



M. M. WARBURG & CO

1798

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

Banking Group

(cumulative basis)

EUR million	2012	2011	2010
Income before taxes	39.8	43.6	55.2
Net interest income	88.9	86.6	94.8
Net fee and commission income	132.3	138.0	131.0
Total assets	8,456.6	8,651.9	8,008.0
Business volume	8,536.9	8,752.6	8,110.2
Liable capital*	422.0	419.0	564.0
Regulatory capital as defined by the KWG*	422.0	419.0	564.0
Assets under management	44,372	38,055	36,124

* 2010 figures include Degussa Bank GmbH

Bank

EUR million	2012	2011	2010
Income before taxes	35.4	40.7	65.6
Total assets	4,181.7	4,460.9	4,187.1
Business volume	4,237.4	4,523.0	4,253.3
Liable capital	346.4	351.1	340.4
Regulatory capital as defined by the KWG	333.0	326.4	317.9



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Annual Report 2012



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Executive Bodies of M.M.Warburg & CO KGaA

SUPERVISORY BOARD

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

SHAREHOLDERS' COMMITTEE

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

PARTNERS

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

EXECUTIVE OFFICERS

Dominik Ahlers - from April 1, 2013 -
 Manfred Bruhn
 Volker Hahnau
 Dr. Jens Kruse
 Thomas Schult

CHIEF LEGAL COUNSEL

Dr. Bernd Eckardt - until March 31, 2013 -

SENIOR EXECUTIVES

Dr. Christoph Greiner	Dieter Grosenick	Gerhard Müller
<i>(Chief Legal Counsel</i>	Silke Harms	Sven-Michael Nareyka
<i>from April 1, 2013)</i>	Friedrich Bernhard Henne	Holger Nass
Reinhold Albers	Dr. Christian Hennig	Paul Recum
Florian Becker	Christoph Herms	Dirk Rosenfelder
Dr. Jan-Frederik Belling	Thomas Hock	Klaus Schilling
Regina Bendner	Dr. Christian Jasperneite	Christian Schmaal
Lutz Bode	Helmut Katt	Rüdiger Seiffert
Uwe Boehmer-Beuth	Ingrid Kindsmüller	Klaus Sojer
Ulf-Dieter Brandt	Carsten Klude	Achim Urbschat
Robert Czajkowski	Jutta Kuhn	Jörn Voderberg
Martin Dörscher	Dr. Ulrike Lambardt-Mitschke	Erich Waller
Sandra Duttke	Barbara Launer-Effler	Martin Wehrle
Klaus-Dieter Engel	Dr. Joachim Liese	Till Wrede
Boris Fischer-Zernin	Rainer van der Meirschen	



Report of the Partners

Report of the Partners

The last fiscal year was an eventful one. The first six months were dominated by the escalating debt crisis in Europe. The markets did not settle until the unprecedented announcement by the European Central Bank (ECB) that it would purchase government bonds issued by countries that have applied for aid from the European Stability Mechanism (ESM) bailout fund on the secondary market. The ECB also cut its key rate to a historically low level. The resulting low interest rate environment posed special challenges for all investors.

Although the German economy was unable to escape the debt crisis completely unscathed, gross domestic product grew by 0.7%. In addition to foreign trade, our economy was mainly supported by domestic demand.

In this economic environment, M.M. Warburg & CO KGaA (Warburg Bank) and its subsidiary institutions in Germany, Luxembourg, and Switzerland (the Warburg Banking Group) generated aggregate income before taxes of EUR 39.8 million (previous year: EUR 43.6 million). Warburg Bank transferred a profit of EUR 35.6 million (previous year: EUR 40.7 million) to M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA.

Aggregate net interest income in the Warburg Banking Group amounted to EUR 88.9 million in the year under review (previous year: EUR 86.6 million); aggregate net fee and commission income was EUR 132.3 million (previous year: EUR 138.0 million). The Warburg Banking Group thus proved that it can remain solidly profitable without deviating from its conservative risk policy, even in times of uncertainty. A portion of earnings were set aside as provisions for risks arising from the lending business in particular.

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

M.M. Warburg & CO Kommanditgesellschaft auf Aktien

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

Warburg Banking Group

Mission and strategy

The Warburg Banking Group does not aim to maximize profits in the short term; rather, this owner-managed enterprise pursues long-term objectives. This is why it avoided potentially profitable, but speculative investments in southern European government bonds in the year under review. The diversification of the loan portfolio across different segments has paid off. The Group continues to consider the lending business, with its consistent interest income, as a core business area, since this is also one of the functions that a bank serves in the economy.

The Warburg Banking Group with its individual institutions and branches has a presence in Germany's main regions as well as in German-speaking regions abroad. Warburg Bank is active in the three business areas of private banking, asset management, and investment banking (including lending). Specialized services provided by certain subsidiaries, in particular in the real estate and family office areas, complete the range of services offered by the Warburg Banking Group as a universal bank.

The Group's relationship with its clients is characterized both by a conservative advisory approach and by the entrepreneurial thinking that is primarily found at owner-managed banks. These qualities, combined with its wide range of services, enable the Warburg Banking Group to offer clients tailored solutions and to respond flexibly to developments in demand. We maintain a comprehensive infrastructure for a large number of banking services to assist us in this. Our positioning as a universal bank of a manageable size creates a balanced relationship between the different business areas and prevents us from becoming overweight in individual segments. This balanced range of offerings – such as custodian bank and family office services, mortgage banking, and corporate finance – lays the foundations for steady income.

Rising costs resulting from the increasing level of bank regulation and the decline in margins due to the low interest rate environment represent challenges for banks' profitability. The Warburg Banking Group is responding to this by ensuring good cost management and a central infrastructure that is proportionate to its size.

Business performance

Warburg Bank's total assets were deliberately reduced to a moderate extent, declining from EUR 4.46 billion to EUR 4.18 billion – an objective that has been systematically pursued for some years. Total assets in the Warburg Banking Group remained nearly unchanged at EUR 8.5 billion despite a gratifying inflow of client deposits.

The Basel III capital requirements that will apply in the future and the requirements of the European Banking Authority (EBA) have already been met. Warburg Bank's capital resources improved further, resulting in a total ratio of 15.4% (previous year: 13.2%). The core Tier 1 capital ratio amounted to 12.3% (previous year: 10.7%). The liable capital of Warburg Bank, the parent institution, was EUR 346.4 million as of December 31, 2012 (previous year: EUR 351.1 million), and regulatory capital as defined by the Kreditwesengesetz (KWG – German Banking Act) amounted to EUR 333.0 million (previous year: EUR 326.4 million).

The Bond Sales, Sales and Trading, and Currency Trading units and Corporate Finance made particular contributions to net fee and commission income in the year under review. The private client business was dominated by restraint due to the uncertainty in the stock market. As in the previous year, demand for real estate and alternative assets was strong.

Despite the low interest rate environment, satisfactory levels of net interest income were generated by the lending business with private and corporate clients as well as in the real estate and shipping areas. Our clients' trust was reflected in the impressive inflow of new funds, which led to assets under management at the Warburg Banking Group rising from EUR 38.1 billion in the previous year to EUR 44.4 billion.

The Warburg Banking Group's nationwide network was expanded by opening an office in Munich. In addition to this regional expansion, our range of services was also enhanced: Warburg Bank's newly created "Young Entrepreneurs" unit focuses in depth on start-ups and venture capital funds.

The subsidiaries once again successfully contributed to the Warburg Banking Group's overall earnings thanks to their regional focus and areas of specialization. In particular, M.M. Warburg & CO Hypothekenbank AG benefited from the favorable environment in the real estate markets. Equally, Marcard, Stein & Co AG, the family office bank, recorded a strong performance in fiscal year 2012 with its highly professional services for large estates.

At the end of the fiscal year, 1,199 people (previous year: 1,159) were employed in the Warburg Banking Group overall. This moderate increase in the workforce is in line with previous years.

Corporate citizenship

The Warburg Banking Group and the foundation associated with it, the Warburg – Melchior – Olearius – Stiftung, were highly active in the field of corporate social responsibility in the past fiscal year. The Banking Group supports non-profit projects in the areas of healthcare, the preservation of historical monuments, and sports in the regions in which it has a presence. Since it was founded, the Warburg – Melchior – Olearius – Stiftung has provided support for employees and their families who are in distress. Special emphasis is placed on promoting cultural goals with a regional focus on Berlin and in Hamburg, alongside others.

This year's article from the "Current Developments" series, which is enclosed with this Annual Report, is dedicated to the topic of the banking crisis and is entitled "The banking crisis – a systemic malaise," a shortened version of the essay which was written by Dr. Christian Olearius, the Spokesman for the partners, and Dr. Bernd Thiemann, the Deputy Chairman of the Supervisory Board, was already published on December 7, 2012 in the "Frankfurter Allgemeine Zeitung" newspaper.

Outlook

The fallout from the financial market crisis is occupying both supervisory authorities and policymakers. By introducing stricter regulations, nations have made it their goal to avoid in future the negative developments and overheating that led to the financial crisis. Policy-makers are striving to regain the ability to act rather than react and to escape the dilemma of “too big to fail” by adopting legislative measures designed to prevent individual banking institutions from reaching a size that would endanger the stability of the financial market.

Although our bank’s conservative focus means that it does not belong to the part of the financial economy that triggered the crisis, the new – and in some cases exaggerated – regulations are hitting us with full force, notwithstanding. To avoid any misunderstandings: Our Bank is also in favor of reasonable regulation and constructive banking supervision. However, we oppose excessive bureaucracy that unduly restricts entrepreneurship. Ultimately, the real economy will feel the consequences of over-regulation, especially if it is faced with a smaller choice of possible business partners in the banking sector. This would mean that the variety of business models would no longer be available to react flexibly to clients’ changing demands.

Thanks to our range of services, our business expertise and our corporate management style, combined with our capital resources, we are starting the new fiscal year on an optimistic note despite the low interest rate structure. We have confidence in our versatile business model, which our sophisticated clients appreciate.

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



**Overview of
Warburg Banking Group**

Overview of Warburg Banking Group

ECONOMIC ENVIRONMENT

The economy and financial markets were dominated by the European debt crisis in 2012, which deepened considerably in the first half of the year. The resulting uncertainty weighed heavily on the economy and led to a volatile year for the equity and bond markets. The repercussions of the debt crisis differed throughout Europe. In particular, the attempts made by southern European countries and Ireland to increase their competitiveness and reduce their debt levels stunted economic growth in those countries. Although the German economy did not remain entirely untouched by the debt crisis, real GDP increased by 0.7% over the full year. Exports again confirmed their role as a linchpin of Germany's economy, growing despite the weak demand in southern Europe. The labor market also remained robust and the unemployment rate declined from 7.3% in January to 6.7% in December.

At around 2.3%, US economic growth outpaced that of Europe and was somewhat higher than in the previous year, although still below the long-term trend. In spite of the macroeconomic problems, US companies managed to report surprisingly good results during the course of the year: Demand picked up again slightly, while the lower cost base following the financial crisis remained relatively stable. Positive momentum also came from the real estate market, which is seeing an increase in both transaction volumes and prices. However, the positive contribution to growth made by the real estate market was less significant than in the past, as the share of the overall economy attributable to the housing market is still much lower than before the financial crisis.

