EUROPEAN DEPOSITARY BANK

An Apex Group Company

Annual Report 2019

Business Development - Overview

EUR x 1 million	2019	2018	2017	2016	2015
Balance sheet total	**1,732.8**	1,207.3	1,378.3	1,286.5	1,343.7
Total volume	**2,080.3**	1,630.5	1,696.6	1,413.3	1,448.9
Share capital and reserves	**32.8**	37.6	32.7	32.7	32.7
Profit for the year	**17.3**	3.4	4.8	3.6	5.0
Funds held in safe custody (number)	**456**	368	361	316	345
Volume of funds held in safe custody (EUR x 1 billion)	**75.8**	34.5	28.7	23.6	24.6
Volume of customers' funds held in safe custody (EUR x 1 billion)	**3.9**	3.7	5.0	5.6	7.2
Employees (number)	**158**	171	187	172	153

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Note to the Annual Report

Note to the annual report pursuant to Article 73 of the Law of June 17, 1992 on the annual and consolidated accounts of credit institutions incorporated under Luxembourg law

This annual report comprises a schematic and – in the text part – partially abridged reproduction of the annual financial statements and management report of European Depositary Bank SA.

The documentation has been published in its complete form, pursuant to Article 71(1) of the Law of June 17, 1992, by filing the same in the Registre de Commerce et des Sociétés [Commercial and Companies Registry] at 14, rue Erasme, L-1468 Luxembourg.

Corporate Bodies

Supervisory Board

Joachim Olearius, Hamburg
- Chairman -
(until January 31, 2019)

Dominik Wilcken, Hamburg
- Deputy Chairman -
(until January 31, 2019)

Dr. Julien Alex, Luxembourg
- Member -
(until January 31, 2019)

Professor Joseph Bannister
– Chairman –
(since January 31, 2019)

Peter Hughes
- Deputy Chairman -
(since January 31, 2019)

David Carrick
- Member -
(since January 31, 2019)

Georges Schmit
- Member -
(since January 31, 2019 until January 25, 2020))

Management Board

Carl-Egbert Stever, Luxembourg
(until January 31, 2019)

Rüdiger Tepke, Luxembourg

Stefan Forse, Luxembourg
(since January 2019)

Economic Environment

The low global economic momentum from 2018 decreased further in 2019. In particular, political issues – e.g. uncertainties in US trade politics, especially concerning China, Brexit, and returning uncertainties about the instabilities in the near east – had a negative impact on companies‘ and private households‘ investment and consumption behavior. Investment growth, exports and private consumption remained weak or declined on a global level. Rising tensions between trading countries and geopolitical issues, many originating in the White House, have increased uncertainty about the future of the global trading system and international cooperation. This increased the pressure on business confidence, investment decisions, and global trade. The economic outlook on a broad range of indicators, indices and surveys remained weak or declining in the first semester whereas some stabilised in the second.

Economic growth in the 19 eurozone countries continued to lose momentum in 2019 after already slowing down in 2018. The German economy weakened again in 2019 with an expected growth rate of 0.6% compared to a gross domestic product increase of 2.5% in 2017 and 1.5% in 2018. In the second half of the year it was even close to a technical recession with 0.1% growth rate. The reasons were multifold: global, national and intra-EU. The economy of the eurozone depends heavily on exports. Their decline is mainly driven by external global factors like the increased uncertainty in policy measures induced by the US, the development of the US trade conflicts and political instabilities in the near east. While some of these uncertainties might be resolved towards the end of 2019 – namely with Brexit and the US-China trade agreement – it is to be expected that these developments affect the European economies and their exports negatively in the end. In addition, each of these big issues still carries the potential for escalation. On the national and EU level, politics remains largely uninspired, procrastinating and not straightforward, as can be seen especially in Italy, France and Germany. Therefore, the decline of manufactured production continues, the decrease of unemployment slowed down in most countries and a drop in real wage was observed in core EU. Domestic demand stabilised the economy. In the second half of the year some forward looking indicators, like the IFO index, stabilised on a low level.

The boom in the US continued in 2019, although US growth rates decreased from 2.9% in 2018 to an estimated 2.3% in 2019. Despite the non-economic policy affairs – e.g. impeachment proceedings – the economy currently grows on a stable path. It is unclear, however, how sustainable this growth can be, which is based on many one time effects from tax relief, deregulation, and forced concessions of international partners. Most likely, the cost side, i.e. the effects of increased government debt, depletion of natural resources or reduced international cooperation, will eventually prevail. Real private consumption remained as stable as in 2018 and thus seems to be the main driver of US growth. This is supported by the steady decrease of unemployment to the lowest level since 1968, heading to 3.5% in December without a turnaround in sight. However, rising tariffs and slowing growth bear the potential of a new crash. China's gross domestic product growth rate fell to the slowest rate since 1990: the country grew 6.1% in 2019.

Economic Environment

Monetary policy in the industrialised countries returned to more expansionary paths again. In the US, interest rates have been decreased by 75 basis points in three steps in 2019. In addition, the Fed ended the reduction of bond holdings and restarted the bond purchase program in September 2019. Likewise, in fall 2019, the ECB restarted its bond purchase program and reinvested the redemption amounts of the purchased securities to maintain favourable liquidity conditions and extensive monetary accommodation. In addition, the key interest rate remained at 0.00% and the interest rate for the deposit facility was reduced further to -0.5% in September.

The global inflation rate remained on a long term average in 2019. In the developed economies, inflation remained well below the standard inflation target of two per cent. Core inflation remains even lower and more stable, as the volatile components energy and food are not taken into account in its measurement. Remarkably, heterogeneity in inflation development amongst emerging economies increased strongly. China and India show rising inflation rates of 8% and 3%, respectively, and South American and African economies have falling inflation rates. For the eurozone, the moderately stronger dollar has also induced a small share of inflation via imported inflation, as the majority of imported commodities are quoted in dollars.

