

Independent since 1674

METZLER

Fiscal 2020

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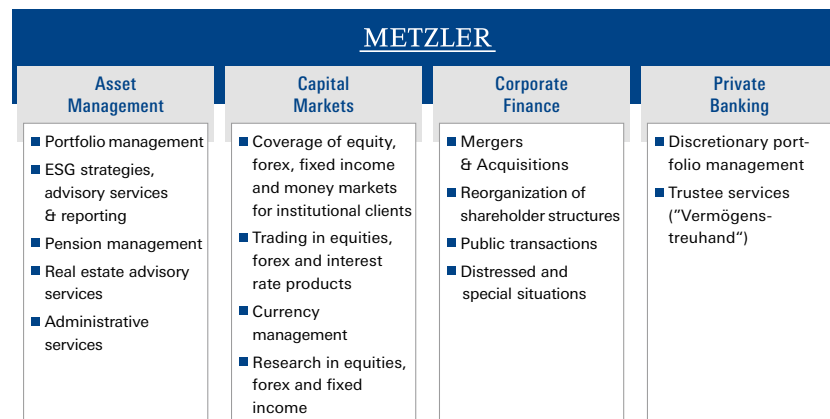
Metzler at a Glance

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

In 2020, the global economy suffered its most severe growth slump since World War II – an estimated 3.5% drop – due to extensive restrictions on business and public life during the corona pandemic. China was the only country that managed to bring infection figures quickly under control and escape the downward spiral – its national economy actually grew by around 2.3%. Global equity markets reacted only briefly to the global recession. Share price drops of around 35% on average between mid-February and mid-March were followed by one of the fastest rallies in recent stock market history. The MSCI World index gained 14.1% by the end of the year, and the MSCI Emerging Markets even increased by 19.5%, both in local currencies. The main reasons for this were the exceptionally large stimulus packages from governments and central banks, faster-than-expected progress in coronavirus vaccine development, and record-low interest rates that further strengthened equities' status as the best investment alternative. Due to interest rate cuts by the US Federal Reserve and an additional ramping up of securities purchasing programs by the major central banks, yields on the bond market dipped to new record lows, which brought price gains for investors with corresponding portfolio holdings. German Bunds gained 3.0% and bonds from countries in the European Monetary Union even increased by 4.9% compared to the respective BofA Merrill Lynch indices. On the forex market, the long-awaited weakness of the US dollar began in the middle of the year, triggered by escalating budget deficits in the USA and key interest rate cuts by the US Federal Reserve.

Considering the tremendous challenges posed by the Covid-19 pandemic for the financial industry and the capital markets, our business operations performed well in the past twelve months, even though overall development fell short of the expectations we had at the beginning of the year due to one-time effects. Nevertheless, net commission income, net interest result and brokerage income all significantly exceeded our budgeted figures. At the same time, administrative expenses were slightly higher than expected due to a small increase in personnel expenses above budget.

At the end of December 2020, total assets in the Asset Management segment amounted to EUR 73 bn. In Metzler Pension Management, we provided services to more than 200 companies and maintained more than 90,000 pension-related relationships as of the balance sheet date. The resulting investments held on account and at risk of employees and employers increased by around 70% to almost EUR 9 bn. The assets managed via our Metzler Fund Xchange fund platform increased to around EUR 21 bn by the end of the reporting period.

In the Capital Markets segment, we significantly increased our commission income in traditional equity brokerage while also improving our research income. Business relating to new issues, capital increases and placements was initially sluggish, but demand picked up significantly in the second half of the year, enabling us to exceed our overall prior-year result. In the fixed income business with our institutional clients, we significantly surpassed last year's good result despite initially severe turbulence on the bond markets. In the forex business, we benefited from our trading experience and our expertise in effective, systematic management of forex risks, particularly in the crisis environment of 2020. In addition, this expertise was recognized when we were named "Currency Manager of the Year" once again at the European Pension Awards.

In the Corporate Finance segment, we had a very mixed year. In the first few months of the year, the Covid-19 pandemic severely impacted mergers & acquisitions business (M&A). However, as 2020 progressed, the M&A market recovered steadily and by the end of the year, transaction activity was at a relatively high level. We handled several buy and sell mandates including some very successful transactions on the behalf of family-owned businesses. We assisted financial investors on both the buy and sell sides, and we supported international enterprises in their transactions in Germany. On a positive note, demand for high-quality M&A advisory services picked up again significantly, especially in the final months of the fiscal year.

In Private Banking, we increased income slightly year-on-year despite the challenging economic and capital market environment, but, due to corona, portfolio holdings were only largely stable. In the crisis year, we placed great emphasis on in-depth phone and digital exchanges with our clients, and we supplemented these with extensive information, e.g. capital market commentaries and podcasts focused mainly on the corona pandemic and its impact on the economy and the capital markets. We paid particular attention to the sustainability of public debt, the possibilities and limits of monetary and fiscal policy, and the longer-term prospects for individual asset classes. In the final quarter, we addressed the implications of the US presidential elections. We constantly reviewed and adjusted the alignment of our client portfolios, which was consistently well received by our clients.

