

Independent since 1674

METZLER

Fiscal 2019

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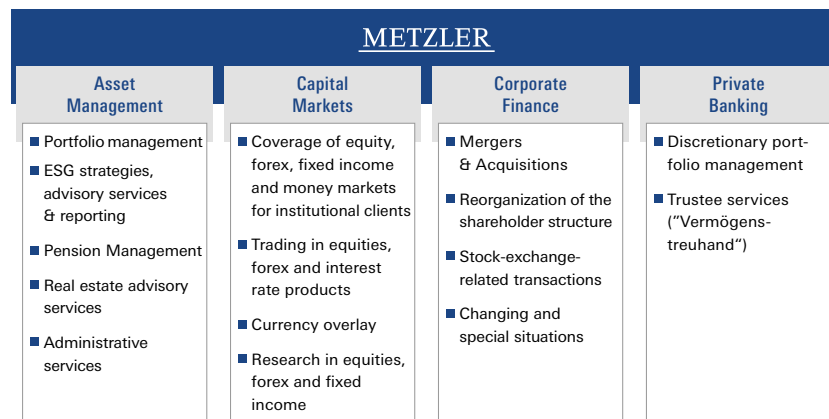
Metzler at a Glance

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 personal service to corporate and institutional customers and high net-worth private clients in its four core business areas

- Asset Management
- Capital Markets
- Corporate Finance
- 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 offices and subsidiaries in Cologne/Düsseldorf, Hamburg, Munich, Stuttgart, Atlanta, 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 800 employees concentrate on fields where they can provide services which rank among the international leaders. Traditional lending and deposit business only plays an insignificant role at Metzler.

Editorial

The global economy grew by just under 3.0% in 2019, far less dynamically than the experts had anticipated in mid-2018. The principal reasons for this were the negative effects of the trade dispute between the USA and China, the related uncertainty about whether the economy would slide into recession, and the long unresolved modalities for the UK's exit from the European Union. By contrast, prices on the equity markets spiralled upward. Double-digit price rises were seen on virtually all markets and the technology stocks on the Nasdaq index in the USA gained almost 38%, calculated in euros. The bull market in the US, which began in 2009, therefore continued for another year. Without a doubt, the major central banks having flooded the market with liquidity was a key factor in this. Bonds on both sides of the Atlantic also recorded price gains on a scale that would not previously have been considered possible. Euro investors were able to earn a return of around 9% with US treasuries and around 7% with euro-zone sovereign bonds, based on the relevant JP Morgan government bond indices. This was mainly attributable to the mounting political risks, which increased demand for investments in these ostensibly "safe havens". On the currency markets, the US dollar continued to appreciate against the euro, contrary to all predictions, although the euro had been significantly undervalued for some time in terms of purchasing power parity and the European Monetary Union boasted solid trade and current account surpluses.

In this capital market environment, our business developed well overall in the past twelve months, although we did not quite achieve the performance planned for 2019. Commission income was slightly below our expectations and this was only partly offset by higher net interest income. At the same time, administrative expenses were once again considerably higher than planned.

Total assets under management in the Asset Management segment increased from EUR 74 bn to EUR 86 bn, principally due to the positive capital market trend. In addition, this segment registered a net inflow of funds totalling EUR 2 bn – mainly from institutional clients. As of the reporting date, Metzler Pension Management had more than 200 pension fund clients with

over 60,000 beneficiaries. The resulting capital investments for the account of and at the risk of beneficiaries now total EUR 5 bn. The performance of our operations to support clients investing in US commercial property were affected by massive restraint by German institutional investors in the reporting period. To strengthen our focus on our core competencies even further, the Metzler fund accounts/fund custody accounts managed on behalf of private clients via the Metzler Fund Xchange (MFX) were transferred to FIL Fondsbank GmbH at the end of the reporting period. In future, the MFX platform will focus on institutional business – with custom-tailored services to drive forward this business area and ensure its lasting competitiveness.

In the Capital Markets segment, we continued to extend our customer base in conventional equity brokerage and stabilised earnings from research services for institutional investors. However, commission income from the conventional cash equities business declined as a result of the ongoing pressure on margins. At the same time, for market-related reasons income from new issues, capital increases and placements was considerably lower than in the previous year. Despite persistently low interest rates, we were able to top the previous year's good result in our fixed income business with institutional clients. In the FX business, we once again benefited from our stable client base, which we were able to extend further, and from a further rise in demand for our efficient currency management, partly due to high hedging costs. Together, these two factors resulted in higher revenues and a rise in earnings.