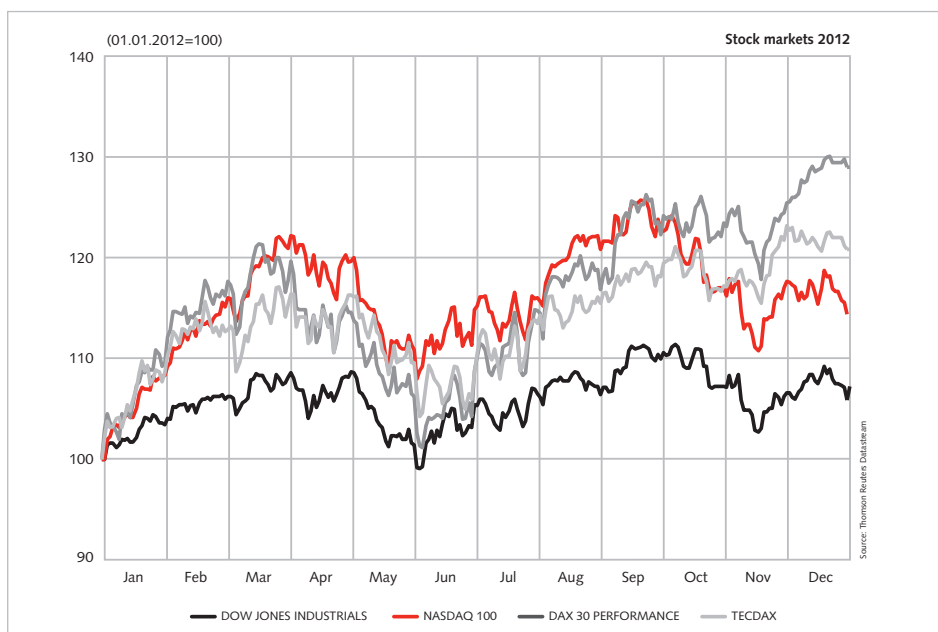
2012 may well go down in economic history as the year of the central banks, which found new ways to combat economic weakness and the debt crisis. In July 2012, the ECB reduced its key rate by 25 basis points to a record low of 0.75%. The ECB also made a major contribution to preventing the further escalation of the debt crisis. It improved the dependability of commercial banks' medium-term planning by conducting a further three-year refinancing operation at the start of 2012. In addition, in early September 2012, the ECB announced its intention to purchase government bonds issued by countries that applied for aid from the ESM bailout fund on the secondary market. Although no eurozone countries applied for ESM assistance in 2012, the central bank's announcement alone prompted a sharp contraction in the yields on bonds issued by southern European countries and Ireland. The U.S. Federal Reserve also held its key rates at a record low of zero to 0.25% throughout the year and purchased bonds to push down yields on longer-term bonds. In view of the unsatisfactory labor market situation, the Federal Reserve also announced its intention to continue purchasing bonds until conditions have adequately and sustainably improved.

Consumer prices in Europe rose by an average of 2.5% in 2012. Although this puts the inflation rate above the ECB's 2% target, it was largely attributable to higher food and energy prices, and tax increases. During the reporting period, there were no signs of a sharp rise in price pressure from the labor market or from companies, for example, which would have been viewed as critical from a central bank perspective.

The European bond market turned in a mixed performance. German government bonds were in demand as a safe haven and in particular long-term bonds rose sharply in

value (10-year Bunds: 7.6%). Five-year Bunds also climbed 4.0% in value in the reporting period. Only short-term bonds decreased slightly in value (2-year Bunds: -0.3%). Given the sustained high demand for Bunds, the yield on bonds with residual terms of up to three years has now fallen below 0%. In contrast, the yield on 10-year Italian government bonds reached a peak of more than 7% at the beginning of the year. However, the change of government in Italy and the ECB's measures led to a reduction in the yields on bonds issued by both Italy and other southern European countries.

The stock markets benefited from the central banks' highly expansionary monetary policy: Despite sharp fluctuations, the DAX increased by 29.1%, the mid-cap companies listed on the MDAX rose by 33.9%, and the European stock markets also traded more strongly (Stoxx 50: 8.8%; Euro Stoxx 50: 13.8%). The US stock markets also rose: The Dow Jones 30 rose by 7.3% over the year, while the broad S&P 500 climbed 13.4%.



WARBURG BANKING GROUP

The Warburg Banking Group comprises Warburg Bank and its eight subsidiaries – of which there are six in Germany, one in Luxembourg, and one in Switzerland – plus other financial services companies. Despite the challenging market environment, the Warburg Banking Group generated aggregate income before taxes of EUR 39.8 million (previous year: EUR 43.6 million). This clearly proved the Group's ability to sustain its earning power without deviating from its conservative risk policy. Our business model is highly diversified, thanks in part to our subsidiaries with their extensive regional expertise. The Banking Group's institutions also offer specialist services, including M.M. Warburg & CO Hypothekbank AG's real estate finance offering and the comprehensive services for large estates offered by the family office bank of Marcard, Stein & Co AG. At the center of the Banking Group is the parent institution, Warburg Bank, whose business activities are equally focused on investment banking (including lending), asset management, and private banking. The Banking Group's main back-office departments are also centralized at Warburg Bank, allowing the subsidiaries to concentrate on providing services to their respective clients.

As a middle-market, universal bank, we offer our range of services to middle-market companies, institutional investors, and high net worth individuals in German-speaking Europe. Since we are an owner-managed company, the direction of our business is not influenced by third parties. We consider this independence and our sound professional expertise to be our main competitive advantages in our client relationships.

In the area of asset management for institutional clients, Warburg Invest offers traditional investment products such as retail and special funds for equity and bond investments. In addition, Warburg Verbund has a wide range of real estate and alternative asset offerings. Our real estate companies Warburg – Henderson Kapitalanlagegesellschaft für Immobilien mbH, IntReal International Real Estate Kapitalanlagegesellschaft mbH, and HIH Hamburgische Immobilien Handlung GmbH allow our clients to invest in real estate as an asset class either directly or through special funds. In addition, Warburg Banking Group regularly offers clients the opportunity to invest in alternative asset classes, such as renewable energies and private equity.

With custodian banks and trust offices in Germany and Luxembourg, we are also able to manage extremely large estates in accordance with both clients' wishes and regulatory requirements.

Warburg Bank's core business area, investment banking, comprises corporate finance, lending, sales and trading, and relationship management. Earnings from sales and trading were up year-on-year. This was once again primarily due to demand for fixed-income securities. We also increased both volumes and earnings in the area of interest rate and currency management. Our strong market position in this field is demonstrated by the involvement of our Corporate Finance unit in four IPOs on the Regulated Market operated by Deutsche Börse, as well as numerous M&A transactions. Demand also grew for advisory services on structuring and securing long-term finance. This is attributable to the fact that many companies are seeking an alternative to long-term arrangements and syndicated loans and wish to secure their short-term finance over the medium term.

Our conservative approach to lending operations also proved its worth over the past fiscal year. New loans to corporate customers were kept to a reasonable volume, and shipping loan volumes were reduced. Risks arising were dealt with by setting aside a portion of earnings as provisions. The objective was to avoid being dependent on a recovery in shipping market income. Nonetheless, our shipping loan business made an encouraging contribution to earnings last year.

Demand from institutional clients – particularly insurers, pension institutions, foundations, and family offices – was successfully met by Warburg Banking Group's integrated client service model. The department responsible for listed companies and other companies with capital market potential expanded its services and aims to give prominence to our core strengths of neutrality, discretion and tailored services.

In private banking, we offer comprehensive advisory services for all investment topics and take a holistic approach to the management of client assets. This business area also benefits from the Warburg Banking Group's broad-based expertise: Warburg Research's coverage of some 200 listed German stock corporations and the macroeconomic analyses produced by our multi-award-winning economists feed into the services provided to our private clients, as does the real estate expertise of Warburg Verbund, for example. The volume of client assets under management thus increased again in 2012. Warburg Banking Group's presence in Germany was significantly enhanced with the opening of the new Munich office.

The Warburg Banking Group generated aggregate net fee and commission income of EUR 132.3 million, a little short of the prior-year figure of EUR 138.0 million. Among other factors, this was attributable to private clients' reticence in the face of the market uncertainties, as well as the lower corporate finance transaction volumes. The Bond Sales unit made a significant contribution to net fee and commission income, although it did not quite match the exceptional level of the previous year. Aggregate net interest income, which includes income from profit transfer agreements, amounted to EUR 88.9 million, exceeding the prior-year figure of EUR 86.6 million.

Net trading income amounted to EUR 5.7 million compared with EUR 7.5 million in the previous year. The Warburg Banking Group only carries out a small amount of proprietary trading. Administrative expenses including depreciation and amortization increased to EUR 168.1 million compared with EUR 157.3 million in the previous year.

At EUR 8.5 billion, the Warburg Banking Group's total assets remained almost unchanged. The marked increase in new deposits demonstrates the trust placed in us by our clients. Assets under management with the Warburg Banking Group increased from EUR 38.1 billion in the previous year to EUR 44.4 billion.

M. M. WARBURG & CO KGAA

Warburg Bank generated income before taxes of EUR 35.4 million in the past fiscal year compared with EUR 40.7 million in the previous year. Net income of EUR 35.6 million was transferred to M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA (previous year: EUR 40.7 million). The business volume amounted to EUR 4,237 million compared with EUR 4,523 million in the previous year. Total assets declined from EUR 4.46 billion to EUR 4.18 billion due to the reduction in risk-weighted assets. Assets are dominated by client lending, money market receivables and prime-rated bonds. Due to our conservative, risk-conscious approach, we did not invest in government bonds issued by southern European countries.

Regulatory capital as defined by the Kreditwesengesetz (KWG – German Banking Act) increased to EUR 333.0 million compared with EUR 326.4 million in the previous year. Warburg Bank's total capital ratio amounted to 15.4% (previous year: 13.2%). The core Tier 1 ratio rose from 10.7% in the previous year to 12.3%. Warburg Bank already meets the Basel III rules as well as all the requirements of the European Banking Authority (EBA). This solid capital position is one of the strengths that ensures we are well prepared to withstand difficult times.

At EUR 62.4 million, net fee and commission income did not reach the previous year's level (EUR 70.0 million). Total net interest income (including current income and income from profit transfer agreements) amounted to EUR 53.6 million, exceeding the prior-year figure of EUR 50.0 million. Our conservative investment strategy, which focuses on high-quality borrowers, offered little scope to increase income further due to the low interest rate environment, however. General and administrative expenses rose from EUR 72.2 million to EUR 75.1 million. This was mainly attributable to the higher expense incurred in implementing the augmented banking regulations and compliance rules.

M . M . W a r b u r g & C O K G a A

INVESTMENT BANKING

Warburg Bank's Investment Banking division covers a wide range of services for companies and institutional investors in the areas of sales and trading, corporate finance, lending, foreign currency and interest rate hedging, and brokerage. In addition to these product-specific departments, Investment Banking is also responsible for relationship management.

Investment Banking delivers satisfactory contribution to results

During the year under review, the Investment Banking division made a satisfactory contribution to Warburg Bank's success. The sharp fluctuations in the euro/dollar exchange rate led to healthy demand for hedging transactions in 2012. As in previous years, institutional investors trusted in our expertise in bond sales, which again generated good revenues. In addition to traditional M&A advisory services, for example in relation to IPOs, demand for financing advisory services from our corporate finance team also increased.

When providing advisory services, Investment Banking is able to draw on the expertise of Warburg Research GmbH and Warburg Bank's macro research, which again won awards for its accurate forecasts in 2012.

Relationship Management

Relationship Management is responsible for providing services to corporate clients, institutional clients, shipping companies, and banks. The main focus in the past fiscal year was on strengthening longstanding relationships with high-quality clients, although there were also numerous new business opportunities. In addition, we started building a network of contacts with new companies and their owners in the startup and venture capital space.

Conservative lending approach

Our conservative approach to lending operations also proved its worth over the past fiscal year. New loans were kept to a reasonable volume and mainly related to short-term trade financing, bridging loans, and project financing. Our ability to make and execute decisions rapidly is highly valued by our clients. As in the past, our offering is rounded off by services from the documentation and foreign exchange department.

We significantly expanded our institutional clients business in the past fiscal year. The integrated client service model we developed to meet clients' needs was successfully implemented for the insurers, pension institutions, and foundations client segments, as well as for the growing target groups of asset managers and family offices. Our real estate specialists' advisory services were again highly sought after by our clients in the area of both direct and indirect real estate investments, as well as in connection with specialist administrative services. There was also healthy demand for our active securities management offering and our range of investment company administration services. To help cement our client relationships, we ran an attractive program of events, including the "Hamburger Immobilienstag" real estate event in Hamburg, and developed additional offerings.

Institutional clients business significantly expanded

Our cooperation with other banks builds on the work of our services to banks team, which has been observing the market and analyzing other institutions in depth for many years. Despite the temporary worsening of the debt crisis, we were not affected by any credit

rating downgrades. The same applies with regard to country limits. We continue to closely monitor individual counterparty risks. Our bank's relationships, which in many cases stretch back decades, have proved stable even in turbulent times.

