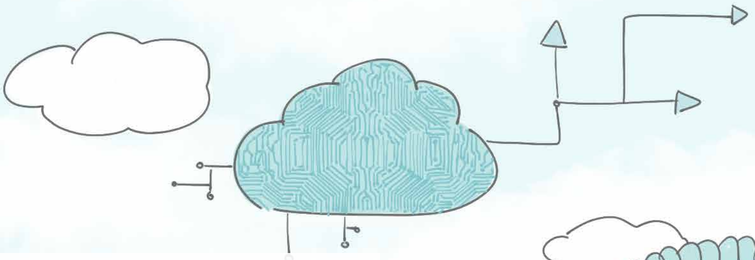
DONNER & REUSCHEL

PRIVATBANK SEIT 1798

ANNUAL REPORT 2019

WE THINK AHEAD AND LEAD BY EXAMPLE



DIRECTION

We help you navigate the world without a compass, looking well beyond purely financial matters. We identify the relevant topics on behalf of our clients and analyse them together with experts who give us their view of the world.

DIGITALISATION

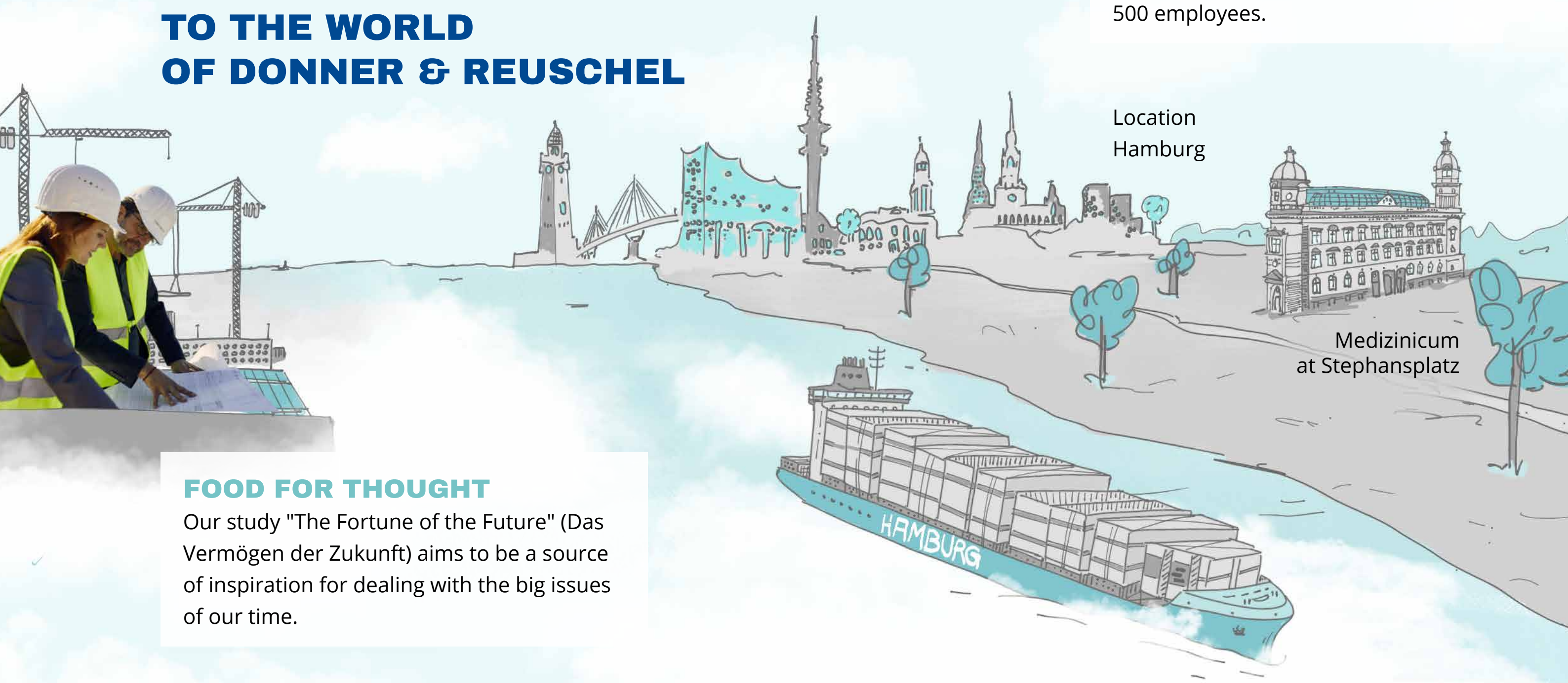
With the help of digitalisation, we can spend more time on what matters: our clients. We invest in innovative FinTechs to offer our clients the best possible service.

OUR EMPLOYEES ARE OUR MOST VALUABLE ASSET:

The freedom to get involved and to realise their own potential, the friendly way in which we treat each other and a special team spirit make our bank a great place to work for all 500 employees.

WELCOME

TO THE WORLD OF DONNER & REUSCHEL



FOOD FOR THOUGHT

Our study "The Fortune of the Future" (Das Vermögen der Zukunft) aims to be a source of inspiration for dealing with the big issues of our time.

FORESIGHT AND STABILITY

We see our role to think ahead into the future and prepare our clients for the challenges of the new era.

Our executive team:
Uwe Krebs, Member of the Executive Board
Marcus Vitt, Chairman of the Executive Board
DONNER & REUSCHEL

GROWTH AND TEAMWORK

Our business segments are growing at a steady pace. In addition, we can offer exclusive solutions thanks to our network of our experts in their respective fields.

STRONG MARKET POSITION

With our annual profit of EUR 7.4 million, we continue to strengthen our equity.

CUSTOMER SERVICE AND TIME FOR PERSONALISED ADVICE

One often forgotten advantage of digitalisation is the time saved through automation of administrative tasks. This means more time for personalised advice.

PROTECTION OF THE CLIMATE AND THE ENVIRONMENT

We have been supporting the Plant-for-the-Planet tree planting initiative for many years to ensure that even more trees can be planted, which is so important for our climate.
www.plant-for-the-planet.org

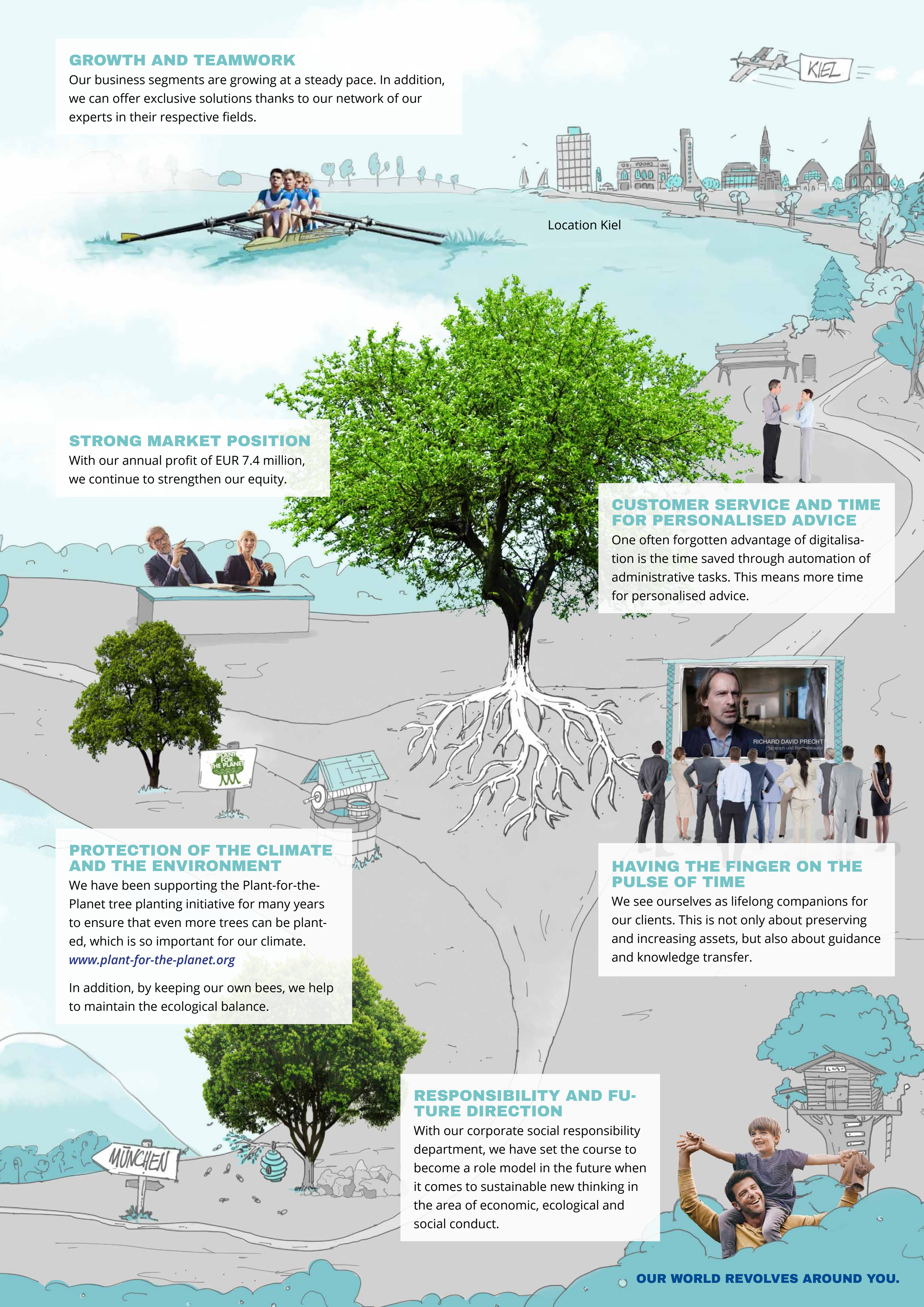
In addition, by keeping our own bees, we help to maintain the ecological balance.

HAVING THE FINGER ON THE PULSE OF TIME

We see ourselves as lifelong companions for our clients. This is not only about preserving and increasing assets, but also about guidance and knowledge transfer.

RESPONSIBILITY AND FUTURE DIRECTION

With our corporate social responsibility department, we have set the course to become a role model in the future when it comes to sustainable new thinking in the area of economic, ecological and social conduct.



OUR WORLD REVOLVES AROUND YOU.

TABLE OF CONTENTS

MANAGEMENT REPORT 2019

7 BASIC INFORMATION ABOUT THE COMPANY

- 7 BUSINESS ACTIVITY
- 8 CONTROL SYSTEM
- 9 CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH ARTICLE 289F (4) OF THE GERMAN COMMERCIAL CODE (HGB)
- 10 RELATED PARTY DISCLOSURES
- 10 EMPLOYEES

10 MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

14 BUSINESS PERFORMANCE OF OUR COMPANY

16 FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE BANK

20 RISK REPORT AND DESCRIPTION OF THE RISK MANAGEMENT SYSTEM

31 OPPORTUNITIES AND RISKS THAT MAY AFFECT FUTURE BUSINESS PERFORMANCE

34 OUTLOOK FOR DONNER & REUSCHEL

2019 FINANCIAL STATEMENTS

40 FINANCIAL STATEMENTS

42 PROFIT AND LOSS STATEMENT

43 NOTES TO THE FINANCIAL STATEMENTS

- 43 GENERAL
- 43 ACCOUNTING POLICIES
- 48 NOTES TO THE BALANCE SHEET
- 58 NOTES TO THE PROFIT AND LOSS STATEMENT
- 60 OTHER DISCLOSURES

64 ANNEX TO THE NOTES TO FINANCIAL STATEMENTS: COUNTRY BY COUNTRY REPORTING

65 DISCLOSURE REPORT

71 REPORT OF THE SUPERVISORY BOARD

74 ADDRESSES

MANAGEMENT REPORT 2019

2019

DONNER & REUSCHEL Aktiengesellschaft

MANAGEMENT REPORT 2019

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 BUSINESS ACTIVITY

DONNER & REUSCHEL is a private bank belonging to the SIGNAL IDUNA Group, one of Germany's major insurance and financial services groups. Its principal focus is to provide comprehensive and tailored advice to private clients, businesses, real estate clients, institutional clients and capital market clients at its locations in Hamburg, Munich and Kiel, In order to close the gap between the main locations and to offer our clients personalised and individual service locally, DONNER & REUSCHEL has expanded its presence to include Frankfurt am Main and Düsseldorf.

The bank offers a wide range of services with emphasis on long-term business relationships. Our goal is to give clients access to handpicked networks of experts and the best possible solutions available on the market.

In addition to - by our own admission - conservative approach, our business model is based on qualified and holistic advice. We offer our clients a range of advisory services and products tailored to their financial needs. Our individual investment solutions focus on stringent opportunity/risk management.

The bank is recording steady growth in corporate and real estate client business, and it has managed to expand its leading position in asset management for statutory health insurance companies, and bond trading in the capital markets department has been considerably strengthened. The assets under custody and depositary services are expected to grow considerably in the future due to the acquisition of the business segment "Services for independent asset managers" from Bankhaus Joh. Berenberg, Gossler & Co. KG. DONNER & REUSCHEL's ambition is to become one of the leading banks in the German-speaking countries.

As part of the bank's comprehensive digitalisation strategy for the client portal and portfolio management functionalities, further steps were taken in the year under review as planned.

1.2 CONTROL SYSTEM

Financial performance indicators

The bank is managed based on financial performance indicators that reflect profitability and risk bearing capacity. The bank has defined the following as the key financial performance indicators:

Assets under Management	Assets under management
	Passive deposits + deposit volume
Core capital ratio	Proportion of eligible, risk-bearing and risk weighted positions covered by core capital
	$\frac{\text{Core capital}}{\text{RWA}} *100\%$
Total capital ratio	Proportion of eligible, risk-bearing and risk weighted positions covered by equity capital
	$\frac{\text{Total capital}}{\text{RWA}} *100\%$
Pre-tax operating result	Pre-tax operating result
	Pre-tax operating result
Cost-Income Ratio	I) Cost to income ratio
	$\frac{\text{Administrative expenses}}{\text{(net interest income + net commission income + net income from financial transactions)}} *100\%$
	II) Cost to income ratio risk-adjusted
	$\frac{\text{Administrative expenses}}{\text{(net interest income - allocation to risk provisions+ net commission income + net income from financial transactions)}} *100\%$

The control system is based on medium-term projections, which are prepared every year, and contain performance estimates that are continuously evaluated and compared with actual results.

In the effort to achieve performance indicators, the definition and achievement of growth and structural targets play a crucial role. The main focus is on organic expansion of actively managed assets and the bank's development into a solutions provider. This growth is expected to be reflected in the increased net commission income.

The structural objective is to ensure independence from individual sources of earnings. The central point is to build a robust and diversified earnings base that remains independent of interest rate fluctuations. This includes the gradual increase in the share of net commission income compared to net interest income, including the diversification of commission income.

Non-financial performance indicators

A key (supporting) non-financial performance indicator is customer satisfaction, which we measure in part based on results of independent quality tests.

We take various measures to maintain a high level of customer satisfaction. In addition to a wide range of client events on current topics relating to finance and, beyond that, on general social issues, we operate an active quality management system. We are in constant dialogue with our clients, because direct feedback enables us to optimise our product portfolio and processes. New event formats such as the annual kick-off conference "Perspectives" and active word-of-mouth marketing combine the experience of long-standing existing clients with the acquisition of potential and new clients.

We regularly receive top marks for our strong client focus and the high demands we place on the quality of our advice. In 2019, DONNER & REUSCHEL was ranked first in the bank quality test of the newspaper Die WELT. This confirms that we understand our clients' needs and that our smart investment strategies produce excellent results.

Other non-financial performance indicators

In addition to financial indicators, non-financial performance indicators are also important for the bank's further development. These represent the bank's relationships with its employees, its clients, institutional partners and the SIGNAL IDUNA Group.

DONNER & REUSCHEL is exempt from the obligation to submit the non-financial statement in accordance with Article 289b of the German Commercial Code (HGB), as the bank is included in the group management report of the parent company SIGNAL IDUNA Lebensversicherung a. G., Hamburg.

1.3 CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH ARTICLE 289F (4) OF THE GERMAN COMMERCIAL CODE (HGB) (PERCENTAGE OF FEMALE REPRESENTATION)

The target percentage of female representation (33%) set for the supervisory board of DONNER & REUSCHEL in 2017, is today's actual figure. The bank is managed by members of the executive board of DONNER & REUSCHEL. The supervisory board has set a target to have one woman on the executive board of the bank.

In the two management levels below the executive board, the percentage of female representation has been set as follows:

- First management level: 16%, but not less than 3
- Second management level: 23%, but at least 12.

If the number of existing positions changes, the target should remain proportionately the same. Only whole numbers should be used in the calculation, and they may not fall below the minimum figures.

The deadline for reaching the target was set at 30 June 2022.

1.4 RELATED PARTY DISCLOSURES

In accordance with Article 312 of the German Stock Corporation Act (AktG), we submitted the report on relations with affiliated undertaking to the supervisory board of our bank and issued the following statement: "We hereby declare that the company has received adequate consideration for all the legal transactions based on the circumstances known to us at the time the transactions were made."

1.5 EMPLOYEES

As of the balance sheet date of 31 December 2019, the bank had 504 employees (previous year 518), including management. A needs-driven training concept is implemented as part of the bank's personnel development programme. This is aimed at ensuring that our employees' qualifications remain at a high level.

We would like to thank our employees for their high level of commitment and their willingness to work hard to meet the requirements of our clients and the objectives of the bank.

2. MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

The global economic growth slowed in 2019, with gross domestic product (GDP) growing by 2.9 percent[1], which represents a considerable slowdown compared to the previous year. The growth has slowed both in industrial and emerging markets, which was in some cases even more pronounced in the third and fourth quarters. The cyclical economic downturn following the boom years until early 2018 was exacerbated by geopolitical strains, especially the escalating trade conflict between the US and China. In Europe, the drawn-out process surrounding the UK's withdrawal from the European Union (EU) also had a negative impact. In Asia, the months of unrest in Hong Kong have caused uncertainty. All aspects together led to a significant decline in demand for capital goods and, as a result, international trade.

This environment had a particularly negative impact on heavily export-oriented economies. Growth in Germany, for example, fell by an estimated 0.5 percent[2] in 2019 after 1.5 percent[3] in 2018.

