On the Move

Annual Report 2018

Bankhaus Lampe

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Bankhaus Lampe KG

Contents

Markus Bolder
General Partner

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General Partner

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Spokesman of the General Partners

Dear Sir or Madam,

We saw a great many changes again in 2018. Aside from extremely volatile capital markets, which kept us busy in particular towards the end of the year, both the banking environment and cross-sector developments remain a challenge. For Bankhaus Lampe, last year was characterised mainly by a generation change at top management level and the related strategic positioning. In a difficult market environment, this change in the group of General Partners laid the foundation for a forward-looking strategic alignment of the Bank.

As an independent private bank with entrepreneurial backing, our business model is based on two pillars: the Asset Management and Private & Corporate Client business as well as the Capital Market and Corporate Finance segment. Our clients include wealthy private investors, medium-sized enterprises, institutional investors, and major corporations.

We strive to deliver the best performance and act to the benefit of our clients at all times. We find individual solutions for our clients, always tailored to meet their respective requirements. In addition, our products and services offer a maximum of transparency and consistency. With our expertise we are equal to the challenge of complex matters, and we meet these with all due confidentiality.

In accordance with the market and the competitive situation, we continuously strive to refine our business model. For our Asset Management, this means we will systematically strengthen our services. Just recently we have introduced various systematic investment concepts, and we are now rounding off our spectrum with a fundamental approach based on selecting individual securities. In the area of Corporate Finance, we are deliberately pushing the internationalisation of the business with a focus on the USA and Asia.

Since 1852, our actions have been guided by responsible management, independence, honour and integrity. We want to work with our clients to drive the economy and add value.

Yours faithfully,

The General Partners of Bankhaus Lampe KG

1. Strategic Focus

Client Focus

Bankhaus Lampe is true to its values – and it moves with the times. As an independent private bank, we offer our clients comprehensive asset management services. Our spectrum of fundamental investment concepts complemented, when reasonable, by quantitative methods is characterised by individuality, consistency and transparency. We meet the changes in global capital markets with confidence, and we are moving ahead with our strategic development. As a result, we are well positioned for the future.

Klemens Breuer: "Aside from the Capital Market and Corporate Finance segment, our Asset Management and Private & Corporate Clients business is the key pillar carrying Bankhaus Lampe. It will be strengthened significantly as part of our strategic development. One thing is very clear: We focus on our clients all the while."

Strategic Focus

Bankhaus Lampe is an independent German private bank founded in 1852. Our clients include wealthy private investors, medium-sized enterprises and institutional investors as well as major corporations. Tailored to suit each individual group of clients, Bankhaus Lampe Group offers a comprehensive advisory and service portfolio in the following areas: Asset Management and Private & Corporate Clients, Capital Markets, and Corporate Finance.

The Bank will always strive to deliver top performance and quality. We find individual solutions for our clients, developed to meet their respective requirements. In addition, our products and services offer a maximum of transparency and consistency. Thanks to the performance culture lived by our employees and the Bank's compact structures, we are able to meet our clients' needs swiftly and to the highest standards.

With this value proposition, we have positioned ourselves on the market as client-focused asset managers and capital market specialists. At the same time, our strategic focus and the measures taken to achieve our targets give our employees a clear plan for the future.

Unique shareholder background

Bankhaus Lampe has been part of the Oetker Group since 1949. Its industrial shareholder background is unique in the banking sector and stands for independence, stability and reliability.

- Bankhaus Lampe is a standalone bank, independent of financial conglomerates As a result, the Bank can respond to market conditions quickly and credibly promise to find the best solution for each of its clients.
- The Bank's stability and long-term business approach manifest themselves in its excellent capital resources and the shareholder's backing for its future strategy.
- As a private bank managed by personally liable General Partners, Bankhaus Lampe places great importance upon responsibility.

Personality and a set of firm values

Both the Bank's General Partners and its employees are committed to a set of strong values upon which rests the foundation of its business. First and foremost, Bankhaus Lampe's employees are honest, responsible and conscientious towards its clients and business partners. Besides this, there is continuity in client relationships, risk-awareness and a commitment to seek out excellent solutions.

We expect no less from our clients and business partners and follow guidelines we have imposed on ourselves to that end. For example, as a general rule we refrain from entering into business relationships with companies or industries involved in controversial areas of business and/or business practices.

Expert on Germany with long-standing client relationships

Thanks to its own shareholder background, its good and long-standing client relations in Germany's Mittelstand and its strong presence in the respective regions, the Bank is particularly sensitive to the needs of medium-sized enterprises. Because personal relations matter, to both us and our clients.

For its private and corporate clients in German-speaking Europe as well as for institutional investors and major corporations, Bankhaus Lampe is the expert and the first port of call for complex financial matters, which we treat with all due confidentiality.

International investors also value the Bank's close relationships with Germany's small and medium-sized enterprises. The Bank serves its international institutional clients via its subsidiaries in London and New York.

The Bank has a deep understanding of the industry in the areas of consumer/retail, industrials and related services, real estate, and technology/digital. The Bank's numerous industry contacts allow it to engage in strategic dialogue with clients and relevant business partners, for example, via its Economic Advisory Board.

The Bank's own Equity Research team additionally enhances its reputation as a specialist for Germany. Our coverage universe currently includes around 160 exchange-listed companies. This expertise is complemented by equity strategies and the sound knowledge of non-listed companies we have gained from our historical ties with the German Mittelstand.

Ongoing development of the business model

In a challenging environment with still-low interest rates, digitalisation, strict regulation and global challenges, Bankhaus Lampe has been steadily developing its business model for years.

In the summer of 2018, the Bank's new management team conducted a comprehensive strategy process. In due consideration of the market and the competition, Bankhaus Lampe is enhancing its strategic focus with a view to its clients, range of service, employees, and processes.

In recent years, the Bank has been driving growth by establishing new subsidiaries in Germany and abroad and by expanding the capital market business. In future, we will concentrate on the enhancement of our asset management offering and the focused internationalisation of our corporate finance services. We are mainly looking at the USA and Asia.

Asset management and private & corporate client business

The Asset Management and Private & Corporate Client business is an essential element in Bankhaus Lampe's holistic approach to advisory and other services. The group responds to all client requests by drawing upon its entire pool of experience and expertise.

Organisational realignment is a key element in a comprehensive strategy project we are undertaking in order to rigorously bundle our product expertise in liquid asset management within our subsidiary Lampe Asset Management. In addition, we are expanding our illiquid asset management by structuring specific products in real estate, minority shareholdings in small and medium-sized enterprises, and venture capital. These activities are bundled under the umbrella of a new unit: Private Markets.

In 2018, we pushed ahead with the enhancement of our range of asset management services. After implementing systematic multi-asset and total return solutions in 2017, we added a sustainable investment approach in 2018 to round off the portfolio. We thereby continue to systematically professionalise our asset management.

Moreover, we will strengthen our positioning as an active manager and specialist in European small and mid caps, offering an alternative to quantitative products that will allow clients of a certain size to invest in individual securities. By implementing a wealth planning tool as well as a new portfolio management system, the Bank is also strengthening its position as a trusted advisor.

Capital market and corporate finance

Alongside the Asset Management and Private & Corporate Client business, Capital Markets and Corporate Finance are further mainstays of our business model. This area of business covers financing and participation issues, strategic advisory and client-related capital market activities.

As part of Bankhaus Lampe's holistic approach to advisory services, there are very close ties between product specialists in areas such as Equity and Debt Capital Markets (EDCM) or Mergers & Acquisitions Advisory (M&A) and the branch business. For our international clients, we find solutions in cooperation with strong partners.

The Bank's M&A experts are the people to speak to about complex issues, such as public M&A and divestments from family business undergoing succession phases.

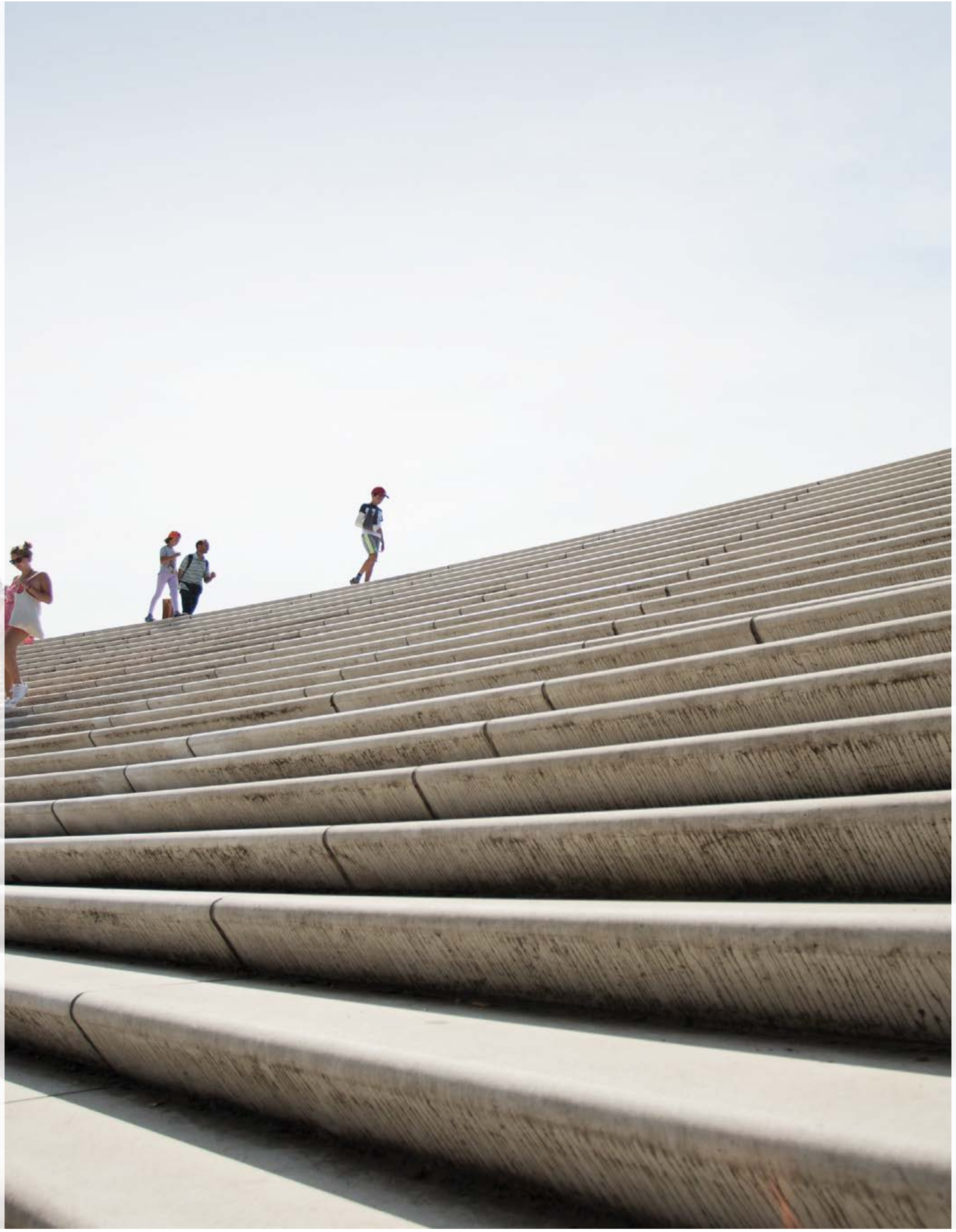
Our EDCM employees develop and mentor capital market solutions for companies that may be mid-sized or even stock-exchange listed. In the area of Equity Capital Markets (ECM), this includes initial public offerings, capital increases with/without subscription right, secondary placements of share blocks, and equity-linked transactions. In the area of Debt Capital Markets (DCM), we offer advisory, structuring and execution services around financing solutions for major corporations via refinancing instruments such as corporate bonds.

Our ECM, DCM and M&A business units work together continuously, drawing upon the Bank's longstanding client network.

Being a private bank, we meet the related complexity and sensitivity with a maximum of confidentiality and individuality. This makes Bankhaus Lampe very different to corporate finance boutiques and big banks.

2.

Group Management Report



Investing in Tomorrow's Mittelstand

Bankhaus Lampe offers exclusivity for investors from Germany's Mittelstand and for investing in Germany's Mittelstand. Our new "Private Markets" segment allows us to give our clients access to illiquid investments. At the same time, we keep a close eye on the "Tech" asset class.

Ute Gerbaulet: "Everyone talks about start-ups. We talk with them. Today's world of start-ups is tomorrow's Mittelstand. We build bridges between the traditionally industrial Mittelstand and the innovation-driven digital world."

Business Review for 2018 and Outlook

General Economic Conditions

The global economic upturn continued in 2018, although at a less dynamic rate than in 2017. In the USA, the tax reform provided a marked increase in growth and prolonged the boom. In China, economic growth has slowed somewhat, and the euro area did not maintain the previous year's rate of growth either. The effects on the real economy from the escalation of the trade dispute between the USA and especially China over the summer were limited up to the end of 2018. The wage and inflationary pressure was mostly moderate, which is why many central banks stood by their still-very expansionist monetary policies. Alone, the US Federal Reserve carefully continued to tighten rate hikes and reduce the size of its balance sheet. There was pressure on government bonds throughout the year, but the increased risk awareness at times (e.g. due to the global trade conflict, Brexit, Italy) caused it to lessen appreciably. The yield on 10Y German Bunds moved within a range of 0.30–0.70 %. The euro lost ground against the US dollar over the course of the year.

Market and Sector Environment

The bank-specific setting and cross-sector developments in the form of low-interest environment, regulation and megatrends have led to a structural change in the banking industry that also gained pace in 2018 and had a massive impact on banks' business models and profitability. Even though not all trends are equally relevant for all banks, future competitiveness will largely depend on intensive analysis of all these subjects. Megatrends are developing also developing certain self-reinforcing tendencies, which general conditions can also change in unexpected ways. Great willingness to adapt and flexibility therefore remain important factors for future viability in the financial sector.

Traditional sources of interest income are disappearing – compensation by means of commission income

Due to macro-economic conditions, banks in Germany did not manage to stabilise the interest business with the usual strategies (e.g. via an expansion of volumes or maturity transformation) in 2018 either. While it is difficult to carry over negative interest rates to client deposits, the deposit rate at the European Central Bank remained at -0.4 %. The net interest income was chiefly influenced by the revenue from the lending business. As a result, the business of lending to large and creditworthy "Mittelstand" borrowers has developed into a tough competition. In turn, these are endeavouring to set themselves up largely independent of individual lenders and not infrequently they also have high liquidity reserves. In 2018, this also led to banks' loan offers not being drawn upon to the originally planned extent.

One option to compensate for the collapsing interest income is to strengthen commission income. Here too, however, firstly there is evidence of intensive competition among market players. Secondly, there is the option of conducting commission business with clients, often linked to the awarding of credit facilities.

Policy of low interest rates is inhibiting faster consolidation of the sector

The still-low refinancing rates of the European Central Bank in combination with the expansionist monetary policies of the European Central Bank are permitting lending business that may not be viable in the long term. This is partially leading to an artificial delay in the consolidation of the banking sector and is obstructing the target of giving the financial industry positive momentum. With a 38 % decrease in the number of institutions since 2000, Germany's banks are in line with the international average. By contrast, the utilisation of economies of scale is more problematic. The market shares of Germany's five largest institutes are smaller than in any other country.

Continuing influence of regulatory regime on banking business models

The rising number of guidelines and laws in the banking sector require lending institutions to implement comprehensive system-side and process adjustments. The increasing requirements not only result in rising expenses for the IT infrastructure, but also increase the complexity of the organisational structure of the business operations. In particular, managing the ensuing costs is putting smaller institutions under increasing pressure because it is more difficult for them to distribute this growing block of fixed costs across their smaller customer bases. The increasing stringent regulatory requirements are consequently further exacerbating the problem of business size. The regulatory requirements also can impose limits precisely on international competitiveness.

For instance, in 2018 still-relevant regulatory topics include the preparations for Basel IV, MREL and TLAC, MiFID II, AnaCredit, the new version of the Remuneration Ordinance for Institutions (InstitutsVergV) and the AIA. However, the catalogue of the regulatory measures not only imposes additional costs on banks, it also restricts their earning power and capitalisation in the form of capital ratios. However, the regulations require precisely the latter to be strengthened in order to reduce banks' susceptibility to losses.

Principle of double proportionality losing importance

The principle of double proportionality ensures the competitiveness of smaller financial institutions especially in an environment suffering from the negative effects of regulation. This aims to achieve the right balance of both general regulatory requirements and intensity of the operational supervision with regard to size, business activities and risk profile of the respective financial institution. However, in recent years, there is evidence that smaller and mid-sized banks are shouldering an increasingly disproportionate burden, which is increasingly leading to competitive distortions. Furthermore, specific national aspects, such as the three-pillar system in Germany, or other legal forms of banks other than a public limited company, are not adequately taken into account, especially in view of the regulatory harmonisation efforts. Against this background, the principle of double proportionality no longer appears to apply.

Digitalisation

The digitalisation megatrend covers numerous key topics for banks and is greatly influencing the various business segments of financial institutions. This was also the case in 2018. Client expectations are not only steadily growing, they are also constantly changing. Digital channels and online banking have already become the minimum standard and are essential to stay competitive. This is because in newcomers, such as fintechs, are entering the market as digital competition and increasing the pressure by attacking individual parts of the banks' value chain.

It is therefore critical for the banks to deal with the opportunities and threats as a result of digitalisation and to develop their business models accordingly. Traditional lending institutions are aware of how important it is to implement and develop new technologies, but some banks are lagging behind when it comes to the systematic digitalisation of sales and information channels as well as business processes. This is particularly due to the lack of capacities as a result of ongoing regulatory pressure and declining earnings power in some cases.

Nevertheless, in the long term, a well-designed and functioning IT architecture is absolutely necessary to cope with the regulatory requirements and the consequences of the low-interest phase. Ultimately, after a costly implementation phase, efficient technologies and processes can make the banks profitable again in the long term.