*Shipping markets
record unsatisfactory
performance*

The shipping markets remained at an unsatisfactory level for almost all of 2012, which in some cases prevented full debt servicing. Consequently, there was almost no demand for construction financing for new ships. A few existing loan commitments were restructured within the financing syndicates and shipping loan volumes were reduced. Risks were taken into account. Nonetheless, our current shipping loans business made an encouraging contribution to earnings last year.

In the area of listed companies and other companies with capital market potential, we extended and enhanced the services provided to corporate management in the first full year following the unit's establishment. Although many banks and consultancies focus on listed companies in particular, we were able to gain a strong foothold in this segment. This allowed us to significantly increase awareness of the Warburg brand among this client group. Our services met with particular interest when neutrality, discretion, and tailored solutions were key requirements.

Lending

*Lending generates en-
couraging net interest
income*

M.M.Warburg & CO can look back on a satisfactory performance in the individual areas of its lending operations in 2012. The lending volume declined slightly as a result of scheduled repayments. At the same time, demand for credit from our clients decreased somewhat due to their comfortable liquidity levels. This is testament to the high quality of our portfolio. Net interest income from lending was encouraging, while earnings were up slightly.

As in previous years, our policy of assessing each individual lending case from all perspectives proved its worth last year. This was particularly true of our exposures in the area of shipping. We intend to maintain an active role in this segment in future and view this as an area of banking that serves the real economy, particularly in challenging market phases.

We also provided our nationally and internationally active client base with services in the areas of interest rate and currency management, payment transactions, and documentary transactions.

We have risen to the challenges posed by the changes in the regulatory environment. In certain areas, the establishment of standard industry procedures may seem difficult to reconcile with the fundamental objective of a private bank. However, we approached this development as an opportunity to review our lending processes and ensure they comply in full with the current regulatory requirements. We shall not lose sight of our clients' wishes and suggestions in the process.

Corporate Finance

Our Corporate Finance unit again generated satisfactory results in 2012. As in 2011, a strong first half of the year was followed by a weak second half and there were no signs of significant recovery until November. We successfully completed a total of 18 transactions and advisory mandates during the fiscal year.

18 transactions and advisory mandates successfully completed

In the area of mergers and acquisitions (M&A), 2012 began with the sale of Quest Software Dienstleistungen GmbH, and the respective majority interests in HumanOptics AG and payment solution AG. In March, we provided advisory services for the successful sale of Salzlandkliniken GmbH to Ameos AG. We acted as the seller's exclusive adviser in all of these transactions. The same was also true for the sale of Backhus GmbH in June of the fiscal year. Private entrepreneurs or local authorities were involved in all of the successfully completed transactions as the buyers and sellers. The ongoing difficult corporate transactions environment – the result of the uncertainty among partners, investors, and financing banks – led to a considerable increase in average project duration. Several larger M&A deals could not be completed within the reporting year, despite the transaction process beginning in the spring. We hope to bring these to a successful conclusion in the first half of 2013.

In the Equity Capital Markets segment, our involvement in four IPOs on the Regulated Market operated by Deutsche Börse is particularly noteworthy. We participated in the underwriting syndicates for Talanx AG and provided advisory services regarding the dividend in kind and IPO of Lotto24 AG, for example. Other major projects in this segment included the structuring and managing of a voluntary public takeover bid for all of the profit participation certificates of Drägerwerk AG & Co. KGaA, and the secondary placement of a block of Continental AG shares. In addition to these mandates, our Equity Capital Markets team generated income from technical transactions and ongoing service mandates.

As expected, our advisory services in the debt and mezzanine financing segments continued to expand in 2012. In particular, advice on structuring and securing long-term finance was in demand from a large number of companies seeking an alternative to syndicated loans. In addition to this corporate finance advice, we also acted as lead manager in the structuring and placement of a mid-cap bond for MT-Energie GmbH that was authorized for trading on the Düsseldorf stock exchange. We also supported the sale of equity interests in a Chilean toll road, which we had structured and placed in recent years. Our investors received an attractive return on completion of this project.

We believe that Corporate Finance activities will continue to be influenced by the current uncertainty surrounding the refinancing of sovereign and bank debt, as well as global economic developments, in 2013. The capital market's appetite for IPOs and capital increases still seems limited. The scarcity of attractive companies will remain a barrier to company sales, particularly to financial investors. However, we anticipate an increase in activity on the M&A market.

In any case, we expect the Corporate Finance unit's revenue to increase further in 2013, despite the current market environment. In addition to the traditional sell-side advisory services, we believe the M&A segment offers very good opportunities to advise strategic investors on acquisitions. As in the year under review, we are aiming for long-term involve-

ment in selected new issues and capital increases in 2013. We expect our financing advisory services to expand on a continuous basis. Furthermore, the difficult ongoing refinancing conditions will pave the way for new approaches to special transactions and restructuring projects. We believe our reliable and experienced team is well prepared to make the most of these opportunities.

Sales und Trading

*Sales and Trading
makes good contribution
to results*

Earnings in the Sales and Trading unit were up year-on-year. This was once again primarily due to keen demand for fixed-income securities. Services for institutional and private clients are the main focus. Only a low level of proprietary trading is traditionally carried out.

Institutional Sales – Equities

The European debt crisis caused the environment to remain volatile and stock markets to fall in the first half of 2012. Encouragingly, the markets stabilized in the summer and rising share prices triggered a sharp increase in client activity in the second half of the year. This positive business trend made it possible for us to strengthen our sales team. The launch of a completely overhauled research product in the summer of 2012 was very well received by our clients and further underpinned our expertise in German equities. During the fiscal year, we also held our annual “Warburg Highlights” investor conference in Hamburg, where members of the management boards of 15 German companies made presentations to our institutional clients.

Sales Trading – Equities

We further expanded our client services in the small and micro cap segment, significantly increasing the number of roadshows and holding our first “Klein aber Fein” (“Small but Beautiful”) event, an informal platform for small companies made presentations.

Foreign Exchange

In interest rate and currency management, we saw a significant increase in volumes and earnings generated with our middle-market, institutional, and shipping clients, as well as with funds. The movements in the EUR/USD exchange rate – which amounted to 1.3050 at the start of the year, 1.2060 in July, and 1.3190 at the end of the year – allowed our clients to hedge at their desired exchange rate. Exchange rate hedging was mainly performed using traditional hedging instruments, such as options and futures. Our clients benefited from lower premiums on currency options due to reduced option volatility.

Bonds

An interesting year for bonds began in 2012 with the 10-year Bund yield at 1.92%. Initially, yields rose, subject to fluctuations, reaching 2.05% by mid-March. The market then began to rally, which pushed the yield on 10-year Bunds to its first low of 1.17% at the start of June 2012. The reason for this – and for the further, sometimes pronounced, yield movements in the course of the year – was the mixed performance by the government bond markets in Europe’s southern periphery. The term used to describe the market for Bunds with falling yields, while the yields in southern European markets rose, was “risk off” trading. This scenario came about as a result of investors’ swift exit from government bonds issued by peripheral European states in favor of German government bonds. Conversely, the term “risk on” trading describes a movement in the opposite direction, i.e. the sale of Bunds by investors who simultaneously purchase southern European bonds. At the end of the year, 10-year Bunds were trading at a yield of 1.31%.

***Institutional clients/
bonds team performs
successful placements***

Amid an exceptionally lively market for new financial and corporate bond issues, which was characterized throughout by shrinking credit spreads, the institutional clients/bonds team managed to perform successful placements with international investors. Here, too, our demanding clients were impressed by our expert advice on securities and sector selection in this area.

We made use of our proven expertise in traditional and structured registered securities to advise our institutional clients. This enabled us to match the high placement levels achieved in the previous year. Existing client relationships were reinforced and new investor relationships successfully forged.

PRIVATE BANKING

Further significant rise in client assets under management

We again significantly increased the volume of client assets under management in 2012. Our presence in Germany was bolstered by the opening of the Munich office. We are delighted that we have now reinforced our brand's position in Bavaria as well. 2012 was marked by low interest rates, which declined further over the course of the year. Real capital preservation after costs, taxes, and inflation was difficult for risk-conscious clients to achieve. This was a particular challenge in the provision of services to foundations and pension funds, which depend on the yields they generate to meet their corporate objectives.

Our bank has always been committed to being direct, open, truthful, and transparent when providing advisory services to our clients. The subsidization of deposit interest rates by some of our (in some cases state-supported) competitors needs to be put in its correct context here. We are continuing to observe a sustained high level of uncertainty among our clients. Our response to this is a balanced mix of equities, bonds, and liquidity, supplemented by equity investments, and real estate. Broad diversification and active management enables a return that at least achieves capital preservation to be generated even for risk-conscious clients.

Asset Management

The asset management team was continually forced to choose between the objectives of capital preservation and potential returns in 2012. As in the previous year, the stock markets were heavily impacted by the sovereign debt crisis, especially in the first half of the year. The slightly positive economic sentiment turned negative in April on the back of concerns over the survival of the single European currency. During this period, we reduced investments in equities and mitigated the risk in Europe through broad diversification in foreign currencies and gold.

The speech made by ECB President Mario Draghi at the end of June and the German Federal Constitutional Court's positive verdict on the ESM caused sentiment to turn around in the course of the year, prompting us to purchase equities. The improved sentiment led to a decline in yields in Europe's crisis-hit countries, resulting in growth across all asset classes. We continued to favor corporate bonds and Pfandbriefe in 2012. We also acquired Irish bonds during the year, which enabled us to achieve significantly higher returns than Bunds, for example, for an acceptable level of risk. Overall, we generated encouraging capital growth, while keeping risk low.

The volume of assets under management grew further in 2012 thanks to an encouraging number of new mandates and additional client deposits. The trust placed in us is further motivation to seek out the best possible investment opportunities.

Equity Investments

Demand for real estate from institutional and private investors, which increased again year-on-year, was mainly focused on Germany and covered all market segments. There was a clear preference for Germany's seven largest cities. In boom phases such as these, it is crucial that we select properties for our clients that retain their profitability when the market cools down.

The investment properties we selected for our clients included a neo-classical building in Frankfurt's banking quarter, which is used by a major German bank as its private banking headquarters, and a newly constructed administration building for the North Rhine-Westphalia operations of the German public health insurance program AOK in Essen city center, which has the security of a 20-year lease with the program. There was also a profitable investment opportunity in urgently needed daycare centers for children in several German states.

Outlook

Contrary to the general uncertainty, we believe there will be opportunities to generate good returns in 2013, particularly on the equity markets. As before, we recommend flexible investments that make it possible to react quickly to market movements. In addition to the usual equity and bond offerings, we have also set up comprehensive research on numerous asset classes that meet the demand for increasingly global investment.

COMPLIANCE AND RISK MANAGEMENT

The Bank has set up an independent compliance function that reports directly to senior management to identify, prevent, and manage conflicts of interest. Our clients' interests take top priority. Our independence from institutional influences allows us to weigh up the opportunities and risks associated with prospective business free from conflicts of interest in the best interests of our clients.

Our compliance management team's primary task is to systematically implement market and customer protection rules. We see compliance as an integral part of our risk management system which, as a result of our forward-looking organizational structure, ensures compliance with the statutory and other legal obligations that must be met when providing securities services, for example. In 2012, we decided to increase human and technical resources at the compliance function in order to perform the additional tasks resulting from the implementation of the ever-increasing Mindestanforderungen an Compliance (MaComp – Minimum Requirements for Compliance) and Mindestanforderungen an das Risikomanagement (MaRisk – Minimum Requirements for Risk Management). Involving the compliance function in processes early on increases constructive cooperation within the Bank to the benefit of our clients.



Subsidiaries in Germany

BANKHAUS HALLBAUM AG

Bankhaus Hallbaum, which was founded in 1879, is firmly rooted in Hanover and – as its only private bank – has close ties to the economy of the city and the region. Its core geographical market is the historical state of Hanover, which later was subsumed into the federal state of Lower Saxony. Its close relationships with middle-market companies, foundations, insurance companies, and high net worth private clients in Hanover and Lower Saxony stretch back generations. Bankhaus Hallbaum provides these clients with tailored asset management services, comprehensive investment advisory services, and credit financing from its head office in Hanover and branches in Gottingen, Hildesheim, and Osnabrück.