The structural problems of the automotive industry and its suppliers in the context of the particular challenges posed by the switch to electric drives as well as necessary investments in digitalised innovations such as autonomous driving have all taken their toll on the industry. German industry has been in a deep recession since mid-2018, with production falling across the board. German economy narrowly avoided a technical recession (two consecutive periods of negative growth) when it recorded a moderate growth of 0.1 percent[4] in the third quarter

1 Estimate of the International Monetary Fund (IMF), WEO Update, January 2020, p. 9.

2 IMF estimate: see above

3 IMF estimate: see above

4 Estimate of the International Monetary Fund (IMF), WEO Update, January 2020, p. 9.

following a decline in the second quarter of -0.2 percent. The German economy grew mainly due to the ongoing construction boom and strong consumption. Both sectors are benefiting from the continuing low interest rates and nearly full employment, although there has been a slight uptick in applications for Kurzarbeit (reduced working hours), especially in the automotive industry. At 5.0 percent, the unemployment rate at the end of 2019 was[5] at a very low level and the number of people in employment has risen to a record 45.477 million[6]. Companies continue to report a severe shortage of skilled workers.

In the eurozone, too, unemployment fell to an aggregate 7.5 percent by the end of 2019[7]although there are still enormous differences between the individual countries. At the end of November 2019, the unemployment rate in Greece was 16.8[8] and in Spain 14.1 percent[9]. While GDP growth in the eurozone slowed slightly in 2019 to an estimated 1.2 percent[10], GDP in the third quarter increased marginally by 0.2 percent[11]. This was again mainly driven by private consumption, which increased by 0.5 percent[12] in the third quarter.

With a decline of 0.6 percent to an anticipated 2.3 percent[13], growth in the USA in 2019 was relatively robust compared with other industrialised countries. One of the main drivers of the US economy has traditionally been domestic consumption, which, given the unemployment rate of 3.5 percent[14] at the end of 2019 and steadily rising employment figures is likely to increase during the year.

The Chinese economy was expected to grow by 6.1 percent in 2019[15]. The negative effects of the slowdown in global economic growth and the trade conflict were partially offset by government and monetary policy support measures, so that a "hard landing" in the sense of a more pronounced slowdown in growth could be avoided.

Central banks in the US and the eurozone returned to a more expansionary monetary policy. Contrary to expectations at the beginning of 2019, the US Federal Reserve lowered its benchmark interest rate corridor to between 1.50 and 1.75 percent p.a.[16]. Since September 2019, it has also been supporting the interbank money market in the US by purchasing securities to provide sufficient liquidity. The ECB lowered the deposit rate for banks to -0.5 percent p.a.[17] and in autumn launched a new securities purchase programme with a volume of EUR 20 billion per month. The ECB cited the significant slowdown in economic growth during the year as justification for the monetary policy measures.

5 Federal Employment Agency, statistics, labour market benchmarks - annual figures, p. 2.
6 Destatis, economic Indicators labour market, 3 January 2020, p. 1.
7 Eurostat, newsrelease euroindicators, 4/2020, 9 January 2020, p. 4.
8 Eurostat, newsrelease euroindicators, 4/2020, see above
9 Eurostat, newsrelease euroindicators, 4/2020, see above
10 Estimate of the International Monetary Fund (IMF), WEO Update, January 2020, p. 9.
11 Eurostat, newsrelease euroindicators, 184/2019, 05 December 2019, p. 6.
12 Eurostat, newsrelease euroindicators, 184/2019, 05 December 2019, p. 8.
13 Estimate of the International Monetary Fund (IMF), WEO Update, January 2020, p. 9.
14 BLS, Bureau of Labour Statistics, News Release, USDL-20-0010, 10 January 2020, p. 1.
15 Estimate of the International Monetary Fund (IMF), WEO Update, January 2020, p. 9.
16 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 24.
17 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 25.

What is more, the inflation rate in the eurozone in December 2019 is with 1.3 percent[18] still a long way from ECB's inflation target of close to but below 2 percent. In Germany, consumer prices increased at a slightly faster pace of 1.5 percent[19].

Bond and stock market performance

Despite the slowdown in economic growth, the international stock markets performed surprisingly well in 2019. This was mainly due to the expansionary monetary policy of the Federal Reserve and the ECB. Germany's benchmark index, the DAX 30, rose by 25.5 percent[20]. Negative factors such as Brexit and the trade uncertainties have spooked the markets at times. In the US, the S&P 500 benchmark index recorded even stronger gains with 30.0 percent (total return)[21]. The MSCI Emerging Markets Index rose by 19.3 percent (total return)[22].

The yield on the ten-year federal bond fell to a historic low of -0.71 percent p.a. in the second half of 2019[23], but recovered slightly thereafter. As a result of the nervousness on the stock markets and the absence of inflationary pressure, money flowed into perceived safe havens. In the US, the ten-year yield on government bonds fell back below the 2 percent mark[24]. Yields on eurozone periphery government bonds also fell considerably during the year. For example, Italian government bonds with a term to maturity of 10 years yielded 1.4 percent p.a. at the end of December 2019[25]. Despite a slight increase in the fourth quarter, yields on euro corporate bonds with good credit ratings also remained at historically low levels.

Both oil prices and gold prices recorded significant gains in 2019. Although the price of a barrel of North Sea Brent crude oil fell from its high of around USD 75 in the first half of the year back to just under USD 69 at the end of the year[26], overall it recorded an increase of 24.4 percent[27]. Gold briefly traded below the USD 1,500 mark in the fourth quarter, but was able to recover towards the end of the year to just under USD 1,520[28]. Besides the push towards safe havens, speculation over global interest rate cuts kept the price of the most important precious metal at a high level.

The euro was weaker against the US dollar for almost the whole of 2019, and the EUR/USD has since fallen to around 1.08. Towards the end of 2019, however, the euro recovered and the EUR/USD reached the 1.12 mark[29]. Against the Swiss franc, the euro fell to almost 1.09 EUR/CHF[30].

Competitive environment and market position of DONNER & REUSCHEL

Most major European institutions were unable to achieve sustainable growth in their operating income, or to reduce their cost base to the required extent. Looking ahead, it is apparent that the competitive environment will become increasingly tougher for European banks, which will manifest itself in the market entry of new providers from the fintech and big tech segment and in the increasing acceptance of new, non-bank specific products and services.

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18 Eurostat, newsrelease euroindicators, 2/2020, 07 January 2020, p. 1.
19 Eurostat, newsrelease euroindicators, 2/2020, 07 January 2020, p. 2.
20 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 9.
21 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 9.
22 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 9.
23 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 28.
24 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 28.
25 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 28.
26 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 31.
27 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 9.
28 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 31.
29 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 30.
30 DONNER & REUSCHEL, Konjunktur & Kapitalmärkte (Macrobond), January 2020, p. 30.

Mere cost reductions do not address the problems; on the contrary, the banks must also succeed in fundamentally improving their earnings situation, as the currently very favourable economic conditions are unlikely to last forever, and a rise in interest rates will not solve any structural problems.

In the area of regulation, the most striking features are the significant increase in capital requirements for risk-bearing business, a stringent settlement regime and stricter liquidity regulations, as well as increased requirements in terms of advisory processes and documentation. In addition, the case law is increasingly consumer-friendly and often has a retroactive effect.

From a competitive perspective, it is apparent that financial service providers are faced with the challenge of offering cost-effective services despite a high administrative burden - driven in part by regulatory demands. What banks need is an efficient technical basis, which in turn requires investment. In the most likely scenario, banks will be less well capitalised and less profitable in the coming years than they are today, unless the business model is completely overhauled. This further exacerbates the main problem. Without significant increases in earnings and simultaneous cost reductions, the banks will not be able to bridge their profit gap.

We consider the traditional German private banks and the branches of foreign private banks to be direct competitors. Due to their proximity to customers, we consider savings banks and major banks to be our indirect competitors. In wealth management, we are also in direct competition with private asset managers. Major banks also compete with us for capital market business, institutional client business and asset management business.

We have a good market position across all our business areas, but due to our size, we do not have a systemically important market position. This also does not align with our objectives. As a medium-sized bank with an entrepreneurial mindset, we want to be an equal partner to our clients. For DONNER & REUSCHEL, professionalism, individuality and transparency are essential building blocks, especially in light of the stepped-up digitalisation efforts, which include extensive portfolio management functionalities and a real-time customer portal. Clients of the bank can follow all activities of the experts in real time. We think far into the future, prepare our clients for the challenges of the new age and develop tailor-made and dynamic solutions with them and for them. We want to provide guidance to our clients and see ourselves as a coach and life companion, well beyond purely financial matters. In addition, in an increasingly digitalised world and the ever-changing financial industry it is essential for us to continue reinventing ourselves. We want to stand out and at the same time break new ground in order to create sustainable added value for our clients.

The bank continues to expand its strong market position, especially in asset management. For example, it is a reliable partner for statutory health insurance and pension funds as it has the necessary expertise and understands their specific needs. The depositary function at DONNER & REUSCHEL has also grown significantly. DONNER & REUSCHEL's ambition is to become one of the leading banks in the German-speaking countries by acquiring the "Services for independent asset managers" business segment from Bankhaus Berenberg.

The bank is recording steady growth in terms of financing volume in the corporate and real estate client business segment, which is mainly down to efficient decision-making and flat hierarchies in our company. For the bank, growth also means strengthening the teams of advisers at all locations. The innovative asset management concepts, which focus on sustainable and future-oriented investments, are in high demand by clients. The network of DONNER & REUSCHEL experts also offers exclusive solutions in the field of alternative investment opportunities. The topic of alternative investments is becoming increasingly important due to the continuing low interest rate environment, changed market conditions and ongoing digitalisation. Against this background, the bank has conducted a comprehensive series of training courses on this topic for employees.

3. BUSINESS PERFORMANCE OF OUR COMPANY

The continuing policy of low interest rates and the highly volatile market environment driven by political events continually put the banks' earnings under pressure. The bank's operations are also affected by technological change and sustainable business practices. In this challenging environment, net interest income increased to around EUR 52 million (previous year EUR 50 million). Net commission income increased to around EUR 59 million (previous year EUR 55 million).

The bank is, in its own estimation, steadily expanding its leading position, especially in asset management for statutory health insurance companies. In 2019, it increased its assets under management to over one billion euros.

The depositary function at DONNER & REUSCHEL also has excellent prospects for growth. With the acquisition of the "Services for independent asset managers" business segment from Bankhaus Berenberg, DONNER & REUSCHEL plans to become one of the leading banks in the German-speaking countries in terms of assets under custody for independent asset managers and funds. The implementation will take place in the 2020 financial year.

In the capital market business, bond trading was considerably strengthened. The client exposure in the lending business also increased, which is mainly attributable to efficient decision-making and flat hierarchies of the private bank. With the after-tax result of EUR 7 million for the year, DONNER & REUSCHEL will again significantly strengthen its equity capital.

In the 2019 financial year, DONNER & REUSCHEL AG & Co. RMH KG, an affiliated company of DONNER & REUSCHEL Aktiengesellschaft, sold its shares in Roman Mayr-Haus Immobilienverwaltungsgesellschaft mbH, Munich, and achieved a capital gain of EUR 24.3 million. The bank received a one-time commission of EUR 1.0 million from DONNER & REUSCHEL AG & Co. RMH KG for arranging the sale of the shares in Roman Mayr-Haus Immobilienverwaltungsgesellschaft mbH. In addition, the bank received an advance distribution of EUR 8.4 million from DONNER & REUSCHEL AG & Co. RMH KG. As a consequence of the withdrawal of the last limited partner, the assets of DONNER & REUSCHEL AG & Co RMH KG were transferred to the bank at fair value by way of an accretion. As a result of the accretion of DONNER & REUSCHEL AG & Co. RMH KG, the bank realised a profit of EUR 14.9 million, which is recognised in "Income from the reversal of write-downs of investments in non-affiliated and affiliated enterprises and securities treated as fixed assets".

A change in the pension vehicle was agreed with SIGNAL IDUNA Versorgungskasse e. V. with effect from 1 November 2019 for beneficiaries from DONNER & REUSCHEL. From 1 November 2019, beneficiaries will receive their benefits through a support fund, which has replaced the defined benefit scheme. This represents a change from a direct to an indirect pension scheme.

DONNER & REUSCHEL has made an initial payment of EUR 23.6 million into SIGNAL IDUNA Versorgungskasse e. V. (newly established support fund) for the existing beneficiaries as at 1 November 2019. This transfer to the pension fund was recognised as other operating expense. Due to the transfer to the pension fund, the pension liabilities of DONNER & REUSCHEL were reduced by the amount paid in, and there was a corresponding release of pension provisions, which was recorded under other operating income. As a result of the change in the pension vehicle, gains and losses arising from the actual mortality and interest rate changes will no longer change the pension provisions of DONNER & REUSCHEL recognised in the profit and loss statement for the affected beneficiaries in the future. Nevertheless, DONNER & REUSCHEL remains committed to occupational pension schemes.

As at 31 December 2019, the shortfall on these pension obligations, which must be disclosed in the notes, amounted to EUR 0.5 million. This shortfall is calculated from the pension liabilities for the relevant pension schemes less the pension fund assets and the remaining accounting provision for these obligations that is not to be recognised as an expense. In accordance with Article 28 (1) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB), the company elected not to create any provisions for this purpose.

In addition, the bank is saddled with various large projects. To start with, the building on Ballindamm in Hamburg is being renovated. The renovation is expected to be completed in the first quarter of 2020. During the renovation, the bank rented office space nearby. Instead of renting the whole building, the bank plans to enter into a cooperation with a workspace provider to lease parts of the building to. It plans to use the building for events and client meetings.

Second, the IT infrastructure of DONNER & REUSCHEL will be overhauled, including a complete hardware replacement (end devices, printers etc.). Implementation phase is expected to be completed in the first quarter of 2020. The bank also plans to move its entire server infrastructure to the Microsoft Azure Cloud. The preparations were completed in 2019, the move itself is planned for the second half of 2020. Due to the decision of Fiducia & GAD IT AG to focus its development only on one core banking process, the bank will have to change the process in September 2020. Preparations for the project, initial training and the parametrisation of the new core banking system (agree21) continued in 2019 and will continue in 2020. In this context, various connections and data supplies of peripheral systems must also be adapted, e.g. interfaces to the securities settlement system or the settlement routes of exchange-traded derivatives. The change in the core banking system will also require a new data integration platform. The current data integration platform (DIP1) will be replaced by DIP2. The IT projects also involve a review and considerable reduction of the system environment. This project (MIA application review) examines all non-strategic systems to determine the extent to which they can be eliminated or replaced by the core banking process or an alternative strategic system. The entire controlling system environment will be renewed. The bank has so far been using systems from zeb.information.technology for risk management and business controlling purposes. These will be replaced by systems from Fiducia & GAD IT AG (VR Control), parcIT (okular) and pdv (Decide). The relevant projects were launched already launched in 2018, and the zeb modules will be replaced by or with the migration. The bank also expects this to lead to a considerable increase in the level of automation and a significant reduction in so-called individual data processing. At the same time, the bank is pursuing the goal of digitalise the advice it provides to its clients, whether directly or indirectly through asset managers, and has launched a digitalisation project for this purpose together with Elinvar GmbH, Berlin. In addition to the large number of infrastructure projects, the implementation of the acquisition of Berenberg's depositary business and asset managers is a key issue for the bank.

The projects are also reflected in administrative expenses. The cost of materials includes EUR 11 million for this purpose, as well as EUR 0.4 million for depreciation.

4. FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE BANK

Business performance	2019	2018	Change in EUR million	Change in %
in EUR million				
Volume of business	4.796,7	4.727,1	*69,6*	*1,5%*
Balance sheet total	4.466,1	4.312,6	*153,5*	*3,4%*
Equity capital (balance sheet)	318,4	265,4	*53,0*	*16,6%*
Equity capital (CRD IV / Article 10 of the German Banking Act (KWG))	268,0	222,1	*45,9*	*17,1%*
Net interest income	51,8	49,8	*2,0*	*3,9%*
Net commission income	59,3	55,4	*3,9*	*6,6%*
Administrative expenses including depreciation	104,8	-94,5	*-10,3*	*9,8%*
Partial operating result	6,3	10,7	*-4,4*	*-69,6%*
Net income from financial trading operations	-0,1	0,0	*-0,1*	*107,1%*
Results of the evaluation	4,1	-3,7	*7,8*	*190,1%*
Earnings before tax	6,5	2,5	*4,1*	*62,3%*
Profit for the year	7,4	2,1	*5,3*	*71,4%*
Employees				
Number (as at the balance sheet date)	504	518	*-14*	*-2,8%*
Regulatory indicators				
Total capital ratio	13,5%	11,7%	*0,02*	*13,6%*
Core capital ratio	11,9%	10,0%	*0,02*	*16,0%*
Leverage ratio	4,7	3,9	*0,85*	*18,0%*
Liquidity coverage ratio	126,7%	127,0%	*-0,003*	*-0,2%*

The results for the financial year were affected by a one-time item in connection with the sale of the shares in Roman Mayr Haus Immobilien-Verwaltungs GmbH, which owns the Roman Mayr-Haus property, through DONNER & REUSCHEL AG & Co. RMH KG. This transaction resulted in a total book profit of EUR 24.3 million for DONNER & REUSCHEL AG & Co. RMH KG. As a result of this transaction, the bank has earned a commission of EUR 1.0 million, received an advance profit distribution from DONNER & REUSCHEL AG & Co. RMH KG of EUR 8.4 million and realised gains of EUR 14.9 million from the subsequent accretion of DONNER & REUSCHEL AG & Co. RMH KG.

Net interest income increased by EUR 2 million to EUR 51.8 million. Net interest income from lending and money market transactions amounted to EUR 25.6 million and thus, contrary to our forecast, declined slightly (previous year: EUR 27.5 million). At EUR 15.2 million, net interest income from fixed-income securities remained broadly at the previous year's level (EUR 15.4 million). The increase in current income from shares in investment funds as well as from investments was mainly due to the result of a one-off effect in connection with the sale of DONNER & REUSCHEL AG & Co. RMH KG amounting to EUR 8.4 million. The bank typically uses macro swaps to manage interest rate risk. In order to improve net interest income, the bank exited some of the swap agreements and entered into new ones based on current conditions. These transactions resulted in a one-time expense of around EUR 5.1 million. In subsequent years, the interest expense will be reduced accordingly. Improvements in the methodology for measuring the effectiveness of hedging led to a one-off effect in net interest income of around EUR 1.5 million.

Net commission income increased slightly to EUR 59.3 million (previous year EUR 55.5 million). With EUR 40.5 million (previous year EUR 37.5 million), the securities business again made a major contribution to net commission income. Consulting fees for structuring of credit financing increased to EUR 7.8 million (previous year: EUR 5.9 million). The bank received a one-time commission of EUR 1.0 million for arranging the DONNER & REUSCHEL AG & Co. RMH KG transaction. Assets under management increased by EUR 2.1 billion or 8.6% to EUR 26.5 billion compared with the previous year. The forecast was exceeded by EUR 2.7 billion. The growth was mainly the result of term deposits from institutional and corporate clients and an increase in the depositary business.