Demographic change

Since their clients are living longer, private banks must adapt to changing needs and requirements. Particularly for older clients, the need for advice on matters of succession is moving to the fore. At the end of the day, successfully handing over a family-owned enterprise to the next generation is a primary objective, but it doesn't just happen.

At the same time, the challenge institutions face is to be attractive for younger clients as well. Young clients are increasingly asking for digital channels of information and communication. They are also turning to alternative suppliers such as fintechs, which is breaking up traditional private banking relationships.

Besides this, the problem of skills shortages is of considerable importance in the context of demographic change. In future, highly qualified young people will have to be recruited from a shrinking pool of potential candidates and they will have to believe in their own institution.

Globalisation

The demand for globally oriented services is growing among all client groups. While investors are increasingly seeking investment opportunities overseas, particularly in the US dollar area, domestic parties seeking capital are benefiting from the growing interest among foreign investors in investing in Germany's Mittelstand.

Sustainability

Furthermore, there is evidence that clients are also increasingly making investment decisions based on ecological and social criteria. In order to take account of the increased need for sustainable investing, banks not only have to offer transparent, ethically unobjectionable products and services, when selecting their business partners and clients they also have to take ethical minimum standards into consideration. The mandatory reporting of non-financial key figures in the financial statements since 2017 underscores the great importance of the subject of sustainability. The combined separate non-financial report in accordance with Sections 315b, 315c in conjunction with 289b-e of the German Commercial Code (HGB) can be found online at: www.bankhaus-lampe.de/de/downloads.

Increasing competition due to external influences

The competitive environment in the banking sector is characterised by changing conditions. With globalisation, a growing number of foreign financial service providers are coming into the German market. This is markedly intensifying the competition for business with wealthy private clients, corporate clients and institutional investors. Competition in the wealthy private clients segment is being increased further by independent asset managers, fintechs and crowd investing platforms, some of which are out and about in deregulated markets. In the area of corporate clients, there is also evidence of a trend towards greater independence in the form of expanded capital market activities, both on the capital raising side as well as on the investment side. Furthermore, competition in this segment is also intense with private investors, big banks, Landesbanken and private banks. In the business with institutional investors, fund and asset managers are also offering their services, which puts greater competitive pressure on traditional banks.

Numerous banks have already had to downsize business areas or withdraw from them entirely in order to remain profitable and ensure their continued existence. It also remains important to evaluate the value chain for risk and profitability aspects. Some banking business models will no longer be on the market in future, especially if the transformation continues to gain pace. For the Bank to be successful it has to have a focused business model and a sustainable strategy.

Business Review of Bankhaus Lampe Group

Within Germany, Bankhaus Lampe has offices in Berlin, Bielefeld, Bonn, Bremen, Dresden, Dusseldorf, Frankfurt/Main, Hamburg, Munich, Münster, Osnabrück and Stuttgart. It market presence is rounded off with subsidiaries in London, New York and Vienna. As a client-oriented asset manager and capital market specialist, the Bank offers holistic consultancy and support services according to our clients' respective requirements. We not only have to consider the latest situation on the financial markets, we also have to bring various client groups together that make sense. The Bank concentrates on the client groups: Wealthy private investors, medium-sized enterprises, institutional investors, and major corporations.

In 2018, despite the still-challenging market and sector environment, Bankhaus Lampe generated group net income that was on a par with a year ago (2018: € 14.9 million, 2017: € 15.0 million). Contrary to the forecast of continuous growth, the assets under management fell to € 19.1 billion (31.12.2017: € 22.4 billion). This decline is mainly due to negative developments on the capital markets – particularly towards the end of the year.

In the capital markets business, Bankhaus Lampe again managed to transact various lead manager mandates. Prime examples are the facilitating of the sale of the comdirect bank subsidiary ebase, one of the leading B2B direct banks in Germany, which still have to receive BaFin approval, as well as the roles as a joint bookrunner for the IPO of Akasol AG and as a joint bookrunner for the bond issue by DIC Asset AG. Since the ebase transaction is still subject to BaFin approval, the corresponding income was not received in 2018.

In line with the achievement of our growth targets, we define the safeguarding of a suitable capital base and core capital ratio as well as the guaranteeing of balanced refinancing as strict additional conditions for our business activities. Bankhaus Lampe focuses at all times on its clients' interests, the Bank's economic viability and the interests of its shareholder partners.

For a private bank, a high core capital ratio serves as an indicator of its financial reputation. Correspondingly, Bankhaus Lampe has increased its core capital ratio in recent years. As at 31 December 2018, , as expected, the core capital ratio stood at 15.46 % (previous year 14.55 %) - still well in excess of the regulatory requirements.

Bankhaus Lampe has a solid refinancing base due to its traditionally high client deposits.

The ongoing changes in the competitive landscape, regulatory challenges, the ongoing low interest rate phase and the resulting serious changes on the market call for periodic in-depth reviews of the business model. Of special note again in this context are the effects of the European Markets in Financial Instruments Directive (MiFID), which lead to a decline in commission income in the equities business and new conditions for wealth advisory services. The Bank responded to all these changes by initiating a company-wide strategy project in 2018. In due consideration of the market and the competition, the Bank is enhancing its strategic focus with a view to its clients, range of service, employees, and processes. Our business model is based on two pillars: the Asset Management and Private & Corporate Client business as well as the Capital Market and Corporate Finance segment. Bankhaus Lampe's guiding principles pave the way to ensuring high-quality advice for SMEs, performance in asset management for wealthy private investors and institutional investors as well as being a successful capital market specialist for institutional investors and large corporation.

Some initiatives taken up as part of the strategy project include:

- Focus on winning new clients and growing assets under management in the entire asset management business as well as a further strengthening of the salesforce in the institutional business
- Client-oriented expansion of the liquid asset management offering and extension of the product range to include a fundamental investment approach
- Extension of product range in illiquid asset management (real estate, digital investments, private equity and infrastructure) with major growth and differentiation potential
- Focused internationalisation of the capital market business and therefore associated improvement of business area profitability via expansion of co-operations in connection with growth in the client group major corporations
- Improved cost discipline and continuous process optimisation

Management System of Bankhaus Lampe Group

Bankhaus Lampe is managed based on financial performance indicators, which indicate the Bank's profitability taking account of its risk-bearing capacity. The overriding objective of achieving an adequate return on equity while maintaining a solid core capital ratio is to clearly demonstrate the Bank's economic viability.

The annual strategic plan forms the basis for the management system. It includes development projections, which are continuously evaluated in terms of target achievement. The planning is supported by the Finance unit and the Risk Controlling department. In a first step, the General Partners define a framework of targets and the measures to achieve these targets, by putting them into operation at the individual business areas and profit centres in co-ordination with the management executives. In a second step, the set targets are co-ordinated with forecasts from the respective departments in order to determine the final budget figures accordingly.

Growth and structure targets are of key important to the achievement of group-wide key performance indicators and cover both the systematic and sustainable increasing of income in the entire asset management business, connected with increasing assets under management, as well as increasing income in the capital market business. It is crucial to build a robust and diversified earnings base that is independent of the interest-rate environment, above all by gradually increasing the share of commission income vs. net interest income and focusing on the three main sources of income: Private & corporate client business, institutional asset management and capital market business, including trading.

In order to achieve its overarching targets, Bankhaus Lampe is striving to develop a range of competitive services, consistently high levels of customer satisfaction, a good reputation and brand awareness and targeted incentivisation of the workforce.

Definition of key performance indicators

- Return on equity (RoE): Net profit / balance sheet equity
- Common Equity Tier 1 (CET1) ratio: Core capital / risk-weighted assets
- Assets under management: Value of assets that Bankhaus Lampe Group manages on behalf of its clients
- Cost / income ratio: Administration costs in relation to the net result from net interest income, current income, net commission income, net income from proprietary trading and other operating earnings

Notes on Net Assets and the Financial Situation

As per the balance sheet date of 31 December 2018, the **total assets** of Bankhaus Lampe Group came to € 2,938 million. This figure was less than the previous year's € 3,104 million and was still characterised by the high level of **client deposits** (€ 2,077 million vs. € 2,254 million in previous year). Accounting for 71 % of total assets (previous year: 73%), client deposits represent the most important source of refinancing and substantially exceed the Bank's credit business. This underscores the solidity of the balance sheet structure.

Loans and advances to banks rose by € 67 million to € 242 million in the year under review. This is essentially due to the increase in repo transactions (+€ 66 million) and term deposits (+€ 13 million).

As per the balance sheet date of 31 December 2018, **loans and advances to clients** came to € 1,530 million, which is a gain of 5.1 % yoy. This increase is essentially due to +€ 87 million from intermediate construction financing. The size of the credit portfolio facilitates an adequate diversification of risks on the one hand and is also commensurate with the risk-bearing capacity of a private bank on the other.

Debentures and other fixed income securities fell from € 327 million to € 307 million. Most of the securities are from other issuers (92 %).

The **trading portfolio** as per the balance sheet date stood at € 433 million (previous year: € 613 million) and essentially comprises bonds and equities.

As per the balance sheet date, **liabilities to banks** had risen from € 229 million to € 331 million, essentially due to an increase in repo transactions (+€ 141 million).

In the year under review, € 0.2 million was allocated to **funds for general banking risks** pursuant to Section 340g of the German Commercial Code (HGB) in connection with Section 340e Para 4 HGB. As per the end of the year, funds for general banking risks amounted to € 57.4 million.

Bankhaus Lampe Group enjoyed a comfortable **liquidity position** throughout FY 2018. As per 31 December 2018, the liquidity coverage ratio (LCR) stood at 174.73, far in excess of the regulatory minimum.

As at 31 December 2018, the **balance sheet equity** amounted to € 301 million and therefore 10.2 % of the total assets (previous year 9.4 %) before the determination of the balance sheet profit. The return on equity therefore stood at 4.9 % (previous year 5.1 %) and was therefore not yet increased moderately, as forecast in the Group Management Report for 2017. The return on capital as a ratio of group net profit for the year and group total assets comes to 0.5 % (previous year 0.5 %).

As per the balance sheet date, the **irrevocable lending commitments** amounted to € 62 million (previous year € 133 million).

Notes on the Income Situation

The Bank ended FY 2018 with a **group net profit** of € 15.2 million (previous year € 15.5 million). Of the € 15 million in net profit generated by Bankhaus Lampe KG in 2017, € 7.0 million was paid out as a dividend. The Group Management Report for FY 2017 already pointed out that overall a group net profit on a par with the year before was to be expected, which has correspondingly also happened. The group net income amounted to € 14.9 million (previous year € 15.0 million).

The **net commission income** declined in FY 2018, largely due to a tough market environment. The net commission income, which is dominated by the securities business, stood at € 78.1 million (previous year € 90.2 million) and was therefore less than expected.

As expected, the **net interest income** as a balance of interest income and interest expenses decreased slightly. This includes the ongoing income from equity and other variable-yield securities as well as shareholdings and shareholdings in affiliated companies. Taking account of a change in the reporting amounting to € 13.0 million, the net interest income fell from € 46.8 million to € 37.5 million. The current net interest income fell from € 39.90 million to € 33.10 million. Current income from equity and other variable-yield securities, from shareholdings and from shares in affiliated companies came to € 4.4 million (previous year € 6.9 million).

The **ratio of commission income to current net interest income** excluding income from shareholdings for FY 2018 stood at 70 / 30 (previous year 69 / 31). This ratio underlines the importance of the commission business for Bankhaus Lampe Group and underscores the focus on commission income.

Net income from proprietary trading was down by € 1.7 million to € 1.0 million, but still contributed positively and in line with our forecast. Statutory reserves derived from net income from trading activities were also allocated in FY 2018 (as in the previous year) pursuant to Section 340g of the German Commercial Code (HGB) in conjunction with Section 340e Para. 4 of the HGB and will be available as additional risk cover in future.

As at 31 December 2018, a positive **net valuation result** was reported **from the lending and securities business** amounting to € 8.7 million (previous year € 10.8 million). This includes a valuation result from the lending business of € 11.1 million (previous year: € 11.9 million), which comprises net additions of specific valuation adjustments, provisions, depreciation and contingency reserves pursuant to Section 340f HGB as well as changes in general valuation adjustments. All recognisable risks were provided for through adequate value allowances and provisions.

As at 31 December 2018, Bankhaus Lampe reported a € -2,4 million net valuation charge on securities in the liquidity reserve (previous year: € -1.1 million).

The **net valuation result from shareholdings** as balance of the items "earnings from write-ups to shareholdings, shareholdings in affiliated companies and securities treated as fixed assets" and "depreciation and valuation allowances to shareholdings, shareholdings in affiliated companies and securities treated as fixed assets" came to € 0.9 million (previous year: € 12.4 million).

Personnel and material expenses, including depreciation and valuation adjustments on intangible assets and property, plant and equipment (administration costs), fell by 6.9 % from € 156.9 million to € 146.1 million in FY 2018, in line with our forecasts. This is essentially due to a decrease in personnel expenses to € 84.5 million (previous year: € 88.7 million), along with a decline in other administration costs to € 58.0 million (previous year € 61.8 million).

The **cost/income ratio** shows the administration costs in relation to the net result from net interest income, current income, net commission income, net income from proprietary trading and other operating earnings. As per 31 December 2018, it had been reduced as projected and stood at 92.0 % vs. 101.8 % a year before. This decline mainly resulted from much lower administration costs.

In FY 2018, other **comprehensive income** grew by € 19.2 million to € 33.5 million. The other operating income rose to € 37.9 million (previous year € 24.7 million) chiefly due to the release of provisions. The other operating expenses fell to € 4.4 million (previous year € 10.4 million).

The **tax income** came to € 1.9 million due to non-periodic income (previous year: tax expense of € 4.8 million).

Employees

As at 31 December 2018, a total of 612 active staff were employed by Bankhaus Lampe KG (previous year 626). In addition, there were 34 passive employees in semi-retirement, on paid leave or on parental leave. The employee turnover rate, i.e. the number of people leaving the company in relation to the overall number of employees on average, rose to 11.6 % (previous year 8.6 %) and was therefore above the average figure of 7.1 % recently ascertained by the banking association for the sector. The average period of continuous employment stood at 11.7 years and therefore on a par with a year ago (11.3 years).

Outlook // Economy

We expect 2019 to be marked by dwindling global economic momentum. A lack of fresh economic impetus and the ongoing winding down of ultra-loose monetary policies by major central banks, we anticipate a fall in global GDP growth to 3.3% (2018: 3.7 %).
Due to the dwindling impetus from the tax reform, GDP growth in the USA is likely to decrease markedly to 2.3%. Bankhaus Lampe also expects the Chinese economy to grow by 6.3% and therefore less than in 2018. Besides this, the economic situation in emerging markets is likely to be tougher, particularly due to the continued rise in US interest rates. In the eurozone, by contrast, GDP growth will probably drop back to 1.1% mainly due to the lower baseline than in 2017. Taken together, Bankhaus Lampe's experts put this trend in the category growth normalisation, for which a notable buffer to recessionary trends remains intact. There is no room for a sustained rise in inflation rates in this setting.

Major central banks are therefore likely to wind back their ultra-loose monetary policies further. The Fed will probably raise its key rate to the virtually neutral rate of 2.75 % by mid-2019 in this cycle and continue to decrease its total assets. Following the end of the ECB's net asset purchasing in December 2018, Bankhaus Lampe expects the European Central Bank to initiate a cautious interest rate reversal in September. The Bank of England is unlikely to tighten interest rates until there is clarity about the form Brexit will take.

In the event of slowing economic momentum and rising base rates in 2019, investors will probably place more focus on major risks. Besides the sustainability of total global indebtedness, which has climbed to 246% of GDP, the distinct credit risks in China and the USA, and the still-groggy EU banking sector, Bankhaus Lampe's experts particularly have the global trade conflict in mind. An extreme escalation would probably push inflation rates higher and cost global GDP up to 0.3 points of growth. However, production chains are likely to be adjusted quickly and new alliances forged. China will probably take corrective economic action. This does not mean the danger has passed: Above all, the industrialised nations are in a much worse position to deal with a crisis in terms of monetary and fiscal policy than in 2008. Added to this in the eurozone, Italy turning its back on budgetary discipline will probably encourage copycats, which will cause constant unrest.

AAA-rated 10Y government bonds term will probably enjoy support throughout the year – initially due to the demand for "safe havens", and then later on due to the dwindling radiance of the US economy. All in all, US Treasuries are set to range from 2.30 % to 3.10 %, and Bunds should remain within a range of 0.00-0.60 % in 2019. For other EMU govies there is a weak underlying trend for the whole year. Apart from the USA, financial repression remains on the agenda in most places. Due to the expected US-targets (business cycle, base rate, inverse yield curve) and the interest rate reversal by the European Central Bank, Bankhaus Lampe expects the EUR-USD exchange rate to move towards 1.20 in the medium term.