*Bankhaus Hallbaum
delivers good results*

Our Hanover subsidiary's clear focus on its core business areas and its established regional market, supplemented by the services of the parent bank and the Warburg Verbund, has again proved its worth. Bankhaus Hallbaum's clients again regularly gave it top marks for client orientation and service quality in 2012. The number of asset management mandates increased by an encouraging 11% in the area of individual asset management, in particular, despite the relatively patchy investment climate during the year. Overall, the volume of securities managed for private clients, foundations, and institutional investors increased by EUR 1.2 billion to EUR 3.2 billion.

As of December 31, 2012, the bank's total assets were down slightly by EUR 5.7 million year-on-year at EUR 637.8 million. Client lending, including existing guarantees, also decreased slightly by EUR 5.0 million or 1.6% to EUR 308.1 million. Client deposits increased by EUR 21.6 million or 5.3% to EUR 432.8 million.

Against the backdrop of the general economic developments mentioned above, Bankhaus Hallbaum's result was good overall. Net interest income declined by EUR 0.4 million (3.4%) to EUR 10.7 million. However, thanks to the newly acquired private clients, net fee and commission income increased year-on-year despite the uncertain investment climate, rising EUR 0.5 million (6.7%) to EUR 8.2 million. Overall, ordinary income increased by EUR 0.1 million (0.7%) to EUR 19.0 million. Administrative expenses rose by EUR 1.1 million (8.5%) to EUR 14.0 million. Profit increased by EUR 1.1 million to EUR 4.6 million.

Our Hanover subsidiary is looking forward to a positive fiscal 2013. It expects to further consolidate its market position and expand its business with high net worth private clients, middle-market companies, corporate clients, and institutional investors. The business is expected to perform well overall.

BANKHAUS CARL F. PLUMP & CO AG***Focus on fee and commission business***

Bankhaus Carl F. Plump & CO AG has had its headquarters in Bremen since 1828 and opened its Oldenburg representative office in 2008.

The bank specializes in providing comprehensive, tailor-made services to high net worth individuals and companies. For many years, its core business areas have been private banking, with a focus on asset management, and the provision of individual, end-to-end asset advisory services for private clients and institutional investors. Lending is regionally based and carried out for selected clients. The bank has an additional area of expertise in international payments and documentary transactions. It has also been increasingly active in arranging mandates for specialist departments of the parent bank and sister companies over the past two years. As in previous years, the bank's main focus in fiscal 2012 was fee and commission business. At the same time, demand deposits from clients increased. This demonstrates our clients' trust in Bankhaus Plump and the Warburg Banking Group.

The bank maintained its very conservative investment and maturity transformation policy, despite the further decline in interest rates. The resulting dip in earnings and the expected decline in client lending was more than offset by increased lending to banks and lower interest expense. Consequently, net interest income was slightly higher than in 2011. The volume of assets under management increased considerably and will make a stable and reliable contribution to earnings over the long term. The employees' personal attributes and professional qualifications are crucial to the bank's economic performance due to the in-depth nature of the advisory services. In fiscal 2012, the bank placed great emphasis on high-quality continuing professional development for employees. Key topics included financial planning, tax and legal considerations in the private client business, and foundation mandates.

In 2013, the bank intends to expand its core business activities with high net worth private clients and companies, as well as its brokerage activities. The interest rate business is likely to grow only moderately in view of the macroeconomic expectations. It will be possible to maintain foreign business at the same level. Net fee and commission income from asset management and advisory services is expected to increase. Profit last year amounted to EUR 0.5 million.

BANKHAUS LÖBBECKE AG***The only private bank with headquarters in Berlin***

As the only private bank with headquarters in the German capital, Bankhaus Löffbecke AG, which was founded in 1761, is the Warburg Banking Group institution for clients in Berlin and eastern Germany. Its services are provided from Warburg's Berlin office – the Behren Palais in the Mitte district's historic banking center – and its Dresden office. The bank has strong roots in Braunschweig and also operates a branch for clients from the region in the original building in Braunschweig, which it has occupied for more than 250 years.

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

tressed debt receivables for third parties, among other services. In the investment business, the bank won new private clients, foundations, and institutional clients for its asset management and advisory services, and strengthened relationships with existing clients during the year under review. Additional employees joined the relatively new Dresden office, which is contributing to the bank's success with a large number of contacts. The lending business, which is open to both private and corporate clients, generated numerous business opportunities for the bank across the board. The bank's highly service-driven approach allows it to enter into profitable loan commitments, despite its strict credit quality requirements. In the area of real estate finance, it continued to work closely and successfully together with its sister institution M.M. Warburg & CO Hypothekbank AG. The bank's KreditService unit acted on behalf of a number of clients, as well as on its own behalf, with great success. Attractive business opportunities were successfully transformed into mandates. Clients include banks and financial investors in Germany and abroad. Net income for the year was positive, but cost-cutting is still necessary.

In 2013, Bankhaus LÖbbecke AG intends to continue targeting new clients in its established regional markets of Berlin and southeastern Lower Saxony, as well as in eastern Germany, and to build on the existing confidence in the bank to strengthen and expand its client business. Increasing numbers of entrepreneurs and investors in eastern Germany value the particular benefits a private bank can offer.

*Expansion of business
in eastern Germany*

MARCARD, STEIN & CO AG

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

*Strong competitive
position as a family
office bank*

Client portfolios were rebalanced during the year to counter the volatile and challenging capital market developments in 2012. Investments with high return potential, such as equities, were favored at the beginning of the year, but the foreign currency allocation was soon increased to protect assets against the deepening European debt crisis in the middle of the year. Later in the year, the bank took advantage of the opportunities offered by high-return bond investments, such as high-yield and emerging market bonds. These portfolio adjustments were supported by in-depth analyses and a strict product selection process. A number of asset managers were selected after a competition process.

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

*Real estate concept:
A benchmark in the
family office segment*

tasks was performed for the existing portfolio, including energy-efficient renovations, signing of major leases, new builds, refinancing operations, purchases, and sales. The bank won further real estate-specific mandates in 2012, including for an Asian single family office. In addition, an institutional advisory mandate for building a large-volume real estate fund portfolio was transferred to the control phase on reaching full investment. A club deal consisting of a number of project financing arrangements and a real estate stock corporation as the holding company for the portfolio was developed. Market awareness of the exceptionally wide range of the offering and the detailed level of service provided to very high net worth private clients for the real estate asset class was raised thanks to the transactions completed, presentations, and contributions to publications. The real estate concept is considered to be a benchmark in the family office segment.

Revival in private equity asset class

In the area of investment management, the bank screened several hundred opportunities for new investments in closed-end funds across various asset classes. There was an encouraging revival in private equity activity during the year under review following a sharp drop in the number of new funds in this asset class since 2008. The significant recovery both on the supply side and in terms of investor interest allowed us to take part in two club deals in the private equity segment.

In addition to the family office, the bank also operates as a paying agent for international investment funds. The client base in this segment comprises around 300 funds. Overall, Marcard, Stein & Co AG can look back on a successful fiscal year. Net income of EUR 3.1 million was generated. The bank will continue to expand its market position as a family office bank in 2013.

SCHWÄBISCHE BANK AG

New focus on inheritance planning and foundations

As the newest member of the Warburg Banking Group, the regionally-focused private bank Schwäbische Bank AG, which is based in the Königsbau building in the heart of Stuttgart, provides advisory services to high net worth private clients, institutional clients, and owner-managed middle-market companies in Stuttgart and Baden-Württemberg. The bank's core business areas are asset advisory services and asset management, as well as advising on and providing financing for clients. A new business area has been established for the increasingly important themes of inheritance planning and foundations.

On July 1, 2012, Schwäbische Bank AG integrated its IT systems with Warburg Bank's systems. At the same time, it outsourced part of its settlement business. This allowed the bank to make valuable capacity gains, which are benefiting clients in the areas of both its customary personalized service offering and enhanced professional advisory services.

The sovereign debt crisis and the beleaguered euro, together with the low level of interest rates, shook the confidence of many investors. Schwäbischen Bank AG's in-depth advice and conservative investment strategy helped to assuage these concerns. To support this, the bank also placed great importance on appropriate further training for employees in fiscal 2012.

Net interest income was down year-on-year due to market conditions, but net fee and commission income matched the previous year's good level. Asset management operations

grew again, by a very encouraging 16%, outperforming the respective benchmarks across all risk classes. The bank ended the fiscal year with positive net income.

The bank's activities in 2013 will again center on asset management and on providing sound advisory services to high net worth private clients. The new inheritance and foundation advisory services are meeting with interest. In the lending area, Schwäbische Bank intends to moderately increase volumes while maintaining an appropriate risk level.

M. M. WARBURG & CO HYPOTHEKENBANK AG

M.M. Warburg & CO Hypothekbank AG significantly expanded its real estate finance business in fiscal 2012. This was in turn thanks to the healthy sales opportunities for mortgage Pfandbriefe.

*Significant expansion
in real estate finance
business*

The bank increased its real estate finance commitments significantly to EUR 318.0 million, without straying from its conservative business strategy. The strategy of concentrating on tailored commercial and residential real estate finance in Germany's metropolitan areas above and beyond that offered in the standardized mass-market business again proved to be the right one. As in previous years, the client base was selectively expanded through new business relationships, in some cases in cooperation with other Warburg Banking Group institutions. The proportion of residential properties in the financing portfolio increased further. In contrast, as in the past, only in exceptional cases were specialty finance solutions provided, and activities pursued abroad. The risk position remained encouraging. No valuation allowances were recognized, as in previous years. Despite substantial repayments in the course of the year, real estate finance volumes continued to increase and were above the planned EUR 1.4 billion at the end of the year.

Municipal lending remains an insignificant element of the business, since in our opinion there are still no opportunities in this area with appropriate risk levels. Since the mortgage bank has not held any investments in foreign government bonds at any point since it was founded, risks in this area were thankfully avoided.

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, increased considerably last year.

At EUR 5.5 million, the mortgage bank's income before taxes was at the prior-year level. Given the mortgage bank's significantly improved capital base in 2012 and its successful real estate finance business, we remain optimistic regarding the bank's future performance.

In addition to Warburg Bank, Landeskrankenhilfe V.V.a.G. Lüneburg (LKH) holds an equity interest in Warburg Hypothekbank, which it acquired the year before last. Cooperation with the expanded group of partners has been very smooth, for which we are very grateful to them.

Subsidiaries in Luxembourg and Switzerland

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

*Focus on core
business areas*

M.M. Warburg Bank Luxembourg S.A. specializes in the custodianship and administration of internationally diversified securities portfolios and the provision of services to high net worth private clients. Its main area of activity continues to be the provision of custody services. In addition to the legally required custodianship of investment funds, asset pools, and securitization companies under Luxembourg law, this includes complementary registrar and transfer agency, calculating agent, paying agent, brokerage, securities lending, tax refund processing, and cash and currency management services. Custodian bank clients such as pension funds, insurers, foundations, investment companies and banks value the independence, flexibility and experience of the Luxembourg subsidiary. It is one of the few custodian banks that already holds practically all known asset classes in asset pools. In addition to securities, these increasingly include alternative assets such as private equity structures, forestry and farmland investments, renewable energies, real estate, shipping containers, and insurance linked securities.

The bank's second core competency is its international private client business, which covers both traditional advisory accounts and asset management. This business area was significantly expanded in the past fiscal year. The Warburg Banking Group's independence and its ability to cater to individual client needs is also highly valued by clients in this area.

The bank's clear strategic focus on its core business areas again proved its worth in 2012, with custody services in particular building on the growth generated in previous years. The bank continued to consolidate its position as a custodian in Luxembourg, a major financial center. Funds under custody increased by EUR 2.8 billion to EUR 19.1 billion. The number of funds and asset pools under custody, including securitization vehicles, also rose again.

As of December 31, 2012, the bank's total assets were EUR 1,177.2 million. The balance sheet structure remained largely unchanged year-on-year. Client deposits increased by EUR 152.0 million to EUR 1,096.3 million, with deposits in the funds and asset pools under custody accounting for 85.7% of the total. The lending volume, including existing guarantees, decreased by EUR 1.5 million to EUR 54.1 million, with the extremely risk-conscious approach to lending being maintained. Lending activities in Luxembourg again consisted almost exclusively of providing Lombard loans to the funds held under custody in accordance with strict lending criteria.