Administrative expenses increased from EUR 94.5 million in the previous year to EUR 104.8 million. Personnel expenses increased from EUR 49.3 million to EUR 53.7 million, in part due to changes to collective agreement, the acquisition of the trading team and the payment of a holding premium. Material costs continue to be driven by the bank's major projects: renovation of the Ballindamm building, digitalisation, migration of the core banking process, introduction of new controlling management systems, reorganisation of the IT infrastructure and development of a data integration layer led to the EUR 5.3 million increase in operating expenses. The cost-income ratio for 2019 is 95.5%, which is 1% above our expectation of 94.5%.

Other net income or expense amounted to EUR -3.7 million and was thus well below the forecast of EUR -6 million or -35.7%. This is attributable, inter alia, to the bank joining the SIGNAL IDUNA pension fund and making the related initial payment of EUR 23.6 million for the existing beneficiaries as at 1 November 2019, which was recognised in other operating expenses, and the related reversal of pension provisions of EUR 23.6 million. The resulting income is disclosed under other operating income.

In the financial year under review, risk provisions for loans and advances amounted to EUR 0.0 million (previous year EUR 1.9 million). In the area of securities held as fixed assets/financial assets, scheduled write-downs on above par securities held as fixed assets and necessary write-downs on financial and investment assets had a negative impact. The risk-adjusted cost-income ratio was 96.7%, which was around 3.5% higher than expected.

Through the accretion of the participation DONNER & REUSCHEL AG & Co. RMH KG, the bank realised one-off reserves of EUR 14.9 million vs. the target value of EUR 15 million.

The operating result for the 2019 financial year was EUR 6.5 million (previous year EUR 2.5 million), which was significantly above the bank's target to deliver a break-even pre-tax operating result of EUR 0.8 million in 2019. Due to various tax refunds from previous years, the after-tax operating result increased to EUR 7.4 million, which is also well above expectations of EUR -1.9 million.

The net profit for the year amounted to EUR 7.4 million.

Financial position

The volume of business in the financial year amounted to EUR 4.8 billion and was slightly above the previous year's level (EUR 4.7 billion). At EUR 4.5 billion, total assets were also slightly above the previous year's level (EUR 4.3 billion).

The cash reserve amounted to EUR 0.85 billion and increased significantly compared to the previous year (EUR 0.77 billion). The cash reserve mainly consists of the credit balances held at the Deutsche Bundesbank.

The volume of client lending amounted to EUR 2.6 billion as at the balance sheet date (previous year EUR 2.5 billion) and it is the total of loans and advances to clients (EUR 2.3 billion, previous year EUR 2.1 billion), guaranteed loans (EUR 0.2 billion, previous year EUR 0.3 billion) and irrevocable loan commitments (EUR 0.1 billion, previous year EUR 0.1 billion). The guaranteed loans are again divided into avals and letters of credit (EUR 32.5 million, previous year EUR 33.9 million) and credit default swaps, where the bank is the guarantor (EUR 132.8 million, previous year EUR 234.6 million).

Securities held for own account remained nearly unchanged at EUR 1.0 billion (previous year EUR 1.1 billion). Of this amount, EUR 0.9 billion (previous year: EUR 0.9 billion) was attributable to bonds and other fixed-income securities, and EUR 0.1 billion (previous year: EUR 0.2 billion) to equities and other variable-income securities.

Shares in affiliated undertakings have decreased significantly from EUR 49 million to EUR 10 million.
This is due to the accretion of the participation DONNER & REUSCHEL AG & Co. RMH KG.

The goodwill of EUR 3.6 million (previous year EUR 4.2 million) results from the accretion of Reuschel & Co. Kommanditgesellschaft, Munich, as at 1 October 2010, and it is amortised over its useful life of 15 years from the date of the accretion. We calculate useful life based on the established average client retention as well as the resulting profit margins in the business with high net worth individuals, which was particularly important for the business activities of Reuschel & Co. Kommanditgesellschaft and now sets to benefit DONNER & REUSCHEL.

The volume of client deposits increased slightly to EUR 3.7 billion (previous year: EUR 3.5 billion). The bank started early with the introduction of depositary fees for institutional and corporate clients. The bank plans to introduce depositary fees for private clients from 1 February 2020 across the board and further expand them for business clients. While we do not anticipate a significant withdrawal of deposits by our clients, we are prepared for any eventuality.

At the end of 2019, the accounting own funds of the bank, including retained earnings and excluding accrued interest on subordinated liabilities and participation certificates, amounted to EUR 317.5 million, covering 6.9% of total assets (previous year 6.2%). The accounting own funds comprise equity in the amount of EUR 220.6 million, subordinated liabilities with a nominal value of EUR 65.5 million, participation certificates with a nominal value of EUR 30.0 million and the fund for general banking risks of EUR 1.4 million. The bank successfully implemented various corporate actions in 2019:

- EUR 7.5 million placement of a subordinated bearer bond with clients
- EUR 30.0 million placement of a CoCo bond with SIGNAL IDUNA Krankenversicherung
- EUR 10.0 million payment into the capital reserve by the owner.

The total capital ratio in accordance with the Capital Requirements Regulation (CRR) was 13.50% at the end of 2019 (previous year 11.65%), i.e. 1.1% above the expected 12.4%. At the same time, the core capital ratio was 11.90% (previous year 9.99%), which is roughly 1% above the expected 10.9%. As a result, the minimum prudential quotas were met as before. The bank has received a draft of a new SREP decision from the Federal Financial Supervisory Authority (BaFin) which provides for an increase in the buffer from 0.25% to 0.50%. The bank has received the decision in the meantime.

Liquidity management plays a key role in our bank. As a result, the bank had sufficient liquidity throughout the past financial year. The liquidity ratio was above the regulatory minimum requirements in accordance with the Delegated Regulation on the Liquidity Coverage Ratio (LCR). The solvency of the bank was maintained throughout the period under review in the short-term, medium-term and long-term maturity range.

Our financial performance indicators for the 2019 financial year developed as follows:

Business performance	**2019**	**2018**	*Change*	
				in %
Assets under management in EUR billion	26,5	24,4	2,1	8,61%
Core capital ratio	11,89%	9,99%	1,90%	15,98%
Overall capital ratio	13,49%	11,65%	1,84%	13,64%
Operating result before taxes in EUR '000s	6.538	2.465	4.072	62,29%
Cost-income ratio	95,50%	89,80%	5,70%	5,97%
Cost-income ratio risk-adjusted	96,70%	92,50%	4,20%	4,34%

General statement on business performance

The bank's business performance was again heavily impacted by the continuing negative interest rate environment, and the high costs associated with the various major projects last year. To raise the funds necessary for the sweeping IT changes in 2019, the bank successfully sold a participating interest.

In view of the situation on the money and capital markets and the progress of major development projects, we are satisfied with the bank's business performance. Another positive aspect is that the SIGNAL IDUNA Group fully supports the growth investments made in 2019.

5. RISK REPORT AND DESCRIPTION OF THE RISK MANAGEMENT SYSTEM

Risk reporting is carried out based on the internal risk management system of DONNER & REUSCHEL. This is based on the financial data calculated for the bank in accordance with the German Commercial Code (HGB) and the risk indicators calculated in accordance with regulatory requirements.

In our assessment, the risk situation in the financial year under review remained stable, given the bank's risk-bearing capacity. The bank had sufficient liquidity at all times. In our opinion, the bank's reputation was and continues to be impeccable.

The main risk categories for us include counterparty risks, market price risks, investment risks, earnings risks, operational risks, reputational risks, real estate risks and liquidity risks. We have set up a risk management system and reporting system to identify, measure, manage and communicate risks.

Risk management framework

Based on the business strategy and the consistent risk strategy, the bank has defined an ICAAP risk management process.

DONNER & REUSCHEL defines risk as the possibility of losses or lost profits resulting from internal or external factors. Risk management makes a distinction between quantifiable and non-quantifiable categories of risk. Quantifiable risks are usually risks that can be assessed in the annual financial statements or in terms of capital commitment; non-quantifiable risks are, for example, reputational or compliance risks.

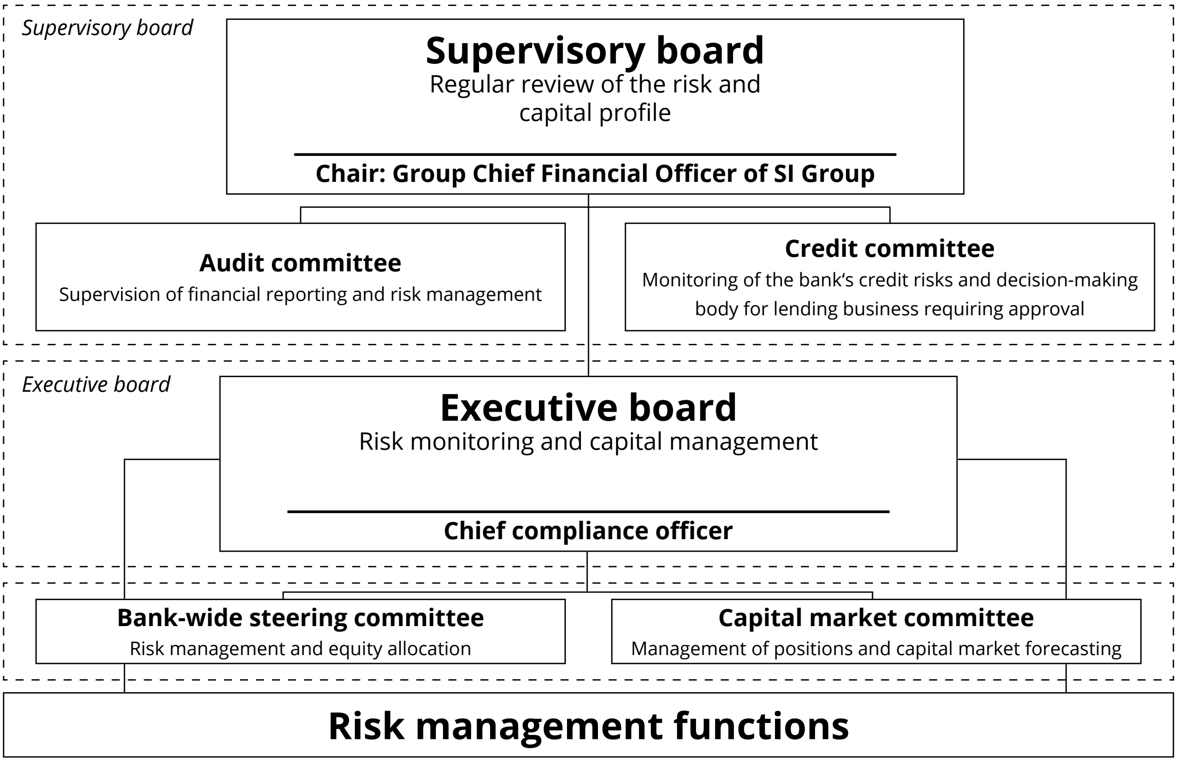
Risk management organisation

In addition to designing and implementing a systematic process for identifying, measuring and managing risks, the bank's risk management also includes the definition of the organisational framework. This also follows the principle of the three lines of defence. The first line of defence is the respective unit within its area of operational responsibility. The second line of defence is provided by various functions (e.g. risk controlling and compliance) within the bank. The third line of defence is internal audit.

	Audit		
		Third line of defence	**Internal audit** Audits the first and second line of defence
Internal control system	Monitoring		
		Second line of defence	**Compliance, risk control function** Monitor the 1st line of defence, and the compliance function also monitors the proper functional setup of the 3rd line of defence
	Control		
		First line of defence	**Functional units** Control the measures and processes of the functional units

The risk management function in accordance with the Minimum Requirements for Risk Management (MaRisk) reports regularly on the bank's risk and earnings position to the ICAAP steering committee, with meetings attended by the group executive board.

The bank's risk management gives an overview of the bank's risk structure:



Fundamental strategic decisions are always made by the group executive board. The operational functions of risk management are delegated to committees. The group executive board is represented in all the committees mentioned below.

The **audit committee** of the supervisory board has four members. The committee consists of the chair of the supervisory board and other members of the supervisory board. The committee is responsible for monitoring financial reporting and risk management. The audit committee monitors in particular

- the accounting process,
- the accuracy of the bank's financial statements,
- the financial reporting,
- the effectiveness of the risk management system, in particular the internal control system, compliance and internal audit,
- the performance of the audits of the financial statements and the selection of the auditor, and
- rectification of any shortcomings identified by the auditor or other external auditors.

The audit committee receives regular (at least two meetings per year) information from the executive board about the bank's risk situation.

The **credit committee** has four members. The committee consists of the chair of the supervisory board and other members of the supervisory board. The committee is responsible, in particular, for approving loans granted in accordance with statutory provisions and the rules of procedure of the executive board, as well as for the monitoring the bank's credit risks.

The **ICAAP steering committee** is an information and decision-making body formed from members of the group executive board and two representatives of corporate management from the front office and the compliance function. The committee monitors the bank's risk-bearing capacity, equity capital, liquidity situation, balance sheet structure and earnings performance with the aim of early risk identification and active risk management. It is responsible for the allocation of limits and sets the framework for the bank's risk appetite.

The **capital markets committee** is an information and decision-making body of the bank. It is responsible for the bank's forecasts, it monitors the capital markets and makes investment and makes decisions to manage interest rate/ liquidity risks and the bank's own investments. The capital markets unit reports regularly on the development of market risk positions and the refinancing situation of the bank. The executive board provides the strategic framework for operational management.

Risk strategy and risk appetite framework

Our risk appetite remains unchanged compared to the previous year and will remain at the same level going forward. The risk strategy and the risk appetite framework are based on the business strategy and guidelines for the development of the bank's risk positions. Within the scope of risk-bearing capacity, limits are set as maximum risk limits for individual risk categories at the bank group level. The top priority is to ensure that the bank has adequate liquidity and capital resources.

The risk strategy and the risk appetite framework cover the bank's exposure to all major risks. The risk appetite is conservative and is specified annually by the executive board as part of the strategic planning process.

The bank's risk management and controlling system is based on a uniform understanding of the risks within the bank and strong risk awareness of all employees. These are supported by a clearly defined risk management and controlling process and the relevant organisational structures.

Risk control

The bank's overriding objective is to adequately manage and limit the material risks associated with its business operations in line with its risk-bearing capacity to achieve risk-adequate return on equity.

The bank has implemented appropriate risk management and controlling processes for this purpose, which ensure that the main risks are identified, assessed, managed and monitored. As part of the annual strategic planning process, the executive board decides on the allocation of the available risk capital. The individual risk categories are limited. Significant changes in the risk situation or violations of the risk limits are reported immediately to the executive board and where necessary, recommendations for action are made.

The executive board defines the scope of the risk that it is prepared to take, the so-called risk tolerance, mainly in the form of risk limits.
The risk appetite must be defined and monitored as part of the risk management process.

Ongoing monitoring ensures compliance with these requirements.

Another important aspect of risk control is the management of risk concentrations. The bank defines risk concentrations as an accumulation of risk exposures that react in the same way when certain developments or events occur. Such accumulations are always derived from the categories of risk in which they occur. While risk concentrations are an important aspect of the risk category in question, they do not represent a separate, definable risk category, such as counterparty risk or market price risk.

Risk concentrations are avoided by setting operational limits, e.g. RWA limits per business segment, additional risk-relevant standards (from the risk appetite framework) and specific work instructions.

As part of the annual or event-related risk inventory, DONNER & REUSCHEL ensures that all categories of risk relevant to the bank are identified and assessed for materiality. The assessment of materiality is based on the question of whether the occurrence of the risk could have a direct or indirect significant negative impact on the bank's risk-bearing capacity.

Strategic planning

The bank goes through an annual strategic and operational planning process that estimates the performance of business areas and units for the next three years. The process is carried out in several stages.
In the first stage, the executive board defines the goals for the next three years based on performance to date and the macroeconomic outlook. In the next stage, the revenue, costs and valuation results are elaborated in detailed plans at the department level. The results are subjected to a critical review by the controlling department and discussed with all planning managers. The main focus is on supporting the bank's strategy. The latter is closely monitored by the executive board office.

The impact on the bank's liquidity development is analysed and evaluated and subsequently incorporated into the refinancing plan.

In the third stage, the impact on the capital development and selected key indicators is analysed and evaluated. The result is discussed with all planning managers. The capital planning and the resulting risk-bearing capacity, the P&L planning and performance indicator forecasts are discussed with the executive board and require its approval. The approved plans are then presented to the supervisory board.

In further scenarios, capital planning is carried out from a normative perspective. To this end, an adverse scenario is developed based on a severe economic downturn, the effects of which last longer than one year, and other scenarios are simulated based on the above-mentioned planning variables. The findings from this are discussed in-depth with the executive board.

Based on the approved P&L/RWA planning, targets are agreed with the responsible managers for the following year. The risk budgets are derived from the aggregate risk coverage for the main categories of risk.

Targets are monitored on an ongoing basis and, if it becomes apparent that targets will be missed, alternatives are discussed to achieve the specified targets.

ICAAP process

Risk-bearing capacity - normative perspective

The risk coverage potential consists mainly of regulatory capital, and risk quantification follows regulatory requirements. Accordingly, the measurement of counterparty and market price risks and operational risks is based on CRR. The expectation to take into account all material risks of institutions from the normative perspective, is also implemented by analysing the impact of other identified material risks from an economic perspective with regard to the potential burden on the profit and loss statement, regulatory equity and risk positions.

The bank calculates the CRR indicators on a daily basis.

Risk-bearing capacity - economic perspective

Since September 2018, the bank has been calculating risk-bearing capacity based on the net present value approach in accordance with the new risk-bearing capacity guidelines.

The risk coverage potential is determined based on accounting equity in the form of common equity Tier 1, including Tier 2 capital plus hidden reserves and minus hidden charges. Risk limits are allocated to the main risk categories. As part of the risk inventory, risks are analysed to asses their materiality. The focus is on market price, counterparty default, liquidity and operational risks (including reputational risk). Risks that are classified as material are taken into account in the determination of risk coverage potential. The individual risks are calculated and added to the overall risk without taking into account any risk-reducing correlations. The calculated overall risk must always be lower than the calculated risk coverage potential to ensure risk bearing capacity. Tier 2 capital components are only in stress scenarios and are not eligible for allocation of risk budgets.

Compliance with the limits is ensured by regular or event-related reviews of risk-bearing capacity. In the case of ad hoc reports, the impact on risk-bearing capacity and the limits is determined on a case-by-case basis. In the year under review, the bank adhered to the total loss limits as at the respective reporting dates.

The economic perspective within the framework of a risk-bearing capacity concept serves not only to provide a strictly economic view outside accounting and regulatory laws, but also to obtain information necessary for the normative perspective.

