

Independent since 1674

METZLER

B. Metzler seel. Sohn & Co.

Fiscal 2009

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Modern corporate structure

The core of Metzler is B. Metzler seel. Sohn & Co. KGaA, Germany's oldest private bank with an unbroken tradition of family ownership since its establishment in 1674. Metzler focuses on providing individual advice to corporate and institutional customers and high net-worth private clients in its five core business areas

- Asset Management
- Corporate Finance
- Equities
- Financial Markets
- Private Banking.

These business activities are performed by the bank and its affiliates, which operate as independent legal entities under the auspices of B. Metzler seel. Sohn & Co. Holding AG. Metzler is headquartered in Frankfurt/Main and has subsidiaries and offices in Cologne/Düsseldorf, Hamburg, Munich, Stuttgart, Los Angeles, Seattle, Tokyo, Beijing and Dublin.

Preserving our independence is pivotal to success

In order to apply this principle to the benefit of our clients, Metzler's approximately 750 employees concentrate on fields where they can provide services which rank among the international leaders. Deposits and lending business as well as own-account trading play an insignificant role.

The deepest recession in the history of the Federal Republic of Germany continued at the start of 2009. In some sectors production remained extremely low in the first months of the year. However, from the spring onwards there were increasingly clear signs of an economic recovery, with China driving global economic growth. At the same time, the concerted monetary and fiscal policy of central banks and governments around the world had the intended effect. The financial markets stabilized and investors' confidence gradually returned. This situation led to a significant rise in equity prices, which had remained at long-term lows on many stock markets until March. On the bond markets, corporate bonds proved particularly popular and their prices rose significantly. At the same time, investors' renewed appetite for risk also boosted demand for low-rated sovereign bonds, which was reflected in a sharp rise in their prices too. Equities and euro-zone bonds yielded higher returns than money market investments in 2009.

Although we were not directly impacted by the financial crisis and did not have to make any subprime-induced write-downs on either client portfolios or our own investments, we were affected to some extent by the uncertainty and restraint of clients in our core segments. Nevertheless, our financial statements for 2009 are creditable. Our systematic focus on low-risk off-balance-sheet advice on capital market issues once again proved very resistant to the crisis.

In the Asset Management segment, assets under management increased considerably from EUR 30 bn to around EUR 37 bn, partly due to a very pleasing inflow of funds into both the institutional fund management business and mutual funds managed by us. In Corporate Finance we retained our position as an independent advisor on national and cross-border transactions in a very weak overall market environment. One central activity was the sale of companies affected by insolvency. The Equities segment reported a pleasing overall performance. The institutional client base was broadened further, especially outside Germany. In addition, we once again undertook confidential business on a significant scale where heightened discretion and specialist know-how are the key criteria. The Financial Markets segment once again improved considerably on the previous year's very good performance. Alongside high interest income, this was also due to very good fixed income business and exceptionally successful customer-tailored capital market transactions.

Private Banking strengthened and expanded business relations with clients and business associates. As in the past, in this segment we benefited from our deliberately restrictive investment policy. Our systematic focus on equities, bonds and liquidity and our deliberate decision to refrain from investment in asset classes dubbed "alternative investments" received a very positive reception in the market.

We assume that the economies in the industrialised countries have a stony path ahead of them in 2010. As yet, we have not detected any signs of a self-supporting upswing. By contrast, the main emerging markets – especially China, India, Brazil and Russia – are likely to compensate to some extent for the expected reduction in affluence in the western world. Overall, we anticipate that the global economy will return to a growth path, expanding by 2.5%, although this will only be half the level recorded during the 2004–2007 boom. Persistently low interest rates and anaemic economic growth, accompanied by high unemployment, will encourage investors to give preference to safe investments. More risky investments therefore will face a turbulent year.

Our conservative business philosophy and core business segments position us well even in this environment. Moreover, thanks to our extremely good equity base, substantial additional hidden and disclosed reserves, and the comfortable liquidity position derived from our business model, we can steadily continue the prudent, long-term focus of our business policy.

B. Metzler seel. Sohn & Co. Holding AG

Supervisory Board:

Dr. Christoph Schücking, Chairman

Hans Hermann Reschke, Deputy Chairman

Michael Neumann

Advisory Board:

Dr. Christoph Schücking, Chairman

Hans Hermann Reschke, Deputy Chairman

Udo Behrenwaldt

Marija Korsch (until 30 September 2009)

Thomas Leysen

Dr. Leonhard von Metzler (until 31 March 2009)

Gerhard Schleif

Dr. Ronaldo Schmitz

Heinz-Joachim Wagner

Partners' Committee:

Norbert Enste (until 15 October 2009)