Forecast

Growth and inflation	Gross Domestic Product				Consumer prices			
% y/y	2017	2018	2019P	2020P	2017	2018	2019P	2020P
Global	3.8	3.7	3.3	3.2				
Eurozone	2.5	1.8	1.1	1.0	1.5	1.7	1.7	1.8
Germany*	2.2	1.4	0.7	1.1	1.7	1.9	1.7	1.7
France	2.3	1.5	1.0	1.0	1.2	2.1	2.1	1.9
Italy	1.6	0.9	0.6	0.8	1.3	1.2	1.2	1.5
Spain	3.0	2.5	2.0	1.6	2.0	1.7	1.4	1.8
United Kingdom	1.8	1.3	1.1	1.1	2.7	2.5	2.1	2.0
Switzerland	1.7	2.6	1.2	1.1	0.5	0.9	0.7	0.7
USA	2.2	2.9	2.3	1.7	2.1	2.4	2.0	2.0
China	6.8	6.6	6.3	6.1	1.6	2.2	2.2	2.3
Japan	1.9	0.7	0.4	0.8	0.5	1.0	1.0	1.5

Source: DataStream, 2018–20: Bankhaus Lampe forecasts, * calendar effect taken into consideration

Interest rates and yields (%)	2019	+3 months	+6 months	+12 months
USA				
Federal Funds Rate	2.50	2.50	2.75	2.75
3-month Libor*	2.75	2.80	2.80	2.70
10-year Treasury	2.75	3.00	2.80	2.60
Eurozone				
Main refinancing rate	0.00	0.00	0.00	0.25
3-month Euribor	-0.31	-0.30	-0.25	-0.10
10-year Bund	0.20	0.40	0.50	0.50
United Kingdom				
Repo rate	0.75	0.75	0.75	0.75
3-month Libor	92	0.90	0.90	1.00
10-year Gilt	1.31	1.40	1.50	1.40
Switzerland				
Target rate 3-month Libor	-0.75	-0.75	-0.75	-0.75
3-month Libor*	-0.70	-0.75	-0.75	-0.70
10Y Swiss Confederation bond	-0.25	0.10	0.10	0.10

Source: DataStream, months: Bankhaus Lampe forecasts

Currencies	2019	+3 months	+6 months	+12 months
EUR-USD	1.13	1.14	1.16	1.18
EUR-GBP	0.87	0.87	0.85	0.87
EUR-CHF	1.13	1.14	1.16	1.18
EUR-JPY	125	126	130	130

Source: DataStream, months: Bankhaus Lampe forecasts

Outlook // Market and Competition

The deep structural crisis in the German banking sector is far from over. Bank-specific situations and cross-sector developments are challenging and are leading to structural change that is accelerating. The effects of this environment on banks' business models and profitability are huge. Another example in this context are the effects introducing the Markets in Financial Instruments Directive (MiFID). It is crucial for banks to face up to the new challenges in the area of digitalisation and the associated competition with newcomers to the financial sector. In this context, not only do existing business models have to be developed further, models for the future have to be drawn up at the same time. The extent to which institutions manage to shed established practice and short-term management and to use mostly limited budgets effectively will be key.

Outlook and Opportunities // Bankhaus Lampe Group

Bankhaus Lampe focuses its activities to provide all of its customers a high-quality, performance-oriented and independent range of services. The challenges of core capital ratio, refinancing and company size have been addressed.

- Bankhaus Lampe sees opportunities in positioning itself as a client-oriented asset manager and capital market specialist that can be relied upon to provide high-quality advice for SMEs, performance in asset management for wealthy private investors and institutional investors as well as being a successful capital market specialist for institutional investors and large corporations.
- The bank believes its competitive advantages lie in its strong brand name, its position as an active manager with core competencies in European SMEs, its high-quality advisory services as well as in the special experience of being a private bank client. The bank-wide strategy project is addressing the measures and initiatives needed to make us fit for our future mission. Major directions of thrust include:
  - Achieving growth in assets under management in the entire Asset Management business together with a strengthening of the salesforce in the Institutional business
  - Client-oriented expansion of the liquid asset management offering and extension of the product range to include a fundamental investment approach
  - Extension of product range in illiquid asset management (real estate, digital investments, private equity and infrastructure) with major growth and differentiation potential
  - Focused internationalisation of the capital market business and therefore associated improvement of business area profitability via expansion of co-operations in connection with growth in the client group major corporations
  - Improved cost discipline and continuous process optimisation

- These approaches are flanked by the business with SMEs. The corporate client business has generated stable contributions to earnings in recent years and has been largely characterised by high credit quality combined with low default rates. In 2019, Bankhaus Lampe will continue to pursue its policy of cautious lending.
- A well-differentiated client deposit mix ensures a solid refinancing base for Bankhaus Lampe. Refinancing options have to be continuously reviewed in the context of the general interest rate environment to be able to adapt flexibly to legal and regulatory requirements.

Outlook // Income Components

Net interest income

Taking everything into consideration, Bankhaus Lampe Group expects its net interest income to be on a par with last year. The Bank's balance sheet structure is less dependent on maturity transformation than its competitors' due to extensive maturity matching.

Net commission income

Bankhaus Lampe Group is optimistic about net commission income. Despite the currently difficult situation on the financial markets, the Bank anticipates a slight improvement in net commission income from the new Institutional Sales unit as well as from the expanded product range in the area of illiquid assets.

Net profit from proprietary trading

It is difficult to estimate net income from proprietary trading due to ongoing imponderables in the financial markets. However, Bankhaus Lampe Group expects a positive earnings contribution for 2019 that will be moderately higher than in 2018.

Administrative expenses

Administration expenses are expected to be slightly lower. Investment needed in IT infrastructure will be largely capitalised, as will expenditure linked to the construction projects in Bielefeld and Dusseldorf. In addition, the cost optimisation measures already introduced will be systematically continued in 2019 as well.

Consolidated net income

In total, the group is expected to report consolidated net income for 2019 that is on a par with 2018.

Performance indicators

At the group level, the return on equity is expected to rise slightly in 2019. The core capital ratio should also remain steadily above the regulatory minimum in the years ahead. The Bank is still striving to achieve continuous growth in the actively managed assets under management. The cost-income ratio should fall slightly in 2019.

Outlook // Strategy

Bankhaus Lampe is continuously working on improving its overall banking strategy and business model. Based on the strategy process undertaken in 2018, there is an even stronger focus on positioning the Bank as a client-oriented asset manager and capital market specialist. To this end, Bankhaus Lampe is focusing on a targeted expansion of its asset management expertise and range of services. As an active asset manager with excellent expertise in Europe and SMEs, the Bank gives its clients access to entrepreneurially minded investment opportunities and financial services. The development of the Private Markets unit also brings an expansion of the investment opportunities in illiquid assets (real estate, minority shareholdings in SMEs and venture capital). This range of products and services also aims to set the Bank apart from the competition.

Developing the overall banking strategy and the business model strengthens Bankhaus Lampe Group to face the macro-economic environment outlined previously, the intensive regulatory system, the competitive pressure as well as the megatrends. Besides this, Bankhaus Lampe has solid capital resources, a comfortable deposit situation and a stable shareholder background.

Risk Report for 2018

The key objective of Bankhaus Lampe KG's risk management is to limit the major risks from business operations according to its risk-bearing capacity to enable it to generate a return on capital employed commensurate with risk. Strategic targets ensure that the risks entered into are in proportion to the earnings opportunities.

To support efficient risk management, the Bank's management attaches particular importance to promoting and maintaining a sustainable risk culture in the Group. Based on a risk-oriented management culture, the Bank demands its managers and employees to act in a risk-conscious manner. Open communication and critical dialogue are just as self-evident as suitable incentive structures.

The Bank therefore identifies, assesses, controls, monitors and communicates its main risks promptly at Group level and backs them with capital. Particular focus is placed on risk concentrations. An annual risk review ensures that all risks are taken into account in their entirety.

In the past year, various adjustments were applied to the risk-bearing capacity calculation due to a revision of the corresponding BaFin guidelines. At the end of the third quarter, for example, the previous liquidation approach was transferred to a new economic outlook without any particular need for adjustment. The plausibility check previously carried out using the going concern approach was discontinued at the same time. At the end of 2018, the annual capital planning was also integrated into a new normative approach in accordance with BaFin guidelines. In this context, the adverse scenario under consideration was further specified.

In the economic outlook, all of the risks included in the risk-bearing capacity calculation are still estimated on a quarterly basis at a confidence level of 99.9 % with a risk horizon of one year. Individual risks are calculated using a conservative approach, i.e. risk-lowering correlations are disregarded, and then aggregated to an overall bank risk level. The resulting figure must always be less than the sum of the Bank's equity and allowable reserves. Positive budget results are disregarded under the conservative approach. A utilisation of risk cover funds of 80% or more triggers internal sanctioning mechanisms.

In FY 2018, the overall bank risks calculated according to these methods were always well below the Bank's defined risk-bearing capacity. There were no significant changes to the risk situation vs. a year ago. The utilisation at all reporting dates ranged between 44 % and 49 %.

As at 31 December 2018, the conservatively calculated total risk contribution in the economic outlook of € 169.2 million was broken down by type of risk as follows:

- 38.1 % credit risks
- 27.5 % risks from shareholdings
- 16.2 % market risks proprietary trading / liquidity reserve
- 15.2 % operational risks / reputation risks
- 2.4 % market liquidity risks proprietary trading / liquidity reserve
- 0.6 % interest rate risks in the banking book

The normative approach of the risk-bearing capacity calculation is using a planning scenario based on the Bank's medium-term forecasts. On this basis, a three-year economic downturn in the European economy with corresponding effects on markets, customers and the Bank's business activities is simulated in an adverse scenario. For this purpose, changes in the Profit and Loss Account and risk-weighted assets are derived on the basis of conservative assumptions. In particular, loan defaults, drawings on unused credit lines, proprietary trading losses, declines in net interest income, losses on shareholdings, OpRisk/RepRisk losses and commission defaults are simulated. In this way, the total and core capital ratios expected under adverse conditions are calculated for the next three years.

In accordance with the requirements of the CRR, the core capital ratio as at 31 December 2018, based on the reports submitted to the banking supervisory authorities, was 15.46 % and the total capital ratio 16.93 %. The mandatory minimum requirement of 8.0 % was clearly exceeded during the entire financial year. In addition, in the planning scenario, all minimum ratios are exceeded for the entire period under review.

If the assumed adverse scenario were to materialise, the Tier 1 capital requirements, including all capital buffers, could be complied with throughout the next three years. With regard to the total capital requirements, the scenario from 2020 results in slight undershooting of the combined capital buffer requirement in accordance with Section 10 i Paragraph 1 of the German Banking Act (KWG). If necessary, these could be offset by raising additional subordinated capital.

As part of a quarterly stress test at the Group level that includes all risk classes, we simulate a serious economic downturn and an extreme loss of confidence in the markets or among clients following an external event. Utilisation of risk coverage including subordinate funds was between 48 % and 55 % as of all reporting dates.

Using qualitative inverse stress tests, we also analyse various scenarios that could be critical to the survival of the Bank. These scenarios are selected on the basis of the business model of a private bank and the Bank's main sources of income and risk.

The Bank uses derivative financial instruments primarily as hedging instruments. Interest rate swaps in the OTC market as well as futures and options on Eurex are the preferred products. Such items are closely integrated into the risk management system. The report on the use of derivative financial instruments is included in the Consolidated Financial Statements Annex.

As in the previous year, no risks that endangered the continued existence of Bankhaus Lampe or its performance were identified neither at the balance sheet date nor in the course of the reporting year. Risk coverage was in place at all reporting dates. All executed stress tests confirmed the adequate risk coverage. All executed valuation measures confirmed the adequacy of the risk controlling measures. As part of its multi-year planning, internal audit also examined key components of the risk management system.

In the following, the material risks as defined by the Bank are explained in more detail.

Credit Risks

Credit risks comprise possible losses due to the default or change in credit rating of business partners and are subdivided into general credit risks, counterparty risks, issuer risks, migration risks, and country risks.

The Bank's credit risk strategy follows all qualitative and quantitative requirements for risk control and forms the basis for credit business. The focus is on short-term financing in Germany. The credit risk strategy sets limits for the total credit risk, for the gross and net volumes of commitments and for other aspects in order to avoid inappropriate risk concentrations.

The Bank's credit committee is responsible for the management of credit risks in both individual cases and the total portfolio. Supported by at least quarterly monitoring of all counterparties, risks are managed by the profit centres and individual key personnel including the back office. The management is supported by an early risk warning process for the entire portfolio at least once a year, independent of the rule prolongation of the back office. Close co-operation between the risk controlling department and back-office functions, together with the professional handling of problematic loans, ensures the prompt identification of potential risks. The client credit portfolio is characterised by above-average credit ratings.

The Bank applies a widely used and recognised credit portfolio model to quantify portfolio risk. The key performance indicator is the credit value-at-risk in the client credit portfolio including banks and issuers at a confidence level of 99.9 % for a one-year period. As at 31 December 2018, the credit value-at-risk came to € 58.2 million.

In addition, migration risks for the loan portfolio including banks and issuers are calculated at the same confidence level. At year-end, the risk contribution stood at € 3.0 million. As at 31 December 2018, risks from default commitments totalling € 3.3 million were also determined.

The analyses are complemented by periodic model-based, historical and hypothetical stress tests and ongoing monitoring of relevant early-warning indicators. These provided no evidence of developments threatening the Bank's continued existence as a going concern. The procedure is based on specific rating systems for target customer groups (specifically, retail clients, corporates, banks and real estate) and takes into account both quantitative and qualitative criteria.

Significant parameter and method specifications are regularly reviewed and, if appropriate, adjusted to take account of altered conditions. The methods and models used in risk controlling are subjected to comprehensive validation procedures at least once a year.

The risk controlling department and credit back office submit comprehensive quarterly reports to the General Partners and the Advisory Board on the risks of the loan portfolios and significant individual commitments as well as on the various limit utilisations. Efficient ad hoc reports complete the reporting system. No unacceptable risks were detected at any time in the reporting year.

The Bank does not use securitisation or loan derivatives to hedge risks. It mitigates risks on an individual basis through volume reductions, sub-participations or by obtaining additional collateral or appropriate covenants. In addition, portfolio effects are used to minimise total risk.

In the year under review, the Bank reported a positive valuation result in the credit business. Additions to risk provisioning were below the planned standard risk expenses.

Market Risks

Market risks are potential losses due to detrimental changes in market prices or price-influencing market parameters. Depending on the relevant factors, they can be subdivided into interest rate change risks, currency and price risks, as well as spot rate, forward and option risks. Moreover, market risks also include spread risks from bonds and promissory note loans.

Market risks are controlled on the basis of a detailed trading strategy. It defines proprietary trading as a supplementary source of revenue that contributes correspondingly to basic profitability. Proprietary trading largely takes place on European markets and stock exchanges in euros; currency risks therefore play a subordinate role. The bank has no exposure to commodity risks.

The limit system is laid down in the trading strategy. It defines upper loss limits, loss limits, risk limits and volume limits if applicable, and includes reporting regulations as well as sanction mechanisms for cases of critical limit utilisations. At year-end, the loss limits for proprietary trading (including the liquidity reserve) of € 22.4 million, were broken down by type of risk as follows:

- 41.1 % spread risks
- 25.9 % price risks
- 19.6 % interest rate risks
- 13.4 % currency risks

In addition, a loss limit for capital market transactions was set primarily as a reserve limit of € 10.0 million, 50 % of which is taken into account in the risk-bearing capacity calculation. All the aforementioned loss limits count as risk contributions in the calculation of the risk-bearing capacity instead of actual value-at-risks. In the case of mostly low limit utilisation, this represents a conservative approach. Market risks are managed by an internal risk management committee that meets at least once a month, supported by an asset liability committee that was newly introduced in 2018 and also meets once a month. The risk controlling department monitors the risks managed by trading.

The Bank uses the variance-covariance approach as its main instrument for risk measurement. Using this approach, it calculates risks from market price changes in the form of potential losses based on historical data from the last 250 trading days. Bankhaus Lampe quantifies the risks from potential changes in the market price as part of the daily control process at a confidence level of 97.7 % assuming a holding period of one trading day. In addition, risks are calculated based on a confidence level of 99.0 % and a ten-day holding period. As at 31 December 2018, these regulatory parameters resulted in a value-at-risk of € 4.3 million for all proprietary trading including the liquidity reserve portfolio and the capital market business. Limit allocation, specification of risk parameters and risk evaluation methods are regularly checked and adjusted as necessary if conditions change.

Trading results, risk estimates and limit utilisations are compiled every working day divided by risk area and broken down to the sub-portfolio level. This report is submitted to the General Partners. Additional special analyses as well as historical and hypothetical stress tests complement the reporting. Back-testing analyses, in which statistical assumptions are compared with actual empirical developments, in addition to a large number of other validation measures, ensure the quality of risk assessments.

In order to protect the upper loss limit and the loss limit at a confidence level of 99.9 %, the Bank has laid down immediate reductions in risk positioning in the event of critical capacity utilisation. In the fourth quarter of 2018, this resulted in limit reductions for the designated sponsoring business.

Interest Rate Risks in the Banking Book

In accordance with the trading strategy, interest rate risks in the banking book are kept to a minimum based on a refinancing policy and managed by the treasury department separately from other market risks. Additional monitoring is performed by the internal risk management committee and the newly established asset liability committee.

In order to quantify a value-at-risk, a monthly historical simulation is carried out using the net present value method at a confidence level of 99.9 % with a risk horizon of one year. For fixed interest rate positions, agreed interest terms are taken into account throughout. For variable and open-ended interest rate positions which are not linked to a fixed benchmark interest rate, appropriate mixing ratios of moving averages are assumed on the basis of expert estimates. In addition, since the fourth quarter of 2018, the effects of interest rate changes on the Bank's Profit and Loss Account have been quantified in a supplementary periodic forecast. Implicit options and potential special repayments play a subordinate role due to short-term fixed interest rates.

A monthly report to the General Partners details the cash values, cash flow structures and key risk figures for the interest rate positions in the banking book, broken down by sub-portfolio. Limit utilisations and stress test results are also reported. Appropriate validation measures ensure the quality of the results. As major fixed-interest positions in the banking book are usually hedged using counter transactions and normally very short interest terms are agreed, this type of risk is of secondary importance for the Bank as a whole. As at 31 December 2018, the loss limit of € 8.0 million resulted in a value-at-risk of € 1.1 million.

Risks from Shareholdings

Risks from shareholdings are defined as potential losses that could arise from the provision of equity and mezzanine capital by the Bank to other companies including supplemental loans and capital commitments.

Bankhaus Lampe's strategic objectives for shareholdings are set out in a separate shareholding strategy. All the Bank's shareholdings are subdivided into strategic shareholdings, sponsor shareholdings and other shareholdings.

The Bank's risk controlling department monitors shareholding risks. For each associated company, a risk representative is also appointed within the company or within the Bank. Significant decisions on shareholdings are made by the General Partners on a case-by-case basis and in some cases with the involvement of the Bank's Advisory Board following the approval of the credit department. Additional volume limits have been set up for various sub-portfolios, such as private equity business. The business performance of the shareholdings is constantly monitored and analysed by the controlling unit.

