-91

Private Banking Köln
Brückenstraße 17, 50667 Cologne, Germany
Phone +49 221 27294-0 · Fax +49 221 2571882

Private Banking München
Maximilianstraße 2, 80539 Munich, Germany
Phone +49 89 255596-0 · Fax +49 89 255596-199

Representative Office Berlin
Behrenstraße 36, 10117 Berlin, Germany
Phone +49 30 88421-126 · Fax +49 30 88421-127

M. M. WARBURG & CO LUXEMBOURG

M.M.Warburg & CO Luxembourg S.A.
2, Place François-Joseph Dargent, L-1413 Luxembourg, Luxembourg
Phone +352 424545-1 · Fax +352 424569
www.mmwarburg.lu

M. M. WARBURG BANK SCHWEIZ

M.M.Warburg Bank (Schweiz) AG
Parkring 12, CH-8027 Zurich, Switzerland
Phone +41 44 2062-323 · Fax +41 44 2062-301
www.mmwarburg.ch

M. M. WARBURG & CO HYPOTHEKENBANK

M.M.Warburg & CO Hypothekenbank AG
Colonnaden 5, 20354 Hamburg, Germany
Phone +49 40 355334-0 · Fax +49 40 355334-19
www.warburghyp.de

BANKHAUS HALLBAUM
1879

Bankhaus Hallbaum AG
An der Börse 7, 30159 Hanover, Germany
Phone +49 511 3012-0 · Fax +49 511 3012-205
www.bankhaus-hallbaum.de

Bankhaus Löbbecke AG
Behrenstraße 36, 10117 Berlin, Germany
Phone +49 30 88421-0 · Fax +49 30 88421-144
www.bankhaus-loebbecke.de

MARCARD, STEIN & CO AG
Ballindamm 36, 20095 Hamburg, Germany
Phone +49 40 32099-0 · Fax +49 40 32099-200
www.marcard.de

Bankhaus Carl F. Plump & CO AG
Am Markt 19, 28195 Bremen, Germany
Phone +49 421 3685-0 · Fax +49 421 3685-313
www.bankhaus-plump.de

Schwäbische Bank AG
Königstraße 28, 70173 Stuttgart, Germany
Phone +49 711 22922-0 · Fax +49 711 221698
www.schwaebische-bank.de

WARBURG INVEST

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH
Ferdinandstraße 75, 20095 Hamburg, Germany
Phone +49 40 3282-5100 · Fax +49 40 3282-5500
www.warburg-fonds.com

WARBURG INVEST LUXEMBOURG

WARBURG INVEST LUXEMBOURG S.A.
2, Place Dargent, L-1413 Luxembourg, Luxembourg
Phone +352 424491-1 · Fax +352 422594
www.warburg-fonds.com

WARBURG RESEARCH

Warburg Research GmbH
Hermannstraße 9, 20095 Hamburg, Germany
Phone +49 40 309537-0 · Fax +49 40 309537-110
www.warburg-research.com

W&Z FinTech GmbH

W&Z FinTech GmbH
Kampstraße 7 · 20357 Hamburg, Germany
Phone +49 40 209 324 171· www.ownly.de