Independent since 1674

METZLER

B. Metzler seel. Sohn & Co.

Fiscal 2010

Contents

Modern corporate structure

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

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

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

Preserving our independence is pivotal to success

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

Editorial

2010 was dominated by a surprisingly clear economic recovery, although this was accompanied by considerable price turbulence on the financial markets. The debt crisis in the euro zone generated fears that some member states could declare bankruptcy and that the European Monetary Union could disintegrate. The central banks in the USA, Japan and the euro zone responded to the constant resurgence of uncertainty by flooding the financial markets with liquidity. In the light of this, the development of equity prices was inhomogeneous: while many stock markets rose to the highest level for several years, the broadly based EURO STOXX 50 equity index ended the year down as a result of the European sovereign debt crisis. The bond markets did not move in tandem either: based on the JPM EMU index, prices for euro-denominated bonds did not even keep pace with inflation. However, the corresponding indices for US and global bonds posted double-digit gains. The sovereign debt crisis in Europe also dominated the foreign exchange markets, and the euro slipped significantly against almost all other major currencies.

Against this background, our business developed positively, confirming once again that we have a promising market position. For example, we have observed continued buoyant demand for our services and more and more customers value us as an independent adviser and reliable partner.

Asset Management registered a pleasing inflow of funds, both in the institutional fund business and for mutual funds. The total volume of assets under management increased from EUR 37 bn to around EUR 41 bn, with a key contribution to this coming from the positive trend on the capital markets. In Corporate Finance, where the market picked up somewhat, we expanded our position as an independent adviser on national and cross-border transactions. Once again, the sale of companies affected by insolvency was a focal area of operation. The Equities segment posted a satisfactory result, which was particularly impressive since many institutional asset managers took a low-key approach to equity investments. At the same time, we increased our business with major institutions, especially in Germany, and were again able to demonstrate our strength as a partner in confidential transactions. The Financial Markets segment reported another very good result thanks to high interest income, buoyant fixed income business for clients, foreign exchange advice and successful custom-tailored capital market transactions for our clients.

Private Banking continued to strengthen business with clients at all of our locations. We also gained a very pleasing number of new private portfolio management accounts, resulting in a further significant increase in the volume of assets managed.

We see good prospects that the growth momentum in the global economy will continue in 2011. This is likely to be driven principally by the emerging markets, where economic output is rising steadily. However, we also see a negative side to this dynamic trend and anticipate higher commodity prices in 2011, leading to a faster rise in inflation. In this environment investors are likely to favour equities because they offer better protection against inflation than many bonds and money market investments, where real returns are expected to be negative as interest rates are still low while inflation is rising. By contrast, corporate bonds still offer an attractive risk premium and we believe they have upside potential in 2011.

In view of our systematic focus on low-risk, off-balance-sheet capital market advice, we believe we are well-positioned for the challenges in a market that is notably characterised by rapid technical and regulatory change. Thanks to our extremely good equity base, with a tier 1 capital ratio of over 20%, and the comfortable liquidity position derived from our business model, we are able to continue our prudent, long-term business focus with strategic foresight.

Boards

B. Metzler seel. Sohn & Co. Holding AG

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

Advisory Board:
Dr. Christoph Schücking, Chairman
Hans Hermann Reschke, Deputy Chairman
Udo Behrenwaldt
Thomas Leysen
Gerhard Schleif
Dr. Ronaldo Schmitz
Heinz-Joachim Wagner

Partners' Committee:
Karl-Emil Fuhrmann
Michael Klaus
Frank-Peter Martin
Friedrich von Metzler
Emmerich Müller
Hartmut Petersmann
Dr. Johannes Reich
Gerhard Wiesheu

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

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

Consolidated Balance Sheet as at 31 December 2010 (Short Version)

