

Warburg Bank | Hamburg

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Transformation of M.M.Warburg & CO impacts earnings in 2022

- *Annual financial statements 2022 of Warburg Bank with clearly negative result due to special charges*
- *Operating result slightly positive*
- *Implementation of "Strategy 2024" progressing consistently*

Warburg Bank closes the financial year 2022 with a loss of 34.6 million euros. The main reasons for this were measures associated with the strategic realignment, which necessitated provisions, write-downs, and impairments. Secondly, geopolitical uncertainties, particularly in the wake of the war of aggression on Ukraine, led to price declines and decreasing capital market activity. The market environment was therefore challenging for M.M.Warburg & CO on the commission side in 2022.

"The 2022 business result is certainly not satisfactory. However, we have deliberately decided to place all the burdens that arise in the course of the strategy adjustment in the past financial year. This will allow us to fully concentrate on the transformation process in 2023," says Markus Bolder, member of the Management Board and responsible for the back office divisions of M.M.Warburg & CO.

Extraordinary expenses due to realignment

"Strategy 2024" provides for a clear focus on the needs of customers. The bank's core business areas will be reduced from four to three: Private Banking, Corporate and Investment Banking, and Asset Management. "We want to meet the highest standards and, to this end, also improve cross-divisional working in order to be able to provide our clientele with individual advice and tailored offers from a single source. As an entrepreneurial bank, M.M.Warburg & CO stands for highly specialized expertise

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M.M. WARBURG & CO
BANK

away from mass business across the entire value chain in entrepreneurial and private finance," says Stephan Schrameier, the M.M. Warburg & CO board member responsible for the market divisions.

As part of the "Strategy 2024", the bank is disposing of investments that do not contribute to the realignment. These include Warburg Invest AG in Hanover, W&Z Fintech GmbH and M.M. Warburg & CO Hypothekenbank AG. "We have had to make value adjustments to some of the investments that have been sold in the meantime, which have had a negative impact on our business results," Schrameier added.

In Private Banking, administrative activities are being centralized; two of the previous ten branches, Osnabrück and Braunschweig, have been or will be closed. Costs are to be cut across the entire bank - also through personnel measures. "We are cutting around 50 jobs as part of a so-called voluntary program - amicably, in a socially responsible manner and, of course, with the involvement of the works council," explains Bolder. Provisions were made for this, which also affected the annual result.

Write-downs were also made in connection with the planned core banking system change: the original plan to make only adjustments to the existing system was discarded. "Instead, we expect to implement a completely new core banking system with all the latest functionalities by 2026. A letter of intent has already been signed with a service provider," Bolder explains.

Slightly positive operating result

In its operating business, Bank 2022 benefited from the turnaround in interest rates. Net interest income increased by 83.3% year-on-year to EUR 70.8 million. Net fee and commission income, on the other hand, fell by 13.4% compared with the previous fiscal year to EUR 83.5 million in the tense market environment. The decline can be attributed, among other things, to lower fees due to price declines in asset management products, fewer transactions in the securities business, and the lower number of transactions in the highly capital market-dependent business. Overall, the decline in net fee and commission income was offset by a sharp rise in net interest income in the year under review.

Despite difficult market conditions, the trading business delivered a positive result of 2.3 million euros (previous year 6.7 million euros). Warburg Bank essentially discontinued proprietary trading activities at the end of the reporting year.

Goal: Sustainable profitability from 2024

"The first months of 2023 make us optimistic that our clear targets from the strategy project are taking effect. For 2023, we expect to break even, and in 2024 we want to close with a clear profit. This is ambitious, but achievable - if all employees contribute together," says Schrameier.

A key success factor is therefore also a change in corporate culture. "We want everyone at M.M. Warburg & CO to get involved and take responsibility - that's the only way we can achieve our goals," explains Bolder. The cultural transformation was initiated in 2022 and is being accompanied by an agency specializing in this area.

About M.M. Warburg & CO:

Founded in 1798, M.M. Warburg & CO is an independent private bank with its headquarters in Hamburg and other locations throughout Germany. The company uniquely combines traditional and modern banking. Enduring factors such as expertise, experience and reliability are paired with a modern digital service offering that provides customers and business partners with real added value.

The core business areas include Private Banking, Corporate & Investment Banking and Asset Management. Here, M.M. Warburg & CO offers individual solutions and personal, holistic advice for wealthy private clients, foundations, medium-sized, private and listed companies, the shipping industry as well as institutional clients and financial investors. Independence, confidentiality, reliability and consistency characterize the cooperation.

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