2019 was a favorable year for equity market investors. The German stock market has been continuously rising with only a small dip around August. The DAX showed an excellent performance and gained one quarter in value. The reasons for the summer slump are manifold, with politics playing a special role: trade conflicts, internal quarrels in the US, chaotic Brexit negotiations. All in all, the Eurozone gained significantly in 2019 as a whole (DAX: +25%, MDAX: +31%, Euro Stoxx 50: +25%). In local currency terms, the development in the US is less positive than in Europe – at +22% in the Dow Jones and +29% in the broad S&P 500.

The stock markets of the BRIC countries were partially able to follow the positive developments described above, but the overall trend is more moderate. In local currency terms, the Russian RTS Index gained +45% and the Shanghai Composite Index +22%. The Indian BSE 30 Index and the Brazilian Bovespa Index increased by 14% and +32%, respectively. The commodity markets, on the other hand, were more heterogeneous. While prices for aluminum fell by -2%, copper and nickel increased by 3% and 32%, respectively, while gold and silver as well gained 18% and 16%, respectively. The price per barrel of London Brent Crude Oil increased by 22,5% with comparable increases for other energy commodities. Summarizing, commodities developed heterogeneously in 2019 with a stronger weight on the gain side.

10-year bond yields fell in the first half of the year, hitting a low in August, and partially recovered from there. Traditional 'safe havens', i.e. Germany, Austria, Denmark, Luxemburg and the Netherlands, started close to zero and reached negative interest rates as early as April. After reaching their low point (-0.65% for German bonds in August 2019), the recovery started but did not lead to positive yields for those countries. The inverse movement in value transferred to almost all maturities, whereby 2 and 5 year maturities on average traded with a yield of approximately 0.3% below the 10 year bond for Germany. In contrast, the development of the periphery was dominated by the strong reduction of interest rates in the first three quarters with Italy reaching yields below 1% and even Greece remaining below 1.5% at year's end. 10-year US Treasury bonds developed analogously reaching almost 2% again in December.

Business Development of the Bank

Business development of the bank - General

With the closing of the sale transaction of M.M.Warburg & CO Luxembourg S.A. and Warburg Invest Luxembourg S.A. in January 2019, the successful integration of M.M.Warburg & CO’s Asset Management and Servicing business in Luxembourg in Apex Group Ltd. has been completed. In the course of the change of ownership, the bank operates under the name "European Depositary Bank SA" (EDB) as of February 1, 2019.

In order to expand its business activities in Europe, the bank decided to establish branches in Dublin, Malta and London during the year. In Luxembourg and also through its European branches, EDB offers independent banking, depositary and custody services to institutional investors and asset managers for UCITS and alternative investment structures.

European Depositary Bank SA, Dublin Branch (“EDB Dublin Branch”) has been established on March 15, 2019 and started its Custody and Depositary lite business as per June 28, 2019. In September 2019, EDB Dublin Branch has received Full Depositary authorisation from the Central Bank of Ireland to operate in Ireland. The funds business from Deutsche Bank Alternative Fund Services Ireland was transferred on October 4, 2019. EDB Dublin Branch focuses solely on offering Depositary and Custody Services to a wide range of fund structures and SPVs. Depositary services offered include both full-depositary and depositary-lite services. As of December 31, 2019, our staff in EDB Dublin Branch comprised 30 employees.

European Depositary Bank SA, Malta Branch (“EDB Malta Branch”) has been established on August 1, 2019. EDB received Malta Financial Services Authority (MFSA) principal approval for the "Category 4a Investment Services Licence" of EDB, Malta Branch on November 19, 2019. The onboarding of clients has started in 2020. As of December 31, 2019, our staff in EDB Malta Branch comprised 3.5 employees.

With respect to European Depositary Bank SA, London Branch (“EDB London Branch”), the CSSF granted its approval to establish a third country branch in the UK in April 2019. The application process for the full Depositary license has been started. EDB London Branch is established since 1st February 2020, but not yet operational. It is expected to commence the branch's business activity as of April 1, 2020. EDB London Branch had no employees at the reporting date.

In 2019, as in the last year, the bank focused on depositary bank services for an internationally diversified range of assets, as well as handling the affairs of institutional clients and external asset managers. The bank’s most important area of business continues to be the service it offers as a depositary bank, which, in addition to the legally prescribed safekeeping of investment assets, Luxembourg funds and securitisation companies governed by Luxembourg law and the controlling activities related thereto, also includes the provision of ancillary services as a registration and transfer agent, calculation agent and paying agent, as well as brokerage and liquidity and currency management.

Clients availing themselves of our depositary bank services, such as capital management companies, portfolio managers, asset managers, insurance companies and pension funds, value the independence, flexibility and expertise of the bank, together with the investments made during the year under review in our IT infrastructure. The bank is one of the few depositary banks in Luxembourg that continue to be able, by means of system technology, to represent and offer depositary services for virtually all the usual asset classes in traditional securities and in the area of alternative investments in Luxembourg funds, and is the market-leading depositary of private equity funds. The opening of the branches and the services offered out of the Group has given the bank access to new international clients. All depositary business of the Apex Group has been consolidated within the bank. In 2019, we benefited from our proven expertise in different asset classes of alternative investments, which enabled us to secure a share of the growing demand for AIFM and RAIF fund structures. Demand was particularly high for debt and real estate fund structures; we also recorded very satisfying growth in volume as far as securities funds were concerned. The market for securitisation structures has improved significantly. Being part of and growing together with the international Apex Group, as well as investing in systems and employees, which continued in 2019, further strengthened the bank's position as an interesting and important alternative to the major international banks for depositary and custodian banking in the Luxembourg financial centre. Within our branch network we are offering as well depositary and custody services.