Given general economic developments, the subsidiary's result was satisfactory overall. Net fee and commission income of EUR 12.7 million again made a material contribution to overall earnings due to the growing fund and private client business. The custodian bank and funds business accounted for 76.3% of net fee and commission income from clients. Furthermore, net interest income rose by EUR 3.3 million (43.4%) to EUR 10.9 million thanks to increased client deposits, despite a highly risk averse investment policy.

General and administrative expenses rose by EUR 3.9 million (34.5%) to EUR 15.2 million. Income before taxes increased by EUR 0.2 million (2.4%) to EUR 9.5 million. Net retained profits were EUR 0.1 million lower year-on-year, at EUR 7.0 million.

Our Luxembourg subsidiary is positioned to make further investments and continue to expand its custody services and private client business in fiscal 2013.

M.M. WARBURG BANK (SCHWEIZ) AG

M.M. Warburg Bank (Schweiz) AG in Zurich focuses on providing individual, end-to-end services to high net worth private clients in Switzerland and abroad. Our Swiss subsidiary's clients value its independent asset management services, which are tailored to their needs, as well as the wide range of in-house and third-party products.

*Clear growth strategy
for Swiss subsidiary*

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

M.M. Warburg Bank (Schweiz) AG operates in a demanding environment. Private banking in Switzerland is undergoing structural change. In particular, the framework for cross-border transactions is changing. Employees, processes, and systems have to meet ever-increasing requirements. However, Switzerland remains in demand as a haven of stability and longstanding private banking expertise. The excellent overall conditions are still a strong basis for offering advisory services to high net worth private clients.

Despite the challenging environment and thanks to the dedication of all our employees, our Swiss subsidiary ended the fiscal year with profit before taxes of CHF 1.8 million. Own funds were further increased to CHF 20.9 million. Total assets in accordance with the HGB amounted to just under CHF 292.9 million. The volume of client assets declined slightly and amounted to CHF 1.5 billion at the end of the year.

Our Swiss subsidiary is pursuing its growth strategy in spite of the difficult market situation, and is reviewing a variety of opportunities to increase business volumes and earnings, not least in Switzerland itself. The bank's risk policy remains cautious. It is confident that it will produce another set of healthy results in 2013.

Asset Management in the Warburg Banking Group

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH

Work to expand marketing and portfolio management pays off

Warburg Invest Kapitalanlagegesellschaft mbH focuses on portfolio management and the marketing of retail and special funds, as well as discretionary financial portfolio management mandates. The company increased its assets under management by a total of almost 25% last year.

Active marketing played a key role in this, generating net cash inflows of more than EUR 670 million. The work carried out over the past two years to expand the areas of marketing and portfolio management paid off. External application of Warburg Invest Kapitalanlagegesellschaft's activities came in the form of the representative market survey on client satisfaction conducted by TELOS/Homburg & Partner. Against the backdrop of a positive market environment, total assets under management at the German investment company rose to EUR 4.25 billion.

EUR 1.3 billion of the assets under management were attributable to retail funds and EUR 2.9 billion to special funds and other mandates as of the reporting date. Together with its Luxembourg subsidiary, Warburg Invest manages assets amounting to EUR 15.3 billion.

WARBURG INVEST LUXEMBOURG S.A.

Warburg Invest Luxembourg again records strong growth

In 2012, our Luxembourg-based investment company Warburg Invest Luxembourg S.A. further enhanced its position as a service investment company providing administration and fund structuring services and again recorded strong growth in its assets under management thanks to its extensive service offering, which covers the launch and management of retail and special funds as well as central administration services for the full range of Luxembourg-based investment vehicles.

As in previous years, demand centered on the administration of structures for pooling alternative asset classes. The company bolstered its position as a specialist with a strong brand name. At the end of the year, net assets in the over 140 investment funds under management had reached the highest level since the company's inception, at EUR 11.0 billion. This represents a year-on-year increase of just under 11%, including net cash inflows of close to EUR 600.0 million.

Internally, the project to introduce an integrated asset management software solution together with the parent company, Warburg Invest Kapitalanlagegesellschaft mbH (Hamburg) and its sister company, M.M. Warburg & CO Luxembourg S.A, which started in 2012, will also be a priority in 2013. The aim of the project is to further enhance the competitive position of the units involved and generate economies of scale with respect to internal workflows.

Additional regulatory requirements, such as the new law governing special investment funds in Luxembourg which came into force in the spring, were successfully implemented. Warburg Invest Luxembourg S.A. is therefore well prepared for the upcoming implementation of the Alternative Investment Fund Managers Directive (AIFMD), which will permanently change the face of the European asset management market in 2013.

**WARBURG – HENDERSON
KAPITALANLAGEGESELLSCHAFT FÜR IMMOBILIEN MBH**

Warburg – Henderson Kapitalanlagegesellschaft für Immobilien mbH, in which we hold a 50% equity interest, maintained its market position as a specialist for pan-European real estate funds in 2012 and remains one of the leading providers of German real estate special funds.

*Warburg – Henderson –
a specialist for
pan-European real
estate funds*

In the middle of the year, the first draft of the act to transpose the AIFM Directive into national law caused a stir in the fund industry, as it provided for the abolition of real estate special funds. The lawmakers have now backed away from this. Nevertheless, providers will have to meet more stringent requirements, which will keep the industry occupied in 2013.

In the light of uncertain economic developments in Europe and the euro crisis, investors continued to favor core real estate in 2012. Germany was in greater demand than ever as a safe haven.

With purchases and sales in Austria, Belgium, France, Germany, Italy, the Netherlands, and the UK amounting to around EUR 891.0 million, Warburg – Henderson KAG again demonstrated its transaction capabilities. Investments were focused mainly in Germany, followed by France and Austria. The company primarily acquired retail properties.

With regard to transactions, the acquisition of two shopping centers in Dijon and Mulhouse for a total of EUR 151.0 million in November 2012 is particularly noteworthy. This was a rare opportunity to invest in the large-volume French retail sector.

Warburg – Henderson KAG successfully converted a real estate retail fund into a real estate special fund. As a result, the “Warburg – Henderson Deutschland Fonds Plus” institutional retail fund became the “Warburg-Henderson Deutschland TOP 5 Fonds” special fund at the start of December 2012. The fund’s two existing properties in Berlin and Frankfurt were taken on as an initial portfolio, which will be expanded by further acquisitions in prime real estate locations in Germany.

IntReal International Real Estate Kapitalanlagegesellschaft mbH, a wholly owned subsidiary of Warburg – Henderson KAG, ended its third fiscal year on a very successful note. As a service investment company, it concentrates on real estate fund administration and makes it possible for German and foreign companies to utilize funds under the Investmentgesetz (InvG – German Investment Act). A total of seven new partner funds were launched, four of which are follow-up funds with existing partners. This increased the number of funds under administration to 31 and brought the total investment volume to around EUR 6.0 billion. IntReal administers all of Warburg – Henderson KAG’s real estate assets, which amount to more than EUR 4.3 billion.

WARBURG ALTERNATIVE INVESTMENTS AG

Zurich-based Warburg Alternative Investments AG is a specialist service provider for alternative investments, focusing in particular on private equity concepts for institutional clients. The company fared well amid a challenging environment. Extensive reorganization made a significant contribution to the satisfactory results.

WARBURG RESEARCH GMBH

Focus on 200 German equities

Around 200 stocks are analyzed on a continuous basis, with a focus on German equities. These range from DAX-listed companies to small, less researched companies, which in some cases are only analyzed by Warburg Research GmbH. The team concentrates on the small and mid cap segment. In 2011, activities focused on successively increasing the number of companies monitored and the associated increased coverage of the main indexes (DAX, MDAX, SDAX, and TecDAX). The work of the analysts and the quality of Warburg Research GmbH's research findings have repeatedly won awards (e.g. Börsenzeitung, Handelsblatt/Starmine).

The reliability and consistency of our research even in a challenging capital market environment is noted and valued by our clients. A large number of roadshows were held in Germany, elsewhere in Europe, in the USA, and Australia together with the bank's Institutional Equity Sales team. An ever-increasing number of national and international investors again attended presentations by numerous attractive companies at our established annual "Warburg Highlights" investor conference in Hamburg. The research product was comprehensively overhauled and standardized, so that it is now more transparent and includes significantly more information (an expanded section on key ratios, detailed presentation of valuation models, etc.). In addition, research reports are now more up to date thanks to investments made in the product and IT, as well as to workflow reorganization. The preconditions for successful client service together with the bank's Institutional Equity Sales department were also enhanced thanks to the introduction of customized client relationship management software.

We further improved our competitive position in recent years by building on the breadth and continuity of our coverage, as well as the measures taken. In what is still a challenging capital market environment, the outlook for Warburg Research GmbH is promising.

Employees

Employees

Number of employees up slightly year-on-year 2012 was another consistent year in the human resources area for the Warburg Group. As in the previous year, the number of employees rose slightly.

Number of employees

	M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA financial holding group	Warburg Banking Group	M.M. Warburg & CO
Dec. 31, 2011	1,172	1,159	463
Dec. 31, 2012	1,211	1,199	474
Increase	39	40	11
Increase in %	3.33	3.45	2.38

The turnover rate declined again, so that the average length of service increased.

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

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

This stability stands in contrast to the general trend in the banking sector. Large numbers of jobs are being cut nationwide and in northern Germany in particular. The increasing standardization and automation of production processes as well as the financial crisis and the resulting regulatory interventions are forcing many of our competitors to implement restructuring measures. In addition, some banks are changing their strategic focus and are therefore laying off advisors, for example in the private or corporate banking business.

We have adopted a different approach as a matter of principle, since our goal is for our employees to provide reliable assistance to our clients and business partners. Nevertheless, overall developments, which mean that only limited earnings growth can be achieved in this phase, are giving rise to cost pressures that should not be underestimated. Our response is to examine our organization and our processes and – where necessary – to make adjustments. The main focus is on introducing software, improving communication channels – and thus coordination – as well as ensuring the leanest possible implementation of new legal requirements. Our employees are displaying considerable commitment and flexibility in supporting these challenging projects.

In the area of continuing professional development, we continued our intensive training activities as in previous years. We invest significantly in our employees' professional and personal development every year – and not just since the new laws were introduced requiring banks to check employee reliability and to ensure their expertise is kept up to date. The sustainability of our programs was demonstrated by the fact that we were able to continue concepts that have been tried and tested over many years, with only a few adjustments to reflect new requirements.

The various age groups are well represented among our employees. At 43.54 years, the average age rose slightly. Although the banking industry traditionally fares better in terms of sickness rates than the economy as a whole, we are somewhat concerned about the increasing

numbers of people in Germany falling into the relatively new diagnostic category of psychological illnesses.

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

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

Going forward, we will continue to recruit and train young employees to at least the same extent as at present, since only in this way can we ensure a good demographic trend in our workforce. For this reason, we employed eight graduate trainees and eight vocational trainees at Warburg Bank alone in 2012. At the “other end” of the career path, we focused more strongly on topics such as extended working lives, lifelong learning, and career options for employees aged 55 and older.

We would like to warmly thank our employees for their work, their commitment, and their loyalty. We would also like to thank the members of the Works Council for – as always – our highly cooperative partnership.



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

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

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

At its three meetings during 2012, held together with the Shareholders' Committee, as well as in the course of additional reporting, the Supervisory Board received detailed reports from the general partners on the course of business, the Company's position, issues relating to business and risk policy and other important matters, and took decisions on the items of business presented to it for approval. Above and beyond this, all of the members of the Supervisory Board were promptly informed by the general partners of all important and unusual matters.

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

The annual financial statements and the management report for fiscal year 2012 were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, and found to be in accordance with the applicable statutory provisions. An unqualified audit opinion was issued.

The annual financial statements and the auditors' report on the audit of the annual financial statements were made available to the Supervisory Board prior to its meeting on April 18, 2013. 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, 2012 prepared by the general partners were examined by the Supervisory Board. The Supervisory Board did not raise any objections. Based on the results of its examination, the Supervisory Board approved the annual financial statements.