As part of internal risk control, capital backing is provided for all shareholdings based on the simple risk weighting approach in accordance with CRR using a risk contribution of 53.7 % calibrated to a confidence level of 99.9 %. For private equity positions, a reduced rate of 29.0 % is applied using the same methodology. The basis for this calculation comprises the book values of shareholdings, mezzanine capital, loans and additional funding obligations from open capital commitments. As at 31 December 2018, this resulted in a conservatively calculated risk contribution of € 46.5 million. Ongoing monitoring of early-warning indicators completes the risk monitoring.

In comprehensive quarterly shareholdings reports and appropriate ad hoc reporting, the risk controlling department and the controlling unit inform the General Partners and the Advisory Board about the individual capital components of shareholdings as well as on all important developments of the various companies with respect to performance and risk. There were no critical developments for the Bank in the year under review.

For risk management purposes, Bankhaus Lampe is generally granted extensive information and voting rights in the individual companies. In addition, the General Partners or employees of the Bank normally sit on supervisory bodies.

Liquidity Risks

Liquidity risks include call, maturity, refinancing and market liquidity risks.

The main objective, set out in a separate liquidity strategy, is to secure the Bank's solvency at all times and at the same time optimise profit. Periodic refinancing planning avoids liquidity bottlenecks and ensures sufficient liquid funds in the long term. Securities and derivative financial instrument transactions are generally concluded within the most liquid markets. The selection of annuity bonds and promissory note loans in the trading portfolio is also based on their ability to be deposited with the European Central Bank and the liquidity reserve portfolio consists exclusively of high-quality liquid assets. For the most part, liquidity maturity transformation is conducted on a very short-term basis. Thanks to a comfortable deposit situation in client business, liquidity remained very sound throughout the past year.

The Bank's treasury department is responsible for controlling liquidity risks. The refinancing structure is constantly optimised by taking costs into account. The committees for internal risk management and asset liability are responsible for managing the risks, while the risk controlling department is in charge of monitoring them.

A model-based method is not applied to quantify liquidity risks. Bankhaus Lampe's consistently very good liquidity situation is demonstrated, for example, by the regulatory liquidity coverage ratio, which was 174.73 as of 31 December 2018.

The Bank uses detailed monthly liquidity forecasts, early warning indicators and various stress tests to monitor liquidity risks, which are reported to the General Partners. The scenario analyses simulate in particular the effects of enormous reputational damage, an extreme economic crisis and combined stress factors on the Bank's liquidity situation. The results prove that sufficient refinancing would be ensured even if extreme scenarios were to occur. Additional statements from the treasury department complement the reporting to the General Partners.

A conservative liquidity policy and ongoing controlling reduce liquidity risks in money market trading. In the event of an emergency situation, the Bank has a sufficiently high liquidity reserve of demand deposits in its portfolio. Market liquidity risks are restricted through limitation of the permissible markets for the individual trading portfolios and by means of rigorous internal requirements for counterparties and product selection. In addition, an appropriate capital charge is set for this type of risk in the risk-bearing capacity calculation. As at 31 December 2018, the risk contribution for proprietary trading, including the liquidity reserve, was € 4.0 million.

Operational Risks / Reputation Risks

Operational risks comprise the risks of losses incurred as a result of the inadequacy or failure of internal procedures, people or systems, or as a result of external events such as natural disasters. Legal risks are also defined as operational risks.

Reputational risks are considered to be direct and indirect risks of a loss of trust or reputation of the Bank among its stakeholders due to negative events in the course of its business activities. Thereby the loss of stakeholder trust or the Bank's reputation must have a potential impact on the Bank's core business. Stakeholders include clients, competitors, business partners, media, the general public, supervisory authorities, government institutions, employees and the General Partners of the Bank.

A separate strategy for operational and reputation risks forms the basis for handling operational risks throughout the Bank. The General Partners are responsible for managing this type of risk. They are controlled by designated personnel within the departments. In order to limit reputational risks, special requirements and restrictions apply to the Bank's business activities. In particular, the Bank defined explicit transactions in which it is not allowed to participate knowingly neither directly nor indirectly.

Law firms retained by the Bank and the legal department of the bank are responsible for legal risks. Use of standardised contracts customary in the industry serves as an important instrument for risk minimisation in this context. Adequate provisions have been recognised for current litigation.

The particularly sensitive area of IT and cyber risks is covered by extensive and appropriate protective measures of technical and organisational character. The Bank also continually refines its information security and business continuity management systems in accordance with prevailing standards. For this purpose, the company appointed an information security officer who is independent of its IT department. The central outsourcing management of the organisation/IT department is in charge of the outsourcing of services.

The Bank does not use model-based quantification of operational and reputational risks. Its methods of analysis consist of the maintenance of an internal risk and loss database (for cases from € 1,000 up) together with a regular bank-wide self-assessment programme. Bankhaus Lampe uses the basis indicator approach in accordance with CRR to measure the regulatory capital requirement for operational risks.

For the internal risk calculation, the regulatory risk cover calculated at group level is adjusted for potential new or discontinued business divisions or shareholdings. To cover reputation risks, the ratio is subsequently multiplied by a predetermined factor to raise it to an appropriate level. As at 31 December 2018, the risk contribution therefore stood at € 25,7 million.

The General Partners are always kept fully informed about the Bank's operational and reputational risks. This is achieved through the quarterly standard reports taken from the risk and loss database, a regular presentation on the development of selected operational and reputational risks, and ad hoc reporting on special cases.

Reducing operational and reputational risks is primarily achieved primarily through close communication between the risk units and the decision-makers and case-by-case application of risk-mitigating measures. Raising risk awareness among all employees creates transparency and reduces the risk of loss. Reputational risks are also recorded separately and limited by specific business guidelines.

Strategic Risks

Strategic risks represent the danger of material planning errors due to inappropriate strategic goals, inadequate strategy implementation or lack of countermeasures against changes in the market environment that reduce earnings or increase costs (e.g. customer behaviour or technical progress).

The annual review of the overall bank strategy as part of the strategy and planning process forms the basis for the management of strategic risks by the General Partners. The decision-makers are supported in strategic management by the quarterly short-term Income Statement, the monthly Profit and Loss Account and by analyses of the earnings structure on a case-by-case basis. This process ensures close monitoring of compliance with the strategic goals and guidelines.

Subsidiaries

Bankhaus Lampe Group comprises several subsidiaries and various holdings in addition to Bankhaus Lampe KG. More detailed information on selected companies is provided below. The Group therefore has a comprehensive range of banking and advisory services at its disposal, addressing the diverse requirements of the various client groups.

Besides traditional asset management services, **Lampe Asset Management GmbH** also offers individual specialty fund mandates and mutual fund concepts with investments in bonds, equities and liquidity. The company therefore has a comprehensive range of asset management services at its disposal.

The individual investment solutions follow an active asset management approach. This is geared to the absolute return for clients and consistently refrains from passive index replication. The investment style is based on a fundamental market analysis, supplemented by an assessment of technical influencing factors.

In the area of interest-bearing securities, proven euro area instruments such as government bonds, covered bonds and high-rated corporate bonds form the core of the investment strategy. Given the low interest rate environment in the euro area, investments in yield curves of other bond markets are also attractive. The active investment strategy "LAM Bonds Global" complements this with a globally diversified bond portfolio and exploits the earnings potential of interest rate differentials, country risks and currencies.

The focus of equity portfolio management is on European blue chips, supplemented by selected small and mid caps. With growing client interest in globally diversified portfolios, Lampe Asset Management is meeting this demand with a fundamental global equity approach in blue chips.

The sustainable investment approach was further expanded in 2018. Bankhaus Lampe Group therefore offers private and institutional clients a wide range of interesting investment opportunities based on sustainability criteria.

Lampe Beteiligungsgesellschaft mbH offers Bankhaus Lampe KG's medium-sized corporate clients a range of complementary services for all aspects of acquisition and management of corporate investments of any type or legal form. In addition, its services also include the structuring and execution of customised fiduciary operations.

Lampe Alternative Investments GmbH acquires, manages and sells associated companies in the interests of Bankhaus Lampe Group. It acts as the holding company for the investments held.

Caplantic GmbH is a joint venture between Bankhaus Lampe, Nord/LB and the Talanx Group. It offers banks, insurance companies and institutional investors not only administrative support, risk modelling and reporting for alternative assets but also its own investment products for third-party investors in the private equity and alternative investments segments (energy and infrastructure, real estate, aircraft and ships).

The subsidiary **Lampe Privatinvest Management GmbH** permits a select group of entrepreneurially minded private investors to invest in majority shareholdings in all sectors of Germany's Mittelstand. A conscious decision has been taken not to use fund structures so that every investment is flexible and geared to the relevant investor's needs, as well as to ensure long-term support for the respective companies.

The investment fund Lampe Mezzanine Fonds I GIKG GmbH & Co. KG, established by the subsidiary **Lampe Capital Finance GmbH**, represents an interesting investment alternative for institutional investors especially in the current low-interest environment, while providing companies with an additional source of financing in the form of mezzanine capital. The funds raised are exclusively invested in German Mittelstand companies, where they are used to finance growth situations or corporate transactions.

Lampe Investment Management GmbH (LIM) is the investment management company of Bankhaus Lampe Group. The firm manages alternative investment funds (AIF) for semi-professional and professional investors, in particular in the areas of energy and infrastructure, private equity as well as venture capital.

Bankhaus Lampe has access to the Austrian market through its majority holding in Vienna-based **DALE Investment Advisors GmbH**. DALE has longstanding experience in the management of significant family wealth and private foundations.

3. Consolidated Financial Statements for 2018

Digital Transformation

Every end is also a beginning. In politically and socially turbulent times and the digital revolution of the economy, it is important for us to hold on to values and at the same time be open to new ideas. In this way, we will use our proven compass to safely navigate towards the changes and actively engage with them.

Markus Bolder: "The digital transformation of our Bank is taking place in three stages, and takes into account the overall bank strategy. We are digitalising our banking processes, expanding our digital offering for clients and participating in devising new approaches for a digitalised future market".

Consolidated Balance Sheet for Bankhaus Lampe KG

as at 31 December 2018

Assets

EUR				2018	2017
					in € thousand
Cash reserve					
a) Cash on hand			271,778.49		594
Balances with central banks			300,339,659.23		418,618
thereof: at Deutsche Bundesbank	300,339,659.23			300,611,437.72	(419,212)
Loans and advances to banks					
a) Due on demand			165,953,589.84		113,196
b) Other claims			76,418,198.53	242,371,788.37	62,130
Loans and advances to clients				1,530,207,620.29	1,456,133
thereof: secured by liens on property	12,242,989.28				(31,555)
thereof: loans to municipalities	9,353,000.00				(0)
Debentures and other fixed income securities					
a) Bonds and debentures					
aa) From public issuers		25,116,150.00			60,565
thereof: eligible as collateral for Deutsche Bundesbank advances	25,116,150.00				(60,565)
ab) From other issuers		281,399,343.22	306,515,493.22		266,046
thereof: eligible as collateral for Deutsche Bundesbank advances	281,399,343.22			306,515,493.22	(266,046)
Equities and other variable-yield securities				1,501.47	1
Trading portfolio				432,739,288.37	612,923
Shareholdings[1]				34,652,259.92	42,509
thereof: banks	7,533,136.50				6
thereof: financial services institutions	6,022,514.72				(0)
Shareholdings in affiliated companies[1]				11,564,841.61	426
thereof: banks	0.00				(0)
thereof: financial services institutions	0.00				(0)
Fiduciary assets				11,806,030.96	11,836
thereof: fiduciary loans	11,806,030.96				(11,836)
Intangible assets				1,928,843.18	2,608
Property, plant and equipment				30,404,672.63	24,405
Other assets				23,798,914.85	20,441
Accruals and deferred items				11,489,944.26	11,462
Total assets				**2,938,092,636.85**	**3,103,893**

1) Previous year adjusted for € 11,439

Liabilities

EUR				2018	2017
					in € thousand
Liabilities to banks					
a) Due on demand			90,223,788.89		161,990
b) Subject to an agreed term or period of			240,945,638.13	331,169,427.02	66,675
Liabilities to clients					
Other liabilities					
a) Due on demand		1,528,213,526.08			1,794,085
b) Subject to an agreed term or period of notice		549,216,685.47	2,077,430,211.55	2,077,430,211.55	459,380
Trading portfolio				21,493,661.80	65,109
Fiduciary liabilities				11,806,030.96	11,836
thereof: fiduciary loans	11,806,030.96				(11,836)
Other liabilities				44,916,089.97	40,516
Accruals and deferred items				11,572,606.49	13,433
Provisions					
a) Provisions for pensions and similar obligations			9,947,915.41		9,845
b) Tax provisions			534,565.00		3,849
c) Other provisions			46,212,265.61	56,694,746.02	64,326
Subordinated liabilities				0.00	27,724
thereof: due within two years	0.00				(27,724)
Profit participation capital				10,000,000.00	20,000
thereof: due within two years	10,000,000.00				(10,000)
Funds for general banking risks				57,400,000.00	57,250
thereof special items according to Section	4,700,000.00				(4,550)
Equity					
a) Subscribed capital			70,000,000.00		70,000
b) Capital reserve			205,500,000.00		205,500
c) Other surplus reserves			24,749,861.39		16,750
d) Adjustments for minority interests			438,001.65		625
e) Consolidated profit for the year			14,922,000.00	315,609,863.04	15,000
Total liabilities				**2,938,092,636.85**	**3,103,893**

Contingent liabilities					
a) Liabilities arising from guarantees and warranty agreements				85,494,014.53	72,313
Other liabilities					
Irrevocable lending commitments				62,498,417.70	132,574

Consolidated Profit and Loss Account for Bankhaus Lampe KG

for the period from 1 January to 31 December 2018

Expenses

EUR			2018	2017
				in € thousand
Interest payable			2,570,092.88	1,406
Commission payable			16,601,561.73	11,978
General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	74,521,655.14			78,613
ab) Social security contributions and expenditures for pensions and related benefits	9,986,602.58	84,508,257.72		10,124
including pensions: (2,186,662.26)				(2,261)
b) Other administrative expenses		58,038,471.55	142,546,729.27	61,780
Depreciation and valuation allowances on intangible assets and property, plant and equipment			3,585,627.69	6,383
Other operating expenses			4,381,307.94	10,421
Taxes on income and profit			0.00	4,729
Other taxes not shown under "other operating expenses"			310,583.13	112
Consolidated net income for the year			15,210,650.08	15,528
Total expenses			185,206,552.72	201,075

Income

EUR		2018	2017
			in € thousand
Interest earned on			
a) Credit and money market transactions	35,373,528.71		30,920
b) Fixed-income securities and debt register claims	299,963.92	35,673,492.63	10,417
Current income from			
a) Equities and other variable-yield securities	0.00		787
b) Shareholdings	2,078,059.67		6,077
c) Shares in affiliated companies	2,289,051.19	4,367,110.86	0
Commission earnings		94,719,069.45	102,205
Net earnings from financial transactions		997,527.20	2,727
thereof: allocation according to Section 340e para 4 of the	150,000.00		(300)
Earnings from write-ups to accounts receivable, certain securities, and from reversal of provisions in the credit business		8,738,035.33	10,830
Earnings from write-ups to shareholdings, shareholdings in affiliated companies and securities treated as fixed assets		896,595.00	12,369
Other operating earnings		37,917,962.42	24,744
Taxes on income and profit		1,896,759.83	0
Total income		185,206,552.72	201,075
Consolidated net income for the year		15,210,650.08	15,528
thereof: profit due to other partners		-288,650.08	-528
Profit carried forward from previous year		0.00	0
Withdrawal from capital reserve		0.00	0
Withdrawals from retained earnings		0.00	0
Advance distribution		0.00	0
Allocations to retained earnings		0.00	0
Advance withdrawals from partners		0.00	0
Group profit		14,922,000.00	15,000

4.
Consolidated Financial Statements Annex

Enduring Values as a Foundation for Continuous Development

We have been committed to the ideals of German entrepreneurship for over 165 years. Together with German SMEs, we want to move the economy and create value. By working in harmony with the needs of our clients, we lead the Bank into the future.

Klemens Breuer: "Responsible management, independence, respectability and integrity have shaped our actions since 1852. We will remain committed to these values in future. They are the foundation that will ensure we remain on the frontier of developments in future."

General Disclosures

Basic Accounting Principles

Bankhaus Lampe KG is headquartered in Bielefeld and registered under the commercial register number 12924 at the district court of Bielefeld.

The Consolidated Financial Statements of Bankhaus Lampe KG as at 31 December 2018 were prepared in accordance with the provisions laid down in the German Commercial Code (HGB) in conjunction with the Regulation on Accounting for Credit and Financial Service Institutions (RechKredV).

Pursuant to Section 313 HGB, these Consolidated Financial Statements have an exempting effect on the companies included in the List of Shareholdings, published in the electronic Bundesanzeiger (German Federal Gazette), within the meaning of Section 264 Paragraph 3 HGB.

The Consolidated Financial Statements consist of the Consolidated Balance Sheet, the consolidated Profit and Loss Account, the Consolidated Financial Statements Annex, the Cash Flow Statement and the Statement of Changes in Equity. Furthermore, a Group Management Report pursuant to Section 315 HGB has been prepared.