Karl-Emil Fuhrmann

Michael Klaus

Frank-Peter Martin

Friedrich von Metzler

Emmerich Müller

Hartmut Petersmann

Dr. Johannes Reich

Gerhard Wiesheu

The consolidated accounts of B. Metzler seel. Sohn & Co. Holding AG include the following companies:

B. Metzler seel. Sohn & Co. KGaA
B. Metzler GmbH
Metzler Asset Management GmbH
Metzler Immobilien GmbH
Metzler Investment GmbH
Metzler IT-Services GmbH
Metzler Real Estate GmbH
Metzler Securities GmbH
Metzler Servicegesellschaft für Vertriebspartner mbH
Metzler North America Corporation
Metzler Realty Advisors Inc.
MP & R Ventures Inc.
Metzler/Payden, LLC
Metzler Ireland Limited
Metzler Asset Management (Japan) Ltd.

Consolidated Balance Sheet as at 31 December 2009 (Short Version)

Assets	2009 EUR	2009 EUR	2008 EUR '000
Cash reserve		41,191,730.33	40,231
Debt instruments issued by the public sector		0.00	7,261
Due from banks			
on demand	270,052,422.73		131,342
other receivables	27,810,155.73		104,027
		297,862,578.46	235,369
Due from customers		68,049,923.91	336,354
Bonds and other fixed-interest securities			
issued by the public sector	205,338,033.79		320,041
issued by others	1,241,482,028.08		1,446,125
		1,446,820,061.87	1,766,166
Equity shares and other variable-yield securities		95,130,247.42	428,652
Equity investments and shares in associated companies		22,710,637.57	22,520
Fiduciary assets		438,248,192.65	485,245
Intangible assets and tangible fixed assets		14,419,596.92	17,979
Other assets		33,947,279.89	37,772
Total assets		2,458,380,249.02	3,377,549

Liabilities	2009 EUR	2009 EUR	2008 EUR '000
Due to banks			
on demand	1,998,429.76		67,771
with an agreed term or notice period	4,037,841.81		5,355
		6,036,271.57	73,126
Due to customers			
Savings deposits	115,581.43		137
Other liabilities			
on demand	1,329,962,741.93		1,139,387
with an agreed term or notice period	354,661,405.87		493,834
		1,684,739,729.23	1,633,358
Securitised liabilities		91,210,292.29	927,777
Fiduciary liabilities		438,248,192.65	485,245
Other liabilities		30,647,925.55	59,297
Provisions		103,149,319.80	104,588
Fund for general banking risks		10,000,000.00	0
Capital and reserves			
Subscribed capital	16,000,000.00		16,000
Capital reserve	76,038,517.93		75,848
Consolidated unappropriated profit	2,310,000.00		2,310
		94,348,517.93	94,158
Total liabilities		2,458,380,249.02	3,377,549
Contingent liabilities			
from guarantees and indemnity agreements		1,739,869.32	7,890
Other commitments			
Irrevocable lines of credit granted		13,564,771.97	15,717

Consolidated Profit and Loss Account for the Period 1 January to 31 December 2009 (Short Version)

	2009 EUR	2009 EUR	2008 EUR '000
Interest income	51,470,723.55		78,520
Interest expenses	-19,634,014.91		-63,367
		31,836,708.64	15,153
Current income from equity shares, other variable-yield securities and financial assets		1,378,033.67	3,046
Commission income	162,106,139.03		190,682
Commission expenses	-33,983,061.64		-42,615
		128,123,077.39	148,067
Net income from financial operations		5,417,231.76	2,583
Balance of net income/loss under profit and loss transfer agreements		-61,832.54	87
General administrative expenses			
Personnel expenses	-88,550,485.02		-87,225
Other administrative expenses	-39,503,609.19		-43,846
		-128,054,094.21	-131,071
Depreciation on intangible assets and tangible fixed assets		-5,134,517.57	-7,211
Other operating income/expense		-13,902,255.59	-7,659
Provision for contingent loan losses and result from the valuation of certain securities		-9,325,564.30	-9,852
Result from financial assets		-787,155.07	-648
Operating income		9,489,632.18	12,495
Taxes		-7,179,632.18	-10,185
Consolidated profit/unappropriated profit		2,310,000.00	2,310

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has issued the following audit opinion on the consolidated financial statements and the group management report:

“We have audited the consolidated financial statements prepared by B. Metzler seel. Sohn & Co. Holding Aktiengesellschaft, Frankfurt am Main, comprising the balance sheet, the income statement, the notes to the consolidated financial statements, cash flow statement, and statement of changes in equity, together with the group management report for the fiscal year from 1 January 2009 to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB (‘Handelsgesetzbuch’: German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Eschborn/Frankfurt am Main, 15 March 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft



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We will be happy to provide further information on the annual financial statements for 2009. Please address your request to: crm@metzler.com

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