In our base scenario, we expect the global economy to grow by around 6.0% with only moderately rising inflation. A global output gap of 4.0% remains substantial and is unlikely to give rise to sustained price pressure. We believe the risks for the global economy include the emergence of vaccine-resistant coronavirus variants and delays in the vaccination campaign that go on for so long that they push herd immunity to the distant future. In addition, inflation could become a risk factor if US consumers decide to spend government stimulus payments, thus boosting prices significantly, rather than put them in the bank.

In this environment, we are confident the equity markets will post further gains. Persistently low interest rates, ample central bank liquidity, and the prospect of significantly rising corporate profits are all factors that indicate this. However, the already high valuation of many dividend stocks makes equity markets more vulnerable to setbacks. If one of the two risk scenarios mentioned above should materialize or if another event should take investors by surprise, this could cause heavy losses.

On the bond market, we expect in our base scenario that government bond yields will increase moderately in all major economic areas. Only in our risk scenario of significantly rising inflation in the USA could US government bond yields increase noticeably. However, even if this happens, it is questionable whether German Bund yields would rise in line with their US counterparts because the European Central Bank now controls almost the entire market for government bonds in the euro zone.

The US dollar is likely to move sideways with some fluctuations against the euro on the forex markets. The greenback is currently caught between two stools: on the one hand, a reduced US interest rate advantage is burdening it, but on the other hand, rising capital inflows due to its safe haven status speak in favor of appreciation.

Under the current circumstances, we continue to benefit from our further improved, 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. Therefore, despite the uncertainties arising from Covid-19, 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
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
Elena von Metzler
Franz von Metzler
Dr. Leonhard von Metzler
Dr. Ronaldo Schmitz

Partners' Committee

Kim Comperl
Harald Illy
Mario Mattera
Emmerich Müller
Dr. Marco Schulmerich
Gerhard Wiesheu

B. Metzler seel. Sohn & Co. KGaA

Personally liable partners

Harald Illy
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 2020 (Short Version)

Assets	2020 EUR	2020 EUR	2019 EUR '000
Cash reserve		594,932,114.07	430,555
Due from banks			
on demand	87,310,169.42		81,538
other receivables	152,506,929.87		300,985
		239,817,099.29	382,523
Due from customers		130,390,750.41	112,212
Bonds and other fixed-interest securities			
issued by the public sector	244,309,708.85		100,066
issued by others	578,350,927.85		971,428
		822,660,636.70	1,071,494
Equity shares and other variable-yield securities		137,438,329.22	132,712
Trading assets		0.00	75,132
Equity investments and shares in associated companies		15,251,316.80	15,255
Fiduciary assets		4,232,214,988.49	1,214,886
Intangible assets and tangible fixed assets		103,824,786.63	102,958
Other assets		64,649,972.81	68,093
Total assets		6,341,179,994.42	3,605,820

Liabilities	2020 EUR	2020 EUR	2019 EUR '000
Due to banks			
on demand		99,125,101.26	23,940
Due to customers			
on demand	1,679,493,701.55		1,966,412
with an agreed term or notice period	0.00		1,564
		1,679,493,701.55	1,967,976
Fiduciary liabilities		4,232,214,988.49	1,214,886
Other liabilities		3,951,445.00	32,120
Provisions		55,458,899.97	115,035
Fund for general banking risks		70,000,000.00	50,000
Capital and reserves			
Subscribed capital	20,000,000.00		20,000
Reserves	178,818,866.36		177,425
Currency translation	-193,008.21		-116
Minority interests	0.00		2,244
Consolidated unappropriated profit	2,310,000.00		2,310
		200,935,858.15	201,863
Total liabilities		6,341,179,994.42	3,605,820
Contingent liabilities			
from guarantees and indemnity agreements		2,592,372.61	2,652
Other commitments			
Irrevocable lines of credit granted		1,934,272.69	16,498

Consolidated Profit and Loss Account for the Period 1 January to 31 December 2020 (Short Version)

	2020 EUR	2020 EUR	2019 EUR '000
Interest income	1,838,061.45		2,132
Interest expenses	5,185,583.96		994
		7,023,645.41	3,126
Current income from equity shares, other variable-yield securities and financial assets		496,844.52	3,495
Commission income	245,518,353.04		255,030
Commission expenses	-58,787,699.34		-63,617
		186,730,653.70	191,413
Net trading result		861,404.99	-179
General administrative expenses			
Personnel expenses	-119,410,041.46		-121,104
Other administrative expenses	-58,520,879.77		-60,440
		-177,930,921.23	-181,544
Depreciation on intangible assets and tangible fixed assets		-7,086,713.49	-8,419
Other operating income/expense		-10,095,533.47	-6,272
Provision for contingent loan losses and result from the valuation of certain securities		3,115,269.60	2,732
Result from financial assets		0.00	-207
Operating income		3,114,650.03	4,145

	2020 EUR	2020 EUR	2019 EUR '000
Other result		0.00	153
Taxes		-804,650.03	-2,021
Profit for the year		2,310,000.00	2,277
Profit attributable to minority interests		0.00	33
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 2020 to 31 December 2020 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 2020 reporting date.

We will be happy to provide further information on the annual financial statements for 2020. Please address your request to: crm@metzler.com

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