The second core business field involves the handling of relations with external asset managers and institutional clients. In general, our independence and the way in which we listen and respond to our clients' individual needs are highly appreciated by them. Our lending business, focusing on Lombard loans and the pre-financing of capital calls, is only offered as a complementary service.

As of December 31, 2019, the bank's balance sheet total amounted to €1,732.8 million. The balance sheet structure remained more or less unchanged from the previous year.

Customer deposits, 83.0% of which related to funds and Luxembourg funds held in safe custody, rose by €521.1 million to €1,668.1 million. The loans to customers, including existing guarantees, rose by €3.7 million to €39.1 million, with lending operations once again being conducted on a very risk-conscious basis. We continue to carry out almost exclusively Lombard financing and pre-financing of capital calls to the funds held in safe custody in compliance with strict collateral and/or lending criteria.

As at December 31, 2019, the bank was acting as a depositary bank for Luxembourg funds and specialised investment funds having a total volume of €72,210,11k (previous year: €33,285,768k) and for securitisation vehicles having a volume of €3,586,935k (previous year: €1,220,065k). In addition, the Dublin branch is holding a volume of €6.8 billion as of December 31, 2019. In total we are holding a volume of €82.6 billion.

The bank has sold its building at Place Dargent and has moved to Munsbach into a business friendly building that offers the opportunity to grow the business.

Business Development of the Bank

Earnings situation

Given the general economic trend, the bank achieved an altogether satisfactory result. Due to the stable situation in the fund business, providing external asset managers and institutional clients with banking services, the net commission income, amounting to €22.1 million (previous year: €18.7 million), once again contributed significantly to the overall result.

Although the yield curves in EURO and USD have been flattening and the continuation of the risk-averse investment policy, net interest income rose by €1.4 million, or 25.4%, to €6.9 million due to an increase in customer deposits.

General administrative expenses increased by €4.8 million, or 21.2%, to €27.5 million, partly on account of additional regulatory requirements.

Pre-tax profit increased by €15.9 million, or 344.5%, to €20.5 million. The net profit for the year amounted to €17.3 million, i.e. €13.9 million, or 402.0%, above the previous year’s figure.

Personnel

During the past year, the integration into the Apex Group Ltd., the set-up of the first two international EDB branches in Ireland and Malta and hence the creation of related synergies was the focus of our business activity and our growth strategy. In this regards several restructuring measures of e.g. our IT and HR department took place and the merger of former separate departments Settlement Services and Security Administration into the new department Custody Operations took place during the course of 2019.

As of December 31, 2019, our staff in Luxembourg comprised 158 employees. These included 23 part-time employees and four employees on maternity leave or full-time parental leave. Additionally 3.5 employees are working in the Malta branch and 30 employees are working in branch in Dublin.

Great importance is attached to the need to ensure that our staff members are highly qualified and committed, so that we can offer our clients and business partners a reliable service on a long-term basis. We support the maintenance of such standards by continuously developing and expanding the knowledge and abilities of our employees. Drawing on an extensive range of further training opportunities offered by the Group and by external contractors, we prepare an individual skills and competencies enhancement plan for each employee as part of our bi-annual performance review cycle, extending in part over a period of several years. In addition to specialist seminars, these plans focus on training in communication and leadership, as well as in project and change management. Our training programme also includes compliance, operational risk, ISO and IT training as well as language courses, total immersion courses in the respective European countries and self-study programmes. Due to our integration into the Apex Group Ltd. our employees benefit from the global Knowledge Academy which also offers a wide range of self- trainings. Besides this in-house training, courses on fraud prevention, money laundering, tax and legal structures and health management are also potential learning and development measures.

We would like to offer our heartfelt thanks to our employees for their tireless commitment and, once again, considerable dedication, which enabled us to achieve our business success, reach our common goals and successfully execute the various efficiency projects, as well as the tasks in relation to the integration into the Apex Group Ltd. as well as the set-up of our first international branches and related restructuring measures.

Special thanks are also due to the members of the staff delegation for their loyal and constructive collaboration.

In 2019, nine employees marked five years and two employees ten years with the bank. Additionally, three colleagues celebrated their 20th anniversary within our Group. We extend our heartfelt congratulations to all those who celebrated these anniversaries, together with thanks for their faithful and successful collaboration. One of our colleagues left the company for her retirement after more than 30 years mid of 2019.

Developments occurring after the year end

Georges Schmit has resigned from his function as member of the Supervisory Board of European Depositary Bank SA, Luxembourg with effect from January 25, 2020.

The Branch Manager European Depositary Bank SA, Dublin Branch, Paul Whelan, has resigned as of February 28, 2020. Roseanna Young – currently Head of Depositary and Custody Services of the Ireland Branch – has been appointed as Branch Manager as of February 29, 2020.

Risk management report

In its business activities, the European Depositary Bank SA, including its branches is exposed to operating and strategic risks. For the overall management of banking operations, it is essential that the bank is able to effectively identify, analyse, manage and evaluate the relevant risks.

In this context in order to strengthen its governance the bank has established Branch Committees and an Outsourcing Committee.

In order to monitor the business effectively and strengthen risk management, the bank follows the three lines of defence model. In this respect, our internal control functions – risk control, compliance and internal audit – form an integral part of the risk monitoring system. They check the bank's business and operational processes in terms of scope and risk. This enables negative trends and weak points to be identified early on an early stage.

The general monitoring of risks is the responsibility of our Risk Control department, which has been integrated in the risk control framework of the Apex Group Ltd.

The rules laid down by the Luxembourg banking supervisory authority, the CSSF, for the implementation of an ICAAP (Internal Capital Adequacy Assessment Process) under which the bank also includes the procedural requirements for the assessment of appropriate liquidity, are strictly complied with in this regard. In addition, the relevant requirements of the regulatory authorities of the branches are observed.