Scope of Consolidation

In addition to Bankhaus Lampe KG, the scope of consolidation includes the following companies:

Company	Equity in € thousand	Share of capital
BDH Biodiesel Hamburg GmbH, Hamburg	1,567	95 %
BTF Beteiligungs- and Treuhandgesellschaft mbH, Dusseldorf (a profit-and-loss transfer agreement with Bankhaus Lampe KG exists)	77	100 %
DALE Investment Advisors GmbH, Vienna	1,240	71 %
Lampe Alternative Investments GmbH, Dusseldorf (a profit-and-loss transfer agreement with Bankhaus Lampe KG exists)	552	100 %
Lampe Asset Management GmbH, Dusseldorf (a profit-and-loss transfer agreement with Bankhaus Lampe KG exists)	4,900	100 %
Lampe Beteiligungsgesellschaft mbH, Dusseldorf (a profit-and-loss transfer agreement with Bankhaus Lampe KG exists)	1,100	100 %
Lampe Credit Advisors GmbH, Dusseldorf	754	100 %
Lampe Immobilien GmbH & Co. KG, Dusseldorf	74	100 %
Lampe Investment Management GmbH, Dusseldorf	636	100 %
Lampe Private Advisory GmbH, Dusseldorf (a profit-and-loss transfer agreement with Bankhaus Lampe KG exists)	25	100 %
Lampe Privatinvest Management GmbH, Hamburg	235	100 %
Lampe Verwaltungs-GmbH, Dusseldorf	5,662	100 %
TETRARCH Aktiengesellschaft, Dusseldorf (a profit-and-loss transfer agreement with Bankhaus Lampe KG exists)	50	100 %
TWG Tanklager Wilhelmsburg GmbH, Hamburg	3,672	100 %
Lampe UI Beteiligungs GmbH, Dusseldorf	2,904	100 %
Lampe UI Holding GmbH & Co. KG, Dusseldorf	161	100 %

Other Group companies were not included in the Consolidated Financial Statements as they are of minor significance for net assets, financial position and results of operations pursuant to Section 296 Paragraph 2 HGB or are intended for resale pursuant to Section 296 Paragraph 1 No. 3 HGB.

Shareholdings in subsidiary companies that did not have to be included are stated at amortised cost under financial assets.

Consolidation Principles

The capital consolidation of the subsidiaries acquired before 31 December 2009 was done by exercising the option under BilMoG using the book value method. The acquisition costs of an affiliated company were offset against the parent company share in its equity capital at the time of the affiliated company's acquisition or initial consolidation. For subsidiaries acquired after 1 January 2010, capital consolidation is carried out using the revaluation method. Acquisition costs of an affiliated company are offset against the Group's share in equity at that date at which the company became a subsidiary. Equity of the subsidiary is set at the amount corresponding to the present value of assets, liabilities, prepaid and deferred items and special items to be included in the Consolidated Financial Statements, if applicable after adjustment of the valuation rates pursuant to Section 308 Paragraph 2 HGB. If a difference remains on the asset side after offsetting, it is shown in the Group balance sheet as goodwill under the position "intangible assets" and is depreciated according to schedule over the expected useful life. There were no material changes in the year under review. The difference was amortised according to schedule.

Intragroup receivables and liabilities, provisions, contingent liabilities and other liabilities, as well as expenses and income, are offset against each other. Interim results that are of secondary importance to providing an accurate view of the Group's net assets, financial position and results of operations are not eliminated.

Group Accounting Principles and Valuation Methods

The annual financial statements of Bankhaus Lampe KG and the domestic and foreign subsidiary companies included in the Consolidated Financial Statements are prepared in accordance with standard accounting principles and valuation methods.

The accounting principles and valuation methods have essentially remained unchanged from the previous year.

There was a change in the accounting and valuation methods with regard to the disclosure of income and expenses from transactions with financial instruments in the trading portfolio. In the Profit and Loss Account, all income and expenses from transactions with financial instruments in the trading portfolio are now reported in the net result of the trading portfolio. In the previous year, interest income from fixed-interest securities and debt register claims in the trading portfolio amounting to € 10.8 million was reported under net income, and current income from equities and other variable-yield securities amounting to € 0.8 million was reported under the corresponding item. In the year under review, interest income of € 11.1 million from fixed-interest securities and debt register claims in the trading portfolio and current income of € 1.9 million from equities and other variable-yield securities were reported under net income from trading.

In previous years, a different personnel-related provision was recognised in the balance sheet, although the recognition requirements pursuant to Section 249 Paragraph 1 Clause 1 HGB were not met. This was corrected in the current account in the 2018 financial year. The provision of € 8.4 million was released against other operating income and € 2.2 million was reclassified as a provision for bonuses for 2018.

Loans and advances to banks and clients are always reported at their nominal amount or at their acquisition costs. All foreseeable credit and country risks have been taken into account by setting up specific valuation allowances and provisions.

Latent credit risk is accounted for by general valuation allowances according to commercial law principles. Furthermore, there is a provision for general banking risks pursuant to Section 340f HGB. The option of offsetting expenses against income when reporting risk provisions in the Profit and Loss Account has been exercised.

Separate valuation units (micro-hedges) are formed to value issued own issues, selected client transactions and the corresponding hedging derivatives. The objective of micro-hedges is to cover interest fluctuations related to assets and debt instruments via derivatives with matching values, currencies and maturities.

These micro-hedges are formed in accordance with the regulations set out in Section 254 HGB and the reporting principles for financial derivatives (IDW RS HFA 35). These hedging relationships end when the underlying transaction or the hedging instrument matures, is sold or exercised, or the requirements for the formation of valuation units are no longer met.

These valuation units are accounted for under the net hedge presentation method. Using this method, balancing value changes resulting from the hedged risk (effective part) are not stated on the balance sheet. If the valuation unit results in an unrealised gain, it is not taken account of. However, if the non-effective part of the value changes from the hedged item and hedging instruments results in a loss, a corresponding provision is made.

Forecasting and the retroactively assessing the valuation unit's effectiveness is done by way of the critical term match method as the terms for the hedged item and the hedging instruments are working in the opposite direction.

As of the balance sheet date, liabilities with a book value € 10 million and derivatives with a positive market value of € 37.0 million were hedged in valuation units. The derivatives used as hedges have a total negative market value of € 35.8 million after netting. The hedged risks amounted to € 0.8 million for liabilities and € 0.4 million for derivatives.

There are no valuation units with a high probability for expected transactions.

Securities in the liquidity reserve, which are reported under debentures and other fixed-income securities, are valued in accordance with the strict lower-of-cost-or-market principle pursuant to Section 340e Paragraph 1 Clause 2 HGB in conjunction with Section 253 Paragraph 4 HGB. Securities that are treated as fixed assets (financial assets) are valued at amortised cost using the diluted lower-of-cost-or-market principle. As in previous fiscal years, securities managed as fixed asset holdings are not part of the portfolio.

Financial instruments in the trading portfolio are assessed at fair value minus a risk premium. Fair value is the amount at which an asset could be swapped between competent business partners who are willing to enter into a contract and who are independent of each other or at which a liability could be settled. If stock exchange or market prices do not exist or cannot be reliably determined, the fair values are determined on the basis of standard market price models or discounted cash flows.

The trading portfolio comprises all financial instruments that are purchased or sold with the intent of gaining a short-term proprietary-trading profit. The criteria for the inclusion of financial instruments in the trading portfolio did not change during the financial year. Liabilities that are entered into with the intent of repurchasing them in the short term for the purpose of gaining a trading profit are shown as trading liabilities.

In order to account for possible residual realisation risks, the amount resulting from the market valuation is reduced by a risk premium, which is deducted from the asset side trading portfolio. The risk premium constitutes a value at risk according to the variance-covariance method pursuant to Section 365 CRR. The calculation is based on a monitoring period of 250 days, a holding period of ten trading days and a confidence level of 99%. As at 31 December 2018, the risk premium came to € 3,589 thousand.

Shareholdings and non-consolidated shares in affiliated companies are shown in the balance sheet at amortised acquisition costs according to the regulations applying to fixed assets. In case of anticipated permanent declines in value, unscheduled depreciations are made. If the reasons that led to depreciation no longer exist, a write-up is carried out up to a maximum of the acquisition costs. The offsetting of expenses and income permitted under commercial law is used.

Repurchase agreements are reported pursuant to the applicable principles of Section 340b HGB. Securities lent in securities lending transactions remain part of the balance sheet whereas borrowed securities are not stated on the balance sheet. The book value of the assets transferred under sale and repurchase agreements amounts to € 76.7 million.

Property, plant and equipment, as well as purchased intangible assets, are listed on the balance sheet at their respective acquisition costs, reduced by scheduled depreciations. If permanent declines in value are anticipated, unscheduled depreciations are made. For reasons of simplification, certain fixed assets are treated analogously to the respective tax regulations for low-value assets.

Deferred taxes are determined for time differences between the commercial-law and tax-law valuation rates of assets, liabilities and prepaid and deferred items. At Bankhaus Lampe KG, not only the differences from its own balance sheet items are included, but also those existing at group subsidiaries of Bankhaus Lampe KG. In addition to the booking differences related to time, tax losses carried forward are accounted for. Due to Bankhaus Lampe KG's legal form, deferred taxes are determined on the basis of an income tax rate of currently 15.74%, which comprises only trade tax. An overall tax burden resulting from this would be shown in the balance sheet as deferred tax liability. In the event of tax relief, the corresponding option to capitalise would not be used. In the relevant financial year, there was an overall deferred tax asset that was not shown in the balance sheet.

Accrued and deferred items are created pursuant to the applicable principles of Section 250 HGB. These items are deferred correspondingly as income or expenses in the accounting period.

All other assets are stated on the balance sheet at their acquisition cost or their fair value. Liabilities are stated on the balance sheet at their respective amount to be paid.

Provisions for pensions and similar liabilities are calculated on the basis of biometric probabilities (guideline tables Heubeck 2018G) according to the entry age actuarial cost method. The reported pension provisions include firm commitments. Pension increases are currently accounted for with an annual adjustment rate of 1.4%. Wage and salary increases and fluctuations were not taken into account. The discount rate applied to the pension obligations was 3.21%. The bank exercises the option of using the average market interest rate for an assumed maturity of 10 years, which is determined and published by the Bundesbank. The balance as per Section 253 Paragraph 6 Page 3 HGB comes to € 759 thousand. The interest rate used is based on the Bundesbank projection published on 31 October 2018.

In order to fulfil the obligations from deferred compensation payments of employees, the respective financial resources have been invested in investment funds or qualifying insurance policies. The investment funds are held in trust for Bankhaus Lampe KG, and other creditors have no access to them. The qualifying insurance policies are pledged to the respective employees. The valuation is calculated based on a fair value of € 2,079 thousand; this value is balanced against the individual underlying liabilities, which came to € 2,512 thousand. The liability surplus of € 433 thousand is entered under provisions. Acquisition costs amount to € 546 thousand. The balanced interest expense from this liability is € 56 thousand.

Provisions for taxes and other provisions take into consideration all recognisable risks and uncertain liabilities. Valuation is carried out in the respective amounts to be paid, in accordance with a proper commercial assessment, to cover future payment obligations. Future price and cost increases are accounted for as far as there is sufficient objective evidence for their occurrence. The proceeds from the sale of this non-strategic asset are offset by maximum provisions for all possible obligations resulting from contracts of sale. Provisions with a residual term of more than one year are discounted at the market interest rate corresponding to their residual term.

For non-banking items, the effects of interest and changes in interest rates on subsequent periods are reported under other operating expenses (€ 756 thousand). The changes in interest accrued for provisions related to banking items are reported under Interest expenses (€ 27 thousand).

The item Funds for general banking risks was created in accordance with the rules and regulations of Section 340g HGB. The equity items are stated on the balance sheet at nominal value (Section 272 Paragraph 1 HGB).

Under the loss-free valuation method, provisions for anticipated losses are to be set aside in the banking book for a possible excess liability arising from transactions with interest-based financial instruments. The banking book includes all asset and liability items that were not allocated to the trading book or reported under equity or equity-like items, and that are used to manage the banking book. In determining a possible excess liability, both asset and liability amount or maturity congruencies were closed through fictitious forward transactions. The valuation of the banking book was conducted using the present-value method, whereby the book values of interest-bearing transactions of the banking book are compared against interest rate-induced present values. The need to cover any anticipated risk costs and administrative costs is carried out as a discount of the gross cash value of the banking book. The audit did not ascertain any need to accrue provisions.

Pursuant to Section 256a HGB, receivables and liabilities in foreign currency were translated into euros at the middle spot exchange rate prevailing on the balance sheet date. Forward transactions that have not yet been settled at the balance sheet date are translated at the forward rate prevailing on the balance sheet date.

On-balance sheet items and open transactions denominated in foreign currencies outside of the trading portfolio are evaluated pursuant to the applicable principles of Section 340h in conjunction with Section 256a HGB if special coverage is available. If the requirements for special cover are not met, currency conversion shall be carried out in accordance with the regulations applicable to all merchants (Section 256a HGB). If the residual term is one year or less, unrealised profits from currency conversion are recognised as income. If the residual term is more than one year, the general valuation principles are applied.

According to IDW RS BFA 4, the existence of special cover within the meaning of Section 340h HGB can be regarded as fulfilled if the currency risk is controlled via a currency position and the individual items are transferred to a currency position. Transactions outside of the trading portfolio are managed as a whole for each currency.

In the Profit and Loss Account, income from currency translation outside the trading portfolio, insofar as it concerns special cover within the meaning of Section 340h HGB, and income from liquidity management, netted out, are shown under the items "Other operating income" or "Other operating expenses".

Financial instruments in the trading portfolio in foreign currency are assessed at fair value and translated at the mean spot exchange rate on the balance sheet date pursuant to Section 340c Paragraph 1 HGB in conjunction with 340e Paragraph 3 HGB. Accordingly, all expenses and income arising from currency translation are recognised in the Profit and Loss Account as net income or net expenses from proprietary trading.

Expenses from depreciation on shareholdings, shareholdings in affiliated companies and securities treated as fixed assets are balanced with the earnings from write-ups to such items pursuant to Section 340c Paragraph 2 HGB.

Report on Events after the Balance Sheet Date

No events of particular significance have occurred since 1 January 2019 that could be expected to have a material effect on net assets or the financial and income situation.

Notes to Consolidated Financial Statements

Breakdown of Receivables by Residual Terms

in € thousand	31/12/2018	31/12/2017
Loans and advances to banks		
up to 3 months	72,759	56,829
more than 3 months and up to 1 year	3,659	5,301
more than 1 year and up to 5 years	0	0
more than 5 years	0	0
Loans and advances to clients		
up to 3 months	559,217	642,922
more than 3 months and up to 1 year	145,787	116,658
more than 1 year and up to 5 years	95,555	96,420
more than 5 years	0	9,951
indefinite term	281,434	146,464
Debentures and other fixed income securities		
maturing in the next year	30,040	26,062

Breakdown of Liabilities by Residual Terms

in € thousand	31/12/2018	31/12/2017
Liabilities to banks with a definite term or notice period		
up to 3 months	158,258	15,295
more than 3 months and up to 1 year	72,413	42,313
more than 1 year and up to 5 years	9,619	8,037
more than 5 years	656	1,031
Liabilities to clients with a definite term or notice period		
up to 3 months	232,250	146,198
more than 3 months and up to 1 year	239,928	234,858
more than 1 year and up to 5 years	74,664	76,277
more than 5 years	2,375	2,047

Relations with Affiliated Companies

	Affiliated companies		Shareholdings	
in € thousand	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Loans and advances to banks	0	0	142	128
Loans and advances to clients	3,476	149	11,072	5,219
Liabilities to clients	1,243	734	17,943	18,839

In principle, business transactions with affiliated companies and persons are carried out at customary market terms. Major transactions at non-standard market terms, which would thus have to be reported pursuant to Section 314 Paragraph 1 No. 13 HGB, have not taken place.

Marketable Securities

The following table itemises the securities negotiable on the stock exchange included in the balance sheet positions.

	Exchange listed		Not exchange listed	
in € thousand	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Debentures and other fixed income securities	306,515	326,610	0	0
Equities and other variable-yield securities	1	1	0	0

Trading Portfolio

Trading portfolio (assets) in € thousand	31/12/2018	31/12/2017
Derivative financial instruments	10,776	20,487
Debentures and other fixed income securities	406,608	567,568
Equities and other variable-yield securities	18,944	28,716
Risk discount	-3,589	-3,847

Trading portfolio (liabilities) in € thousand	31/12/2018	31/12/2017
Derivative financial instruments	21,494	65,109

Statement of Changes in Fixed Assets

Balance sheet items in € thousand	Historical acquisition costs	Additions	Disposals	Deprecia-tion (accumul-ated)	Book value 2018	Book value 2017	Deprecia-tion 2018
Shareholdings[1)]	31,473	7,176	3,996	0	34,652	31,070	0
Shareholdings in affiliated companies[1)]	11,828	7,851	8,114	0	11,565	11,864	0
Intangible assets	12,131	1,468	45	11,625	1,929	2,608	2,111
Property, plant and equipment	42,237	7,659	550	18,941	30,405	24,405	1,472

[1)] Previous year adjusted for € 11,439

Depreciation in € thousand	01/01/2018	Additions	Disposals	31/12/2018
Shares in affiliated companies	367	0	367	0
Intangible assets	9,523	2,111	9	11,625
Property, plant and equipment	17,832	1,472	363	18,941

Intangible assets comprise concessions acquired against payment (previous year: € 2.0 million) and goodwill of € 0.7 million (previous year: € 0.5 million), which is amortised over three years. In the previous year, advance payments on intangible assets amounting to € 0.1 million were reported under intangible assets.

Property, plant and equipment includes € 12.8 million (previous year € 17.7 million) in land and buildings, of which € 10.7 million (previous year € 15.7 million) is used for own activities, € 4.3 million (previous year € 1.4 million) in technical equipment and machinery, € 2.4 million (previous year € 3.2 million) in operating and office equipment, and € 10.9 million (previous year € 2.1 million) in advance payments for assets under construction.

Fiduciary Transactions

The assets and liabilities shown in the balance sheet under "Fiduciary assets" and "Fiduciary liabilities" are divided as follows:

Fiduciary assets in € thousand	31/12/2018	31/12/2017
Loans and advances to clients	35	34
Loans and advances to banks	11,771	11,802
Total	11,806	11,836

Fiduciary liabilities in € thousand	31/12/2018	31/12/2017
Liabilities to clients	35	34
Amounts due to banks	11,771	11,802
Total	11,806	11,836

Subordinated Assets

in € thousand	31/12/2018	31/12/2017
Loans and advances to banks	242,372	175,325
thereof: subordinated	0	0
Loans and advances to clients	1,530,208	1,456,133
thereof: subordinated	0	0
Debentures and other fixed income securities	306,515	326,610
thereof: subordinated	0	0
Shareholdings	34,652	42,509
thereof: subordinated	0	0

Other Assets

Other assets amounting to € 23,799 thousand (previous year: € 20,411 thousand) mainly comprise receivables from the tax authority in the amount of € 11,710 thousand, capitalised option premiums in the amount of € 4,792 thousand, reinsurance claims in the amount of € 4,356 thousand, receivables from shareholders in the amount of € 1,072 thousand and trade receivables in the amount of € 1,049 thousand.