Risks that only identified from the purely economic perspective are analysed to determine how they may affect future earnings, equity and total risk positions. Potential effects are considered quantitatively from the normative perspective.

Systems, methods and processes

The systems and risk management methods used by the bank to support the management process and risk mitigation measures were further developed in 2019. Risk controlling is carried out in accordance with the Minimum Requirements for Risk Management (MaRisk) and the Capital Requirements Regulation (CRR) as well as other internal requirements. The bank has a remuneration policy in place to ensure adequate remuneration principles.

The bank complies with the principle of separation of functions with respect to key tasks within the management (e.g. capital markets, treasury) and monitoring process (e.g. risk control). Risk controlling is responsible for maintaining the methodological manual, which describes the risk measurement methods. The risk management processes are set out in writing in standard operating procedures. The main risk categories derived from the risk strategy and inventory are:

- Counterparty risks
- Market price risks (including interest rate risk)
- Liquidity risks
- Earnings risks
- Operational risks (including reputational risks) and
- Other risks (e.g. investment risks)

In principle, the materiality of risks is based on the loss amount and the probability of occurrence, using the following multi-level process:

Level 1: Analysis of all internal and external effects/ influencing factors -> gross amount

Level 2: Evaluation of control measures and system support to mitigate the risk -> net risk

Level 3: Classification in the risk assessment matrix (red = significant; yellow = watch list, green = insignificant)

Level 4: If identified as material, review of handling of the risk (management decision)

Level 5: A process with a significant risk is thus "material" or an expansion of the control measures and/or system support is appropriate to avoid bearing the risk (cost-benefit analysis)

The internal audit department performs risk-sensitive, process-independent audits of the effectiveness and appropriateness of risk management and the internal control system.

Counterparty risk

The bank takes credit risks. Credit risks include possible losses due to the default or change in credit rating of business partners and can be further broken down into general counterparty, issuer and country risks.

The Executive Board defines the framework for taking credit risks in the risk strategy and the risk appetite framework. The focus here is on selective expansion of lending business in target client segments at acceptable levels of risk. The bank is guided in this respect by income, costs and risks and existing equity. The risk appetite framework defines and specifies risk tolerance for the lending business.

The ICAAP steering committee is responsible for managing credit risks at the portfolio level. Individual risks are managed by the sales divisions in conjunction with the credit back office. To support this process, the bank has developed early warning indicators for all major risk categories. The process is complemented by intensive cooperation between risk controlling and the credit back office.

The total counterparty default risk is quantified using a credit limit system for client and trading transactions (credit structure and trading limits) and using default forecasts (expected and unexpected losses using a CVaR model). It is supplemented by portfolio analyses in a credit portfolio model, a default-based limit and regular validations of rating procedures and risk models.

Risk controlling provides the executive board with information about the structure of the loan portfolio on a monthly basis. In accordance with the Minimum Requirements for Risk Management, the reporting system is supplemented quarterly by various scenarios (including deterioration in the credit score and forfeiture of collateral).

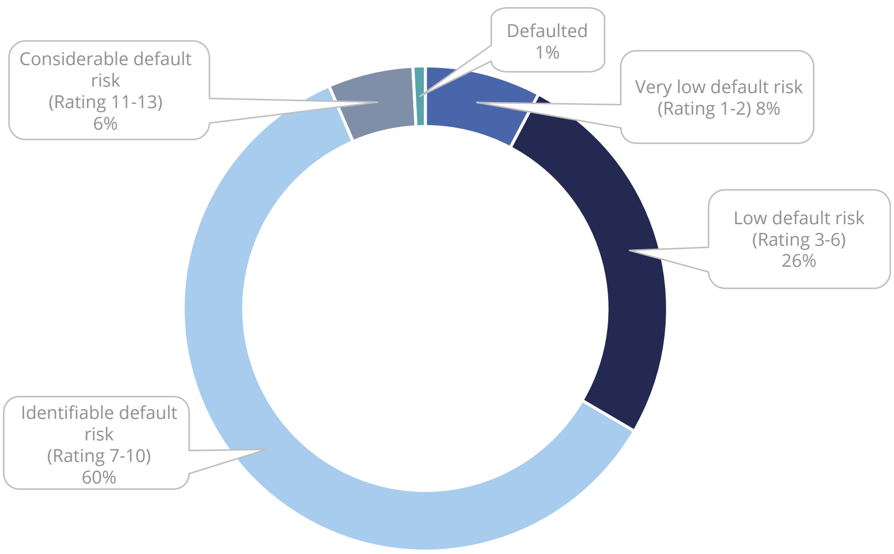
The bank uses risk mitigation techniques as part of the preferential treatment of mortgage loans and expanded collateral. In addition, portfolio effects are used to reduce the overall risk. The bank does not use securitisations.

As a further management tool, the Bank introduced the credit default swaps (CDS) as early as 2016 due to the high demand on the capital market from the ECB and the resulting widening of credit spreads for bonds. The bank acts as guarantor in each case (loan replacement business). These derivatives are used to mitigate the counterparty risk, on the one hand, and the market price risk on the other.

With one exception, the risk-bearing capacity utilisation with respect to counterparty risks was generally within the limits approved by the executive board of 97.5% for expected losses and 89% for unexpected loss on the reporting dates in 2019. The limit breach that occurred in November was due to a large number of events and cannot be attributed to a single event. The limit breach was a one-time event, and therefore, no further measures were taken. No limit adjustments were made in the year under review.

Illustration of the quality of the loan portfolio (e.g. breakdown of the bank's entire portfolio by rating):

Client loan portfolio by rating category (12/2019)



Market price risk

Market price risk arises from changes in market prices or changes in price-influencing market parameters, which may adversely affect the value of securities, foreign exchange and interest-bearing products and derivatives concluded in this context (e.g. changes in share prices and foreign exchange rates, interest rates or prices of commodities, precious metals and real estate). Market price risk also includes spread risks from securities and credit default swaps.

Based on the detailed trading strategy, which is the basis for taking and managing this risk, the bank is exposed to market price risks in the banking book and to a lesser extent in the trading book. Proprietary trading thus continues to play only a minor role in the bank.

Market price risks are mainly managed by the capital markets and the ICAAP steering committee, which meets regularly, at least once a month. Risk controlling monitors the risks.

Market price risk is calculated using the value-at-risk (VaR) approach. VaR is an estimate of the potential negative deviation of the market value of a portfolio of financial instruments with a probability defined ex ante (confidence level 99.9%) and holding period (60 days) and is calculated based on the "historical simulation" model. The parameters were introduced due to adjustments to the risk-bearing capacity concept. The holding period assumptions are reviewed annually in accordance with the new risk-bearing capacity guidelines.

The market price risk also includes changes in value resulting from the illiquidity of sub-markets, i.e. if the sale of positions of a certain size within a certain period of time is only possible at less favourable prices than would be expected under normal circumstances (market liquidity risk). This risk is a an aspect of liquidity risk.

Risk measurement, including limit utilisation and trading results, is carried out daily and is made available to the executive board as part of the "daily risk report". The monthly and quarterly reports are supplemented by simulations and stress scenarios as well as relevant back-testing based on Basel's traffic light model.

Interest rate risks in the banking book

The basis for taking interest rate risks in the banking book is the trading strategy. The treasury department manages the interest rate risk in the banking book as a significant market price risk based on the group cash flow calculated by risk controlling. Treasury also uses interest rate derivatives to hedge risks. The report on the bank's cash flows is regularly discussed in the ICAAP steering committee; with reporting on positioning, limit utilisation and effects of interest rate shocks in accordance with the Capital Requirements Regulation (CRR).

To calculate the interest rate risk, all interest-bearing transactions are broken down into their cash flows. In order to generate cash flows equivalent to interest rate risk, fixed-interest positions are always based on agreed fixed interest rates and variable or unlimited interest rate transactions equipped with capital flow scenarios and interest rate adjustment models. Side agreements such as implicit options or special repayment rights play a minor role.

The risk-bearing capacity utilisation with respect to market price risks (including the interest rate book) was again strictly within the limits approved by the executive board on the reporting dates in 2019. As at 31 December 2019, the limit utilisation was 14.43%. The low limit utilisation is attributable to a reduction in a risk position carried out at the end of the third quarter.

The interest rate shock with a change of +/-200 bp[31] was 5% on the last day of the year and does not classify the bank as an outlier institution (threshold 20%). The other early warning indicators as laid down in the BaFin Circular were also implemented and included in the regular reporting.

Net realisable value measurement

Financial assets and derivatives in the non-trading portfolio are measured separately according to the imparity principle, unless they are used for hedging purposes. In the context of the interest rate book, however, it is usually not possible to match individual asset- and liability-side interest-related financial instruments to each other. Irrespective of this, however, there is an economic link between these transactions (referred to in German as "Refinanzierungsverbund") due to the objective of the transactions (achievement of a positive interest margin), which is also recognised by case law.

Accordingly, the bank manages the interest margin or the present value of all interest-bearing transactions without the intention of trading the banking book (interest rate book). The banking book comprises all on- and off-balance sheet interest-related financial instruments outside the trading portfolio. With regard to the existing transactions in the banking book, a provision for impending losses for any excess obligation resulting from the valuation of the entire interest position in the interest rate book must be created in accordance with the prudence principle under the provisions of the German Commercial Code. An excess liability exists if the value of an obligation (in particular, particular interest expenses, administrative costs and risk costs) exceeds the value of the counterperformance (in particular, particular interest income). It was not necessary to form such a provision for impending losses in the 2019 financial statements.

Liquidity risk

Liquidity means an institution's willingness to at least cover the expected cash outflows with available funds within an appropriate period.

The dispositive liquidity risk is the current or future risk that the institution becomes insolvent, i.e. that it is no longer able to meet its payment obligations.

The structural liquidity risk is the danger of a deterioration in earnings due to additional refinancing expenses to cover unexpected cash outflows or if the bank's own credit spreads widen.

The liquidity risk also includes the market liquidity risk. This refers to the risk of not being able to liquidate assets at a given time and/or at a given price, i.e. liquidation risks. This category also includes market function risks and the risk of the reduction or cancellation of derivative orders due to the general market situation or the individual credit situation of an institution.

The trading strategy forms the basis for managing liquidity. Liquidity is managed by the treasury department. This function is thus anchored in the trading area. The purpose of liquidity management is to ensure that the institution is solvent at all times. Adequate diversification must be ensured, especially with regard to the asset and capital structure. Liquidity buffers are maintained to avoid liquidity bottlenecks. In the case of securities, attention is also paid primarily to ECB's eligibility criteria. The task of monitoring is performed separately from the management function by risk controlling. Liquidity is monitored weekly on the basis of a liquidity progress review under normal conditions, which is prepared by risk controlling and made available to the treasury management unit.
The reporting system also includes appropriate scenario considerations. Various scenarios up to the worst case are considered. The relevant reports are prepared on a quarterly basis.

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31 Cf. BaFin Circular 06/2019 "Zinsänderungsrisiken im Anlagebuch" dated 06.08.2019

The requirements for the liquidity coverage ratio and the net stable funding ratio must always be adhered to as a strict secondary condition.
Treasury reports monthly or as required to the capital markets committee on the liquidity and refinancing situation of the bank. Major decisions on liquidity risk management are taken by the capital markets and the ICAAP steering committee.

Earnings risk

The risk of earnings means the uncertainty of earnings performance due to business policy decisions as well as changed framework conditions such as the market environment, customer behaviour and technical progress.

Earnings risk is managed by the executive board on a long-term basis, at the group level and based on the profit and loss statement.

The bank's earnings targets are derived from the business strategy. The earnings targets are thus determined by the bank's performance.

Operational deviations from the specified earnings targets are detected by sales controlling. This enables the responsible parties to set steering impulses at short notice and (where possible) to initiate processes to counteract this (e.g. also cost reductions).

The cost contributions that cannot be optimized in a timely manner are permanently controlled by consistent cost management.

The monthly ICAAP steering committee also reviews the monthly P&L development as well as P&L projections for the end of the year at the group level. The committee responds to any target shortfalls by issuing short- or medium-term instructions to the respective units.

Operational risk

The bank defines operational risk as the risk of losses resulting from inadequate or failed internal processes, systems, human error or external events. This definition also covers legal, reputational and strategic risks.
The organisational units are responsible for managing operational risks in day-to-day operations. The risk controlling department uses self-assessments every year to ensure that the bank identifies and assesses the main operational risks. The self-assessment is carried out at least once a year using a bottom-up approach. The relevant risks are recorded by category and expected maximum loss, sorted into risk clusters and assigned a probability of occurrence. Risks are grouped based on cause and event.
Loss events related to major claims are promptly analysed with regard to their causes in the loss event handling process. The respective transactions are recorded in the bank's own loss database from a loss amount of EUR 1,000.

In order to limit operational risks, the following principles must be observed as part of the organisational structure and the organisational processes:

- Separation of functions (incompatible activities performed by different employees)
- Principle of dual control (control/release of the work of one employee by a second employee)
- Controls in accounting and payment transactions
- Competence system/signatory powers (allocation of legal and technical skills)
- Company principles (values and objectives system recognised by the employees)
- Code of conduct (guidelines to ensure awareness of potential conflicts of interest and problematic situations)

Active OpRisk management raises the awareness of employees and transparency of operational risks. The critical risks identified in the self-assessment are mitigated by the relevant units by taking appropriate measures with ongoing monitoring. Operational risks are reported to the executive board on a monthly basis.

Investment risk

Investment risk is the risk that arises when the investments held by the bank could lead to losses or shortfalls in the bank's planning as a result of lower distributions, a need for partial write-downs or disposal losses, or if hidden reserves in the investments themselves could be reduced.

The investment strategy, a sub-strategy of the business strategy, forms the basis for acquiring and managing investments. The executive board office is responsible for marketing investments. Monitoring is carried out by the risk controlling department as part of monitoring of counterparty risk.

By including investment risk, the bank complies with the MaRisk requirements for group-wide risk management . It looks at the impact of group companies on the bank and the development of the group companies themselves.
Overall, there were no risks in the year under review that could threaten its continued existence as a going concern. In accordance with the capital adequacy requirements, the main risks arise from counterparty risk positions. These amount to 89% of the items subject to mandatory inclusion. The bank has a total of EUR 268 million available as own funds to cover risks.

6. OPPORTUNITIES AND RISKS THAT MAY AFFECT FUTURE BUSINESS PERFORMANCE

Economic and capital market environment

Global economic growth is expected to return to around 3 percent in 2020[32]. In the US, growth in gross domestic product (GDP) is likely to fall below the 2 percent mark[33]. The background to this is the expiring stimulating effects of the last tax reform, the negative impact of trade conflicts with rising prices and falling demand for certain goods, and the global slowdown in economic growth. However, a significant slowdown in US growth can be prevented by robust domestic consumption, which remains strong and is very important for the US economy. The close to full employment ensures rising wages and thus continued growth in private consumption.

In the eurozone and Germany, on the other hand, a slight recovery in GDP growth of just under one percent each is expected. However, a temporary slide of the German economy into recession cannot be ruled out, as the most important component of the German economy, industrial production, has been shrinking since mid-2018. In addition to a normal cyclical downturn, this is mainly attributable to structural problems in the automotive industry and tariffs on exports due to trade disputes. Leading indicators such as the ifo business confidence index have not yet shown any signs of a clear improvement for the industry. There is therefore a danger that more news on reduced working hours and redundancies will have an increasingly negative impact on consumption, which remains buoyant. While 2020 is a leap year, which means more working days and an increase in economic output, the risk of a negative spiral of global economic downturn, trade conflicts, decline in investment and global trade, industrial recession with repercussions for the labour market and ultimately falling consumption cannot be ruled out.

The expectations are based on the basic assumption that the current major geopolitical stress factors, trade conflicts and Brexit will not escalate further. Instead, we expect the trade tensions between the US and China to ease gradually and clear progress in the negotiations on the future relationship between the EU and the UK over the course of the year. As before, however, these are complex political decision-making processes, which may continue to cause uncertainty at least in the meantime but more likely for years to come. There are also other potential negative factors such as the situation in the Middle East or the unrest in Hong Kong.

One of the major political events with wide-reaching repercussions for the real economy and capital markets is the upcoming US presidential election in 2020. For the incumbent Donald Trump, the two indicators to watch in the coming months are the latest poll results and the performance of the key US stock index, the S&P 500. Major falls in share prices would probably considerably reduce Trump's chances for re-election. Nevertheless, whenever there are negative signs on the horizon, he will do anything in his power to turn the sentiment around. At the same time, this probably makes the US president's actions even more unpredictable - especially with regard to international issues such as trade conflicts. In general, however, it is in Donald Trump's interest to calm the economy and the capital markets, which is why the election campaign is likely to stabilise the situation.

In Europe, the monetary policy of the European Central Bank (ECB) is likely to remain a very relevant topic. In its latest financial market stability report, the ECB referred to the negative side effects of its own monetary policy: the danger of bubbles forming in many asset classes, rising government debt, the destabilisation of the banking sector and many investors taking up ever larger risk positions.

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32 Estimate of the International Monetary Fund (IMF), WEO Update, January 2020, p. 9.

33 Estimate of the International Monetary Fund (IMF), WEO Update, January 2020, p. 9.

However, the ECB president cannot switch to a restrictive monetary policy due to the weak economic growth and the already low inflationary pressure in the eurozone. If benchmark interest rates were to rise, there is the risk that the prices of bonds, shares and real estate would collapse, and corporate bonds and loans would increasingly default. This would weigh down on the economy. The president of the ECB has also already announced a comprehensive review of the monetary policy strategy, calling i.a. the inflation target of 2 percent into question. In addition, pressure on fiscal policy is likely to increase in order to boost economic momentum in the eurozone through structural reforms and government spending. This is not the only reason why rising government spending is likely. Even if the benchmark interest rates remain unchanged until the end of 2020, there would still be the possibility, after careful preparation, to raise the negative deposit rates gradually in the coming months. Unless there is an impending recession in the eurozone or a major turbulence on the capital markets, it is pretty inconceivable to see an expanded programme of securities purchases, emergency, direct capital transfers to states, companies or private individuals (helicopter money).

In view of the comparatively higher inflation and continued solid growth in the US economy, the Federal Reserve is expected to lower benchmark interest rates further in 2020.

From the second quarter at the latest, however, the Federal Reserve will be more restrained with new monetary policy stimuli to avoid any criticism of interfering with the election. At present, there is a global tendency for benchmark interest rates to fall or remain low due to relatively low inflationary pressure worldwide, with a few exceptions.

Equity markets, bonds and commodity markets

As a result, the structural low interest rate level is expected to continue in 2020, both in the short-term money market and government bonds with longer maturities. In the eurozone, the widespread persistence of negative interest rates is increasing the pressure on banks to increase the negative interest rates on customer deposits. In the baseline scenario of a relatively stable global economic development and expanded liquidity supply of the central banks, the risk premiums for interest-bearing investments, e.g. in the area of corporate, high-yield or emerging market bonds, should also remain low.