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

Hamburg, April 18, 2013

The Supervisory Board
- *Chairman* -



**Condensed Annual
Financial Statements**

of M.M. Warburg & CO KGaA

**as of
December 31, 2012**

The full annual financial statements and the management report of M.M. Warburg & CO Kommanditgesellschaft auf Aktien, Hamburg, for the fiscal year from January 1, 2012 to December 31, 2012 were granted an unqualified audit opinion by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, which was signed in Hamburg on March 28, 2013. The documents were published in the electronic Bundesanzeiger (German Federal Gazette).

Balance Sheet as of December 31, 2012

Assets	EUR	EUR	EUR	Previous year EUR thou.
1. Cash reserve				
a) Cash-in-hand		2,118,433.44		1,712
b) Central bank balances		152,623,999.27		46,969
of which: with Deutsche Bundesbank	EUR	152,623,999.27		(46,969)
c) Postal giro balances		0.00		0
			154,742,432.71	
2. Public-sector debt instruments and bills eligible for refinancing with central banks				
a) Treasury bills, discounted treasury notes and similar public-sector debt instruments		0.00		0
of which: eligible for refinancing with Deutsche Bundesbank	EUR	0.00		0
b) Bills		0.00	0.00	0
3. Loans and advances to other banks				
a) Payable on demand		278,951,262.30		326,819
b) Other		286,540,812.06		574,036
			565,492,074.36	
4. Loans and advances to customers			1,131,198,223.52	1,290,873
of which: secured by mortgages	EUR	42,505,436.17		(18,617)
Public-sector loans	EUR	30,212,810.17		(54,896)
5. Bonds and other fixed-income securities				
a) Money market securities				
aa) public-sector issuers		45,035,368.75		0
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	45,035,368.75		(0)
ab) other issuers		55,367,327.24	100,402,695.99	59,335
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	55,367,327.24		(59,335)
b) Bonds and notes				
ba) public-sector issuers		566,214,177.36		599,127
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	563,672,784.88		(599,127)
bb) other issuers		988,355,713.94	1,554,569,891.30	813,007
of which: eligible as collateral for Deutsche Bundesbank advances	EUR	976,663,165.99		(766,159)
c) Own bonds and notes at par	EUR	0.00	0.00	0
			1,654,972,587.29	
6. Equities and other variable-rate securities			25,057,448.60	77,533
6a. Trading portfolio			178,927,270.75	165,087
7. Shares in other investeres and investors			39,919,501.69	42,625
of which: in banks	EUR	407,790.91		(1,133)
of which: in financial services institutions	EUR	15,431.20		(15)
8. Shares in affiliated companies			243,479,519.04	226,135
of which: in banks	EUR	216,354,963.70		(198,807)
of which: in financial services institutions	EUR	602,956.43		(603)
9. Fiduciary assets			58,884,148.15	50,681
of which: fiduciary assets	EUR	0.00		(37,453)
10. Equalization claims against the government including bonds and notes issued in substitution thereof			0.00	0
11. Intangible fixed assets				
a) Internally generated industrial rights and similar rights and assets			0.00	
b) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets			1,627,572.00	
c) Goodwill			0.00	
d) Prepayments			792,693.70	2,231
12. Tangible fixed assets			39,192,704.15	39,915
13. Unpaid contributions to subscribed capital			0.00	0
of which: called	EUR	0.00		(0)
14. Other assets			87,140,451.80	144,168
15. Prepaid expenses			230,811.16	634
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
			4,181,657,438.92	4,460,887
Total assets			4,181,657,438.92	4,460,887

Equity and liabilities	EUR	EUR	EUR	Previous year EUR thou.
1. Liabilities to other banks				
a) payable on demand		253,653,318.88		184,083
b) with agreed maturities or periods of notice		758,360,250.69		1,115,582
			1,012,013,569.57	
2. Liabilities to customers				
a) Savings deposits				
aa) with agreed periods of notice of three months	16,238,817.96			7,431
ab) with agreed periods of notice of more than three months	12,654,190.39	28,893,008.35		33,027
b) Other liabilities				
ba) payable on demand	1,121,781,081.86			940,721
bb) with agreed maturities or periods of notice	1,392,388,506.42	2,514,169,588.28		1,517,333
			2,543,062,596.63	
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			84,357,674.75	121,685
4. Fiduciary liabilities			58,884,148.15	50,681
of which: fiduciary loans	EUR	0.00		(37,453)
5. Other liabilities			103,306,876.66	105,904
6. Deferred income			217,365.42	388
6a. Deferred tax liabilities			0.00	0
7. Provisions				
a) Provisions for pensions and similar obligations		21,591,616.00		21,910
b) Provisions for taxes		0.00		1,184
c) Other provisions		11,872,953.74		9,882
			33,464,569.74	
8. (repealed)			0.00	0
9. Subordinated liabilities			59,500,000.00	64,613
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			1,823,974.60	1,436
of which: special reserve (HGB s. 340e)	EUR	1,823,974.60		(1,436)
12. Equity				
a) aa) subscribed capital		100,000,000.00		100,000
ab) contributions by silent partners		25,000,000.00	125,000,000.00	25,000
b) Capital reserves			135,000,000.00	135,000
c) Revenue reserves				
ca) legal reserve	0.00			0
cb) reserve for shares in a parent or majority investor	0.00			0
cc) reserves provided for by the articles of association	0.00			0
cd) other revenue reserves	15,000,000.00	15,000,000.00		15,000
d) Net retained profits			26,663.40	27
			275,026,663.40	
Total equities and liabilities			4,181,657,438.92	4,460,887

	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		55,751,425.30	62,078
c) Liabilities from the granting of security for third-party liabilities		0.00	55,751,425.30
2. Other commitments			
a) Repurchase agreements under sales with an obligation to repurchase		0.00	0
b) Placement and underwriting commitments		8,311,570.00	12,808
c) Irrevocable loan commitments		207,941,833.16	216,253,403.16

Income statement for the Period
January 1 to December 31, 2012

Expenses	EUR	EUR	EUR	Previous year EUR thou.
1. Interest expense			88,908,387.22	101,838
of which: interest on unwinding of discount on provisions for personnel expenses	EUR	1,089,327.00		(1,086)
2. Fee and commission expense			9,069,136.95	10,513
3. Net trading expense			0.00	0
4. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	38,665,314.83			36,635
ab) Social security, post-employment and other employee benefit expenses	5,601,933.52	44,267,248.35		5,854
of which: post-employment benefit expenses	EUR	1,030,573.60		(1,592)
b) Other administrative expenses		27,311,164.76		26,846
			71,578,413.11	
5. Amortization and writedowns of intangible fixed assets and depreciation and writedowns of tangible fixed assets			3,471,553.35	2,913
6. Other operating expenses, including profit-related distributions to managing partners			5,825,314.36	8,812
7. Writedowns of and allowances on loans and advances and certain securities and additions to loan loss provisions			12,046,666.91	11,915
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			1,841,443.38	489
10. Cost of loss absorption			2,287,162.24	5,880
11. (repealed)			0.00	0
12. Extraordinary expenses			0.00	0
13. Taxes on income			-2,396,141.37	0
14. Other taxes not included in item 6			92,755.00	92
15. Profits transferred under profit pooling, profit transfer, or partial profit transfer agreements			37,828,985.21	40,707
16. Net income for the year			0.00	0
Total expenses			230,553,676.36	252,494

Income	EUR	EUR	Previous year EUR thou.
1. Interest income from			
a) lending and money market operations	95,881,773.95		109,811
b) fixed-income securities and registered government debt	22,183,081.06		21,195
		118,064,855.01	
2. Current income from			
a) equities and other variable-rate securities	2,283,036.63		1,726
b) shares in other investees and investors	6,282,725.25		3,298
c) shares in affiliated companies	11,936,833.42		9,300
		20,502,595.30	
3. Income from profit pooling, profit transfer, or partial profit transfer agreements		8,451,815.46	12,382
4. Fee and commission income		71,427,461.02	80,527
5. Net trading income		3,490,794.22	5,991
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		0.00	0
9. Other operating income		8,616,155.35	8,264
10. (repealed)		0.00	0
11. Extrordinary income		0.00	0
12. Income from loss absorption		0.00	0
13. Net loss for the year		0.00	0
Total income		230,553,676.36	252,494

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

Notes

Basis of preparation

The annual financial statements of M.M. Warburg & CO KGaA for fiscal year 2012 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.

The annual financial statements of the Company are included in the consolidated financial statements of M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA, Hamburg. The consolidated financial statements are published in the Bundesanzeiger (German Federal Gazette).

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

Accounting policies

The accounting policies were largely taken over unchanged.

Receivables

Loans and advances to other banks and to customers are recognized at their nominal amount or at cost and reduced by valuation allowances if necessary. Any differences between the nominal amount and the amount paid out are reported under prepaid expenses or deferred income and amortized. The measurement of receivables contained in trading portfolios is described in the separate “Trading activities” section.

Securities

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 activities” section.

Bonds and other fixed-income securities designed to be held for the long term are accounted for as long-term financial assets using the strict principle of lower of cost or market value in accordance with section 253(1) and (3) of the HGB. This means that they are written down even if impairment is expected to be other than permanent.

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

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

Trading activities

Financial instruments in the trading portfolio are measured at their risk-adjusted fair value in accordance with section 340e(3) sentence 1 of the HGB. In accordance with the provisions of section 340e(4) of the HGB, 10% of net trading income is transferred to a separate account in the “fund for general banking risks” special reserve within the meaning of section 340g of the HGB. The special reserve in accordance with section 340e(4) sentence 2 of the HGB may be released to offset net trading expense or if it exceeds 50% of the average net trading income for the past five years.

The combined trading portfolios and contracts are measured at market prices and – if the result is a positive measurement surplus – reduced by the portfolio value at risk calculated in accordance with mathematical models (VaR allowance based on a 10-day holding period and a 99.5% confidence level), or increased in the case of a negative measurement surplus.

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.

Securities, shares in other investees or investors, shares in affiliated companies, tangible fixed assets and intangible fixed assets

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

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

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

Liabilities

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

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 Prof. Dr. Heubeck. Expected future salary and pension increases are reflected in the calculation of the present value of the accumulated benefit obligation. The interest rate published by the Deutsche Bundesbank for a remaining maturity of 15 years is used to discount the obligation.

The option to allocate the additions to pension provisions required by the BilMoG over the period up to December 31, 2024 has not been exercised. The entire amount of the additions was recognized directly in the income statement on initial application.

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

Loan loss provisions

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

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

Global valuation allowances are recognized in accordance with the principles of commercial law to reflect expected default risks.

Currency translation

Currency translation follows the principles set out in sections 256a and 340h of the HGB. Assets and liabilities denominated in foreign currencies were translated at the ECB reference

rates prevailing at the closing date. Currency forwards are translated at the forward rate at the reporting date. Other assets and liabilities denominated in foreign currencies as well as unsettled spot transactions are translated at the ECB reference date at the reporting date. Foreign-currency assets, liabilities, and executory contracts outside the trading book are classified as specifically covered in each currency due to the decision not to enter into strategic currency positions. The total position per currency is managed in the trading book. All income and expenses arising from currency translation are therefore part of net trading income.

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

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

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

NOTES TO THE BALANCE SHEET

Securities

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

Balance sheet items		Listed		Unlisted	
		Dec. 31, 2012 EUR thou.	Dec. 31, 2011 EUR thou.	Dec. 31, 2012 EUR thou.	Dec. 31, 2011 EUR thou.
Balance sheet item 5	Bonds and other fixed-income securities	1,551,764	1,440,742	103,208	30,727
Balance sheet item 6	Equities and other variable-rate securities	10,817	8,185	6,811	1,816
Balance sheet item 7	Shares in other investees and investors	2,964	2,964	8,674	8,674
Balance sheet item 8	Shares in affiliated companies	0	0	216,960	183,103

Statement of changes in fixed assets

Statement of changes in fixed assets in TEUR	Historical cost				Reversals of write-downs	Depreciation, amortization and write-downs		Carrying amounts as of Dec. 31, 2012	Carrying amounts as of Dec. 31, 2011
	Balance at Jan. 1, 2012	Reversals of write-downs				Cumulative	Current year		
Intangible fixed assets	31,983	1,883	0	325	0	31,121	1,369	2,420	2,231
Tangible fixed assets	87,380	1,891	0	588	0	49,490	2,103	39,193	39,915
Changes									
Shares in other investees and investors	-2,705	Amounts have been aggregated as permitted by section 34 (3) of the RechKredV.						39,920	42,625
Shares in affiliated companies	17,345							243,480	226,135
Long-term securities	-135,053							60,956	196,009

Tangible fixed asset

At the reporting date, tangible fixed assets included owner-occupied land and buildings in the amount of EUR 35,197 thousand (EUR 36,272 thousand). EUR 3,996 thousand (EUR 3,643 thousand) relates to operating and office equipment. As in the previous year, there were no payments on account attributable to assets and assets under construction.