Foreign Currency

The total amount of assets in foreign currency at the balance sheet date was € 130,355 thousand (previous year: € 168,400 thousand).Liabilities denominated in foreign currency amounted to € 205,062 thousand at the balance sheet date (previous year: € 254,085 thousand).

Subordinated Liabilities

There were no subordinated liabilities as of the balance sheet date (previous year: € 27,724 thousand). Interest expenses for subordinated liabilities in the financial year were € 1,193 thousand (previous year: € 1,916 thousand).

Other Liabilities

Other liabilities amounting to € 44,916 thousand (previous year: € 40,516 thousand) mainly comprise liabilities from variation margins amounting to € 14,098 thousand, liabilities to the tax authority amounting to € 11,060 thousand, maturing profit participation certificates amounting to € 10,000 thousand and accruals for profit participation certificates amounting to € 1,540 thousand.

Off-balance Sheet Transactions

Contingent liabilities

In the ordinary course of business, Bankhaus Lampe KG regularly assumes credit guarantees, other guarantees and letters of credit. As a consequence of these agreements, it is necessary for Bankhaus Lampe KG to make payments to the beneficiary if another party does not fulfil its obligations or does not fulfil services in accordance with the contract. The table below lists all potential payments from credit guarantees, other guarantees and letters of credit after taking account of any cash collaterals (€ 11,522 thousand), if applicable.

in € thousand	31/12/2018	31/12/2017
Credit guarantees	2,005	2,247
Other guarantees and warranties	49,585	37,079
Letters of credit	33,904	32,986

The amounts stated above do not reflect the cash flows expected from these agreements in future since many of them expire without being called upon. It is possible that a provision of collateral is demanded in order to reduce the credit risk of this obligation. Cash deposits received for contingent liabilities are recognised in the balance sheet as liabilities. The probability of a possible claim on these liabilities is considered to be very low. If a full or partial claim is expected in the event of deterioration in the borrower's credit quality, provisions are set aside. Provisions for contingent liabilities totalled € 22 thousand as at 31 December 2018.

Irrevocable lending commitments

Bankhaus Lampe KG makes irrevocable lending commitments in order to meet its clients' financing requirements. The portions of granted commitments which were not drawn down are included in the irrevocable lending commitments and cannot be revoked by Bankhaus Lampe KG. These lending commitments are disclosed at their nominal value after taking account of cash collaterals. The amounts listed below the balance sheet do not represent expected future cash flows since many of these agreements will expire without being drawn down. Irrevocable lending commitments are not shown in the balance sheet yet are taken into consideration in the monitoring of credit risks. The probability of a possible claim on these liabilities is considered to be very low. On the balance sheet date the irrevocable lending commitments amount to € 62.5 million.

Other financial obligations

As at the balance sheet date, the annual financial obligations resulting from tenancy agreements, service contracts and other licence agreements amount to € 32.5 million, with residual terms of up to five years.

Notes to the Group Profit and Loss Account

Results on the Profit and Loss Account from interest income, current income from equity and other variable-yield securities, earnings from shareholdings in affiliated companies, profit transfer agreements, commission income, net earnings from the trading portfolio and other operating income are essentially of domestic origin.

Due to the ongoing low interest rate phase, the interest rate was atypical (negative interest rates). Bankhaus Lampe KG therefore states negative interest rates from receivables atypically as interest income (€ 1,577 thousand) and negative interest rates from liabilities atypically as interest expenses (€ 3,332 thousand).

Other Operating Income

Other operating income of € 37,918 thousand mainly includes reversals of other provisions (€ 23,505 thousand), rental and leasing income (€ 2,823 thousand), the result from currency translation (€ 2,500 thousand) and income from the disposal of the custodian business (€ 2,468 thousand).

Other Operating Expenses

Other operating expenses of € 4,381 thousand essentially include allocations to provisions (€ 2,654 thousand) and interest-related effects on pension provisions (€ 756 thousand).

Bankhaus Lampe KG as parent company intends to allocate the net profit for the year of € 14.9 million to the other retained earnings.

Taxes on Income

Income taxes of € 1,897 thousand include aperiodic income of € 6,032 thousand.

Other Information

List of Shareholdings

Bankhaus Lampe KG holds a direct or indirect interest of at least 20 % in the following companies or exceeds 5 % of voting rights with holdings in large corporations.

	Equity interest in the company %	Equity of the company as per 31/12/2016 € thousand	Result for the financial year € thousand
BDH Biodiesel Hamburg GmbH, Hamburg [5]	95.00	1,567	562
BHL Equity Invest I Verwaltungs GmbH, Dusseldorf [10]	100.00	25	0
BTF Beteiligungs- and Treuhandgesellschaft mbH, Dusseldorf [1] [2]	100.00	77	0
caplantic GmbH, Hannover	10.00	4,583	2,517
Competo Development Fonds No. 3 GmbH & Co. KG	100.00	7,172	0
Competo Development Fonds No. 3 Verwaltungs GmbH	100.00	25	0
DALE Investment Advisors GmbH, Vienna	71.00	1,240	899
Equity Invest II GmbH, Dusseldorf[10]	100.00	25	0
Equity Invest Management II GmbH, Dusseldorf[10]	100.00	25	0
Kapital 1852 Beratungs GmbH, Dusseldorf	100.00	25	0
Lampe Alternative Investments GmbH, Dusseldorf[1] [2]	100.00	552	0
Lampe Asset Management GmbH, Dusseldorf [1] [2]	100.00	4,900	0
Lampe Beteiligungsgesellschaft mbH, Düsseldorf [1] [2]	100.00	1,100	0
Lampe Capital Finance GmbH, Dusseldorf	94.00	240	51
Lampe Capital North America LLC, New York [7]	100.00	4,093 [9]	66 [9]
Lampe Capital UK Limited, London [7]	100.00	431 [3]	331 [3]
Lampe Credit Advisors GmbH, Dusseldorf	100.00	754	289
Lampe Credit Advisors (Austria) GmbH, Vienna [6]	100.00	35	0
Lampe Immobilien GmbH & Co. KG, Dusseldorf	100.00	74	23
Lampe Immobilien Verwaltungs GmbH, Dusseldorf	100.00	25	0
Lampe Investment Management GmbH, Dusseldorf	100.00	636	53
Lampe Mittelstands Management GmbH, Dusseldorf [10]	100.00	25	0
Lampe Private Advisory GmbH, Dusseldorf [2] [8]	100.00	25	0
Lampe Privatinvest Management GmbH, Hamburg [5]	100.00	235	4
Lampe UI Beteiligungs GmbH, Dusseldorf	100.00	2,904	174
Lampe UI Holding GmbH & Co KG, Dusseldorf [11]	100.00	161	2
Lampe Verwaltungs-GmbH, Dusseldorf	100.00	5,662	662
LBG Ventures GmbH, Dusseldorf [4]	100.00	130	1
LC Beteiligung GmbH, Dusseldorf [4]	100.00	29	0
LC Verwaltungs GmbH, Dusseldorf [12]	100.00	29	0
LD Beteiligung GmbH, Dusseldorf [4]	100.00	29	0

	Equity interest in the company %	Equity of the company as per 31/12/2016 € thousand	Result for the financial year € thousand
LD Zweite Beteiligung GmbH, Dusseldorf [4]	100.00	34	9
SEW Beteiligungs Verwaltungs GmbH, Hagen [4]	51.00	45	9
TETRARCH Aktiengesellschaft, Dusseldorf [1] [2]	100.00	50	0
TWG Tanklager Wilhelmsburg GmbH, Hamburg [5]	100.00	3.672	0
Unterstützungskasse GmbH of Bankhaus Lampe KG, Bielefeld	100.00	26	0
Vilmaris Private Investors Verwaltungs GmbH, Hamburg [5]	100.00	47	0

1) A profit and loss transfer agreement exists with Bankhaus Lampe KG
2) Exemption pursuant to Section 264 Paragraph 3 HGB
3) Amount in GBP
4) Indirectly via Lampe Beteiligungsgesellschaft mbH
5) Indirectly via Lampe Alternative Investments GmbH
6) Indirectly via Lampe Credit Advisors GmbH
7) Indirectly via Lampe Verwaltungs-GmbH
8) Indirectly via BTF Beteiligungs- and Treuhandgesellschaft mbH
9) Amount in USD
10) Indirectly via Lampe Capital Finance GmbH
11) 56 % are held indirectly via Lampe UI Beteiligungs GmbH
12) Indirectly via LC Beteiligung GmbH

Seats in Statutory Supervisory Bodies

Name	Company	Function
Ute Gerbaulet	GERRY WEBER International AG, Halle/Westfalen	Supervisory Board
	NRW Bank, Dusseldorf	Board of Directors
	RWE AG, Essen	Supervisory Board
Prof Dr Stephan Schüller (up to 31 March 2018)	Aareal Bank AG, Wiesbaden	Supervisory Board

Fees for the Auditor

The fees of the auditor comprise the following items:

in € thousand	31/12/2018	31/12/2017
Auditing fees	650	596
Other consulting fees	144	212
Other fees	71	460
Total	865	1,268

The auditor's fees include € 27 thousand in expenses for previous financial years. Other consulting fees include € 139 thousand in expenses for the audit of securities accounts and audit under the German Securities Trading Act (WpHG). Other services mainly relate to € 30 thousand in training and € 23 thousand in consulting expenses in conjunction with the MiFID II project.

Forward Transactions

Forward transactions that were not yet carried out on the balance sheet date mainly include the following types of transactions:

- Interest rate-related transactions
  Forward transactions on interest rate instruments, interest-rate forward transactions, interest rate swaps, interest-rate futures contracts, option dealings and option contracts on interest rates and interest rate indices
- Exchange rate-related transactions
  Forward exchange transactions, currency swaps, option dealings and option contracts on foreign exchange rates, foreign exchange and precious metals futures contracts
- Other transactions
  Equity forward transactions, index forward contracts, option dealings and option contracts on shares and share indices

The above transactions have been carried out for the most part to cover fluctuations of interest and exchange rates, as well as market prices for trading transactions.

31/12/2018 In € million	Nominal amount	Positive market values	Negative market values
OTC products			
Interest rate-based transactions	5,148	118	128
Exchange rate-based transactions	1,625	11	11
Other transactions	81	5	0
Exchange-traded products			
Interest rate-based transactions	37	0	0
Other transactions	114	0	5
Total	7,004	134	145

Members of the Management Board and Advisory Board

General Partners

Klemens Breuer, Spokesman (since 1 April 2018)
Markus Bolder (since 1 April 2018)
Ute Gerbaulet
Prof Dr Stephan Schüller, Spokesman (up to 31 March 2018)

Advisory Board of Bankhaus Lampe KG

Dr Heino Schmidt, Chairman (since 1 August 2018, Deputy Chairman up to 31 July 2018)
Dr Albert Christmann, Deputy Chairman
Dr Alfred Oetker
Dr Harald Schaub
Dr Ernst F. Schröder, Chairman (up to 31 July 2018)
Dr Arnt Vespermann

Remuneration of Executive Bodies

We dispensed with disclosing the remuneration of active and former General Partners, as well as the provisions made for this group of persons.

The members of the Advisory Board received loans for a total amount of € 9.1 million. The remuneration for the members of the Advisory Board came to € 363 thousand.

Number of Employees

The average number of employees during the year was as follows:

Number of employees	676
thereof: full-time employees	548
part-time employees	128

Consolidated Statement of Shareholders' Equity

Group equity in € thousand	Subscribed capital	Capital reserve	Other surplus reserves	Adjustments for minority interests	Consolid-ated profit	Consolid-ated equity
As per 31/12/2016	70,000	205,500	16,750	478	55,000	347,728
Change in capital reserve	-	0	-	-	-	0
Change in retained earnings	-	-	0	-	-	0
Change in adjustment items	-	-	-	147	-	147
Profit distribution in 2017	-	-	-	-	-55,000	-55,000
Consolidated profit in 2017	-	-	-	-	15,000	15,000
As per 31/12/2017	70,000	205,500	16,750	625	15,000	307,875
Change in capital reserve	-	0	-	-	-	0
Change in retained earnings	-	-	8,000	-	-8,000	0
Change in adjustment items	-	-	-	-187	-	-187
Profit distribution in 2018	-	-	-	-	-7,000	-7,000
Consolidated profit in 2018	-	-	-	-	14,922	14,922
As per 31/12/2018	70,000	205,500	24,750	438	14,922	315,610

Consolidated Cash Flow Statement

In € million	**31/12/2018**
Consolidated net income	15
Non-cash items in net income and adjustments to reconcile net income with net cash provided by operating activities	
+/- Depreciation, valuation allowances, write-ups of receivables and fixed assets	-4
+/- Change in accruals	5
+/- Change in other non-cash income/expenses	-23
-/+ Gains/losses from the sale of fixed assets	0
-/+ Other adjustments (on balance)	5
Sub-total	**-17**
Change in assets and liabilities from operating activities	
-/+ Change in loans and advances to banks	-68
-/+ Change in loans and advances to clients	-75
-/+ Change in securities (insofar as not financial assets)	20
-/+ Changes in trading portfolio	170
-/+ Change in other assets from ongoing operating activities	-4
+/- Change in liabilities owed to banks	102
+/- Change in liabilities owed to clients	-176
+/- Change in securitised liabilities	0
+/- Change in other liabilities from operating activities	-24
+/- Interest expenses/income	-33
+/- Expenses/income from extraordinary items	0
+/- Income tax	-2
+ Interest and dividends received	35
- Interest paid	-3
+ Extraordinary cash inflow	0
- Extraordinary cash outflow	0
+/- Income tax payments	-3
Cash flow from current business activities	**-61**
+ Cash inflow from the disposal of financial assets	4
- Cash outflow for investments in financial assets	-8
+ Cash inflow from the disposal of property, plant and equipment	0
- Cash outflow for investments in property, plant and equipment	-7
+ Cash inflow from the disposal of intangible assets	0
- Cash outflow for investments in intangible fixed assets	-1
+ Cash inflow from disposals of consolidated companies	0
- Cash outflow from additions to consolidated companies	0
+/- Change in cash flow from other investment activities (balance)	0
+ Cash inflow from extraordinary items	0

In € million	31/12/2018
- Cash outflow from extraordinary items	0
Cash flow from investment activities	**-12**
+ Receipts from additions of equity from shareholders of parent company	0
+ Receipts from additions of equity from other shareholders	0
- Cash outflows from equity reductions to shareholders of parent company	-7
- Cash outflows from equity reductions to other shareholders	0
+ Cash inflow from extraordinary items	0
- Cash outflow from extraordinary items	0
- Dividends paid to shareholders of parent company	0
- Dividends paid to other shareholders	0
+/- Change in cash flow from other capital (balance)	-38
Cash flow from financing activities	**-45**
Cash and cash equivalents at the end of the previous period	**419**
Cash flow from current business activities	-61
Cash flow from investment activities	-12
Cash flow from financing activities	-45
Change in the group of consolidated companies	0
Cash and cash equivalents at the end of period	**301**
Composition of cash and cash equivalents	
Cash balance	0
Balances with central banks	301

Additional Disclosures

In accordance with Section 26a of the German Banking Act (KWG) in conjunction with Section 64r of the German Banking Act (KWG) as per 31 December 2018

The requirements for country-by-country reporting laid down in Article 89 of the EU Directive 2013/36/EU (Capital Requirement Directive, CRD IV) was implemented in German law in Section 26a of the German Banking Act (KWG).

The disclosure requirements pertain to information regarding domicile, sales and wage/salary recipients of the foreign subsidiaries, which as part of the full consolidation are included in the Consolidated Financial Statements.

The operating result excluding value impairments and administration costs, including net interest income, net commission income, trading result and other operating income, are drawn upon as revenue.

Company	DALE Investment Advisors GmbH
Type of business	Financial services company
Location of registered office	Vienna (Austria)
Revenue in € million	3.0
Number of wage/salary recipients	9.0
Profit before tax in € million	1.2
Taxes on profit in € million	0.3
Public subsidies received	None

Independent Auditors' Certificate

To Bankhaus Lampe KG, Bielefeld

Note on the Audit of the Consolidated Financial Statements and the Group Management Report

Qualified opinion on the Consolidated Financial Statements and opinion on the Group Management Report

We have audited the Consolidated Financial Statements prepared by Bankhaus Lampe KG, Bielefeld, and its subsidiaries (the group) – comprising the Consolidated Balance Sheet as per 31 December 2018, the consolidated Profit and Loss Account, the Consolidated Statement of Change in Shareholders' Equity, the consolidated Cash Flow Statement for the financial year from 1 January until 31 December 2018 and the group annex, including the disclosure of the accounting principles and valuation methods. In addition, we have audited the Group Management Report for Bankhaus Lampe KG, Bielefeld, for the financial year from 1 January until 31 December 2018. In compliance with German legal requirements, we have not audited the separate non-financial report pursuant to Section 289 b Para. 3 of the German Commercial Code (HGB) and Section 315b Para. 3 HGB.

According to our assessment based on the results of our audit:

- The enclosed Consolidated Financial Statements - with the exception of the effects of the circumstances described in the section "Basis for the qualified opinion on the Consolidated Financial Statements and for the opinion on the Group Management Report" - complies with German commercial law in all material respects. In accordance with German principles of proper accounting, the Consolidated Financial Statements give a fair and true view of the net assets and the financial position of the Group as per 31 December 2018 as well as the results of its operations for the financial year from 1 January until 31 December 2018, and
- The enclosed Group Management Report as a whole provides a suitable impression of the Group's position. In all material respects, this Group Management Report is consistent with a set of Consolidated Financial Statements pursuant to the corresponding German regulations, it complies with German legal requirements, and it adequately depicts the opportunities and risks arising from future developments. Our opinion on the management report does not cover the content of the aforementioned non-financial report.