As a result, international stock markets and real estate prices remain supported. Despite some highs and significantly higher valuations, especially in the US equities remain the most attractive liquid asset class and should continue to rise. Corporate earnings should also pick up again in view of relatively stable growth at the index level - unlike in 2019. Although it can be assumed that moderate developments in the above-mentioned geopolitical stress factors have already been priced in, further upside potential should be released by the economic recovery, especially in Germany, Europe and the emerging markets. European equity markets could therefore have an advantage over their US counterparts - not least because of the significant relative valuation discount. Actual policy solutions would further boost stock prices globally.

In view of the hardly changing interest rate differential between US treasuries and Bunds, the more expansive direction of the ECB and the US's diminishing but resilient growth lead, the US dollar is likely to appreciate to a limited extent against the euro.

Both crude oil and gold lack the potential for significant price movements in the scenario of relatively stable global economic growth and easing of political conflicts. The current levels are therefore expected to remain virtually unchanged. At best, any temporary spikes in uncertainty could cause prices to rise in the short term.

For the capital markets to perform considerably better than outlined above there would have to be a scenario of a complete resolution of individual geopolitical conflicts, provided that a boost in productivity becomes concrete, for example, in the course of digitalisation, or if there are considerable fiscal impulses that are not yet foreseeable, for example, in the course of the election campaign in the US.

By contrast, developments could be worse if there were to be a significant unexpected rise in inflation combined with restrictive monetary measures. Rising interest rates would have a significant negative impact on the economy and all asset classes, and the number of corporate insolvencies would rise. In addition, an escalation of geopolitical hotspots, a surprisingly weaker economic growth and a widespread crisis of confidence in the ECB and, as a result, a significant weakening of the euro represent potential risks to our baseline scenario.

7. OUTLOOK FOR DONNER & REUSCHEL

2019 was still a challenging year for the bank, and we are not only reflecting on the historically negative interest rate environment that continues to persist. We assume that the environment will continue to accompany us in the coming years. At the same time, regulatory requirements and their implementation continue to have a dominating influence on the bank's activities. In order to meet these challenges, the bank has launched or is preparing to launch various digitalisation initiatives: We believe the strategic cooperation with ELINVAR is developing well. The solution has already been implemented for the bank. The solution for the clients of external asset managers will be rolled out in the first quarter of 2020. The migration of the core banking process from bank21 to agree21 (both from Fiducia & GAD IT AG) is scheduled for September 2020. All other systems will be strategically reviewed with the aim of replacing them through the core banking process or the strategic portfolio of Fiducia & GAD IT AG.

This also applies to the business processes that will be supported in the future as part of so-called process control. At present, 34 business processes are planned to be included in the implementation of process control. In addition, the bank's data integration layer is being redeveloped and will in future offer the possibility of using modern architecture tools to support and thus digitalise business processes.

In recent years, the bank has fallen short of its earnings targets due to the general conditions described above. We have initiated or implemented various measures (digitalisation, ELVINAR, migration of core banking processes, new development of the data integration platform, restructuring of market areas, alternative investments, etc.) to strengthen our earnings position in a sustainable and structural manner. We expect this to have a positive impact on earnings.

In our business segments, we expect continued growth in the lending business, in the securities business, securities trading and asset management as well as brokering and intermediary services. Nevertheless, the burden of low and negative interest rates, margin pressure and regulatory pressure continues to weigh heavily on us and the entire financial industry.

In private banking, the realignment of the client-facing market segments implemented in 2018 with focus on clients' assets is now having a positive effect. The core elements of the holistic consulting approach are financial planning principles. The focus is on asset management and asset expansion as scalable services. In addition, the additional focus on professional athletes and health professionals will further boost this segment. We expect the first positive effects of this to be felt in the 2020 financial year.
The CORPORATE /REAL ESTATE client segment continues to be one of the strategic cornerstones for the bank. The bank's comprehensive service concept addresses the needs of medium-sized companies and family assets. Capital market advice and real estate expertise are the main focus of the services. We expect to continue to expand our lending business strongly in this area.

The capital market segment is divided into two units: institutional clients and capital markets. This segment combines the advisory and support services for institutional clients, the business with external asset managers and the depositary business. To advance our strategic goals in 2019, we acquired the depositary business and the business with external asset managers of Joh. Berenberg, Gossler & Co. KG, Hamburg. The transaction will be implemented in 2020. We also acquired the trading team, which supports the CAPITAL MARKETS division in structured investments and their sales. The onboarding for the new team, which operates from Munich and Düsseldorf, took place in the fourth quarter of 2019. We continue to expect the institutional client segment to continue on the growth path it has embarked on.

With its ALTERNATIVE INVESTMENTS unit, the Bank offers the possibility of an extended prod-

uct range from real estate transactions, for example, up to equity-like transactions. From the management's point of view, clients have now recognised the importance of alternative investment vehicles.
The focus is on bundling the sales topics to non-liquid assets and commercially active private clients. We expect that the newly established business segment, with an individual product range for our own clients and also as a platform for other business segments, will significantly improve and develop investment opportunities for our clients.

We strive to provide our clients with high-quality products and services. Our competitive advantages are the high qualification of our employees and our understanding of services and standing out through flexibility and speed.

The consistent transformation from a retail bank to a solutions provider is being achieved by continuously expanding the product and service platform, and aligning client management and the management of sales activities to the requirements. We expect the restructuring to enable us to provide our clients with the best possible advice and to reduce production costs in the bank significantly.

A number of countermeasures have been initiated or already implemented to improve the P&L performance: reduction of interest expenses through exchange of interest rate hedging instruments and extended introduction of the depositary fee now also for private clients. We do not expect an improvement due to the interest rate structure until 2021.

We are confident about the net commission income. In order to stabilise this situation, the way was paved in 2019 with the acquisition of the depositary and external asset management business of Joh. Berenberg, Gossler & Co. KG and the acquisition a new trading team. At the same time, we continue to work hard to improve the structure and market penetration. After reaching EUR 26.5 billion at the end of 2019, we expect assets under management to increase in 2020 mainly due to the acquisition of the depositary and asset management business of Joh. Berenberg, Gossler & Co. KG.

Thanks to the transaction with Joh. Berenberg, Gossler & Co. KG, faster client transfers, and the new trading team, the bank has an opportunity to increase its assets under management, which will have a positive effect on net commission income. If there are any client transfer delays or the implementation of the acquisition of the depositary and asset management business of Joh. Berenberg, Gossler & Co. KG does not go as smoothly as expected, the bank may not grow its assets under management as expected. Furthermore, an unexpected change in the intensity of competition cannot be ruled out, which could have a positive or negative effect on growth in assets under management. A further intensification of competition could narrow down the bank's new business opportunities. Accordingly, an unexpected weakening of competition would present potential new business opportunities.

The stringent cost management introduced in 2016 will continue unchanged. Cost management is one of the main drivers of our strategic development. The bank will also undergo structural and procedural changes as part of the upcoming core bank migration. The transformation will have an impact on the standardisation of processes, and it will save resources and time. In this way, we are taking account of the regulatory developments, which will also be reflected in general administrative expenses in the coming years. We, therefore, assume that administrative expenses will initially be significantly higher than in the previous year,

dominated mainly by IT investments, the change of the core banking process and upfront costs for strategic initiatives. A sustainable reduction will only be possible after the migration implementation, i.e. from 2021. For the 2020 financial year, the bank expects a slight decline in the cost-income ratio and the risk-adjusted cost-income ratio. With regard to the CIR, opportunities arise primarily from a positive forecast deviation in terms of expenses and income, including in relation to the bank's ongoing major projects. Negative deviations in these earnings components have an impact as a risk of a less favourable cost-income ratio. In addition, future regulatory interventions could be accompanied by restrictions and thus by earnings risks, and the implementation of new regulatory requirements could result in additional administrative expenses.

The risk provisioning expense has continued to develop positively in recent years. In the next few years, we expect it to increase but to remain at a low level. We have made the adjustment as part of our planning due to further increases in the volume of lending and preparations for the implementation of the requirements under the standard IDW RS BFA 7 issued by the Institute of Public Auditors (IDW) in Germany.

Assuming stable macroeconomic conditions, continued low interest rates and the expansion of our client services, we expect to record a break-even pre-tax operating result in 2020. The economic environment, especially the development of interest rates and stock markets performance, is a source of uncertainties and risks.

Investments in the further development of our business model and high expenses for the implementation of regulatory changes as well as migration issues are simultaneously accompanied by profitability measures in the areas of income and costs as well as capital management.

We expect the core capital ratio and the total capital ratio to decrease slightly in 2020 compared to the 11.9% and 13.9% recorded respectively as at 31 December 2019.

The notable opportunities and risks arising from the earnings and capital ratio forecasts are related to the existing counterparty risks in the bank's loan and securities portfolio. Largely unpredictable or unexpected developments in the external macroeconomic, geopolitical and industry-related framework conditions or developments in the international financial markets may represent opportunities and risks for the risk result. Furthermore, despite cautious planning, a turnaround in the external environment, for example, in the event of a significant decline in real estate prices as a result of a rise in interest rates, could lead to a deterioration in the creditworthiness of borrowers and also to a reduction in the value of the collateral provided, which in turn could result in additional risk provisioning or value adjustment requirements or increased RWA and put pressure on capital ratios. In addition, it is also possible that the need for risk provisioning will be lower than expected if economic conditions remain the same or improve.

Other significant opportunities and risks associated with earnings performance arise from deviations from the net interest income and net commission income forecasts. These result, on the one hand, from deviations from the projected credit portfolio performance and assets under management as the basis for growth in commissions.
On the other hand, deviations from the interest income forecast may be attributable to unexpected margin developments. Margin developments that are better or worse than expected, for example, as a result of a change in the level of competition or a lower or higher general demand for credit, represent opportunities and risks for earnings performance.

The increasing spread of the novel coronavirus (SARS-CoV-2) could also lead to missed sales targets due to reduced client contacts. A substantial deterioration in the economic environment could lead to a significant increase in risk provisioning, contrary to our forecasts. As a result, we would fail to achieve our projected result for the year. At the same time, there is also the chance that volatile stock markets will lead to an increase in transaction volumes and associated commission income.

The bank is continually developing its business model and examining strategic focus opportunities. The bank's ability to act effectively is rooted in its capital adequacy, comfortable liquidity situation and having a stable shareholder in a group of companies. We are in a constructive exchange with our shareholder, especially in light of the upcoming challenges in capital development and the size of the company. In 2020, we again expect very good results in the independent quality tests. Last year, we were repeatedly given top marks for our financial expertise and the quality of our advice.

The trust of our clients is the foundation of our banking business. Our aim is to establish long-term business relationships based on partnership.

Hamburg, 16 March 2020

DONNER & REUSCHEL
Aktiengesellschaft

Marcus Vitt | Uwe Krebs

FINANCIAL STATEMENTS

2019

DONNER & REUSCHEL Aktiengesellschaft

BALANCE SHEET 2019

	ASSETS			Balance sheet as at
		31/12/2019		31/12/2018
		EUR	EUR	EUR '000
1.	Cash reserve			
	a) Cash on hand	1.456.174,21		1.574
	b) Balances with central banks	846.925.101,31	848.381.275,52	767.520
	of which: with the German Bundesbank EUR 846,925,101.31			(767.520)
2.	Public sector securities and bills of exchange eligible for refinancing with central banks		49.013.770,23	0
3.	Loans and advances to banks			
	a) payable on demand	154.009.768,83		205.714
	b) other	10.107.069,67	164.116.838,50	10.107
4.	Loans and advances to clients		2.250.605.925,42	2.093.332
	of which: secured by mortgages EUR 920,722,614.50 Public-sector loans EUR 12,887,736.62			(850.355) (13.540)
5.	Bonds and other fixed-income securities			
	a) bonds and debt securities			
	aa) public-sector issuers	186.774.009,72		227.091
	of which: eligible as collateral for Deutsche Bundesbank advances EUR 165,516,135.91			(199.715)
	ab) other issuers	730.117.338,43	916.951.348,15	705.639
	of which: eligible as collateral for Deutsche Bundesbank advances EUR 647,239,504.16			(448,532)
6.	Shares and other variable-yield securities		110.635.180,09	144.379
6a.	Securities included in the trading portfolio		36.294.970,96	25.341
7.	Participating interests		1.449.288,14	1.493
	of which:			
	in banks: EUR 116,921.82			(117)
	in financial institutions EUR			(--)
8.	Shares in affiliated undertakings		9.614.710,68	48,602
	of which:			
	in banks: EUR			(--)
	in financial institutions EUR 8,649,972.97			(8.650)
9.	Trust assets		381.580,86	412
	of which: Trust loans EUR 381,580.86			(412)
10.	Intangible fixed assets			
	a) concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets	244.660,00		314
	b) goodwill	3.615.006,26		4.244
	c) payments on account	2.272.162,55	6.131.828,81	43
11.	Property, plant and equipment		61.591.604,47	59.031
12.	Other assets		8.391.070,40	14.947
13.	Accruals and deferred income		2.825.809,14	2.830
	Total assets		4.466.435.201,37	4.312.613

	31 December 2019				EQUITY AND LIABILITIES
			31/12/2019		31/12/2018
		EUR	EUR	EUR	EUR '000
1.	Liabilities to financial institutions				
	a) payable on demand		18.970.285,84		45.385
	b) with agreed maturities or periods of notice		313.463.883,55	332.434.169,39	337.461
2.	Liabilities to clients:				
	a) savings deposits				
	aa) with agreed periods of notice of three months	53.973.220,79			62.468
	ab) with agreed periods of notice of more than three months	922.319,06	54.895.539,85		999
	b) other liabilities				
	ba) payable on demand	3.019.956.031,48			2.905.040
	bb) with agreed maturities or periods of notice	613.196.629,02	3.633.152.660,50	3.688.048.200,35	560.895
3a.	Securities included in the trading portfolio			35.951.821,23	25.172
4.	Liabilities incurred as trustee			381.580,86	412
	of which: Trust loans EUR 381,580.86				(412)
5.	Other liabilities			12.143.586,56	13.606
6.	Accruals and deferred income			4.781.618,78	5.892
7.	Provisions				
	a) for pensions and similar obligations		52.302.151,10		71.755
	b) for taxes		2.229.626,08		2.282
	c) other		17.426.218,95	71.957.996,13	15.874
8.	Subordinated liabilities			66.656.926,02	30.800
9.	Profit-participation certificates			32.100.000,00	30.000
	maturing in less than two years EUR 30,000,000.00				
10.	Fund for general banking risks			1.393.200,00	1.393
11.	Equity				
	a) subscribed capital		20.500.000,00		20.500
	b) additional paid-in capital		88.600.000,00		78.600
	c) retained earnings				
	ca) Other revenue reserves		104.070.000,00		101.940
	d) Distributable profit		7.416.102,05	220.586.102,05	2.139
	Total liabilities, minority interest and shareholders' equity			4.466.435.201,37	4.312.613
1.	Contingent liabilities				
	a) Liabilities from guarantees and indemnity agreements		165.805.655,05		268.515
	b) Liabilities from assets pledged as collateral for third party liabilities		24.715.068,30	190.520.723,35	38.357
2.	Other commitments				
	a) Irrevocable loan commitments			138.010.828,87	105.606

PROFIT AND LOSS STATEMENT

for the period from 1 January to 31 December 2019

			2019		2018
		EUR	EUR	EUR	EUR '000
1.	Interest income from				
	a) lending and money market operations	33.298.453,06			32.936
	less interest expense from lending and money market transactions	-3.208.045,15	30.090.407,91		-3.354
	b) fixed-income securities and government debt		15.249.824,75	45.340.232,66	15.431
2.	Interest expense		10.789.578,63		8.468
	less interest income from banking transactions		-6.300.105,52	4.489.473,11	-6.341
3.	Current income from				
	a) equities and other non-fixed-income securities		2.001.369,62		5.000
	b) investments in non-affiliated enterprises		11.333,96		12
	c) investments in affiliated enterprises		8.650.000,00		1.844
4.	Income from profit pooling/profit transfer or partial profit transfer agreements			267.470,84	43
5.	Fee and commission income			71.576.229,64	68.769
6.	Fee and commission expense			12.230.902,84	13.296
7.	Net expense of the trading portfolio			126.484,71	9
8.	Other operating income			25.998.556,53	3.381
9.	General and administrative expenses				
	a) Staff costs				
	aa) Wages and salaries	44.696.115,50			41.432
	ab) Social security contributions and expenses for pensions and other employee benefits	9.027.816,31	53.723.931,81		7.874
		3.139.775,63			(1.938)
	b) Other administrative expenses		48.320.026,35	102.043.958,16	43.029
10.	Amortisation and depreciation of intangible and tangible fixed assets			2.695.444,42	2.191
11.	Other operating expenses			29.722.929,71	7.870
12.	Write-downs of and adjustments to claims and certain securities and provisions for possible loan losses			2.300.913,43	5.135
13.	Income from the reversal of write-downs of investments in non-affiliated and affiliated enterprises and securities treated as fixed assets			6.427.239,87	1.421
14.	Cost of loss absorption			0,00	3
15.	Profit or loss on ordinary activities			**6.662.326,74**	**2.535**
16.	Extraordinary expenses			58.248,00	58
17.	Extraordinary items			**-58.248,00**	**-58**
18.	Taxes on income			-868.871,23	331*
19.	Other taxes not shown under 11			66.357,07	11
20.	Profit for the year			**7.406.592,90**	**2.135**
21.	Profit carried forward from the previous year			9.509,15	5
22.	Retained earnings			**7.416.102,05**	**2.140**

Income from taxes

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) as well as the Regulation Governing the Financial Statements of Credit Institutions and Financial Services Institutions (RechKredV). The balance sheet and the profit and loss statement is presented in conformity with the forms set out in the Regulation Governing the Financial Statements of Credit Institutions and Financial Services Institutions (RechKredV). The bank opted to present the profit and loss statements in the vertical presentation format.

Due to rounding of individual items in the financial statements, there may be minor differences between the total of individual items and total assets or the result for the year in the previous year's figures.

During the period under review, DONNER & REUSCHEL AG & Co. RMH KG, an affiliated company of DONNER & REUSCHEL, sold its shares in Roman Mayr-Haus Immobilienverwaltungsgesellschaft mbH, Munich, which owns a property in Munich. This resulted in a book profit for DONNER & REUSCHEL AG & Co. RMH KG. Taking into account the commission of EUR 1.0 million paid to the bank for arranging the transaction and an the advance distribution of EUR 8.4 million received from DONNER & REUSCHEL AG & Co. RMH KG (recognised in current income), the accretion of DONNER & REUSCHEL AG & Co. RMH KG generated a gain of EUR 14.9 million, which is recognised in "Income from the reversal of write-downs of investments in non-affiliated and affiliated enterprises and securities treated as fixed assets".

