M.M. WARBURG & CO
BANK

Press Release

Warburg Bank breaks even in 2021

- **Net income for the year improves on the prior period**
- **Markus Bolder replaces Manuela Better as a member of the senior management**

Hamburg, July 26, 2022 – Warburg Bank has adopted its annual financial statements for 2021, which have been awarded an unqualified audit opinion by its auditors. The Bank broke even in what was an extremely challenging environment. After recording a net loss of EUR 7.9 million (before loss transfer) in the previous year, it generated positive net income of EUR 59 thousand in 2021. In a year that was dominated by the pandemic, this achievement was crucially due to the dedication and hard work shown by the Bank's staff, whose commitment was unwavering.

Change at senior management level

Effective July 25, 2022, Markus Bolder (59) has been appointed as a senior manager at the Bank, where he will be responsible for the Back Office. Manuela Better (61) will leave the Bank on the best of terms as of August 1, 2022. The Supervisory Board would like to thank her for her work and wishes her all the best and every success for her professional and personal future.

"Markus Bolder has extensive board of management experience in back office functions at a number of different financial institutions, where he played a key part in realigning and adapting business processes. In particular, the time he spent working for private bank Bankhaus Lampe and the leading role he played at Erste Abwicklungsanstalt (EAA) will enable him to quickly become productive in his new position," said **Prof. Burkhard Schwenker**, the primary shareholders' proxy voting representative on the Supervisory Board.

For Supervisory Board Chairman **Dr. Reiner Brüggestrat**, the Bank is well on track with its senior management team, which comprises Stephan Schrameier (49, Front Office) and Markus Bolder: *"I have every confidence in these two senior managers and their strong team of executives. The issues that dominated the Bank in recent years – shipping finance and cum-ex transactions – have now been settled from an economic perspective, and the Bank's ownership and management functions have also been separated. We can now return to focusing more fully on market activities."*

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Business and results in 2021

Activities in fiscal year 2021 focused on derisking and organizational and human resources changes. A reduction in exposures in default and the redemption of transactions with Deutsche Bundesbank (TLTRO III) pushed down **total assets** to EUR 4.3 billion from EUR 5.2 billion in the previous year (EUR –0.9 billion, or a drop of 16.2%). One key reason for this were the adjustments made to shipping risks. Shipping business exposures of EUR 151 million were eliminated, allowing the associated loan loss provisions to be reduced substantially. In addition, the Bank sold four container ships that it had acquired in previous years in the course of bail-out acquisitions.

Total **assets under management and administration** for the Group (Warburg Group) climbed to EUR 79.0 billion (previous year: EUR 76.2 billion), while total assets held in custody rose from EUR 33.9 billion in 2020 to EUR 35.1 billion in 2021.

With respect to Warburg Bank's results of operations, **net interest income** fell by EUR 4.7 million year-on-year, from EUR 43.3 million (2020) to EUR 38.6 million (2021). The decrease is due to negative interest rates charged on larger-volume deposits with Deutsche Bundesbank and to reductions in interest-bearing exposures. The interest bonus under TLTRO III had a positive effect of EUR 2.9 million.

Net fee and commission income rose by EUR 3.4 million, from EUR 93.0 million in 2020 to EUR 96.4 million in 2021. The increase was largely due to the expansion of the Corporate Finance business and higher fee and commission income from asset management.

Administrative expenses grew from EUR 136.3 million (2020) to EUR 150.6 million (2021), a rise of EUR 14.3 million. This was largely due to higher personnel expenses and expenditure incurred in connection with governance changes (consulting, legal costs, severance pay). As a result, the cost-income ratio of 106.3% was substantially higher than the target figure of < 85%.

Warburg Bank and the Warburg Financial Holding Group comply with the supervisory capital requirements. The **capital ratios** have improved and amount to 23.1% (previous year: 19.4%) for the Bank and 15.8% (previous year: 13.7%) for the Financial Holding Group following the adoption/approval of the financial statements.

Outlook

A number of uncertainties are continuing to impact the economy at present. There is still no end in sight to Russia's war against Ukraine after five months. In addition, it is currently unclear whether Russia will restore its supplies of gas to European countries and how serious the escalating economic warfare will turn out to be for European companies. These geopolitical crises are accompanied by inflation rates that are well in excess of central banks' target corridors. Persistent supply chain difficulties are another factor disrupting the global economy. Warburg Bank is aiming to address and master these challenges by ensuring lean structures, focusing clearly on its business strategy, and concentrating on market activities.

Background information: Operational risk

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

Warburg Group's assessment of the tax treatment of the cum-ex transactions proved to be false. The members of the Supervisory Board and the Executive Board of M.M.Warburg & CO condemn unlawful tax constructs of all kinds.

Press contacts:

Martin Wehrle, Head of Communications
Phone: +49 40 3282-2235

Thies Jonas, Communications
Phone: +49 40 3282-2165

E-mail: presse@mmwarburg.com