In the Corporate Finance segment, we can look back upon a very good year, with a large number of transactions completed on both the buy- and the sell-side in 2019. We provided considerable support for family businesses, for example in the reorganisation of ownership structures, as well as for German and international corporations and financial investors. The international bidding processes designed and managed by Metzler once again enjoyed very high demand from strategists and financial investors; the processes remain lengthy and complex. In 2019, our mandates included supporting private equity investors in buy-outs, assisting Asian clients in the purchase of stakes in companies, and providing extensive advice to clients on complex corporate

constellations. As in the past, our clients valued our ability to provide the experience and expertise required to bring transactions to a successful conclusion.

The inflow of funds in Private Banking developed positively and was in line with our expectations at the start of the year. Total assets under management on the reporting date were therefore higher than in the previous year, not least thanks to substantial price rises on almost all equity markets. In our discussions with clients, we focused especially on analysing the global economy in general and politico-economic factors in particular. These again included the trade conflict initiated by the USA, as well as the UK's negotiations on leaving the European Union. In addition, we examined the potential risk of a recession in the euro zone and the USA, and the possibilities and limits of the central banks' expansionary monetary policy. As in previous years, our clients' response to this dialogue was consistently positive.

Like most other experts, only a few months ago we assumed that there would be a moderate year-on-year recovery in the global economy in 2020. As well as the de-escalation of the trade dispute between the USA and China, reasons included the favourable financing conditions around the world as the most important central banks continued their very expansionary monetary policy. However, since the outbreak of the new respiratory disease, Covid-19, in China has evolved into a global pandemic and contact bans and curfews have brought public life and economic activity to a virtual standstill, such forecasts are no longer relevant. Although the future development is very difficult to predict, one thing is quite clear: the global economy is heading for a severe recession. Although unparalleled fiscal measures in many countries and widely accessible central bank liquidity are cushioning the negative effects, they cannot fully offset them. Therefore, the economic situation is likely to remain extremely difficult – and will be dominated by the coronavirus crisis in the foreseeable future.

In this situation, the equity markets are likely to have difficulty finding a new equilibrium following the panic-driven sell-off in March 2020. Even though it is evident that the present crisis will have a massively adverse effect on companies' earnings prospects, it is not clear how significantly the previous sales and profit forecasts will have to be corrected in individual cases. As a result, we expect price volatility to remain high. A noticeable reduction in volatility is only likely when there are signs of a sustained improvement in the news flow.

On the bond market, we expect the return on government bonds with high creditworthiness to drop in the first half of the year. The economic risks associated with the coronavirus crisis are causing a flight into "safe havens", which include government bonds from issuers with particularly high creditworthiness such as Germany and the USA. Assuming that the news brightens, there could be a moderate increase in inflation expectations in the second half of the year, and a renewed rise in risk appetite could bring a slight improvement in yields on government bonds with high credit ratings.

On the currency markets, we expect to see a volatile sideways trend in the US dollar/euro exchange rate. The greenback is currently caught between two stools: on the one hand, its considerably reduced interest rate advantage is having a negative impact, while on the other hand, the rising capital inflows as a result of the US dollar's safe haven status argue for an appreciation.

In the present crisis, we continue to benefit from our very comfortable capital base and excellent liquidity situation. In addition, we have extensive taxed hidden reserves, which are not included in our regulatory capital base. Even though Covid-19 will doubtless affect the performance of the Metzler Group – to what extent and for how long cannot be reliably estimated at present – we are confident that we can continue to run our business successfully in the long term.

Boards

B. Metzler seel. Sohn & Co. Holding AG

Executive Board

Harald Illy
Michael Klaus (until 31 March 2020)
Emmerich Müller
Gerhard Wiesheu

Supervisory Board

Dr. Christoph Schücking, Chairman
Hans Hermann Reschke, Deputy Chairman
Michael Neumann

Advisory Board

Dr. Christoph Schücking, Chairman
Hans Hermann Reschke, Deputy Chairman
Dr. Kurt W. Bock
Hans H. Freudenberg
Wolfgang Kirsch (from 1 January 2020)
Elena von Metzler (from 1 January 2020)
Franz von Metzler (from 1 January 2020)
Dr. Leonhard von Metzler
Gerhard Schleif (until 31 December 2019)
Dr. Ronaldo Schmitz
Heinz-Joachim Wagner (until 31 December 2019)

Partners' Committee

Kim Comperl
Harald Illy
Michael Klaus (until 31 March 2020)
Mario Mattera
Emmerich Müller
Dr. Marco Schulmerich
Gerhard Wiesheu