2. ACCOUNTING POLICIES

Cash funds are stated at their nominal value; foreign notes and coins are measured based on market prices as at the reporting date.

Public-sector debt instruments are debt securities which, like current assets, are measured for each class of securities according to the strict lower of cost or market principle at the lower of the average cost calculated on an ongoing basis or the market price as at the balance sheet date.

Receivables are generally carried at their nominal value, less any specific and general provisions for loan loss provisions. Any differences between the nominal amount and the amount paid out which are equivalent to interest are reported under deferred items, and are amortised over the life of the loan. The bank recognises specific loan loss provisions for receivables at risk of default.

Lending business risks are covered by specific loan loss provision and other provisions. The recorded interest income from non-performing loans is shielded by credit write-downs. The deferred credit risk is counteracted by a general loan loss provision in accordance with a tax-related process. This procedure is also considered appropriate under the provisions of the German Commercial Code. To compensate for cyclical fluctuations, the values are calculated retrospectively for the average risk-carrying credit volume and the relevant bad debts were extended from five to ten years. The general provisions for latent risks arising from guarantee business for subordinated or interim financed real estate loans are formed on the basis of an analysis of the dunning levels and their changes.

In addition, country risk provisions are formed in view of the special risk in individual countries.

In the profit and loss statement, we have made use of the option under Article 340f (3) of the German Commercial Code (HGB) to present income and expenses on a net basis. The difference was allocated to deferred income in accordance with Article 340e (2) HGB.

Securities consist of bonds and other fixed-income securities as well as equities and other variable-income securities. When it comes to the recognition of income and expenses, with respect to securities, we distinguish between trading portfolios, liquidity reserves and fixed assets.

Securities held as liquidity reserve are carried as current assets and are measured for each class of securities according to the strict lower of cost or market principle at the lower of the average cost calculated on an ongoing basis or the market price as at the balance sheet date.

In the year under review, the mitigated lower-of-cost-or-market principle was applied to the bonds and fixed-interest securities for bonds held as fixed assets with a carrying amount of EUR 550.4 million (previous year: EUR 448.0 million), as these bonds are intended to be held long-term and can be held until final maturity, and there was no risk of a credit rating-induced impairment as at the balance sheet date. The fair value of the relevant securities as at 31 December 2019 amounted to EUR 548.7 million (previous year EUR 443.0 million). The avoided depreciation amounted to EUR 1.7 million. The differences in accordance with Article 340e (2) HGB are reversed on a pro rata basis over the remaining term. All other securities are valued according to the strict lower-of-cost-or-market principle.

Structured products in the securities portfolio were uniformly recognised and measured in accordance with the requirements of the accounting standard IDW RS HFA 22 (without separation from embedded derivatives).

Equities and other variable-income securities are allocated to fixed assets and were generally valued in accordance with Article 340e (1) sentence 3 HGB. The mitigated lower-of-cost-or-market principle was applied to one share with a carrying amount of EUR 2.5 million. An extraordinary write-down of EUR 2.5 million was made for this in the financial year under review.

As in the previous year, all financial instruments held with a trading intent were allocated to the trading portfolio in accordance with Article 4 (1) No. 86 CRR. This item comprises shares and other variable-income securities as well as currency derivatives.

They are measured at fair value less a risk discount, using a value-at-risk discount (confidence level 99.9%, observation period 250 trading days and holding period 60 days), which was calculated on the basis of internal risk management using financial valuation methods. The value-at-risk discount for all trading portfolios - i.e. assets and liabilities - is applied to the larger of the portfolios, trading assets. All changes in the fair value and the risk discount are included in net income from the trading portfolio.

For derivatives traded on stock exchanges, we use quoted market prices. We determine the fair values of interest rate swaps on the basis of discounted future cash flows and accrued interest; the variable side of the swaps is valued at current fixed interest rates. We use the market interest rates applicable to the residual maturity of the financial instruments. We value options using standard option pricing models. For forward exchange contracts, we determine the fair value on the basis of current forward rates.

Investments in non-affiliated and affiliated undertakings are measured at historical cost in accordance with the rules applicable to fixed assets as at the balance sheet date. In the event of an expected permanent impairment in value, the asset is written down to the lower of cost or market value.

Intangible assets are generally carried at historical cost and reduced by scheduled amortisation over their useful life. As a matter of principle, intangible assets with acquisition costs of up to EUR 250 net are written off directly upon acquisition. Low-value assets up to EUR 800 are also written off in full upon acquisition. Advance payments on intangible assets are carried at historical cost. The capitalisation of internally generated intangible assets in accordance with Article 248 (2) sentence 1 HGB was waived.

Tangible assets are generally carried at historical cost and reduced by scheduled amortisation over their useful life. As a matter of principle, assets with acquisition costs of up to EUR 250 net are written off directly upon acquisition. Low-value assets up to EUR 800 are also written off in full upon acquisition. Assets under construction are carried at historical cost.

The bank did not make use of the option to recognise deferred tax assets due to the resulting tax relief in accordance with Article 274 (1) sentence 2 HGB. Deferred taxes are calculated on the basis of the currently applicable tax rate.
Liabilities are stated at the amount required to settle the obligation. If these are added at a discount, the discount is recognise under prepaid expenses and accrued income and released on a pro rata basis.
In the previous year, the bank launched a structured deposit-interest rate product. This is a term deposit with an interest rate option (floor), which must be accounted for separately in accordance with the accounting standard IDW RS HFA 22. The spot transaction is valued at nominal value, while the derivative financial instrument is valued using the net present value method for the total portfolio.

The pension provisions are measured based on actuarial reports. The biometric assumptions are based on the 2018 G mortality tables by Dr Klaus Heubeck. With the exception of pension commitments from salary waivers, the settlement amount was calculated using the projected unit credit method in accordance with Article 253 (1) sentence 2 HGB. In accordance with Article 253 (2) sentence 2 HGB, the interest rate was 2.71% (previous year: 3.22%) over an assumed duration of 15 years. The difference between the 10 and 7-year average interest rate in accordance with Article 253 (6) HGB amounted to EUR 5.6 million (previous year: EUR 8.7 million) as at the balance sheet date and is blocked from distribution. The following parameters were also taken into account in the calculation: In principle, it was assumed that the beneficiaries would receive the occupational pension from the earliest possible date, they are eligible to receive the full old-age pension under the statutory pension insurance scheme. If an earlier retirement age was agreed under the pension scheme, this retirement age was taken into account in the valuation. A probability of 1.30 % for men and 1.00 % for women was assumed for fluctuation. Further assumptions include a salary increase of 2.50%, and a career increase of 0.40%. If the pension scheme contained a guaranteed adjustment, this was taken into account. The other pension schemes were measured using a pension trend of 2.00%. The assumptions remained unchanged from the previous year.

A change in the pension vehicle was agreed with SIGNAL IDUNA Versorgungskasse e. V. with effect from 1 November 2019 for beneficiaries from DONNER & REUSCHEL. From 1 November 2019, beneficiaries will receive their benefits through a support fund, which has replaced the defined benefit scheme. This represents a change from a direct to an indirect pension scheme.

DONNER & REUSCHEL has made an initial payment of EUR 23.6 million into SIGNAL IDUNA Versorgungskasse e. V. (newly established support fund) for the existing beneficiaries as at 1 November 2019. This transfer to the pension fund was recognised as other operating expense. Due to the transfer to the pension fund, the pension liabilities of DONNER & REUSCHEL were reduced by the amount paid in, and there was a corresponding release of pension provisions, which was recorded under other operating income. As a result of the change in the pension vehicle, gains and losses arising from the actual mortality and interest rate changes will no longer change the pension provisions of DONNER & REUSCHEL recognised in the profit and loss statement for the affected beneficiaries in the future. Nevertheless, DONNER & REUSCHEL remains committed to occupational pension schemes. As at 31 December 2019, the shortfall on these pension obligations, which must be disclosed in the notes, amounted to EUR 0.5 million. This shortfall is calculated from the pension liabilities for the relevant pension schemes less the pension fund assets and the remaining accounting provision for these obligations that is not to be recognised as an expense. In accordance with Article 28 (1) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB), the company elected not to create any provisions for this purpose.
The bank elected to distribute the required allocation to pension provisions over a maximum of 15 years in accordance with Article 67 (1) EGHGB. In the year under review, the bank allocated the minimum amount of one fifteenth. The amount of provisions for current pensions, vested pension rights and similar obligations not shown in the balance sheet relates exclusively to the holdings of Conrad Hinrich Donner Bank AG before the accretion in 2010 and amounts to EUR 0.3 million (previous year: EUR 0.3 million). In the period under review, EUR 58 thousand (previous year: EUR 58 thousand) was recognised as an extraordinary expense in accordance with Article 67 (7) EGHGB (old version) in conjunction with Article 340a (2) sentence 5 HGB. For fully covered pension schemes, the asset value of the pension liability insurance was deducted from the pension obligations as a result of the salary waiver.

Provisions for semi-retirement were valued in accordance with Article 253 (1) sentence 2 HGB. The calculation is based on biometric values from the 2018 G mortality tables by Dr Klaus. The settlement amount was calculated based on the actuarially discounted salary payments during the transition period. The provision also includes the employer's contribution to the statutory pension scheme and the collectively agreed top-up amount. The discount rate was the interest rate with a residual maturity of 3 years published by the Deutsche Bundesbank. This was 0.72% as at 31 December 2019 (previous year: 0.99%).

Provisions for anniversary bonuses were valued in accordance with Article 253 (1) sentence 2 HGB in line with the calculation of pension provisions. The calculation is based on biometric values from the 2018 G mortality tables by Dr Klaus. The valuation was based on the discount interest rate with a residual maturity of 10 years published by the Deutsche Bundesbank. The discount rate as at 31 December 2019 was 1.59% (previous year: 1.95%). The other valuation parameters are identical with those stated under pension provisions.

Provisions for early retirement were valued in accordance with Article 253 (1) sentence 2 HGB in line with the calculation of pension provisions. The valuation was based on the discount interest rate with a residual maturity of 15 years published by the Deutsche Bundesbank. The discount rate as at 31 December 2019 was 1.97 % (previous year: 2.34 %). Salaries increased by 2.50 % (previous year: 2.50 %).
As claims arising from pension liability insurance and insolvency insurance, are shielded from creditors and serve exclusively to meet debts arising from pension obligations or comparable long-term obligations, they are offset against the corresponding pension provisions and semi-retirement obligations in accordance with Article 246 (2) sentence 2 HGB.

Provisions for taxes, contingent liabilities and anticipated losses from pending transactions are calculated in accordance with Article 253 (1) Sentence 2 HGB in such a way that they take account of all identifiable risks and obligations based on the settlement amount calculated on the basis of sound business judgement. Provisions with a residual maturity of more than one year are discounted using the average market interest rate for the previous seven financial years corresponding to their residual maturity, as published by the Deutsche Bundesbank.

Subordinated liabilities and profit participation capital are reported at their settlement amount; and from 2019, deferred interest is also reported in the respective balance sheet items.

The fund for general banking risks exclusively comprises holdings in accordance with Article 340e (4) HGB.

Contingent liabilities are recognised at the nominal value less the (specific and general) provisions. Irrevocable loan commitments are recognised under "Other commitments".

Credit derivatives are related to the provided collateral. Provisions are created in accordance with the general credit risk principles if a claim is anticipated in the form of compensation payments.

DONNER & REUSCHEL uses both micro and macro hedging transactions to offset opposite changes in value or cash flows arising from the occurrence of comparable risks. The underlying and hedging transactions can be measured together if the requirements of Article 254 HGB are met. The relevant documentation of hedging transactions is available. The net hedge presentation method is used to account for the transactions.

In micro hedging transactions, the underlying transactions in the form of loans, bonds and debt instruments are hedged against interest rate risks using interest rate swaps. From the 2019 financial year, the effectiveness of micro hedging transactions is assessed on a prospective basis using so-called regression analysis.rather than the dollar offset method. The change in method enables a more precise measurement of effectiveness and thus a more accurate view of the bank's financial position and operating results. The underlying and hedging transactions are subjected to a simulated interest rate shock of 100 basis points. The retrospective analysis is based on a comparison of the actual performance as at the balance sheet date. An effectiveness of 50 % to 200 % is assumed as the hedge limit. The realisation, imparity and historical cost principles do not apply to the effective portion of the hedged risk of the hedging transaction. Ineffective portions of the hedged risk are valued according to the prudence principle. Unhedged risks are treated in accordance with the general principles of commercial law. The switch from the dollar offset method to regression analysis resulted in a one-time positive effect on earnings of EUR 1.5 million.

Macro hedging transactions are used to hedge net positions of the non-trading portfolio against interest rate risks. They therefore do not constitute hedging transactions within the meaning of Article 254 HGB. The bank uses the net present value approach to measure the effectiveness of macro hedging transactions, i.e. the net realisable value of the interest rate book. The total present value thus determined is compared with the carrying amount of the interest rate book and the discounted costs relevant to the banking book. As in previous years, it was not necessary to form a provision for impending losses from the net realisable value measurement of the banking book.

Assets and liabilities denominated in foreign currencies are translated at the closing rate (ECB reference rate) unless they are deliberately hedged in the same currency (Article 340h HGB). Where the residual maturity is one year or more, the assets are carried at the most at historical cost or at the lower of historical cost or market value. In the case of forward exchange transactions used to hedge balance sheet items, the forward rate is split into a swap rate and spot rate. The swap rate results are shown in net interest income. Residual hedge items and opposing forward spot rates are alternatively reported in net income from the trading portfolio.

All other items are reported at nominal value.

3. NOTES TO THE BALANCE SHEET

Maturity structure

The maturity structure broken down by balance sheet item is as follows

	31/12/2019 EUR ,000	Previous year in EUR ,000s
Other loans and advances to financial institutions with agreed maturities or periods of notice		
up to three months	–	–
more than three months up to one year	107	107
more than one year up to five years	–	–
more than five years	10,000	10,000
	10,107	**10,107**
Loans and advances to clients		
up to three months	416.947	462.034
more than three months up to one year	339.017	241.266
more than one year up to five years	708.197	681.949
more than five years	398.015	495.105
indefinite maturity	388.430	212.978
	2.250.606	**2.093.332**
Bonds and notes		
maturing in the following year	193.175	221.516

	31/12/2019 EUR ,000	Previous year EUR ,000s
Liabilities to financial institutions with agreed maturities or periods of notice		
up to three months	64.216	66.552
more than three months but not more than one year	40.643	40.597
more than one year but not more than five years	42.498	44.636
more than five years	166.107	185.677
	313.464	**337.461**
Liabilities to clients: **Savings deposits with agreed periods of notice of more than three months**		
up to three months	--	2
more than three months but not more than one year	810	884
more than one year but not more than five years	112	113
more than five years	--	--
	922	**999**
Other liabilities with agreed maturity dates or periods of notice		
up to three months	248.919	290.980
more than three months but not more than one year	190.465	228.859
more than one year but not more than five years	173.813	41.057
more than five years	--	--
	613.197	**560.895**
Securitised liabilities		
maturing in the following year	--	--

Amounts owed by and to affiliated undertakings

As at the balance sheet date, amounts owed by and to affiliated undertakings were included in the following items:

	31/12/2019 EUR ,000	Previous year EUR ,000s
Loans and advances to banks	--	5.000
Loans and advances to clients	255	708
Other assets	273	1.057
Liabilities to financial institutions	812	1.871
Liabilities to clients:	157.464	212.300
Other liabilities	5.121	1.651
Provisions	--	10

Amounts owed by and to undertakings with which the undertaking is linked by virtue of participating interests

As in the previous year, there were no amounts owed by or to undertakings with which the undertaking is linked by virtue of participating interests.

Loans and advances to credit institutions

Loans and advances to credit institutions include subordinated loans with a nominal value of EUR 10.0 million (previous year: EUR 10.0 million).

Loans and advances to clients

Loans and advances to clients include subordinated loans in the amount of EUR 5.2 million (previous year: EUR 5.7 million).

Bonds and debt instruments

Of the bonds and debt instruments, EUR 917.0 million (previous year: EUR 932.7 million) were marketable and EUR 909.9 million (previous year: EUR 920.6 million) were listed.

Hedging transactions

To hedge the interest rate risk, micro hedges with interest rate swaps were recognised for a nominal volume of EUR 92.7 million (previous year: EUR 100.9 million) in the case of loans and advance to clients and for a nominal volume of EUR 457.2 million (previous year: EUR 422.1 million) in the case of bonds and debt instruments.

As a result of recognition of hedging transactions, Interest rate risks of EUR 11.7 million (previous year: EUR 5.4 million) - measured at value-at-risk - were hedged. The effectiveness measurements show that the opposing changes in value and cash flows are highly likely to cancel each other out in the future over the period of the respective valuation unit, and in the case of the hedged interest rate risks over the residual maturing of the underlying transaction.

Equities and other variable-income securities

The item contains marketable securities of EUR 0.1 million (previous year: EUR 0.0 million) and as in the previous year, no listed securities. The bank does not have subordinated participation certificates in its portfolio.

Shares and units in domestic and foreign investment funds (Article 285 (26) HGB)

Equities and other variable-income securities include the following shares in domestic and foreign investment funds:

HANSASPEZIAL 39	Value in accordance with Article 36 of the Investment Act (InvG) in EUR ,000s	Difference to book value in EUR ,000s	Profit distribution for the financial year in EUR ,000s	Daily redemption limits
HANSASPEZIAL 39 (Multi-asset funds)	102.366	--	2.000	None
D&R INVEST-RENDITE AKTIV B (Umbrella fund)	263	--	--	None
D&R INVEST-RENDITE AKTIV C i.L. (Umbrella fund)	168	--	--	Fund is in the process of liquidation
PARAGON-SPEEDLAB ROBOTRADE FD (Hedge fund)	7.785	--	--	Monthly payouts

Trading portfolio (assets)

	31/12/2019 EUR ,000	Previous year EUR ,000
Shares and other variable-yield securities	74	5
of which marketable:	2	1
of which listed on the stock exchange:	--	--
derivative financial instruments	36.230	25.368
Risk premium	-9	-32
	36.295	**25.341**

Participating interests and shares in affiliated undertakings

The share ownership pursuant to Article 285 No. 11, 11a and Article 340 a (4) No. 2 HGB is as follows:

Company name and registered office	Equity EUR ,000	Sharehol-ding in %	Result	
			Financial year	EUR '000
DONNER & REUSCHEL TREUHAND GmbH & Co., Hamburg	52	100	2018	-29
Treuhand Contor Vermögensverwaltungs-Gesellschaft mbH, Hamburg	26	100	2019	0
DONNER & REUSCHEL Luxemburg S.A. , Munsbach	1.000	100	2018	496
Donner & Reuschel Beteiligungsgesellschaft mbH, Hamburg	300	100	2019	0
Donner & Reuschel Finanz-Service GmbH, Munich	250	100	2019	39
DONNER & REUSCHEL Grundstücksgesellschaft mbH, Munich	25	100	2019	0
Donner & Reuschel Verwaltungs GmbH, Munich	26	100	2019	228

Participating interests and shares in affiliated undertakings do not include any marketable companies.