Assets	2010 EUR	2010 EUR	2009 EUR '000
Cash reserve		59,382,698.22	41,192
Due from banks			
on demand	90,469,810.01		270,052
other receivables	47,298,388.57		27,810
		137,768,198.58	297,862
Due from customers		1,639,492,401.96	68,050
Bonds and other fixed-interest securities			
issued by the public sector	196,868,012.26		205,338
issued by others	659,984,790.07		1,241,482
		856,852,802.33	1,446,820
Equity shares and other variable-yield securities		106,091,401.73	95,130
Trading assets		146,743,388.23	–
Equity investments and shares in associated companies		24,323,923.66	22,711
Fiduciary assets		692,146,838.28	438,248
Intangible assets and tangible fixed assets		13,498,698.08	14,420
Other assets		65,904,207.64	33,947
Total assets		**3,742,204,558.71**	**2,458,380**

Liabilities

	2010 EUR	2010 EUR	2009 EUR '000
Due to banks			
on demand	6,906,442.90		1,998
with an agreed term or notice period	29,108,146.77		4,038
		36,014,589.67	6,036
Due to customers			
Savings deposits	104,923.75		116
Other liabilities			
on demand	896,544,518.33		1,329,963
with an agreed term or notice period	347,791,747.09		354,661
		1,244,441,189.17	1,684,740
Securitised liabilities		1,410,646,350.00	91,210
Trading liabilities		109,398,969.66	–
Fiduciary liabilities		692,146,838.28	438,248
Other liabilities		41,525,481.06	30,648
Provisions		71,520,035.34	103,149
Fund for general banking risks		42,200,000.00	10,000
Capital and reserves			
Subscribed capital	16,000,000.00		16,000
Capital reserve	75,984,664.92		76,039
Currency translation	16,440.61		0
Consolidated unappropriated profit	2,310,000.00		2,310
		94,311,105.53	94,349
Total liabilities		**3,742,204,558.71**	**2,458,380**
Contingent liabilities			
from guarantees and indemnity agreements	13,851,258.87		1,740
from the provision of collateral for third-party liabilities	4,000,000.00		0
		17,851,258.87	1,740
Other commitments			
Irrevocable lines of credit granted		35,088,802.34	13,565

Consolidated Profit and Loss Account for the Period 1 January to 31 December 2010 (Short Version)

	2010 EUR	2010 EUR	2009 EUR '000
Interest income	25,381,388.65		51,471
Interest expenses	–5,579,750.95		–19,634
		19,801,637.70	31,837
Current income from equity shares, other variable-yield securities and financial assets		1,177,361.63	1,378
Commission income	174,876,288.86		162,106
Commission expenses	–42,757,764.73		–33,983
		132,118,524.13	128,123
Net trading result		2,352,099.68	5,417
Balance of net income/loss under profit and loss transfer agreements		58,445.75	–62
General administrative expenses			
Personnel expenses	–85,824,936.16		–88,550
Other administrative expenses	–40,569,085.24		–39,503
		–126,394,021.40	–128,053
Depreciation on intangible assets and tangible fixed assets		–5,539,301.76	–5,135
Other operating income/expense		–4,700,228.16	–13,902
Provision for contingent loan losses and result from the valuation of certain securities		–14,988,445.46	–9,326
Result from financial assets		130,412.38	–787
Operating income		**4,016,484.49**	**9,490**
Extraordinary income (BilMoG implementation)		4,496,819.55	0
Taxes		–6,203,304.04	–7,180
Consolidated profit/unappropriated profit		**2,310,000.00**	**2,310**

Audit Opinion

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

"We have audited the consolidated financial statements prepared by B. Metzler seel. Sohn & Co. Holding Aktiengesellschaft, Frankfurt am Main, comprising the balance sheet, the income statement, the notes to the consolidated financial statements, cash flow statement, and statement of changes in equity, together with the group management report for the fiscal year from 1 January 2010 to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Eschborn/Frankfurt am Main, 11 March 2011

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We will be happy to provide further information on the annual financial statements for 2010. Please address your request to: crm@metzler.com

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