In order to ensure its capacity to bear risk at all times, the bank has implemented various instruments and procedures. The perception and consideration of a change in the risk profile is generally ensured by means of the annual review of the materiality of all risks as part of the risk inventory.

Because risks are constantly evolving, there is a high demand to develop metrics or indicators to help monitor potential future shifts in risk conditions or new emerging risks in order to better manage events that may arise in the future on a more timely and strategic basis. With this rationale the bank has installed a set of Key Risk Indicators, which are critical predictors of significant events that can adversely impact EDB's risk situation. They monitor changes in the levels of risk exposure and contribute to the early warning signs that enable the bank to report risks, prevent crises and mitigate them in time. In addition, processes have been put in place by the bank in respect of operational loss events, customer complaints, new products, outsourcing, non-transparent transactions and changes to the business strategy and the risk profile, revealing any alteration to the bank's risk profile during the course of the year.

In this regard, the Risk Committee, which meets on a regular basis and is composed of permanent members of the Management Board and the designated persons responsible for control functions, plays a primary role. The Risk Committee monitors holistically the risk profile of EDB and its branches using a comprehensive risk catalogue, deals with current risk-related developments as well as specific risk notifications submitted by staff members, and subsequently prepares measures and recommendations designed to improve the risk situation.

In addition to the possibility of risk reporting, it is open to the bank's employees to have recourse to whistle-blowing as a further means of early detection of risk; which could be used, overtly or anonymously, to communicate risks on an ad hoc basis.

These established procedures and instruments for monitoring risks exert a decisive influence on the assessment of the bank's risk-bearing capacity.

The risks taken by us are configured and limited, as part of an active risk management system, in such a way that the material risks confronting the bank, comprising of credit risks, market price risks, liquidity risks and operational risks, and taking into account risk concentrations, are continuously covered by the bank's risk coverage potential. Alarm thresholds are also implemented for these risks, serving as early warning indicators and thus contributing to adherence to the applicable limits. Our Risk Control department constantly monitors the risks taken and regularly reports to the Management Board, the Supervisory Board and the Supervisory Authority. In this context, the risk reporting system presents the risks in terms of the utilisation of previously fixed limits.

The bank is exposed to further risks in addition to those mentioned above. These include strategic risks, changed framework conditions (such as regulatory and demographic developments), client behaviour and reputational risks. Reputational risk as a result of public coverage of transactions, business partners or business practices in which a client is involved is defined as the risk that will adversely affect the trust in the bank. When considering reputational risk, it is necessary to distinguish between two aspects: the long-term dimension within the context of the strategy and the short-term dimension within the context of the liquidity risk.

Manifestations of the general business risk cannot be adequately quantified and consequently also not limited. This gap is closed, among other things, through self-assessments as part of the annual risk inventories, which subject those risks to an approximate assessment.

The principles governing such risk management and the methods and procedures put in place to evaluate risks, together with the risk values ascertained using those methods and procedures, are regularly examined and, where necessary, adjusted to ensure that they are adequate and plausible. With a view to monitoring and managing all of the risks confronting it, the bank, in addition to applying the above-mentioned risk limits, has also put in place, in respect of further risks and subclasses of risk, qualitative monitoring measures and, where appropriate, limits to be applied thereto.

Credit risks are entered into in accordance with approved authorities, counterparty and issuer limits and credit lines approved in line with the bank's strategic orientation and the Group's limit systems, and subject to compliance with the regulatory requirements. The limits are subject to annual approval and monitoring involving the Supervisory Board. Within the framework of a credit value-at-risk model, unexpected losses, quantified in monetary terms, are calculated on the basis of the unsecured portions of the debt, the likelihood of the counterparty defaulting and the relevant correlations. In respect of public-sector borrowers and banks, recovery factors are also taken into consideration.

In accordance with its lending strategy, the bank's primary lending business represents a complementary business activity as part of the depositary or custody business. Loans will only be granted to fund clients, clients of external asset managers, professional private clients and companies in which the bank holds the depositary or custody function as well as to entities within the Apex Group Ltd. The lending business focuses on low-risk, well-secured and less processing intensive loans.

Market price risks arising from potential losses due to unfavourable fluctuations in interest rates, prices, currencies and volatility are assumed within a framework of fixed limits designed to capitalise on income opportunities. For the daily evaluation of market price risks, the bank employs a value-at-risk procedure which compares and contrasts the results with the limits that have been fixed.

As a non-trading book institution, the bank enters only to a limited extent into positions for the short-term realisation of profits. The bank's forex business is primarily designed to offset client-related spot and forward transactions through countertrades and to manage technical foreign exchange positions.

In order to ensure the timely fulfilment of its payment obligations, the bank counters the liquidity risk by means of ongoing disposition of all incoming and outgoing payments via its payment transaction accounts.

The risk control process uses liquidity maturity statements and is essentially based on monitoring all aggregated capital inflows and outflows, divided into maturity bands, taking into account deposit base assumptions specific to the bank. The liquidity balances are computed taking into account liquidity reserves in the form of cash reserves, assets with central banks and unencumbered securities comprised in the bank's own portfolio, which can be used in the context of open-market transactions with the European Central Bank. In order to limit liquidity risks, internal limits are fixed in respect of the minimum liquidity balances to be maintained and significant foreign currencies. Liquidity maturity statements are prepared, both in the form of comprehensive statements and separate statements for the major currencies. To support risk control, the deposit concentrations are shown in daily reports and indicators are integrated enabling the early identification of negative changes in the liquidity situation. In the unlikely event of a liquidity shortage, escalation procedures and measures have been set.

Operational risks are countered by the bank by means of clearly defined competencies and responsibilities. Our regulations and detailed procedural documentation for all departments on all essential work processes, duties and responsibility are kept constantly up to date, helping us to identify, limit and avoid operational risks. Strict adherence to the principle of separation of duties at all levels of the bank, as well as internal controls and approvals under the four-eyes principle integrated into operational procedures and technical systems, form additional focal risk control methods. In addition, the bank has taken out insurances regarding transfers of possible operational risks with a high loss potential.