Fiduciary assets include receivables from clients amounting to EUR 0.4 million (previous year: EUR 0.4 million).

Statement of changes in fixed assets

	Historical cost			
	01/01/2019 EUR ,000	Additions EUR ,000	Disposals EUR ,000	31/12/2019 EUR ,000
Bonds and other fixed-income securities	463.802	272.537	166.471	569.868
Shares and other variable-yield securities	2.500	--	--	2.500
Participating interests	1.546	--	--	1.546
Shares in affiliated undertakings	49.835	--	38.987	10.848
Land and buildings	55.604	--	--	55.604
Furniture, fittings and equipment	11.857	4.147	162	15.842
of which under construction	--	2.285	--	2.285
Goodwill	9.431	--	--	9.431
intangible fixed assets	6.303	2.403	47	8.659
of which under construction	43	2.272	43	2.272
	600.878	**279.087**	**205.667**	**676.583**

Statement of changes in fixed assets - continued

	Depreciation and amortisation					Miscellaneous
	01/01/2019 EUR ,000	Depreciation and amortisation in 2019 EUR ,000	Write-ups in 2019 EUR ,000	Depreciation and amortization on related to disposals EUR ,000	31/12/2019 EUR ,000	31/12/2019 EUR ,000
Bonds and other fixed-income securities	14.832	6.263		1.708	19.387	-96
Shares and other variable-yield securities	--	2.500	--	--	2.500	--
Participating interests	53		6	--	47	--
Shares in affiliated undertakings	1.233		--	--	1.233	--
Land and buildings	57	682	--	--	739	--
Furniture, fittings and equipment	8.373	900	--	158	9.115	--
of which under construction	--	--	--	--	--	--
Goodwill	5.187	629	--	--	5.816	--
intangible fixed assets	5.946	200	--	4	6.142	--
of which under construction	--	--	--	--	--	--
	35.624	**8.674**	--	**1.870**	**42.479**	**-96**

The column "Other" contains the cumulative changes from currency valuations and write-ups of dicounts.

	Net carrying amount	
	31/12/2019 EUR ,000	Previous year EUR ,000
Bonds and other fixed-income securities	550.385	448.014
Shares and other variable-yield securities	0	2.500
Participating interests	1.499	1.493
Shares in affiliated undertakings	9.615	48.602
Land and buildings	54.865	55.547
Furniture, fittings and equipment	6.727	3.484
of which under construction	2.285	--
Goodwill	3.615	4.244
intangible fixed assets	2.517	357
of which under construction	2.272	43
	631.508	**564.241**

Bonds and other fixed-income securities valued as assets include bonds with a book value of EUR 250.0 million (previous year: EUR 123.0 million) that qualify for hedge accounting. Accumulated depreciation on shares in affiliated undertakings is always unscheduled. Land and buildings in the amount of EUR 4 thousand are not used in banking operations.

The amortisation of intangible assets includes write-downs of EUR 0 thousand (previous year: EUR 14 thousand).

Goodwill

The acquisition costs of EUR 9.4 million are the result of the accretion of Reuschel & Co. Kommanditgesellschaft as at 01 October 2010 and will be amortised over a useful life of fifteen years from the accretion date. The bank calculates useful life based on the established average client retention as well as the resulting profit margins in the business with high net worth individuals, which was important for the business activities of Reuschel & Co. Kommanditgesellschaft and now sets to benefit the bank.

Other assets

The main individual items are receivables from tax authorities (EUR 6.6 million, previous year: EUR 11.2 million), receivables from profit distribution claims against subsidiaries (EUR 0.3 million, previous year: EUR 0.8 million), accrued income and prepaid expenses (EUR 1.1 million, previous year: EUR 1.4 million) and foreign currency adjustments (EUR 0.4 million, previous year: EUR 1.4 million).

Prepaid expenses and accrued income

The prepaid expenses and accrued income do not include any differences pursuant to Article 340e (2) sentence 3 HGB or Article 250 (3) HGB.

Genuine repurchase agreements

As in the previous year, the bank had no repurchase agreements in its portfolio as at the balance sheet date.

Trading portfolio (liabilities)

	31/12/2019 EUR ,000	Previous year EUR ,000
Shares and other variable-yield securities	**--**	--
derivative financial instruments.	35.952	25.172
Risk premium	--	--
	35.952	**25.172**

Fiduciary liabilities include liabilities to clients amounting to EUR 0.4 million (previous year: EUR 0.4 million).

Other liabilities

This includes mainly liabilities to tax authorities recognised at EUR 3.5 million (previous year: EUR 2.9 million), trade payables at EUR 0.0 million (previous year: EUR 2.2 million) and liabilities to group companies at EUR 5.1 million (previous year: EUR 1.7 million).

The deferred interest on subordinated liabilities of EUR 0.5 million and participation certificates of EUR 2.1 million, which were still included in the previous year, will be shown under liabilities from 2019 onwards.

Accruals and deferred income

Deferred income on the liabilities side includes a difference of EUR 1.6 million (previous year: EUR 0.4 million) in accordance with Article 340e (2) sentence 2 HGB.

Netting of assets and liabilities

Due to the netting requirement under Article 246 (2) sentence 2 HGB, plan assets were netted against pension obligations as follows:

	31/12/2019 EUR ,000	Previous year EUR ,000
Historical cost of plan assets	599	617
Fair value of plan assets	599	617
Settlement amount for pension and semi-retirement obligations	52.921	72.423
Pension expenses offset against income from plan assets	15	15
Income from plan assets offset against pension expenses	49	33

Provisions for retirement benefits were recognised at EUR 52.3 million (previous year: EUR 71.8 million) after being netted against plan assets. This is based on pension liability insurance agreements of EUR 0.6 million (previous year: EUR 0.6 million). The decline is due to the transfer of active pensioners from DONNER & REUSCHEL to SIGNAL IDUNA Versorgungskasse e. V.

We hold pledged securities to protect the accrued retirement benefits for semi-retirement against insolvency in accordance with Article 8a of the German Semi-Retirement Act. These have been measured at their fair value in accordance with Article 246 (2) in conjunction with Article 253 (1) sentence 4 of the German Commercial Code (HGB) and offset against the part of the provision for semi-retirement obligations that has been set up for the arrears.

Pension provisions

DONNER & REUSCHEL has made an initial payment of EUR 23.6 million into SIGNAL IDUNA Versorgungskasse e. V. (newly established support fund) for the existing beneficiaries as at 1 November 2019. This transfer to the pension fund was recognised as other operating expense. Due to the transfer to the pension fund, the pension liabilities of DONNER & REUSCHEL were reduced by the amount paid in, and there was a corresponding release of pension provisions, which was recorded under "other operating income".

Other provisions

This includes mainly provisions for personnel (EUR 8.8 million, previous year: EUR 6.9 million), for outstanding invoices (EUR 5.4 million, previous year: EUR 4.3 million) and provisions for anticipated losses for the ineffective portion of hedging transactions (EUR 0.6 million, previous year: EUR 1.8 million)

Subordinated liabilities

The bank has taken out subordinated loans amounting to EUR 65.5 million (previous year: EUR 30.8 million). In 2019, the bank issued a contingent convertible bond of EUR 30.0 million and a subordinated bearer bond of EUR 7.5 million.

Nominal amount in EUR ,000s	Interest rate in %	Due on
30.000	7,00	Open maturity
20.000	4,36	12/09/2033
8.000	4,71	30/08/2022
7.500	3,00	04/01/2029

The conditions for subordinated liabilities comply with Article 63 of the Capital Requirements Regulation. The issuer cannot be forced to repay the obligation early. Conversions into capital or another form of debt have not been agreed. In the case of the contingent convertible bond, the terms and conditions of the bond stipulate that the bond will be written down if the core capital ratio at the level of an individual institution or a group falls below 5.125%.

From 2019 onwards, the pro rata interest is included in the balance sheet item, amounting to EUR 66,657 thousand. The previous year's figure was EUR 30.8 million plus EUR 473 thousand in accrued interest, which was recognised under other liabilities in the previous year. In the financial year under review, the interest expense for subordinated liabilities amounted to EUR 3.1 million (previous year: EUR 1.5 million).

Participation certificates

In 2009, the bank issued a subordinated participation certificate with a minimum term until 31 December 2019. The participation certificate bears an interest rate of 7.00% p.a. The conditions for participation certificates comply with Article 63 of the Capital Requirements Regulation. From 2019 onwards, the accrued interest is recognised in the balance sheet, and they amounted to EUR 32,100 thousand. The previous year's figure was EUR 30.0 million plus EUR 2.1 million in accrued interest, which was recognised under other liabilities in the previous year.

In the financial year under review, interest expense amounted to EUR 2.1 million (previous year: EUR 2.1 million).

Equity

The subscribed capital (share capital) of EUR 20.5 million is divided into 20,500 registered shares with restricted transferability with a nominal value of EUR 1,000.00 each.

In 2019, EUR 10.0 million was paid into the capital reserves.
The sole shareholder is SIGNAL IDUNA Lebensversicherung a. G., Hamburg. The relevant notification pursuant to Article 20 (4) AktG was provided.

The annual general meeting, which was held on 12 April 2019 transferred EUR 2.1 million from retained earnings of the previous year to other revenue reserves and carried forward the remaining amount of EUR 10 thousand.

Further notes to the balance sheet

Bonds and debt instruments with a nominal value of EUR 326.8 million (previous year: EUR 333.5 million) were pledged to secure all claims from open market transactions. Bonds and debt instruments with a nominal value of EUR 51.9 million (previous year: EUR 102.0 million) were deposited as collateral for EUREX transactions. In addition, bonds and debt instruments with a nominal value of EUR 105.0 million (previous year: EUR 80.0 million) were deposited as collateral for settlement via Clearstream and EUR 93.5 million (previous year: EUR 91.8 million) to cover the settlement risks arising from transactions on foreign stock exchanges. EUR 25.0 million (previous year: EUR 25.0 million) was pledged to the Kreditanstalt für Wiederaufbau. With respect to loans and advances to credit institutions, EUR 40.6 million (previous year: EUR 18.7 million) was pledged as collateral for OTC derivative financial instruments and EUR 48.5 million (previous year: EUR 69.9 million) of the bank's funds was pledged as collateral for derivative transaction with central counterparties.

Contingent liabilities

Liabilities from guarantees and indemnity agreements include guarantees in the amount of EUR 31.6 million (previous year: EUR 32.8 million), letters of credit in the amount of EUR 0.9 million (previous year: EUR 1.1 million) and collateral provided via credit derivatives in the amount of EUR 132.8 million (previous year: EUR 234.6 million). The liability from the provision of collateral for third-party liabilities amounting to EUR 24.7 million (previous year: EUR 38.4 million) relates to margin requirements for EUREX client transactions.

For the early identification of risks, which also include contingent liabilities, various risk factors are monitored at the client and exposure level using, in particular, external/internal risk classification methods. Depending on the client group, various rating and scoring systems are used to determine a credit rating. In addition, the current rating and any rating deterioration is monitored on a regular basis. In the case of credit derivatives, the bank is the guarantor for bonds issued by governments, financial institutions and companies based in OECD countries. Due to the good credit ratings and the counterparty risk audits, it conducts at least once a year, the bank estimates that the potential of a guarantee being activated is low.

The bank recognised appropriate provisions to cover any guarantee activations.

Other commitments
The irrevocable loan commitments relate to other book loans of EUR 138.0 million (previous year: EUR 105.6 million).

Foreign currency items
Items denominated in foreign currencies are included in assets in the amount of EUR 319.2 million (previous year: EUR 340.8 million) and in liabilities in the amount of EUR 475.6 million (previous year: EUR 300.1 million).

4. NOTES TO THE PROFIT AND LOSS STATEMENT

Geographical breakdown of income
The income generated in the financial year under review was generated exclusively in Germany.

Interest income
The negative interest of EUR 3.2 million (previous year: EUR 3.4 million) included in interest income is mainly attributable to central bank balances above the minimum reserve requirement and interbank money trading transactions. The positive interest of EUR 6.3 million (previous year: EUR 6.3 million) included in interest expense is also attributable to interbank money trading trading transactions and deposits from corporate and institutional clients.

There were negative pull-forward effects in interest expenses due to close-outs of macro hedges, which amounted to EUR 5.1 million (previous year: EUR 0.0 million).

Current income from shares in affiliated undertakings includes EUR 8.4 million in advance distributions from DONNER & REUSCHEL AG & Co. RMH KG.

Commission income
The main components of the management and brokering services are asset management on behalf of clients (EUR 14.9 million, previous year: EUR 15.0 million), custody and depositary business (EUR 12.8 million, previous year: EUR 12.3 million) and commission business (EUR 11.4 million, previous year: EUR 10.2 million).

Net expense of the trading portfolio
As in the previous year, no allocation to the fund for general banking risks pursuant to Article 340e (4) HGB was necessary in the financial year under review.

Other operating income
This item primarily relates to income from the release of provisions for pensions for current pension entitlements due to the transfer to SIGNAL IDUNA-Versorgungskasse e. V. in 2019 amounting to EUR 23.6 million and the release of other provisions amounting to EUR 1.3 million (previous year: EUR 2.1 million).

Income from derivatives not allocated to a trading portfolio or hedging portfolio and which, in accordance with the accounting standards RS BFA 5 and BFA 6, must be reported under other operating income, amounted to EUR 0.0 million in the financial year under review (previous year: EUR 0.3 million).

General and administrative expenses

Personnel expenses include one-off expenses for restructuring measures amounting to EUR 0.0 million (previous year: EUR 2.0 million).

Other operating expenses

The item "Other operating expenses" includes an endowment payment to SIGNAL IDUNA-Versorgungskasse e. V. in the amount of EUR 23.6 million and expenses of EUR 5.1 million (previous year: EUR 6.6 million) resulting from the compounding of provisions.

Expenses from derivatives not allocated to a trading portfolio or hedging portfolio and which, in accordance with the accounting standards RS BFA 5 and BFA 6, must be reported under other operating income, amounted to EUR 0.0 million in the financial year under review (previous year: EUR 0.3 million).

Income from the reversal of write-downs of investments in non-affiliated and affiliated enterprises and securities treated as fixed assets

The accretion of DONNER & REUSCHEL AG & Co. RMH KG led to a realisation gain of EUR 14.9 million.

Taxes on income

Taxes on income relate exclusively to refunds from assessment periods of previous years. In accordance with Article 10a of the Trade Tax Act (GewStG) and Article 8 of the Corporation Tax Act (KStG) in conjunction with Article 10d of the Income Tax Act (EStG), tax income from previous years of EUR 0.9 million (previous year: EUR 0.2 million) is included.

5. OTHER DISCLOSURES

As at the balance sheet date, the company had the following derivative financial instruments:

Securities included in the trading portfolio

Derivative transactions Volume	Nominal values Previous year EUR ,000	Nominal value 31/12/2019 EUR ,000	Market value positive 31/12/2019 EUR ,000	Market value negative 31/12/2019 EUR ,000
Currency risks				
Forward exchange transactions	4.827.904	4.881.294	36.230	35.952
Total	4.827.904	4.881.294	36.230	35.952

Non-trading portfolio

Derivative transactions Volume	Nominal values Previous year EUR ,000	Nominal value 31/12/2019 EUR ,000	Market value positive 31/12/2019 EUR ,000	Market value negative 31/12/2019 EUR ,000	Credit equivalent amounts 31/12/2019 EUR ,000
Interest rate risk	2.851.100	2.861.300	43.776	83.967	69.187
Interest rate swaps					
Interest rate options					
Buys (long)	5.409	125	--	--	0
Sells (short)	5.409	125	--	--	--
Interest rate risks, total	**2.861.918**	**2.861.550**	**43.776**	**83.967**	**69.187**
Currency risks					
Forward exchange contracts, swaps	299.137	157.657	345	415	1.912
Currency risks, total	**299.137**	**157.657**	**345**	**415**	**1.912**
Shares and other					
Other forward transactions					
Interest rate currency swaps	14.842	--	--	--	--
Share and other price risks, total	**14.842**	--	--	--	--
Total	3.175.897	3.019.207	44.121	84.382	71.099

The derivatives in the non-trading portfolio are used exclusively to hedge interest rate and currency risks.

Counterparty breakdown of the trading and non-trading portfolio:

Derivative transactions Counterparty classification	Nominal values Previous year EUR ,000	Nominal value 31/12/2019 EUR ,000	Market value positive 31/12/2019 EUR ,000	Market value negative 31/12/2019 EUR ,000
Banks in OECD countries	5.606.125	5.533.808	53.083	111.342
Banks outside the OECD	--	--	--	--
Public institutions in OECD countries	--	--	--	--
Other counterparties	2.382.834	2.366.694	27.269	8.991
Total	**7.988.959**	**7.900.502**	**80.352**	**120.333**

Maturity breakdown of the trading and non-trading portfolio:

Nominal values by residual maturity	Interest rate risk		Currency risks		Shares and other price risks	
	Previous year EUR ,000	31/12/2019 EUR ,000	Previous year EUR ,000	31/12/2019 EUR ,000	Previous year EUR ,000	31/12/2019 EUR ,000
up to three months	65.900	98.808	3.787.810	3.566.016	--	--
more than three months but not more than one year	252.645	223.163	1.335.848	1.255.536	14.842	--
more than one year but not more than five years	1.147.648	1.352.068	3.383	217.400	--	--
more than five years	1.395.725	1.187.510	--	--	--	--
Remaining maturities, total	**2.861.918**	**2.861.549**	**5.127.041**	**5.038.952**	**14.842**	**0**

Other financial obligations

In addition, there is a pro rata contingent liability to meet the obligation of other members of the Association of German Banks to make additional payments. As a result of joining and endowing the SIGNAL IDUNA pension fund, indirect pension obligations as at 31 December 2019 amounted to EUR 23.1 million. In accordance with Article 28 (1) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB), the company elected not to create any provisions for this purpose. The shortfall on these pension obligations amounted to EUR 0.5 million.

Subsequent events

No significant events occurred after the balance sheet date.

Note on the disclosure report

Some of the information to be disclosed in accordance with Articles 435 to 455 of the Capital Requirements Regulation is contained in the management report. We intend to provide further details in a separate disclosure report and publish it on our website.