Long-term financial assets

The Bank's securities portfolio is mostly composed of shares in investment funds and fixed-income securities.

Shares in investment funds

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

Investment funds

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

EUR thou. Dec. 31, 2011	Equity funds	Bond funds	Mixed funds	Total
Carrying amount	57,194	9,566	1,743	68,503
Fair value	57,194	9,677	1,743	68,614
Difference v. carrying amount	0	111	0	111
Distributions made	899	0	0	899

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

Hedge accounting

Hedges in the form of portfolio and macro hedges are used to hedge market and counterparty credit risk exposures. Securities with a notional value of EUR 20.5 million (EUR 98.6 million) and a guarantee issued by a portfolio seller were combined into a portfolio hedge. The portfolio hedges recognized in the previous year in relation to customer deposits with a notional value of EUR 74.4 million and interest rate derivatives with a notional value of EUR 94.9 million no longer existed as of the balance sheet date.

Securities with a notional value of EUR 41.9 million (EUR 43.2 million) and 2,120 (2,164) index options, plus corresponding liabilities, were accounted for as a macro hedge.

Reclassifications

There were no reclassifications in fiscal year 2012.

Trading portfolio

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

Trading portfolio	Dec. 31, 2012	Dec. 31, 2011
Assets	EUR thou.	EUR thou.
Bonds and other fixed-income securities	74,011	27,657
Equities and other variable-rate securities	9,291	9,479
Derivate financial instruments	96,800	128,819
Total	180,102	165,955

Trading portfolio	Dec. 31, 2012	Dec. 31, 2011
Liabilities	EUR thou.	EUR thou.
Liabilities	2,362	301
Derivate financial instruments	81,996	121,384
Total	84,358	121,685

The fair value of the trading portfolio was measured on the basis of current market prices at the reporting date because all items in the portfolio were traded in active markets. A value-at-risk allowance of EUR 1,175 thousand (EUR 868 thousand) was deducted from the trading portfolio of EUR 180,102 thousand (EUR 165,955 thousand), resulting in a carrying amount of EUR 178,927 thousand (EUR 165,087 thousand).

Disclosures on affiliated companies and other investees and investors

Loans and advances to	Affiliated companies		Other investees and investors	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Item	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Loans and advances to other banks	238,769	330,573	0	0
Loans and advances to customers	55,419	105,162	796	1
Bonds and other fixed-income securities	0	0	0	0
Other assets	20,084	21,921	0	0
Total	314,272	457,656	796	1

Liabilities to	Affiliated companies		Other investees and investors	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Item	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Liabilities to other banks	899,270	1,018,117	1	3
Liabilities to customers	13,457	10,121	8,996	10,415
Other liabilities	75,032	80,205	0	0
Total	987,759	1,108,443	8,997	10,418

Fiduciary assets and liabilities

Item	Dec. 31, 2012	Dec. 31, 2011
	EUR thou.	EUR thou.
Loans and advances to other banks	0	0
Loans and advances to customers	0	37,453
Shares in other investees ad investors	13,228	13,228
Other assets	45,656	0
Total	58,884	50,681

Item	Dec. 31, 2012	Dec. 31, 2011
	EUR thou.	EUR thou.
Liabilities to other banks	0	0
Liabilities to customers	0	37,453
Other liabilities	58,884	13,228
Total	58,884	50,681

Other assets and liabilities

Other assets include collateral relating in particular to the securities business in the amount of EUR 58,190 thousand (EUR 102,680 thousand) and receivables relating to allocation account balances due from affiliated companies and other investees and investors in the amount of EUR 20,084 thousand (EUR 21,921 thousand). This item also contains current tax receivables amounting to EUR 3,213 thousand (EUR 6,677 thousand).

Other liabilities include structured products of EUR 36,952 thousand (EUR 36,426 thousand), collateral received of EUR 13,770 thousand (EUR 6,300 thousand), and liabilities to the German tax authorities of EUR 2,398 thousand (EUR 2,246 thousand). This item also includes the net income for the year under review of EUR 35,628 thousand (EUR 40,707 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 2,451 thousand (EUR 3,071 thousand). This item also includes profit-related compensation and the distribution on profit participation capital for 2012.

Repurchase agreements

There were no repurchase agreements as of the balance sheet date. The carrying amount of assets reported in the prior-year end balance sheet and sold under repurchase agreements of EUR 139,185 thousand was exclusively attributable to securities transferred under repo transactions.

Prepaid expenses and deferred income

As in the previous year, there were no prepaid expenses in accordance with section 250(3) of the HGB. Prepaid expenses in accordance with section 340e(2) of the HGB amounted to EUR 71 thousand (EUR 198 thousand). As in the previous year, there was no deferred income in accordance with section 340e(2) of the HGB.

Provisions

Pensions and similar obligations

The principal parameters applied as of December 31, 2012 are:

Discount rate p.a.	5.05 %
Defined benefit trend (e.g. salary) p.a.	1.50 %
Pension trend p.a.	1.50 %
Staff turnover p.a.	4.40 %

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

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

Of the other provisions in the amount of EUR 11,873 thousand (EUR 9,882 thousand), EUR 6,965 thousand (EUR 7,200 thousand) was attributable to profit-related employee remuneration and EUR 774 thousand (EUR 127 thousand) to loan loss provisions.

Subordinated assets and liabilities

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

Balance sheet items		Dec. 31, 2012	Dec. 31, 2011
		TEUR	TEUR
Balance sheet item 3	Loans and advances to other banks	22,923	33,370
Balance sheet item 4	Loans and advances to customers	375	6,150
Balance sheet item 5	Bonds and other fixed-income securities	11,693	12,970
Balance sheet item 6	Equities and other variable-rate securities	3,500	5,339

Interest expenses of EUR 3,439 thousand (EUR 3,186 thousand) were incurred for subordinated liabilities in the reporting period.

The subordinated liabilities totaling EUR 59,500 thousand (EUR 64,613 thousand) can be broken down by maturity as follows:

Amount in EUR	Currency	%	Maturity	Early repayment obligation
7,500,000	EUR	6.000	Nov. 30, 2013	Not possible
8,500,000	EUR	4.400	Jan. 28, 2015	Not possible
6,500,000	EUR	4.400	Jan. 28, 2015	Not possible
2,000,000	EUR	7.000	July 03, 2018	Not possible
5,000,000	EUR	7.000	July 03, 2018	Not possible
10,000,000	EUR	5.750	May 13, 2019	Not possible
10,000,000	EUR	6.100	May 27, 2019	Not possible
500,000	EUR	6.100	Dec. 09, 2021	Not possible
9,500,000	EUR	6.100	Dec. 09, 2021	Not possible

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

Profit participation capital

The issued profit participation capital, reported in the amount of EUR 10,000 thousand (EUR 10,000 thousand), complies with the provisions of section 10(5) of the former version of the KWG. Distributions on profit participation capital of EUR 775 thousand (EUR 775 thousand) are reported under other liabilities in 2012.

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, 2012	Dec. 31, 2011
Other loans and advances to other banks	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	170,005	175,607
b) more than three months to one year	11,632	171,559
c) more than one year to five years	84,175	110,974
d) more than five years	20,729	115,896
Total	286,541	574,036

Balance sheet item 4:	Dec. 31, 2012	Dec. 31, 2011
Other loans and advances to customers	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	959,705	1,049,221
b) more than three months to one year	59,384	104,906
c) more than one year to five years	76,885	104,134
d) more than five years	35,224	32,612
Total	1,131,198	1,290,873
of which undated	133,279	185,329
Balance sheet item 5:	Dec. 31, 2012	Dec. 31, 2011
Bonds and other fixed-income securities	EUR thou.	EUR thou.
of which due in the following year	604,344	456,224

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

Balance sheet item 1b:	Dec. 31, 2012	Dec. 31, 2011
Liabilities of other banks	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	420,961	664,875
b) more than three months to one year	320,719	442,659
c) more than one year to five years	12,500	5,844
d) more than five years	4,180	2,204
Total	758,360	1,115,582
Balance sheet item 2a, 2ab:	Dec. 31, 2012	Dec. 31, 2011
Saving deposit	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	925	2,505
b) more than three months to one year	8,074	26,146
c) more than one year to five years	3,644	4,351
d) more than five years	11	25
Total	12,654	33,027
Balance sheet item 2b, 2bb:	Dec. 31, 2012	Dec. 31, 2011
Other liabilities to customers	EUR thou.	EUR thou.
with residual terms of		
a) up to three months	872,494	1,040,403
b) more than three months to one year	261,459	204,095
c) more than one year to five years	62,481	73,880
d) more than five years	195,955	198,955
Total	1,392,389	1,517,333

Equity

As in the previous year, there was no change in equity in fiscal year 2012.

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.

Treasury shares

In 2012, neither we nor any of our affiliated companies acquired or sold shares of M.M.Warburg & CO KGaA.

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

Changes in subscribed capital

		Changes in subscribed capital	EUR
Balance at	Dec. 31, 2001		5,112,918.81
	Feb. 27, 2002	Resolution by Shareholders' Meeting on capital increase	81.19
	July 11, 2002	Resolution by General Meeting on capital increase against non-cash contributions	94,887,000.00
Balance at	Dec. 31, 2011		100,000,000.00

The subscribed capital is composed of 100,000 no-par value registered shares.

Silent partnership interests

The silent partnership interests issued in 2001 amounting to EUR 25.0 million, which are unchanged from the previous year, are reported in this item.

Unrealized reserves

The Bank does not currently exercise the option provided by section 10(4 a) of the KWG to allocate unrealized reserves to its regulatory capital.

Assets and liabilities denominated in foreign currencies

Assets denominated in foreign currencies amounted to EUR 664,910 thousand (EUR 759,454 thousand), while liabilities denominated in foreign currencies totaled EUR 670,296 thousand (EUR 777,290 thousand).

Off-balance-sheet transactions

Contingent liabilities and other commitments are disclosed as off-balance-sheet transactions. Contingent liabilities (below-the-line liabilities, item 1) include documentary credits amounting to EUR 789 thousand (EUR 664 thousand) and other guarantees amounting to EUR 54,963 thousand (EUR 61,414 thousand). Other commitments (below-the-line liabilities, item 2) include placement and underwriting commitments amounting to EUR 8,312 thousand (EUR 12,808 thousand) and irrevocable loan commitments amounting to EUR 207,942 thousand (EUR 261,079 thousand).

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

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

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

Other financial commitments

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

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

As of December 31, 2012, the Bank had call obligations to one company in the amount of EUR 130 thousand (EUR 130 thousand).

The Bank also had financial commitments under multiyear rental and lease agreements as of December 31, 2012; the annual payment obligation amounts to EUR 1,784 thousand (EUR 1,417 thousand).

Bonds and notes eligible as collateral for Deutsche Bundesbank advances with a nominal value of EUR 1,053.3 million (EUR 783.5 million) have been pledged as collateral for Deutsche Bundesbank advances.

At the reporting date, securities with a nominal value of EUR 121.3 million (EUR 139.0 million) had been deposited as collateral for transactions on derivatives exchanges and securities lending transactions.

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

Derivative financial instruments

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

- Interest-rate derivatives such as swaps, caps, floors, and futures.
- Foreign currency derivatives, and in particular currency forwards, commitments from currency options written, and currency options.
- Derivatives with other price risks, in particular commitments from equity options written, commitments from index options written, and index options. The Bank has also entered into contracts for equity index futures, equity index forwards, bond futures, and options on bond futures.

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

Derivative financial instruments not recognized at fair value

The following table shows derivative financial instruments that were not recognized at fair value.