B. Metzler seel. Sohn & Co. KGaA

Personally liable partners

Harald Illy
Michael Klaus (until 31 March 2020)
Friedrich von Metzler
Emmerich Müller
Gerhard Wiesheu

Consolidated Companies

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 am Main GmbH & Co. KG
Metzler Asset Management GmbH
Metzler FundServices GmbH
Metzler Immobilien GmbH
Metzler Immobilien 2 Beteiligungs GmbH
Metzler Pension Management GmbH
Metzler Pensionsfonds AG
UMA 1 GmbH & Co. KG
Metzler Asset Management (Japan) Ltd.
Metzler Ireland Limited
Metzler North America Corporation
Metzler Realty Advisors Inc.
MP & R Ventures Inc.
Metzler/Payden, LLC

Consolidated Balance Sheet as at 31 December 2019 (Short Version)

Assets	2019 EUR	2019 EUR	2018 EUR '000
Cash reserve		430,555,786.62	705,984
Due from banks			
on demand	81,538,124.89		211,294
other receivables	300,984,949.49		312,926
		382,523,074.38	524,220
Due from customers		112,211,919.05	105,494
Bonds and other fixed-interest securities			
issued by the public sector	100,065,579.81		88,920
issued by others	971,428,306.40		928,547
		1,071,493,886.21	1,017,467
Equity shares and other variable-yield securities		132,711,557.93	130,452
Trading assets		75,131,700.00	111,871
Equity investments and shares in associated companies		15,255,547.43	21,740
Fiduciary assets		1,214,885,583.85	1,076,944
Intangible assets and tangible fixed assets		102,957,942.68	106,924
Other assets		68,092,765.50	61,879
Total assets		3,605,819,763.65	3,862,975

Liabilities	2019 EUR	2019 EUR	2018 EUR '000
Due to banks			
on demand		23,940,295.32	24,882
Due to customers			
on demand	1,966,411,958.90		2,377,097
with an agreed term or notice period	1,563,872.32		1,534
		1,967,975,831.22	2,378,631
Fiduciary liabilities		1,214,885,583.85	1,076,944
Other liabilities		32,119,709.38	28,748
Provisions		115,035,044.15	101,564
Fund for general banking risks		50,000,000.00	50,000
Capital and reserves			
Subscribed capital	20,000,000.00		20,000
Reserves	177,425,010.06		177,726
Currency translation	-116,164.01		-108
Minority interests	2,244,453.68		2,278
Consolidated unappropriated profit	2,310,000.00		2,310
		201,863,299.73	202,206
Total liabilities		3,605,819,763.65	3,862,975
Contingent liabilities			
from guarantees and indemnity agreements		2,652,372.61	4,819
Other commitments			
Irrevocable lines of credit granted		16,497,502.24	24,282

Consolidated Profit and Loss Account for the Period 1 January to 31 December 2019 (Short Version)

	2019 EUR	2019 EUR	2018 EUR '000
Interest income	2,132,339.44		2,659
Interest expenses	993,514.23		376
		3,125,853.67	3,035
Current income from equity shares, other variable-yield securities and financial assets		3,495,476.00	2,372
Commission income	255,029,974.77		254,572
Commission expenses	-63,616,665.48		-58,666
		191,413,309.29	195,906
Net trading result		-178,610.27	-61
General administrative expenses			
Personnel expenses	-121,104,367.02		-116,332
Other administrative expenses	-60,439,851.41		-63,212
		-181,544,218.43	-179,544
Depreciation on intangible assets and tangible fixed assets		-8,419,411.04	-7,907
Other operating income/expense		-6,272,155.96	-7,693
Provision for contingent loan losses and result from the valuation of certain securities		2,732,374.21	1,738
Result from financial assets		-206,983.64	-308
Operating income		4,145,633.83	7,538

	2019 EUR	2019 EUR	2018 EUR '000
Other result		152,652.56	–
Taxes		–2,021,357.45	–5,266
Profit for the year		2,276,928.94	2,272
Profit attributable to minority interests		33,071.06	38
Consolidated unappropriated profit		2,310,000.00	2,310

Reference to the Unqualified Auditor's Opinion

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, Germany, has issued an unqualified audit opinion for the complete consolidated financial statements and the group management report for the fiscal year from 1 January 2019 to 31 December 2019 prepared by B. Metzler seel. Sohn & Co. Holding Aktiengesellschaft, Frankfurt/Main, Germany.

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Unless otherwise stated, all information in this year's financial statements relates to the 31 December 2019 reporting date.

We will be happy to provide further information on the annual financial statements for 2019. Please address your request to: crm@metzler.com

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