Public disclosure of return on assets

The return on investment is calculated by dividing net profit (= after-tax profit) by total assets and must be disclosed in the annual financial statements in accordance with Article 26a (1) sentence 4 of the German Banking Act (KWG). The return on investment for the financial year under review was 0.17% (previous year: 0.05%).

Total audit fee

The annual financial statements of DONNER & REUSCHEL AG were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The auditor was also engaged to conduct voluntary audits of the financial statements of certain subsidiaries and to conduct an audit of a fund. In addition, the auditor carried out quality assurance measures in connection with regulatory issues and internal projects of the bank, supervisory board training and performed some agreed investigation activities in the depositary business. Furthermore, the auditor provided support services in connection with the tax obligations of DONNER & REUSCHEL AG, prepared the tax return for a fund and performed a GAP analysis for a project in connection with the planned business expansion. With regard to the subsidiaries, the auditor conducted audits of the service-related internal control system.

The information on the total fee calculated by the auditor for the financial year in accordance with Article 285 (17) HGB was waived, as the information is included in the consolidated financial statements of SIGNAL IDUNA Lebensversicherung a. G., Hamburg.

Employees

In the year under review, the bank employed 220 (previous year: 244) female employees and 277 (previous year: 290) male employees on average, excluding trainees.

Executive board

Marcus Vitt (Chairman), Hamburg
Alternative investments, asset management, capital markets, institutional clients, client and quality management, human resources, private banking, business & real estate clients, executive board office, investments & marketing

Uwe Krebs, Munich
Information technology, internal services, credit risk management, organisation, legal, compliance & information security, internal audit, corporate management

Membership on mandatory supervisory boards

There were no memberships held on mandatory supervisory boards pursuant to Article 340a (4) HGB.

Supervisory board

Dipl.-Kfm. Martin Berger, Dortmund
Member of the executive board of SIGNAL IDUNA Group
- Chair -

Dr. Karl-Josef Bierth, Dortmund
Member of the executive board of SIGNAL IDUNA Group
- Deputy chair -

Renate Braun, Passau
Chair of the executive board of Sparkasse Passau, retired

Prof. Otto Gaßner, Starnberg
Attorney

Rainer Grimm, Munich
Chair of the central works council of DONNER & REUSCHEL Aktiengesellschaft

Jens Hansen, Hamburg
Pensioner

Dipl. Economist Corinna Linner, Baldham
Auditor

Johanna Nießl, Munich
Member of the economic committee of DONNER & REUSCHEL Aktiengesellschaft

Georg Weith, Munich
Team leader, Alternative Investments of DONNER & REUSCHEL Aktiengesellschaft

Total remuneration, pensions

In the year under review, the total remuneration paid to members of the executive board amounted to EUR 1.1 million (previous year: EUR 1.1 million) while the payments made to members of the supervisory board amounted to EUR 91 thousand (previous year: EUR 91 thousand).

Former general partners, members of the executive board and their widows received EUR 0.7 million (previous year: EUR 1.1 million) from the bank. The pension provision for this group of individuals amounted to EUR 1.3 million (previous year: EUR 13.6 million).

As at the balance sheet date, loans to members of the executive board amounted to EUR 0.2 million (previous year: EUR 0.3 million) and loans to members of the supervisory board amounted to EUR 24 thousand (previous year: EUR 50 thousand).

Information about the company name, registered office, court of registration, commercial register

DONNER & REUSCHEL Aktiengesellschaft has its registered office in Hamburg and is entered in the commercial register at the Amtsgericht (local court) Hamburg under HRB 56747.

Consolidated financial statements

The annual financial statements of DONNER & REUSCHEL Aktiengesellschaft for the year ended 31 December 2019 will be included in the 2019 consolidated financial statements of SIGNAL IDUNA Lebensversicherung a. G., Hamburg, Germany.

The consolidated financial statements are published in the electronic version of the Federal Gazette (Bundesanzeiger). DONNER & REUSCHEL Aktiengesellschaft is exempt from the preparation and publication of consolidated financial statements in accordance with Article 291 HGB (included in the consolidated financial statements of the parent company).

Proposal on the appropriation of profits

Provided that the supervisory board resolves on the appropriation of profits accordingly at its meeting on 8 April 2020, the executive board and supervisory board will propose to the annual general meeting the following appropriation of profit of EUR 7,416,102.05:

1. Profit distribution of EUR 0.00
2. Allocation to revenue reserves EUR 7,410,000.00
3. Profit of EUR 6,102.05 carried forward to a new account

Hamburg, 16 March 2020

DONNER & REUSCHEL
Aktiengesellschaft

Marcus Vitt | Uwe Krebs

Annex to the notes to financial statements:

COUNTRY BY COUNTRY REPORTING

As part of the implementation of Article 89 of the EU Directive 2013/36 (Capital Requirements Directive, CRD IV), disclosure requirements for the country-by-country breakdown of certain information have been added to Article 26a KWG. Under this provision, CRR institutions are required to disclose the following information in their annual financial statements, broken down by Member States of the European Union and third countries in which the institutions have branches:

- Company/undertaking identification: DONNER & REUSCHEL Aktiengesellschaft
- Geographical location of the branches: Domestic
- Revenue: EUR 136,998,332.59
- Number of employees: 456
- Pre-tax profit: EUR 6,604,078.74
- Tax on profit: none
- Public aid received: none

As DONNER & REUSCHEL Aktiengesellschaft does not have any branches abroad, all the information provided above relates to the Federal Republic of Germany and the financial year ended 31 December 2019.

DISCLOSURE REPORT

DONNER & REUSCHEL Aktiengesellschaft, as the parent company, publishes the disclosure report on behalf of the group in the electronic version of the Federal Gazette (Bundesanzeiger) pursuant to Article 431 et seq. CRR.

INDEPENDENT AUDITOR'S REPORT

To DONNER & REUSCHEL Aktiengesellschaft, Hamburg

NOTE ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

AUDIT OPINION

We have audited the annual financial statements of DONNER & REUSCHEL Aktiengesellschaft, Hamburg, - comprising the balance sheet as at 31 December 2019 and the profit and loss statement for the financial year from 1 January 2019 to 31 December 2019 and notes to the financial statements, including a description of the company's accounting policies. In addition, we have audited the management report of DONNER & REUSCHEL Aktiengesellschaft for the financial year from 1 January 2019 to 31 December 2019. In accordance with German legal requirements, we have not audited the content of the components of the management report mentioned in the "Other information" section of our audit opinion.

In our opinion, based on the findings of our audit,

- the accompanying financial statements comply in all material respects with the provisions of the German Commercial Code (HGB) applicable to institutions and give a true and fair view of the company's financial position as at 31 December 2019 and the results of operations for the financial year from 1 January 2019 to 31 December 2019 in accordance with German generally accepted accounting principles and

- the accompanying management report conveys a true and fair view of the company's situation. In all material respects, this management report is consistent with the financial statements, complies with German legal requirements, and accurately depicts the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of the components referred to as "Other Information" in the management report.

In accordance with Article 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations with respect to the propriety of the annual financial statements and the management report.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the financial statements and the management report pursuant to Article 317 HGB and Regulation (EU) No 537/2014 (hereinafter referred to as "EU Audit Regulation") in accordance with generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under these provisions and standards are further described in the "Auditor’s responsibilities for the audit of the financial statements and the management report" section of our auditor's report. We are independent of the company in accordance with the requirements of European and German commercial law and the rules of professional conduct, and we have fulfilled our other professional duties in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of EU Audit Regulation, we declare that we have not performed any prohibited non-audit services as laid down in Article 5 (1) of EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements and the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion on the audit; we will not issue a separate opinion on these matters.

Appropriateness of the specific loan loss provisions for loans and advances to clients

For information on the accounting policies used by DONNER & REUSCHEL Aktiengesellschaft, we refer to the section 2 of the notes to the financial statements of the company. Additional information on risk provisioning is provided in sections 4 and 7 of the management report of DONNER & REUSCHEL Aktiengesellschaft.

RISK TO THE FINANCIAL STATEMENTS

In the annual financial statements for the year ended 31 December 2019, DONNER & REUSCHEL Aktiengesellschaft recorded loans and advance to clients in the amount of EUR 2,250.6 million, representing 50.4% of total assets. In order to provide for acute default risks in the lending business, the bank recognised specific loan loss provisions as at 31 December 2019.

The determination of the amount of the necessary specific loan loss provisions involves discretion and requires forward-looking estimates of the expected repayments of principal and interest or the expected cash flows from the sale of collateral taking into account the expected development of value-determining assumptions and parameters.

Incorrect assumptions and parameters in the calculation of expected cash flows or proceeds from the sale of collateral will result in receivables being incorrectly valued and thus counterparty risks not being adequately recognised. Against this background, it was of particular importance for our audit that the material value-determining assumptions and parameters were made in accordance with the applicable accounting principles.

OUR APPROACH TO THE AUDIT

Building on our risk assessment, as well as assessment of the risks of errors, we based our audit opinion on both control-based audit procedures and statement-based audit procedures.

As part of the control-based audit procedures, we assessed the structure, implementation and

effectiveness of the relevant controls that the bank has put in place to ensure the appropriateness of the amount of specific loan loss provisions for loans and advances to clients.
In particular, we have reviewed the appropriateness of the specific loan loss provisions for loans and advances to clients on the basis of a sample of individual exposures selected from the portfolio based on materiality and risk considerations. In particular, we reviewed the appropriate estimate of the expected cash flows, taking into account the likely development of material value-determining assumptions and parameters. This includes, in particular, the review of collateral valuations with respect to the estimated recoverable amounts.

OUR CONCLUSIONS

The material value-determining assumptions and parameters used to calculate specific loan loss provisions for loans and advances to clients were appropriately selected and are consistent with the accounting standards used to measure specific loan loss provisions.

OTHER INFORMATION

The statutory representatives or the supervisory board are responsible for other information. The other information comprises the following unaudited components of the management report:

- the statement on corporate governance, included in section 4 of the management report "Corporate governance statement in accordance with Article 289f (4) (percentage of female representation)".

The other information also includes other parts of the annual report.

The other information does not include the annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and the management report do not extend to the other information. Accordingly, we do not issue any audit opinion or any other form of audit conclusion in this regard.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, the management report or the findings we obtained during the audit, or

- appears to be otherwise materially misstated.

Responsibility of the statutory representatives and the supervisory board for the financial statements and the management report

The statutory representatives of the company are responsible for the preparation of these annual financial statements which shall comply in all material respects with the provisions of the German Commercial Code (HGB) applicable to institutions and give a true and fair view of the company's financial position and results in accordance with German generally accepted accounting principles. Furthermore, the statutory representatives are responsible for the internal control system, which they consider to be necessary in accordance with the German generally accepted accounting principles to ensure that the financial statements are free from material misstatements, whether due to fraud or error.

When preparing the financial statements, the statutory representatives are responsible for assessing the company's ability to continue as a going concern.

They are also responsible for disclosing, where applicable, matters related to the viability of the business as a going concern. In addition, they are responsible for preparing the financial statements on a going concern basis, unless there are factual or legal circumstances that prevent them from doing so.

The statutory representatives are responsible for the preparation of the management report which shall give a true and fair view of the company's state of affairs, be consistent in all material respects with the annual financial statements, comply with the provisions of the law and accurately present the opportunities and risks of future development. Furthermore, the statutory representatives are responsible for the such arrangements and measures (systems), which they consider to be necessary in accordance with the German statutory requirements to facilitate the preparation of the management report and to provide sufficient evidence for the statements made in the management report.

The supervisory board is responsible for overseeing the company’s accounting process for preparing the financial statements and the management report.

Responsibility of the auditor for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report overall gives a true and fair view of the company's state of affairs, it is consistent in all material respects with the annual financial statements, complies with German laws and accurately presents the opportunities and risks of the company's future development, and to issue an auditor’s report that includes our audit opinion on the financial statements and the management report.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with Article 317 HGB and the EU Audit Regulation in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions made on the basis of these financial statements and management report.

We exercise due discretion and maintain a critical attitude in the course of the audit. In addition, we

- identify and assess the risks of material misstatement of the annual financial statements and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- We evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the statutory representatives.
- draw conclusions on the appropriateness of the statutory representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's continuing viability as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the management report or, if such disclosures are inadequate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances may impair the company's viability as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the financial position and results in accordance with German generally accepted accounting principles.
- evaluate whether the management report is consistent with the annual financial statements, conforms with applicable laws and regulations, and whether it gives a true and fair view of the company's state of affairs.
- perform audit procedures on the forward-looking statements made by the statutory representatives in the management report. On the basis of sufficient and appropriate audit evidence we evaluate, in particular, the significant assumptions underlying the forward-looking statements of the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent opinion on the forward-looking statements or the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the forward-looking statements."

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were most significant in the audit of the financial statements for the current period and that are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Other information in accordance with article 10 of the EU Audit Regulation

We were elected as auditors by the annual general meeting held on 12 April 2019. We were engaged by the supervisory board on 23 July 2019. We have been the auditors of DONNER & REUSCHEL Aktiengesellschaft since the 2019 financial year.

We declare that audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee in accordance with Article 11 of the EU Audit Regulation (long-form audit report).

Responsible auditor

The auditor responsible for the audit is Rainer Thiede.

Hamburg, 16 March 2020
KPMG AG Wirtschaftsprüfungsgesellschaft

[signature] Thiede Auditor	[signature] Jacobi Auditor

REPORT OF THE SUPERVISORY BOARD

During the 2019 financial year, the supervisory board and its committees performed the tasks assigned to them by law, the articles of association and the rules of procedure and continuously monitored the activities of the executive board and provided them with advice and support. The supervisory board has established a credit committee and an audit committee from its members.

The supervisory board was directly involved in all major decisions at an early stage. The executive board reported to the supervisory board in a comprehensive and timely manner on the bank's key developments, in particular, its liquidity, financial position, risk position and operating results. The executive board submitted to the supervisory board all transactions which require its advance approval. Key loans were discussed in the credit committee with the executive board.

In 2019, the Supervisory Board met four times in total; the focal points of individual meetings included reporting on:

- business strategy and other fundamental questions of corporate governance
- development of individual business segments
- economic and financial development, including planning
- risk management, in particular with regard to counterparty, market price, liquidity and operational risks
- compliance
- regulatory developments, their consequences and the bank's compliance with them
- transactions and events of material importance

Meeting held in April 2019

The meeting of the audit committee discussed i.a. the 2018 financial statements and the results of the annual audit and its focal points in the presence of the audit firm PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft. The audit firm presented to the committee the key audit matters of the unqualified audit opinion. The audit committee meeting included a presentation and discussion of the draft of the regular banking supervisory review and evaluation process, the annual report of the internal audit department, the compliance report and the risk report.

The committee also discussed the non-audit services provided by the auditors in detail. The audit committee received information about the status of the tendering process of the SIGNAL IDUNA Group for the appointment of a single auditor starting from the 2019 annual financial statements and made a recommendation to the supervisory board and the general meeting. At its meeting, the credit committee dealt with the current risk exposure in lending. The supervisory board was informed about the main issues discussed in the committee meetings. The executive board presented the results for the 2018 financial year in the meeting.

The auditors reported on the key findings and the focal points of the audit. After the executive board's presentation and discussion of the current business performance, the supervisory board was updated on the status of digitalisation projects, core bank migration and various IT infrastructure projects. Furthermore, the supervisory board dealt with developments in the current financial year and discussed the results of the efficiency audit.

Meeting held in September 2019

In this meeting, the audit committee discussed the audit plan for the 2019 financial statements, the audit approach of the new auditor, KPMG AG, Wirtschaftsprüfungsgesellschaft, and determination of the focal points of the audit. The credit committee discussed the current risk exposure in the lending business and, as a further focal point, property and proportional financing. The supervisory board discussed current business performance, business and risk strategy, the expansion of strategic business segments and the content of the committee meetings.

Meeting held in October 2019

In an extraordinary meeting, the supervisory board discussed in detail the strategic acquisition of a competitor to strengthen the depositary business and the business with external asset managers.

Meeting held in December 2019

In December, the credit committee dealt with the current risk exposure in lending and property developments in Berlin. The supervisory board discussed i.a. the current business situation as well as business and capital planning. The risk report was discussed together with the results of the credit committee meeting. The business and risk strategy was discussed again in connection with the strategic business acquisition.

The white list for consulting services was also approved. As part of the "Fit & Proper" training programme, the supervisory board held a training event in the context of the supervisory board meeting in December, focusing on "selected supervisory developments and their impact on DONNER & REUSCHEL Aktiengesellschaft".

Between meetings, the supervisory board represented by its chair received information about important events in writing, orally or in electronic form. In addition, the chair of the supervisory board was kept informed on an ongoing basis about current business developments, material transactions, pending major decisions and the business and financial performance of the bank. The supervisory board has held regular, detailed discussions with the executive board.

The executive board also provided the chair of the supervisory board with minutes of the executive board meetings, which are typically held weekly. Together with the reporting, this has helped the chair to get a better understanding of the corporate governance. Overall, the supervisory board believes that the executive board has complied with the existing statutory information and reporting obligations. There were no conflicts of interest in the work of the supervisory board. KPMG AG, Wirtschaftsprüfungsgesellschaft, the auditors appointed by last year's annual general meeting, audited the 2019 annual financial statements and management report, including the accounts, and issued an unqualified audit opinion.
The supervisory board reviewed the financial statements for the year ended 31 December 2019, the management report and the proposal for the appropriation of profits. The auditors responsible for the audit took part in the annual accounts meeting and were available to answer questions. The supervisory board noted with approval the result of the audit of the

annual financial statements presented by the auditors. The review of the results by the supervisory board did not lead to any objections. The supervisory board approved the 2019 annual financial statements prepared by the executive board as required under Article 172 AktG. The supervisory board agrees with the proposal of the executive board for the appropriation of profits.

The supervisory board also examined the executive board's report on the relationships of DONNER & REUSCHEL Aktiengesellschaft to affiliated undertakings in accordance with Article 312 AktG. It also took note of the report of the auditor on the audit of this related-party transactions report, which contains the following audit opinion:

"Based on our audit and assessment, which was carried out in accordance with professional standards, we confirm that

1. the information contained in the report is correct; and

2. the consideration paid by the company for the legal transactions listed in the report was not inappropriately high."

The auditor's report does not contain any qualifications. The supervisory board also agrees with the report after the result of its review and raises no objections to the statement of the executive board on related party disclosures.

The supervisory board would like to take this opportunity to thank the the members of the executive board and the employees for their continued strong and successful commitment to DONNER & REUSCHEL in the 2019 financial year.

Hamburg, 08 April 2020

For the supervisory board
Martin Berger
Chairman

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