With the objectives of raising awareness and promoting a risk culture, an employee training course on "operational risks" is provided to all employees using the Apex Group online Learning Management System "Knowledge Academy".

Taking into account changing factors of influence, existing and latent operational risks are identified in the course of an annual consultation of experts and evaluated within the parameters of the likelihood of their occurring and their financial effect. Using mathematical processes, the value at risk in respect of operational risks is then ascertained and a corresponding risk capital is assigned to it. Important information with regard to risk management is provided by the risk inventory and by the loss database, which contains details of all gains and losses arising from operational events.

Additional indications result from the risk notifications filed by the bank’s staff and the analysis and follow-up of all customer complaints received.

By maintaining a Business Recovery Centre, and by setting up backup workplaces, the bank has taken appropriate measures to counter the risks arising from IT malfunctions and breakdowns. The bank is continuously investing in its IT infrastructure in order to maintain a high level of availability and performance for its systems.

Legal risks are countered by the bank through an extensive use of standard and standardised contracts, the review of individual contracts on a regular basis and the regular update of wording and various clauses of contracts, as applicable, according to the prevailing legislation and business practices, with recourse being had for this to the expertise of external legal advisers. With respect to the branches in foreign jurisdictions, risk mitigation shall be achieved by using our standardised contracts and documents as confirmed by external local lawyers under the relevant jurisdiction. The bank continuously improves the range of instruments designed to combat money laundering, the financing of terrorism and white-collar crime. In 2019, all employees received training on the prevention of money laundering and the financing of terrorism. Training on general compliance topics is provided on a regular basis as well as training on fraud prevention via the Apex Group online Learning Management System "Knowledge Academy".

By implementing limit systems and analyses, the bank has made suitable arrangements with a view to limiting risk concentrations. Unwanted risk concentrations are countered by measures to identify and reveal such concentrations.

In order to simulate risks in extreme market situations, stress tests are carried out, in addition to the normal risk measurement procedures, with regard to all risks which are defined as material, as well as a stress test encompassing different types of risk. These stress tests provide information concerning the possible impact on the economic situation of the bank in the event of a serious change in the market environment from the status quo. The analyses are in principle carried out every quarter and are based on hypothetical, historical and inverted scenarios. The stress tests are designed to gauge the effects on the economic capital and risk coverage potential and to initiate in good time any control measures deemed necessary.

The risk management procedures of European Depositary Bank SA correspond to the usual market standards and are geared, within the framework of proportionality, to the risks inherent in the positions concerned. With the procedures applied, the risks outlined are measurable and transparent and those procedures additionally enable the risks to be controlled and managed. They are considered appropriate to ensure the bank’s risk-bearing capacity on a sustainable basis.

Business Development of the Bank

Prospects

Within the first year of being part of the Apex Group Ltd. we have been able to essentially strengthen our good position in the depositary and custody market in Luxembourg and also to enhance our development in international markets through our new branches in Ireland and Malta. The creation of a new branch in UK planned for early 2020 underpins our strategic orientation and we are fully convinced that our business will develop very positively in the future.

Our core areas of business will be the provision of depositary and custody services, handling transactions for clients of external asset managers and meeting the needs of institutional clients through bank accounts services. By growing together with the Group, we will be able to add numerous additional mandates to our business.

Also within this year, thanks to our flexible Group-IT-platform, we will implement new technical solutions which will offer the best service combined with high reliability and a unique customer experience to our clients. This improves efficiencies for both sides and enables us to continue to be an attractive supplier of services for new and existing clients in the years to come.

During the course of 2020, we expect to see a market environment featuring volatile stock exchanges and low interest rates. Nevertheless, on the basis of the planned increases in volumes in our business areas, we expect the income generated therefrom to rise significantly. In the field of proprietary investments, we will continue in 2020 to pursue our established investment policy, against a background of what is expected to be an unattractive interest rate environment.

We expect an increase in administrative expenses due to implementation costs for regulations, necessary investments in infrastructure and IT systems and the further automation of processes. Despite the difficult economic environment in this new year, we are convinced to achieve a result that is appropriate and a very reasonable return on equity.

The year 2020 will bring some challenges and many opportunities and we are excellently positioned for taking these opportunities to generate further growth. Therefore, beside the current and constantly increasing regulation costs, the requisite investment and the low interest rate levels put pressure on the profitability of our bank, we foresee fast-growing business volumes and corresponding growth in fee income.

Luxembourg, February 18, 2020

The Management Board

Report of the Supervisory Board

During the 2019 financial year, the Management Board kept the Supervisory Board regularly, promptly and exhaustively informed, both orally and in writing, about the bank's situation and the development of its business. The tasks prescribed by law and by the memorandum and articles of association have been fully performed by the Supervisory Board. During the periods between the five meetings that were held in the 2019 financial year, the Management Board regularly informed the Chairman of the Supervisory Board of all significant developments and decisions.

The main topics covered by the reporting to the Supervisory Board were the bank's economic situation, the key financial figures, basic issues in respect to business policy and strategy, risk management, internal audit reports and other important occurrences. Significant discussion topics included: the expansion of its depositary and custodian bank business; investment in the IT infrastructure; the growing need for resources for the integration projects concerning the transfer of ownership to Apex Group Ltd. and arising from the implementation of projects designed to meet regulatory requirements and to improve procedures; the substantial increase in the provision of individual services in the area of registration and transfer business; the implementation of new reporting requirements and supervisory provisions; and the imposition of additional demands, especially as regards the IT infrastructure, liquidity positions and capital adequacy.

Decisions regarding proposed transactions requiring approval were made in writing and in the form of circular resolutions.