Pursuant to Section 322 Para. 3 sentence 1 of the German Commercial Code (HGB) we declare that our audit, with the exception of the aforementioned qualification of the audit opinion on the Consolidated Financial Statements, has not led to any reservations relating to the legal compliance of the Consolidated Financial Statement s and the Group Management Report.

Basis for the qualified opinion on the Consolidated Financial Statements and audit opinion on the Group Management Report

Contrary to Section 314 no. 6 (a) and (b) of the German Commercial Code (HGB), the explanatory notes to the Consolidated Financial Statements do not detail the total remuneration of the current and previous members of the Management Board.

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are described further in the "Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the Consolidated Financial Statements and our opinion on the Group Management Report.

Key audit matters in the audit of the Consolidated Financial Statements

Key audit matters are such matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the fiscal year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In our opinion, the following matter was of most significance in our audit:

❶ Risk provisioning in the lending business

We have structured our presentation of this particularly significant audit matter as follows:

① Facts and problems
② Auditing procedure and findings
③ Reference to further information

In the following, we outline the key audit matter:

❶ Risk provisioning in the lending business

① In the Company's Consolidated Financial Statements, loan receivables amounting to € 1.5 billion are reported under the "Loans and advances to clients" balance sheet item. As of 31 December 2018, loan loss provisions in the client lending business consisting of specific and general valuation allowances are reported in the balance sheet. The valuation of the loan loss provisions for the customer lending business is determined in particular by the executive directors' assessment of future loan defaults, the structure and quality of the loan portfolios as well as general economic factors. Existing collateral is taken into account. The size of the valuation allowances in the customer lending business is highly significant for the net assets and income situation of the Group and they involve measurement-relevant judgment on the part of the executive directors. Since the valuation parameters applied, which are subject to uncertainties, have a significant impact on the recognition and the size of any valuation allowances required, this matter was of particular significance during our audit.

② As part of our audit, we initially assessed the appropriateness of the design of the controls in the Group's relevant internal control systems and tested the controls' effectiveness. In this context, we have considered the business organisation, the IT systems and the relevant valuation models. Moreover, we have evaluated the valuation of the client loans, including the appropriateness of estimated values, on the basis of sample testing of loan exposures. For this purpose, we have assessed, inter alia, the available documentation of the Group with respect to the economic environment as well as the recoverability of the related collaterals. For real estate as collateral, expert valuations were provided to us by the Company, we obtained an understanding of and critically assessed the source data, valuation parameters and assumptions made and evaluated whether they lay within an acceptable range. In addition, for the purpose of assessing the specific and general valuation allowances applied, we evaluated the calculation methodology applied by the Group together with the underlying assumptions and parameters. Based on the audit procedures we have performed, we were able to satisfy ourselves overall that the assumptions made by the executive directors for testing the intrinsic value of the credit portfolio were suitable and that the processes implemented by the group were appropriate and effective.

③ The disclosures by the group pertaining to risk provisioning in the client lending business are included in the section "Group Accounting Principles and Valuation Methods" in the notes to the Consolidated Financial Statements.

Other information

The executive directors are responsible for the other remaining information. The other information comprises the separate non-financial report pursuant to Section 289b Para. 3 of the German Commercial Code (HGB) and Section 315b Para. 3 HGB obtained by us prior to the date of the Auditor's Certificate.

Our opinions on the Consolidated Financial Statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

Within the remit of our audit, our responsibility is to read the other information and to consider whether the other information:

- is materially inconsistent with the Consolidated Financial Statements, the Group management report or the results obtained from our audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Advisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of Consolidated Financial Statements that comply, in all material respects, with the requirements of German commercial law, and that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group and observe German principles of proper accounting. In addition, the executive directors are responsible for such internal controls as they, in compliance with German principles of proper accounting, have deemed necessary for the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to the Group's continued operation as a going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there are practical or legal reasons not to do so.

Furthermore, the executive directors are responsible for the preparation of the Group Management Report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements, and appropriately depicts the opportunities and risks arising from future developments. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group Management Report.

The Advisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and of the Group Management Report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (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 the economic decisions of users taken on the basis of these Consolidated Financial Statements and this Group Management Report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and of the Group 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 opinions. 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 internal control relevant to the audit of the Consolidated Financial Statements and of arrangements and measures (systems) relevant to the audit of the Group 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;

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;
- Conclude on the appropriateness of the executive directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Consolidated Financial Statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German principles of proper accounting;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- We evaluate the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with [German] law, and the view of the Group's position it provides.
- We perform audit procedures on the prospective information presented by the executive directors in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. <u>We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.</u>

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 internal control 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 with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and 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 LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Art. 10 of the EU Audit Regulation

We were selected as the group auditor by the Annual General Meeting on 11 April 2018. We were engaged by the General Partners on 26 June 2018. We have been the group auditor of Bankhaus Lampe KG, Bielefeld without interruption since fiscal year 1993.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Peter Kleinschmidt.

Düsseldorf, 11 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft (auditing company)

Peter Kleinschmidt	ppa. Nadine Keuntje
German Public Auditor	German Public Auditor

5. Non-financial Reporting

Changing Responsibilities

More than ever, banks have a duty to work in the public interest and eliminate any possible rule violations. As a private bank, we therefore bear a particular responsibility for the present generation and for those to come. Taking responsibility is an integral part of our underlying values and is deeply anchored within Bankhaus Lampe's culture.

We can also exert a corresponding influence as a banking institution via the targeted selection of sustainable investment products. Our customers have a growing demand for such products. We identify suitable investment opportunities that offer stable earnings potential in the long term using sustainability filters, which take account of ecological, social and business ethics criteria.

Sustainability Report

Combined separate Non-financial Report for 2018 in Accordance with Sections 315b, 315c in Conjunction with 289b-e of the German Commercial Code (HGB)

Bankhaus Lampe is dedicated to the topic of sustainability in the areas of sustainable management, sustainable investment, social responsibility, employee responsibility and environmental protection. The General Partners take responsibility for the design of systems, setting of objectives and monitoring of compliance. They are supported in this by the corresponding business units and authorised employees (i.e. Corporate Development & Strategy, Human Resources, Communications, Compliance, Central Administration and Risk Controlling).

The relevant frameworks, such as the German Sustainability Code in particular, serve as a guide for all sustainability issues and are regularly taken into account in the review and initiation of concepts and measures. Due to the size of Bankhaus Lampe and its business model, however, it does not intend to be certified in accordance with the legal framework yet.

For reasons of better legibility, the following text largely avoids the simultaneous use of male and female language forms. All designations of persons apply equally to members of both genders.

Sustainable Management

Bankhaus Lampe's business activities focus on sustainable management. The Bank defines this as sustainable, rule-compliant and ethical corporate governance, commitment to its clients, and its social responsibility.

Corporate governance

Partnership and innovation are integral to the Bank's fundamental values. The corporate strategy and business model are geared towards continuous value creation. Being cognizant of environmental, employee and social aspects, respecting human rights, as well as combating corruption and bribery are always taken into account accordingly. The aspect of sustainability is also anchored in the Bank's business activities: First, its General Partners are personally liable, even beyond their activities as the management team. Second, the shareholders of the Oetker family have shown a long-term and intergenerational interest in the Bank for decades.

Values and principles

Bankhaus Lampe's value system is based on the Oetker Group Code of Conduct, which addresses the basic principles of business conduct. The Code of Conduct describes the basic requirements that all employees must meet, supports their daily work and thereby provides guidance. The foundation is strict compliance with the law, based on which the following topics, for instance, are addressed:

- Conduct in competition, in dealing with supervisory authorities and interactions among employees
- Separating personal and business interests
- Environment protection

In addition to the Code of Conduct of the Oetker Group and Bankhaus Lampe, all employees of the Bank are subject to the guidelines for employee transactions, a conflict of interest policy, an environmental protection declaration. In addition, all client advisors must respect the principles of customer service.

Compliance: Function and implementation

The objective of compliance is to protect the Bank against all compliance risks and therefore also against reputational and legal risks by means of conduct that complies with the law and policy. The Compliance department is allocated to the Production & Risk Management business unit. Shareholders, management and employees are to be protected from intentional and unintentional violations of the rules, which ultimately also benefits all clients.

All employees of Bankhaus Lampe - including working students, interns and temporary workers - receive extensive training on compliance through web-based learning programmes. Employees in corresponding functions participate in internal training courses on current legal and regulatory developments in investment advisory, for instance, asset management seminars for employees in client-related areas.

German Securities Trading Act (WpHG) Compliance

One of the chief responsibilities of the compliance function is to ensure compliance with the regulatory requirements for the provision of investment services and the regularly monitor and assess the available funds and procedures. This serves to uncover the dangers and risks arising from a violation of these legal requirements at an early stage. The Bank's central Compliance department is hereby supported locally by decentralised compliance staff.

Corresponding framework conditions are established via measures, such as setting up areas of confidentiality (Chinese Walls), recording insider information, designing and monitoring of sales targets, and verifying compliance of remuneration systems.

As regards potential violations of the prohibition of market manipulation and insider trading and attempts to do so, the Compliance department monitors and controls all transactions by employees of the Bank and its subsidiaries in financial instruments as well as all proprietary trading and proprietary transactions by the Bank.

Preventing conflicts of interest

The compliance function is also responsible for the design of measures to avoid conflicts of interest between the Bank, other Group companies, the management team, employees, tied agents or other associated persons and clients, or between clients. Bankhaus Lampe has taken steps to avoid and deal with current and potential conflicts of interest as part of its conflict-of-interest management. These steps are based on the strict principles of segregating the functions of sensitive business areas strictly from those of a functioning internal control system, the effectiveness of which is ensured by the independent supervisory and audit bodies. These measures ensure that services can be offered in a transparent and integral environment while respecting clients' interests. Since special requirements and framework conditions apply in each area, the measures address the identified fields of action individually.

Bankhaus Lampe Group's Code of Conduct aims to regulate the handling of benefits in business transactions, sensitise employees to possible conflicts of interest, implement the guidelines set out in the Oetker Group's Code of Conduct and prevent reputational damage. A benefit traffic light helps to classify and evaluate any benefits and gratuities.

Preventing money laundering

Lastly, the Bank's compliance measures are aimed at preventing money laundering, terrorist financing and other criminal acts that could endanger the Bank's assets. The Bank appoints an anti-money laundering officer reporting directly to the management board, who is responsible for combating and preventing money laundering, terrorist financing and other criminal offences to the detriment of the Bank.

Dealing with sustainability risks and reputational risks

For Bankhaus Lampe, reputational risks are among the most significant risks that could compromise the sustainability of the Bank. Therefore, the identification, analysis and management of these types of risk are of particular importance. Reputational risk is defined as the direct or indirect risk of a loss of confidence or reputation of the Bank with its stakeholders due to negative events in the course of its business activities, whereby the loss of confidence or reputation must have potentially relevant effects on the Bank's core business.

The following restrictions have been imposed on the Bank's business activities in order to limit this type of risk appropriately and in terms of ethical and sustainable corporate governance policies:

- Violation of universal human rights (in particular personal rights and freedoms)
- Violations of law and order (e.g. crime, drug trafficking, tax evasion, fraud, money laundering, corruption, insider trading)
- Supply of arms and weapons
- Pollution of the environment
- Exploitation of resources and nuclear energy
- Speculative transactions not acceptable to society or shareholders (e.g. food availability, death, illness, disability)
- Other business areas not socially acceptable or acceptable to the shareholders (e.g. red-light milieu, pornography and gambling)
- Violations of industry-specific minimum standards (e.g. safety, quality)
- Violations of conduct of business rules and banking practices (e.g. arousal of conflicts of interest, lack of professionalism)

In principle, the above matters can be evident in every client relationship and business transaction (e.g. loan financing). In the event of such suspicions of persons involved, possible reputational risks must be adequately examined in individual cases by the respective initiators and the assessment of the situation must be documented.

In the case of transactions relating to the following sectors and subject areas, a corresponding audit must be carried out regularly:

- Energy and power generation (e.g. fracking, fossil fuels, hydropower, nuclear energy)
- Agricultural raw materials (e.g. wheat, corn, soy, rice, potatoes)
- Agriculture and forestry (e.g. livestock, palm oil, cotton, precious woods)
- Mining of precious metals and stones
- Use of toxic substances (e.g. electrical industry, textile industry, agriculture)

In cases of doubt, the personally liable partners must always be consulted for a final assessment of the issues involved and the resulting reputational risks, as well as the Advisory Board in the event of any risks for the Oetker Group. The internal minimum requirements are the maintenance of a loss database, the performance of regular self-assessments, annual risk assessments as part of an internal working group for operational and reputation risks, and the monthly assessment of early warning indicators.

Commitment to our clients

Bankhaus Lampe sees itself as a trustworthy consultant. Co-operation in a spirit of partnership at all levels and the strategic dialogue on an equal footing therefore form the basis of every client relationship.

Guiding principles vis-à-vis our clients

Bankhaus Lampe client advisors commit themselves to common principles that apply to their respective field of activity. They sign a declaration of integrity, confidentiality, objectivity, neutrality and professionalism.

Dialogue with our clients

Bankhaus Lampe places great importance on a continuous, honest and trusting dialogue with its clients. To respond appropriately to clients, it is important to know their social, ecological and economic interests, expectations, needs, requirements and experiences. To ensure a value-creating strategic dialogue with the client, trained product specialists are consulted depending on the client's requirements.

In addition, Bankhaus Lampe seeks regular dialogue with clients at e.g. lectures, usually focusing on current specialist topics. Besides the objective of transferring knowledge, the Bank would like to offer added value for its clients by helping them to networking among themselves.

The young generation is an important target group for Bankhaus Lampe. The "Young Excellence" series of events offers a multi-day workshop on a key topic once a year. The participants benefit from meeting top-class experts from the banking sector, networking among each other and an in-depth look at a special topic. In 2018, the following topics were on the agenda:

- Fundamentals of liquid asset management
- Corporate governance
- From having the idea to having your own foundation
- Fundamentals of financing for entrepreneurs
- Financing requirements for company successions
- Alternative investments, taking private equity as an example
- Entrepreneurial investment
- Professional asset management
- Valuation & exit – the special role of the IPO
- Quantitative asset management – a look at the engine room
- Real estate assets structuring and financing
- Family businesses, investors and start-ups

Bankhaus Lampe employees also show their commitment through very regular lecturing activities at universities or at different companies, usually in the industrial sector.

Investing Sustainably

Globalisation, demographic developments, climate change and resource scarcity require us to act sustainably in the area of investment, too. Via the targeted selection of sustainable investment criteria and investment products, as a bank we can exert a corresponding influence on companies and industries and encourage sustainable development. At the same time, a large number of our clients (especially foundations, churches or church-related institutions) are already asking for asset management that meets the quality criteria for sustainable investments.

Against this backdrop, in 2017 Bankhaus Lampe started to expand its product range to include investment approaches geared towards sustainability, which were gradually implemented and developed further in the year under review (2018). Among other things, the equity expertise in this area was successfully strengthened at the start of the year and the asset management has been augmented with the "sustainable invest" concept. As part of this augmented investment strategy, the "sustainability" dimension is being added to the investment targets of maximising yield or earnings and minimising risk.

Sustainable investment processes

Equities and bonds are picked in a multi-stage process that takes account of sustainable investment criteria. We identify suitable investment opportunities that offer stable earnings potential in the long term using so-called sustainability filters, which take account of ecological, social and business ethics criteria.

Three central selection components are used:

- Quality / positive criteria (ecological and social responsibility, fundamental principles of corporate governance)
- Best-in-class approach (via peer group analysis)
- Negative-/ exclusion criteria

First of all, companies are selected according to the quality/positive criteria that meet the defined requirements particularly well both with regard to ecological and social aspects and in terms of corporate governance. Secondly, as part of a "Best in Class" approach, companies are selected that have the highest ecological, social and the corporate governance standards within their peer group (i.e. generally within their respective sector). Thirdly, companies from undesirable business areas are excluded using so-called negative criteria. At the same time, investments in certain companies, sectors, topics and countries are ruled out based on exclusion criteria. For example, this includes tobacco companies, alcohol producing firms or weapons manufacturers.

We use the database of an independent research provider for the targeted selection of sustainable investments. More than 6,000 of the world's largest companies, 165 countries and over 100 bond issuers are analysed and evaluated according to a variety of criteria. The criteria are categorised as follows: Environmental orientation (Environmental), social behaviour (Social) and good corporate governance (Governance). In addition to direct reporting by companies, internet forums, media databases and information from non-governmental organisations (NGOs) and government agencies serve as research sources.

Expanded product range

The product range has been steadily expanded in recent years, particularly as part of the implementation of the sustainable investment approach. Clients can always invest sustainably via several types of mandate.

The first option is the individual securities account (via contracts with Bankhaus Lampe KG), which is offered for three equity universes and a bond universe:

- Eurozone equities, sustainability
- Europe equities, sustainability
  (Eurozone and UK, Switzerland and Scandinavia)
- International equities, sustainability
  (Europe, the USA and Canada)
- Bonds sustainability
  (global issuers, denominated in euros, rating: investment grade:

Second, investors can invest sustainably as part of individual specialist funds from LAM or via the LAM endowment fund, whereby the last option uses the same sustainability filter criteria that Bankhaus Lampe applies for the selection of the sustainable equity and bond universes.

In H1 2018, the sustainable product range was further expanded and a new LAM sustainable open-ended mutual fund was set up for both equities and bonds. As part of the sustainable investment products, these are also available as investment alternatives:

- LAM Bonds Sustainability – ISIN DE000A2JF675, inception date 22/05/2018
  (investment universe: global issuers, denominated in euros, investment grade)
- LAM Equities Sustainability International – ISIN DE000A2JFE4, inception date 22/06/2018
  (investment universe: Europe, the USA and Canada)

Scope of sustainable asset management

The demand for sustainable investments as part of the asset management has again developed positively in the financial year just ended. As per 31/12/2018, Bankhaus Lampe Group managed sustainability mandates worth € 290 million for more than 100 customers.