Type	Notional values EUR million	Positive fair values EUR million	Negative fair values EUR million
Interest rate swaps	1,904.8	76.5	80.2
Floors (OTC)	0.8	0.0	0.0
Caps (OTC)	0.8	0.0	0.0
Bund futures	419.2	0.9	1.0
Options on bond futures	1.2	0.6	0.6
Equity index futures (EUREX) ¹	243.3	1.9	1.8
Equity index options (OTC)	13.3	0.7	0.0
Equity index options (EUREX) ¹	1,317.1	6.2	6.2
Equity options (EUREX) ¹	205.7	3.4	3.4
	4,106.2	90.2	93.2

¹ The net fair values are zero or almost zero due to daily cash settlements.

Derivative financial instruments were measured at fair value.

Exchange-traded products are marked to market at established quoted prices. Mark-to-model valuations are used for OTC derivatives, drawing on yield curves, implied volatilities, and prices of the relevant underlying observable in the market.

NOTES TO THE INCOME STATEMENT

Services

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

Income by geographical market

The Bank does not have any sales offices outside Germany.

Other operating expenses and income

Other operating expenses amounting to EUR 5,825 thousand (EUR 8,812 thousand) comprise profit-related distributions in the amount of EUR 4,058 thousand (EUR 6,871 thousand) due after the adoption of the annual financial statements by the General Meeting.

Other operating income in the amount of EUR 8,616 thousand (EUR 8,264 thousand) includes income from agency activities of EUR 5,922 thousand (EUR 5,563 thousand), intragroup allocations of EUR 1,191 thousand (EUR 965 thousand), and rental income of EUR 273 thousand (EUR 298 thousand). Income from the reversal of provisions not relating to credit risks accounts for EUR 73 thousand (EUR 543 thousand) of this item.

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

A writedown of EUR 556 thousand (EUR 0 thousand) was recognized in connection with the adjustment of the useful lives of intangible fixed assets.

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

M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA contributed EUR 28,500 thousand (EUR 0 thousand) to cover credit risks. Including this contribution, the combined item amounts to EUR 12,047 thousand, after EUR 11,915 thousand in the previous year.

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

Distributions of EUR 2,200 thousand relating to a silent partnership interest are reported in this item; in prior years, they were recognized under interest expenses. The residual annual profit of EUR 35,628 thousand will be transferred to M.M. Warburg & CO Gruppe (GmbH & Co.) KGaA.

OTHER DISCLOSURES

Employees

In fiscal year 2012, the Bank employed an average workforce of 457 (450), which can be broken down as follows:

	2012			2011
	Male	Female	Total	Total
Employees	247	202	449	442
Vocational trainees	7	1	8	8
Total	254	203	457	450

Equity interests in large corporations

In addition to the large corporations specified in the list of the Bank's shareholdings, we hold more than 5% of the voting rights in KB Sernbank GmbH, Moscow, and DF Deutsche Forfait AG, Cologne.

Name and domicile of the company	Equity interest in %			Equity	Profit/loss	
	Total	own	indirect	EUR thou.	EUR thou.	
Allgemeine Verwaltungsgesellschaft mbH, Bordesholm	100.00	-	EUR	1,791	17	
Americo Verwaltungsgesellschaft mbH, Hamburg	100.00	-	EUR	88	7	
Bankhaus Carl F. Plump & CO AG, Bremen	100.00	-	EUR	12,210	EAV	**
Bankhaus Hallbaum AG, Hannover	100.00	-	EUR	40,000	EAV	**
Bankhaus Löbbbecke AG, Berlin	100.00	-	EUR	12,100	EAV	**
Carl F. Plump Geschäftsführung GmbH, Bremen	100.00	100.00	EUR	99	6	*
Düssel Vermietungs-GmbH, Düsseldorf	50.00	50.00	EUR	25	0	*
GSI Aero Verwaltungs GmbH, Gräfelting	42.85	42.85	USD	24	1	*
GSI Biomasse Magdeburg GmbH & Co. KG, Gräfelting	50.00	50.00	EUR	2	0	
GSI Donau Beteiligungs GmbH & Co. KG, Gräfelting	50.00	50.00	EUR	1	-1	
GSI Engines 1 Ltd., London, Großbritannien	42.85	42.85	USD	11	13	*
GSI Engines Beta Ltd., London, Großbritannien	42.85	42.85	USD	105	7	*
GSI Engines Delta Ltd., London, Großbritannien	42.85	42.85	USD	18	10	*
GSI Engines Epsilon LP., London, Großbritannien	50.00	50.00	USD	2	-	*
GSI Engines Epsilon Ltd., London, Großbritannien	42.85	42.85	USD	1	0	*
GSI Engines Gamma Ltd., London, Großbritannien	42.85	42.85	USD	23	16	*
GSI Engines Ltd., London, Großbritannien	42.85	42.85	EUR	47	32	*
GSI Fonds GmbH & Co. KG, Düsseldorf	42.85	42.85	EUR	200	23	
GSI Gesellschaft für strukturierte Investitionen mbH & Co. KG, Düsseldorf	50.00	-	EUR	1,299	22	
GSI Helbra Verwaltungs GmbH, Gräfelting	42.85	42.85	EUR	24	0	*
GSI Leasing GmbH & Co. KG, Düsseldorf	50.00	50.00	EUR	99	0	*
GSI Leasing GmbH, Düsseldorf	50.00	50.00	EUR	18	-8	*
GSI Lokpool Eins Verwaltung gmbH, Gräfelting	42.85	42.85	EUR	26	0	*
GSI Mobilien Leasing GmbH & Co. KG, Düsseldorf	50.00	50.00	EUR	1	47	
GSI Solarfonds Drei GmbH, Gräfelting	42.85	42.85	EUR	26	0	*
GSI Solarfonds Zwei Verwaltungs GmbH, Gräfelting	42.85	42.85	EUR	24	0	*
GSI Triebwerke Drei Verwaltungs GmbH, Gräfelting	42.85	42.85	EUR	25	0	*
GSI Triebwerke GmbH, Düsseldorf	42.85	42.85	EUR	25	1	*
GSI Triebwerke Vier Verwaltungs GmbH, Gräfelting	42.85	42.85	EUR	24	-1	*
GSI Triebwerke Zwei Verwaltungs GmbH, Gräfelting	42.85	42.85	EUR	24	0	*
Hamburger Waren-Import GmbH, Hamburg	100.00	-	EUR	8,051	EAV	**
Hamburg-Luxemburger Warenhandels ges. mbH, Luxembourg	96.00	96.00	EUR	22	0	*
Lederwerke Wieman GmbH, Hamburg	100.00	-	EUR	1,213	EAV	**
Lederwerke Wieman Verwaltungsgesellschaft mbH, Hamburg	100.00	100.00	EUR	16	-1	*
M.M. Warburg & CO Holding S.A., Luxembourg	98.00	98.00	EUR	63	0	*
M.M. Warburg & CO Hypothekbank AG, Hamburg	72.49	-	EUR	69,256	3,382	
M.M. Warburg & CO Luxembourg S.A., Luxembourg	100.00	-	EUR	34,526	7,013	
M.M. Warburg & Co. GmbH, München	100.00	100.00	EUR	66	-15	
M.M. Warburg Bank (Schweiz) AG, Zürich	100.00	-	CHF	22,729	1,801	
M.M. Warburg, Olearius & Co., Hamburg	100.00	100.00	EUR	111	11	*
Marcard Family Office Treuhand GmbH, Hamburg	100.00	100.00	EUR	50	25	*
MARCARD, STEIN & CO AG, Hamburg	100.00	-	EUR	12,052	EAV	**
Master Securitisation S.A., Luxembourg	99.97	99.97	EUR	33	-2	*
METRACO Verwaltungsgesellschaft S.A., Luxembourg	99.80	99.80	EUR	320	42	*
Metropolitan Investment Corp. S.A. Holding, Luxembourg	99.98	99.98	EUR	460	-1	*
Metropolitan Trading Corp. S.A., Luxembourg	99.80	99.80	EUR	1,614	22	*
NESTOR-Fonds-Vertriebs-GmbH, München 1 (vorher Wiesbaden)	51.00	51.00	EUR	139	0	*
Nestor Investment Management S.A., Luxembourg	51.00	51.00	EUR	2,242	1,804	*
Photovoltaikwerk Queis GmbH, Gräfelting	42.85	42.85	EUR	25	0	*
Private Life BioMed AG, Hamburg, i.L.	65.00	-	EUR	6,572	-28	*
Quadrilux Capital GmbH, Gräfelting	42.85	42.85	EUR	25	-	
RTF Verwaltungsgesellschaft mbH, Hamburg	100.00	-	EUR	36	-1	*
Schwäbische Bank AG, Stuttgart	78.00	-	EUR	25,496	696	
Venditio Beteiligungs gmbH & Co. KG, Gräfelting	42.85	42.85	EUR	21	-	
Verwaltung GSI Gesellschaft für strukturierte Investitionen mbH, Düsseldorf	50.00	50.00	EUR	27	5	*
WAI S.a.r.l., Luxembourg	40.00	40.00	EUR	53	22	*
Warburg - Henderson Kapitalanlagengesellschaft für Immobilien mbH, Hamburg	50.00	-	EUR	5,865	3,171	*
Warburg Alternative Investments AG, Zürich	40.00	-	CHF	1,361	-964	*
Warburg Asset Management GmbH, Frankfurt/Main	100.00	-	EUR	41	-1	
Warburg Invest Kapitalanlagengesellschaft mbH, Hamburg	100.00	-	EUR	10,600	EAV	**
Warburg Invest Luxembourg S.A., Luxembourg	100.00	99.90	EUR	3,678	952	*
Warburg Research GmbH, Hamburg	100.00	-	EUR	1,579	23	

* Equity and results of fiscal year 2011
 Figures from the annual report for fiscal year 2012 are not yet available.
 ** PLTA: Profit or loss transfer agreement

Exchange rates: CHF: 1.2080 / USD: 1.3183 / GBP: 0.81695

Executive Bodies

General Partners

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

Max Warburg
Banker

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

Eckhard Fiene
Member of the Executive Board

Dr. Henneke Lütgerath
Member of the Executive Board

Joachim Olearius
Member of the Executive Board

Dr. Peter Rentrop-Schmid
Member of the Executive Board

As of the balance sheet date, loans and advances totaling EUR 908,569.00 (EUR 741,111.74) had been granted to members of senior management. No contingent liabilities were assumed on behalf of these persons.

Shareholders' Committee

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

Dr. Bernd Thiemann Deputy Chairman
Management Consultant

Gerhard Brackert
Auditor / Tax Adviser

Wolfgang Traber
Businessman

As of the end of the year, loans and advances totaling EUR 1,329,262.41 (previous year: EUR 7.86) had been granted to members of the Shareholders' Committee. No contingent liabilities were assumed on behalf of these persons.

Supervisory Board

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

Dr. Bernd Thiemann Deputy Chairman
Management Consultant

Wolfgang Traber
Businessman

As of the end of the year, loans and advances totaling EUR 1,329,262.41 (previous year: EUR 7.86) had been granted to members of the Supervisory Board. No contingent liabilities were assumed on behalf of these persons.

The total remuneration for the Supervisory Board in fiscal year 2012 amounted to EUR 58 thousand (EUR 51 thousand).

The general partners received EUR 2,545,541.73 (EUR 2,413,618.84) in fiscal year 2012.

Offices held as of December 31, 2012

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

Dr. Christian Olearius

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

Max Warburg

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

Eckhard Fiene

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

Dr. Henneke Lütgerath

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

Joachim Olearius

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

Dr. Peter Rentrop-Schmid

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

Dr. Bernd Eckardt

- Deputy Chairman of the Supervisory Board, MARCARD, STEIN & CO AG, Hamburg
- Member of the Board of Directors, Sociedad Concesionaria Vespucio Norte Express S.A.,
Santiago de Chile

Florian Becker

- Member of the Supervisory Board, DF Deutsche Forfait AG, Cologne

Manfred Bruhn

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

Dr. Jens Kruse

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

Thomas Schult

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

Consolidated financial statements

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

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.

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 26,663.40 (EUR 26,663.40) be carried forward to new account.

Hamburg, March 26, 2013

M.M. Warburg & CO
Kommanditgesellschaft auf Aktien

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