Together with the Management Board, the Supervisory Board discussed the earnings situation in the light of the investments made and against the background of the current and newly launched projects, the challenging interest rate environment and the low risk profile of the bank. The impact on the business model of the current regulatory requirements, and of those to be expected in the future, was considered in detail. It was decided to continue with the orientation towards a low-risk investment policy in relation to the bank's own holdings.

The Supervisory Board regularly discussed the risk situation of the bank with the Management Board and took a closer look at the further development of the systems and procedures required for controlling the risks inherent in banking business.

The annual financial statements and the management report for the 2019 financial year were audited by PwC Luxembourg, Société coopérative, and found to be in accordance with the legal requirements. They were given an unqualified audit certificate. The Supervisory Board took note of, and approved, the result of the audit of the annual auditor.

Report of the Supervisory Board

The audited annual financial statements were presented to the Supervisory Board and discussed in detail at its meeting held on 26 February 2020. No objections thereto were raised by the Supervisory Board. Accordingly, the Supervisory Board approved the annual financial statements and forwarded them to the general meeting for adoption.

At the end of 2017, M.M.Warburg & CO (AG & Co.) KGaA concluded an agreement for the sale of its shares in the two Luxembourg subsidiaries, M.M.Warburg & CO Luxembourg S.A. and WARBURG INVEST LUXEMBOURG S.A., to Apex Group Ltd. Completion of the transaction took place with the grant of approval by the competent supervisory authorities in January 2019. As a result, the bank was renamed European Depositary Bank SA.

Furthermore, a new Supervisory Board was appointed at the end of January due to the change in ownership of the bank.

Carl-Egbert Stever resigned as Managing Director of the bank and this came into effect on 31 January 2019. The Supervisory Board offers its thanks to Mr Stever.

Stefan Forse, previously Head of the Unit Depositary Services in the bank, was appointed as a member of the Management Board in January 2019.

Georges Schmit has resigned from his function as member of the Supervisory Board of European Depositary Bank SA, Luxembourg with effect from January 25, 2020. The Supervisory Board offers its thanks to Mr Schmit.

The Supervisory Board also offers its thanks to the Management Board and to the staff at European Depositary Bank SA for their work and the successful result for the year.

Luxembourg, February 20, 2020

The Supervisory Board

Prof. Joseph Bannister

– Chairman –

Audit Opinion

Audit opinion of the statutory auditor

The complete annual financial statements have been given an unqualified audit certificate by the statutory auditor, PwC Luxembourg, Société cooperative.

The wording of the audit certificate can be found in the complete annual financial statements which have been published pursuant to Article 71(1) of the Law of June 17, 1992 by filing the same in the Registre de Commerce et des Sociétés [Commercial and Companies Registry] at 14, rue Erasme, L-1468 Luxembourg.

Depositary bank audit

An assurance testing is carried out each year by an independent auditor, to test the control systems in place and the effectiveness of the controls (ISAE 3402 report, type 2). The testing of all Apex Group depositaries and custodians was conducted by Deloitte Mauritius for the period from October 1, 2018 to September 30, 2019. The testing of the controls by Deloitte did not reveal any findings.

Balance Sheet

Balance sheet as at December 31, 2019

(Expressed in EUR)

	Assets		Dec. 31, 2019	Dec. 31, 2018
1.	Cash in hand, balances with central banks and post office banks		1,216,715,349.13	696,391,139.43
2.	Loans and advances to credit institutions	3.1	87,608,491.97	124,957,377.33
	a) repayable on demand		87,608,491.97	94,041,569.52
	b) other loans and advances		0.00	30,915,807.81
3.	Loans and advances to customers	3.1	35,864,336.11	34,220,529.03
4.	Debt securities and other fixed-income securities	3.2.	377,090,755.27	332,070,538.03
	a) issued by public bodies		117,380,509.66	114,766,287.99
	b) issued by other borrowers		259,710,245.61	217,304,250.04
5.	Participating interests	3.3/3.4.	26,728.89	26,728.89
6.	Shares in affiliated undertakings	3.4/3.5	317,937.97	6,072,449.97
7.	Intangible assets	3.3	1,768,265.29	1,711,719.56
8.	Tangible assets	3.3	696,346.20	2,527,528.83
9.	Other assets	3.6	10,987,164.44	8,032,662.07
10.	Prepayments and accrued income		1,747,450.93	1,306,743.68
	Total assets		**1,732,822,826.20**	**1,207,317,416.82**

The attached notes form an integral part of the annual accounts.

Balance Sheet

	Liabilities		Dec. 31, 2019	Dec. 31, 2018
1.	Amounts owed to credit institutions		2,481,183.11	634,511.04
	a) repayable on demand	3.7	2,481,183.11	634,511.04
2.	Amounts owed to customers		1,668,101,795.78	1,147,017,684.33
	Other debts			
	a) repayable on demand		1,660,174,513.46	1,141,800,132.82
	b) with agreed maturity dates or period of notice	3.7	7,927,282.32	5,217,551.51
3.	Other liabilities	3.8	14,641,999.83	9,150,570.58
4.	Accruals and deferred income		881,250.63	375,566.38
5.	Provisions		12,364,833.76	9,122,501.06
	a) Provisions for pensions and similar obligations		487,481.43	500,843.97
	b) Provisions for taxation		5,664,156.23	3,617,592.12
	c) Other provisions	3.9	6,213,196.10	5,004,064.97
6.	Subscribed capital	3.10	13,000,000.00	13,000,000.00
7.	Reserves	3.11	19,740,000.00	19,740,000.00
8.	Profit or loss brought forward		76,583.43	4,831,278.79
9.	Profit or loss for the financial year (after deduction of the interim dividend)		1,535,179.66	3,445,304.64
	a) Profit or loss for the financial year (before deduction of the interim dividend)		17,296,579.66	3,445,304.64
	b) Interim dividends	3.11	-15,761,400.00	0.00
	Total liabilities		**1,732,822,826.20**	**1,207,317,416.82**

The attached notes form an integral part of the annual accounts.