The funds were invested both within the remit of individual securities accounts via contracts from Bankhaus Lampe KG or Lampe Asset Management GmbH, via open-ended mutual funds ("LAM Equities, Sustainability International" - around € 20 million as per 31/12/2018, "LAM Bonds, Sustainability" – around € 145 million as per 31/12/2018) and via specialist funds from Lampe Asset Management GmbH.

In addition, as per 31/12/2018 a further € 109 million was invested sustainably in the endowment fund from Lampe Asset Management GmbH, which has existed for some years. This uses the same sustainability filter criteria that Bankhaus Lampe also uses for the selection of sustainable equities and bonds.

Social Responsibility

Client responsibility

We are aware that in the course of supporting our clients we also bear an overriding social responsibility. We strive to provide meaningful support to entrepreneurial families in all areas. This aspiration results from Bankhaus Lampe's identity, which as part of the family-owned company Oetker, understands the essential challenges and requirements of family businesses and knows how to deal with them. On the one hand, we are constantly developing strategies to protect and preserve our clients' assets. On the other hand, we are aware of our special responsibility as a provider of capital for German SMEs.

Sponsorings

Bankhaus Lampe is involved in cultural, social and charitable projects, in the form of donations or the personal commitment of its employees. Co-operations with Kunstmuseum Bonn, Zeit-Stiftung Ebelin und Gerd Bucerius in Hamburg as well as the corporate memberships of the Friends of the Kunstpalast Museum in Dusseldorf and the Company of Friends for Kunstsammlung North-Rhine Westphalia are examples of this commitment. Moreover, lectures on current financial, political and cross-generational topics of the future were held regularly in our branches.

Promotion of young talent

We continue to promote young academic talent with a scholarship at the University of Duisburg-Essen (UDE). Together with other companies, we can provide financial support to talented and top-performing students via the UDE Scholarship Programme. Through close collaboration with selected universities, students were also given the opportunity to complete their internships at Bankhaus Lampe. On average, 14.6 working students and interns were able to apply their theoretical knowledge in practice in 2018. At the same time, the Bank's specialist departments were able to get to know potential application candidates.
The Oetker Group's "Stay in Touch" programme offers us an interesting way to remain in contact with highly qualified and committed interns and working students. Currently, 30 former interns are participating in this programme on the recommendation of the departments. This platform offers participants the opportunity to make contacts across groups in personal conversations. Two exclusive events are organised for the participants each year. For instance on 23/24 April and 15/16 October 2018, former interns and employees of the Oetker Group met up in Bielefeld and Hannover for the 10th and 11th occasion respectively.
In November 2018, the Oetker Group also hosted its Talent Days. The 71 participants, who had to apply to take part in the Talent Days, were given insights into the individual companies and divisions of the Oetker Group over two days. In addition, the interested and high-potential candidates had the opportunity to demonstrate their theoretical knowledge in multi-disciplinary, practical workshops. They also made valuable contacts with HR managers and employees from the various departments. Bankhaus Lampe was represented with an M&A workshop.

Employee engagement

Many employees were also involved outside banking activities and assume social responsibility, for example as speakers, lecturers, association board members or treasurers. In the social and healthcare sector, our employees were involved with the Kinderschutzbund (association for the protection of children) in Bielefeld and the Deutsche Multiple Sklerose Gesellschaft (German multiple sclerosis society).

Employee Responsibility

Our employees play a major role in our business model. Therefore, one of the central sustainability topics is the acquisition as well as the training and further education of employees. In addition, it is important to create an attractive working environment in which fair salary structures, flexible agreements on working hours, work-life balance as well as health are the main focus. Bankhaus Lampe places great value on having motivated employees, who think independently and generate added value for the Bank and its clients.

Employment

In line with the slightly declining employment figures in the private banking industry as a whole (source: AGVBanken), the number of active employees at Bankhaus Lampe including its German subsidiaries fell to a total of 612 in 2018 (after 626 employees in the previous year). In addition, there were 34 passive employees in semi-retirement, on paid or parental leave. This change is mainly attributable to one-off effects.

The fluctuation rate (ratio of staff departures to the total number of employees on average) is 11.6 % and is therefore higher than the previous year (8.6 %). In the year under review, this figure was higher than the latest average value reported by the Association of German Banks (as of 2017, 7.1 %). The aim is to retain employees for the long term. This is also reflected in the average length of service with the Bank, which stood at 11.7 years at the end of 2018 and was up on the previous year (11.3 years).

Staff loyalty

Bankhaus Lampe involves its employees regularly in change and development processes and incorporates them actively in sustainability management. Among other things, this is part of information events and a regular exchange within the specialist departments as well as with line managers. Furthermore, there is an official suggestion scheme for all employees, which was initiated and established as part of a company agreement back in 2004. Together with the General Works Council, Bankhaus Lampe's management team appoints an officer to be responsible for the company suggestion scheme (CSS officer), who receives the employees' suggestions for improvements. These suggestions are then checked and evaluated by an official Assessment Committee, which is composed of the CSS officer, the respective responsible specialist department and a member of the General Works Council. Bankhaus Lampe's employees are therefore regularly called upon to develop suggestions for improvements and to involve themselves actively in sustainability management. In recognition of a proposal, 25 % of the first annual net usefulness from the implemented proposal (but a maximum of € 25,000) or – provided the usefulness cannot be assessed – € 50 to € 250 can be paid as a reward.

Recruiting

The shortage of skilled workers, combined with the decline in the attractiveness of the banking industry as an employer, poses major challenges for human resources management. For this reason, human resources recruitment and support as well as sustainable employee development were planned and implemented at great effort in 2018.

Training and further education

Bankhaus Lampe places great importance on continuous training at a high level for its employees. The declared aim is also to retain employees at the Bank for as long as possible. As last year, the training measures in 2018 therefore focused on the topics of leadership as well as motivating, promoting and retaining employees. Other aspects included training in the area of regulatory and legal requirements and English language courses. In addition, Bankhaus Lampe supports part-time courses of study or certificate training for its employees, such as Financial Planner or Chartered Financial Analyst qualifications. In addition, the bank offers and promotes part-time Master's programmes for selected employees. In the year under review, for example, the disciplines covered included taxes, financial services as well as generation management & estate planning.

In 2018, employees once again attended a large number of external seminars. These seminars and events covered the following topics:

- // Events for sharing experiences and specialist conferences
- // Seminars on new legal requirements
- // Seminars on personal development

In 2018, each Bankhaus Lampe employee took advantage of 2.1 training days on average.

Human resources management

Human resources management is a top priority for the Bank and its subsidiaries. In a service company with such a demanding clientele, motivated, well-trained, capable and satisfied employees are of great importance. That is why the Bank particularly wants to retain this target group. Empirical studies have shown that a "good" leader is the main motivator and loyalty factor for employees. It is therefore in the long-term interest of the overall Group to intensify and systematise the qualification and advancement of management staff. In addition to individual professional and personal training, which is open to all employees, managers are prepared for their functions in external training courses. They are supported in fulfilling their tasks by further training or coaching tailored to their needs.

In addition to the promotion of young talent, the placement of interns and working students is playing an increasingly important role. Many departments of the bank once again called upon the support of students. At the same time, many interns and working students take the opportunity to gain their first professional experience at Bankhaus Lampe (see "Social Responsibility / Promoting Young Talent".

The situation for employers, especially banks, is that they are increasingly facing a labour market that favours employees: Demographic change, the shortage of skilled workers, what Millennials want from a job (key terms: self-fulfilment, work-life balance, shareconomy, etc.), and the increasingly negative reputation of banks mean that the "war for talent" is still in full swing. Against this backdrop, it is more important than ever to retain committed and qualified employees. For this reason, a talent management programme for employee retention, motivation and promotion was developed back in 2016. This programme focuses not only on the further advancement of employees to a management role, but also on the prospects of a specialist or project-oriented career. The programme therefore focuses on the further development of interdisciplinary skills.

Balancing work and family life

Supporting families is an important part of Bankhaus Lampe's HR policies. At the end of 2018, 14 staff were on maternity or parental leave. In order to help to them reconcile the demands of work and family life, Bankhaus Lampe endeavours to offer its employees the opportunity to work also during parental leave so that they can return to their professional environment as easily as possible. The childcare subsidy, which the Bank has offered since 2007, and the support of a family service are certainly helpful in this respect.

Specially trained experts from an external employee counselling service are available to all employees and the members of their family who live with them. These experts can provide advice on difficult work/life situations (e.g. professional, private and health matters). This co-operation with an independent external employee counselling service was again very much in demand among the employees of the Bank and Lampe Asset Management during 2018. The aim is to maintain, restore and increase performance, well-being and job satisfaction. This is also intended to make it easier to reconcile the demands of professional and family life.

Diversity, remuneration and working-time model

Further information on diversity and equal opportunities as well as remuneration and working-time models in Bankhaus Lampe Group can be found in the Remuneration Report starting on page 82.

Health management

In 2014, the Bank and its subsidiaries implemented health management programme. Various measures in the areas of preventative medicine, exercise, nutrition and stress management have been offered to the Bank's employees since then. The aim is to maintain and improve health, well-being and performance in the workplace.

In the area of preventative medicine, the Bank has been offering all employees a high-quality health check-up at a specialist healthcare provider since the introduction of the health management programme. The check-ups are much in demand among the employees and the feedback is universally positive.

The mandatory computer workstation check-ups (G37) are carried out regularly by the company medical service. Since everyday working life is highly dominated by working on computer screens, the right choice of visual aids - if necessary - is important for the workplace. The Human Resources department and the General Works Council have jointly revised the existing regulations for subsidising computer workstation eyeglasses. The new regulation ensures that every employee receives suitable eyeglasses if needed.

In the year under review, the Bank again promoted participation in collective sporting events. At the B2Run corporate running event in Düsseldorf, a total of 42 Bankhaus Lampe runners showed their team spirit and enthusiasm for exercise. After a distance of 6.2 kilometres, they joined around 12,500 other participants at the finish in the ESPRIT arena.

Bank employees again took part in the "Cycle to Work" campaign. The goal is to improve people's personal health on the way to work. A mobile bicycle workshop was also set up at the Dusseldorf location.

Employees also continued to take advantage of the co-operation with an interregional provider of back muscle training and a nationwide chain of fitness centres.

In 2018, the employees had option to attend a lecture on the subject of "Health empowerment – why running makes us healthy and happy". 16 employees attended this lecture. The employees were able to perform a body analysis beforehand. 13 employees took advantage of this opportunity. 20 employees took part in the running coaching session after the lecture.

In addition, a "lunch break workout" was offered at the Bank's sites in Berlin and Dusseldorf. As part of the workout programme, tense musculature was loosened up and relaxed via exercises. The workout programmes were very well received.

Environmental protection

Environmental protection is an integral part of the Bank's corporate policies. Our aim is to align entrepreneurial activity with ecological requirements. We undertake to protect and conserve natural resources to the best of our ability as a service provider. We also consider that every employee is obliged to make a contribution to protecting the environment. In addition to an environmental mission statement and guidelines, the Bank defines, monitors and reviews specific measures on an annual basis.

Environmental protection policy

The Bank has established environmental protection guidelines. Accordingly, our employees commit themselves to observing the following standards:

- We act in an ecologically responsible manner to protect the environment and our natural resources.
- We conduct our banking business with the greatest possible care for natural resources and the environment.
- We continuously review whether our working methods correspond to the latest findings with regard to environmental protection and take the necessary steps to eliminate environmental pollution.
- The prevention, reduction or recycling of waste takes priority over landfilling or incineration.
- We pursue open environmental information policies vis-à-vis employees, clients, authorities and suppliers.
- As part of our environmental responsibility, employees are trained as required and informed about current environmental issues.

Environmental protection measures

The generation and creative implementation of proposals to improve the environment are the basic requirements for a functioning environmental protection policy. All employees of Bankhaus Lampe Group sign an environmental protection agreement. This is intended to increase sensitivity and awareness when it comes to environmental matters. Employees can participate actively in the development of suitable environmental protection measures and incorporate their ideas through the suggestion scheme. In addition, measures are developed, presented and implemented by an environmental protection officer using the environmental protection management system. An environmental committee facilitates the internal exchange of information, the preparation of decision papers and the implementation of suitable initiatives within the whole bank. The current status is regularly published in an environmental protection report on the Bank's intranet.

Environmental protection activities are many and varied, as are the associated projects and measures that are developed and adopted. For instance, in the course of the year energy-saving potential is continuously sought

in all branches as part of the technical management of building and maintenance services. In the case of rented properties, the Bank brings influence to bear on the owners and supports the use of energy-efficient and ecologically sensible measures.

In addition to the interdisciplinary environmental issues, in 2018 Bankhaus Lampe has also continuously worked on detailed solutions that have an effect on a small scale, but nevertheless send out a clear signal.

- Supporting energy and environmental planning for the redevelopment of the headquarters in Bielefeld
- Recycling of old mobile phones, which helps to cut climate-warming CO_2 emissions
- Use of electricity from renewable sources, leading to a saving of 187 tons of CO_2 emissions
- Ongoing switchover from bank account statements printed and delivered by post to PDF account statements sent to the electronic inbox

Mobility management

Bankhaus Lampe places great importance on the subject of mobility. For example, the use of rail cards and the increased use of train travel have regularly helped to conserve resources for years.

At the same time, aspects of the car policy are subject to continuous review. While alternatives in view of the issue of banning Diesel vehicles are still being discussed, the upper limit for CO_2 emissions has already been adjusted and a limit has been placed on the maximum power output of company cars.

Given the future topic of mobility, Bankhaus Lampe has been dealing with electro-mobility for some years and in 2017 it contemplated using electric vehicles as company cars in 2018 or 2019. In the year under review (2018), an "e-mobility" test phase was therefore conducted over several months at the Dusseldorf location. In the course of this test, interested company car drivers were able to use a VW Golf, in order to familiarise themselves with an environmentally sound, supposedly promising type of drive and gain experience in in this area. However, based on the results now available from the long-term testing, the CarPolicy will currently not be expanded to include electric vehicles for company car drivers. This decision is primarily due to the limited range and the lack of a nationwide charging infrastructure for electric vehicles. Nevertheless, Bankhaus Lampe will continue to keep an eye on developments in electro-mobility.

Real estate and construction

The subject of construction in accordance with the ecological, economic and technical quality standards set by the German Association for Sustainable Building (DGNB) is playing an important part in the redevelopment in Bielefeld in 2018. All the Dusseldorf sites are scheduled to be relocated in a single joint new building in 2020. Not only the exchange of information and co-operation between the Dusseldorf employees will be improved by the move and the shorter channels of communication, we also expect to reap significant energy saving effects. The same applies to when the Bielefeld branch re-occupies the premises at Alter Markt. This is scheduled to happen at the end of 2019.

Report on Equal Pay and Equal Opportunities at Bankhaus Lampe Group

For Bankhaus Lampe Group, sustainable management also means remaining fit for the future and promoting equal opportunities and diversity for all employees. Diversity and equal opportunities, fair salary structures and flexible working-time models are the basis not only for attracting talent, but also for retaining it at Bankhaus Lampe in the long term. Only if the Bank offers its employees an attractive environment can we create a sustainable basis for providing exceptional services to all stakeholders and, above all clients.

Diversity and Equality

As per 31 December 2018, the Bank and its subsidiaries in Germany had 603 active employees. Of these, 45 % (260 employees) were female and 55 % (343 employees) were male. A total of 18% (121 employees) are employed in management positions. Of the 106 managers, 27 are female. The female quota of 25 % in management positions was therefore somewhat higher than last year (23 %).

The hiring of new employees underlines the commitment to actively promote equal opportunities. For example, women accounted for 31 % of the Bank's new employees in 2018.

Remuneration

Bankhaus Lampe adheres to the "Collective agreements for the private banking industry and public banks" including the regulations contained therein on equal opportunities, family and career, social benefits, holidays, early retirement, semi-retirement, etc. The proportion of non-managerial employees in particular results in equal pay for comparable positions, which are filled gender-neutrally on the basis of specialist qualifications.

In 2018, an average of 38 % of employees were covered by collective bargaining agreements. For employees not covered by collective agreements, remuneration is also based on qualifications and professional requirements and is therefore non-discriminatory.

Models to Increase Flexibility of Working Hours and Location

If needed, Bankhaus Lampe offers flexible working-time models to respond to the personal situation of employees. There are a variety of individual solutions available to combine different working days and different working hours as required.

Besides this, uniform bank-wide regulations for mobile working and working at locations outside the Bank are to be introduced in 2019. This would harmonise the practice hitherto, which offers solutions for individual cases.

Nearly half (48 %) of the part-time employees work close to full-time with at least 30 hours per week, with the proportion of women being significantly higher.

Statistical Data

Based on Article 21 of the German Act on Transparency of Pay (EntgTranspG), the Bank provides the following statistical data (as per December 2018):

Bankhaus Lampe KG	Full time	Part time	Total	Percentage in
Female	156	104	260	45 %
Male	328	15	343	55 %
Total	484	119	603	
Percentage in %	80 %	20 %		

Further Measures and Outlook

All of Bankhaus Lampe Group's employees in Germany are already obliged to complete training on Germany's General Law on Equal Treatment (AGG). Besides this, the measures to reconcile family and work life are presented in the sustainability report. When recruiting new employees, Bankhaus Lampe pays attention to gender neutrality in job offers and the selection of candidates. Bankhaus Lampe will continue to promote measures to establish equal pay for women and men. It will also publish and operationalise these measures in addition to the periods specified by law.

The Boards

Partners

General Partners
Klemens Breuer, Spokesman
Markus Bolder
Ute Gerbaulet

Limited Partners
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As per March 2019

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Dr Albert Christmann, Deputy Chairman
General Partner of Dr August Oetker KG, Bielefeld

Dr Alfred Oetker
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