	Off-balance sheet items		Dec. 31, 2019	Dec. 31, 2018
1.	Contingent liablities	3.12	3,262,982.02	2,419,843.50
	showing separately:			
	guarantees and assets pledged as collateral security		2,979,547.78	1,104,361.00
2.	Commitments	3.13	1,513,156.43	1,787,900.99
3.	Fiduciary transactions	3.14	342,670,414.51	418,971,544.01

The attached notes form an integral part of the annual accounts.

Balance Sheet

Profit and loss account for the year from January 1, 2019 to December 31, 2019

(expressed in EUR)

	Income		2019	2018
1.	Interest receivable and similar income, showing separately:		6,454,781.90	4,220,906.69
	that arising from fixed-income securities		3,250,441.98	831,829.83
2.	Income from transferable securities		14,047,160.33	178,500.00
	a) Income from shares and other variable-yield securities		0.00	0.00
	b) Income from participating interests		0.00	0.00
	c) Income from shares in affiliated undertakings		14,047,160.33	178,500.00
3.	Commissions receivable		25,460,995.58	22,125,710.50
4.	Net profit on financial operations		196,400.86	162,062.92
5.	Value readjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings		0.00	0.00
6.	Other operating income	4.3	12,217,612.43	4,315,160.14
	Total income	4.1	**58,376,951.10**	**31,002,340.25**

The attached notes form an integral part of the annual accounts.

Balance Sheet

Profit and loss account for the year from January 1, 2019 to December 31, 2019
(expressed in EUR)

	Charges		**2019**	**2018**
1.	Interest payable and similar charges		-410,342.86	-1,253,354.70
2.	Commissions payable		3,361,783.94	3,434,477.50
3.	Net loss on financial operations		0.00	0.00
4.	General administrative expenses		27,475,348.54	22,673,208.38
	a) Staff costs, showing separately:		17,353,699.32	15,064,810.99
	aa) wages and salaries		14,684,816.59	12,785,425.01
	ab) social security costs, with a separate		2,248,520.96	2,198,114.75
	indication of those relating to pensions	4.4	419,849.74	369,141.07
	b) Other administrative expenses		10,121,649.22	7,608,397.39
5.	Value adjustments in respect of assets items 8 and 9		935,126.06	736,481.69
6.	Other operating charges	4.5	666,843.09	803,305.78
7.	Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shared in affiliated undertakings		5,858,899.30	-989.73
8.	Tax on profit or loss on ordinary activities		3,186,000.00	1,157,000.00
9.	Profit or loss on ordinary activities after taxes		(17,303,293.03)	(3,452,211.33)
10.	Other taxes not shown under the preceding items		6,713.37	6,906.69
11.	Profit for the financial year		17,296,579.66	3,445,304.64
Total charges			**58,376,951.10**	**31,002,340.25**

The attached notes form an integral part of the annual accounts.

Notes

1. General information

a) Legal basis

European Depositary Bank SA (the “bank”) was established as a Société Anonyme on February 15, 1973 by Prosper-Robert Elter, Notary.

The bank registered office is located at: L-5365 Munsbach, 3, Rue Gabriel Lippmann.

The bank is registered in the Commercial Registry of the City of Luxembourg under No B 10700.

The bank’s memorandum and articles of association were last amended by notary deed of Danielle Kolbach, Notary practising in Luxembourg, dated June 24, 2019 and published in the RESA [Official Gazette], number 162 of July 15, 2019.

European Depositary Bank SA, Dublin Branch (“EDB Dublin Branch”) has been established on March 15, 2019 and started its Custody and Depositary lite business as per June 28, 2019. In September 2019, EDB Dublin Branch has received Full Depositary authorisation from the Central Bank of Ireland to operate in Ireland.

European Depositary Bank SA, Malta Branch (“EDB Malta Branch”) has been established on August 1, 2019. EDB received Malta Financial Services Authority (MFSA) principal approval for the "Category 4a Investment Services Licence" of EDB, Malta Branch on November 19, 2019.

With respect to European Depositary Bank SA, London Branch (“EDB London Branch”), the CSSF granted its approval to establish a third country branch in the UK in April 2019. The application process for the full Depositary license has been started. EDB London Branch is established since 1st February 2020, but not yet operational.

b) Bank purpose

The object of the bank is to carry on the business of a bank. In that capacity, the bank is empowered to engage in all banking transactions and all operations which relate, in whatever way, to banking business, whether for its own account or for the account of third parties, and in particular: (a) to accept as deposits, and pay interest on, moneys belonging to third parties; (b) to grant loans of money and credit of any kind; (c) to negotiate bills of exchange and cheques; (d) to purchase and sell securities for its own account or for the account of third parties; (e) to hold in safe custody, and manage, securities for others; (f) to issue and trade in bonds, public notes and promissory notes; (g) to promote the issue of stocks, shares in companies, certificates, bonds and other securities, to subscribe for such securities in its own name or in the name of third parties and to place them publicly or privately; (h) to execute all international financial, cash and foreign currency transactions; (i) to assume and take on sureties, guarantees and other warranties for third parties; (j) to engage in cashless payment and clearing operations and (k) to carry on domestic and foreign documentary business. In addition, the bank may purchase, sell and encumber real property, accept, create and relinquish securities of any kind, acquire and dispose of interests, participations and holdings, and operate and set up businesses and other commercial enterprises, including any which may involve activity on the real property market, in so far as these are in some way related to the object of the bank or may serve to further the attainment of that object.

c) Annual accounts

The present annual accounts as at December 31, 2019 have been drawn up in accordance with the provisions of the Luxembourg Law of June 17, 1992 as amended on the annual accounts of credit institutions (LuxGAAP).

The bank has elected to use the matrix format for the presentation of its profit and loss statement.

2. Summary of significant accounting policies

The annual accounts have been prepared in euros (€), the currency in which the bank's equity capital is denominated.

Receivables and credit balances are stated at their nominal value, whilst debt instruments accepted at a discount are shown at their historical cost price.

The bank considers allowances for bad and doubtful debts, and provisions, to adequately cover all identifiable credit risks.

Lump-sum provision has been calculated in accordance with the tax authorities' directive dated December 16, 1997.

As at the balance sheet date, the bank holds bonds and other fixed-interest securities in its structural portfolio. Those securities are valued at the lower of their acquisition cost or market value, and are prorated using the premium. The value adjustments made in previous years pursuant to Articles 56(2f) and 58(2e) and Article 62(1) of the Law of June 17, 1992 on the annual accounts of credit institutions in respect of certain specific assets have been retained (for tax reasons) even where the underlying reason for them has ceased to apply. As at the balance-sheet date, possible write-ups amounting to €84 k were not made.

Participating interests, shares in affiliated undertaking, tangible assets and intangible assets are valued at the cost of acquisition.

Tangible assets and intangible assets are depreciated over their expected time of use on a straight-line basis. Any depreciation options offered under tax laws and regulations are fully utilised. The pro rata temporis rule is applied.

The following depreciation rates are applied:

Computer/IT hardware	14 - 66%
Intangible assets	20 - 33%
Vehicle fleet	16 - 25%
Other office furniture/equipment	10 - 20%

Low-value assets (acquisition costs below €870) are capitalised in the year of acquisition and written off as a compound item over a five-year period.

The allocation of the lump-sum provision to the risk weighted assets in accordance with LuxGAAP is made through a simplified procedure over the course of the year. As at December 31, 2019, there was no allocation to the balance-sheet items in respect of participations, shares in affiliated undertakings companies, intangible assets and tangible assets.

Liabilities are shown at the amount (re)payable. Pension obligations have been valued by an actuary in accordance with actuarial principles and are shown in the balance sheet as provisions based on their partial value in accordance with the tax law.

Assets, liabilities and off-balance-sheet transactions in foreign currencies have been converted into the capital currency with Euro foreign exchange reference rates as at December 31, 2019.

Differences arising from currency conversions in respect of cash/spot transactions hedged by forward transactions and, conversely, forwards covered by cash/spot transactions have been recorded as neutral in their effects on profits. As at the balance-sheet date, there were largely closed-out or hedged positions. Income and expense items are recorded at their rate of transaction date.

All discernible risks and liabilities the basis of which was known, but not yet the amount, have been taken into account by recognition of provisions for contingent losses. The above-mentioned principles for covering risks are also applied to off-balance-sheet transactions.

Negative interest from assets (or liabilities) transactions are recorded in interest receivable (interest payable) (reduction in interest income or interest expenses).

3. Notes to the balance sheet

As at the balance sheet date, assets denominated in foreign currencies totaled €277,690k (previous year: €173,187k), representing 16% (previous year: 14%) of the balance sheet total. Liabilities denominated in foreign currencies totalled €616,842k (previous year: €315,354k), representing 36% (previous year: 26%) of the balance sheet total.

3.1. Loans and advances to credit institutions and customers

Loans and advances to credit institutions and customers take into account specific credit risk allowances.

The following is a breakdown of loans and advances to credit institutions and customers other than those repayable on demand:

Remaining maturity	**Credit institutions**		**Customers**	
€ x 1,000	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Up to 3 months	o	30,916	6,177	137
More than 3 months and up to 1 year	0	0	14	1,647
More than 1 year and up to 5 years	0	0	37	72
More than 5 years	0	0	0	0
Total	**0**	**30,916**	**6,228**	**1,856**

In addition, loans repayable on demand to credit institutions amounted to €87,608k (previous year: €94,042k), whilst those repayable on demand from customers totaled €29,636k (previous year: €32,364k).

Loans and advances to credit institutions include receivables from affiliated companies, amounting to €0k (previous year: €37,809k).

Loans and advances to customers include receivables from affiliated companies and participations, amounting to €6,177k (previous year: €1,615k).

Loans and advances to customers are almost exclusively covered by collateral in the form of securities or other instruments.

The book values of the financial instruments reflect the maximum credit risk exposure.

3.2. Debt securities and other fixed-income securities

Securities assigned to the banking book of investment portfolio are intended to be held until bullet maturity or, in the case of equities, on a long-term basis. The bank holds no investment portfolio as at December 31, 2019.

The bank's trading portfolio comprises securities the sole objective of which is to realise a short-term capital gain. The maximum period for which securities may be held in this type of portfolio may not exceed 3 months. The bank holds no trading portfolio as at December 31, 2019.

All other securities are shown under the heading "structural portfolio". Such securities are purchased for an indefinite period in order to achieve capital gains and/or interest income. The securities held in the structural portfolio are intended to result in a sustainable increase in earnings for the bank.

The bank's holdings of debt securities and other fixed-interest securities, amounting to €377,091k (previous year: €332,071k) are allocated to the structural portfolio.

Market price risks and credit risks existing as at the balance sheet date have been taken fully into account.

Remaining maturity	**Debt securities and other fixed-income securities**	
€ x 1,000	**Structural portfolio**	
	Dec. 31, 2019	**Dec. 31, 2018**
Up to 3 months	9,997	29,916
More than 3 months and up to 1 year	105,911	127,737
More than 1 year and up to 5 years	261,183	174,418
More 5 years	0	0
Total	**377,091**	**332,071**

Of the exclusively officially quoted bonds and other fixed-interest securities shown, €115,908k represent instruments maturing in 2020 (previous year: €157,653k maturing in 2019). A nominal value of €281,339k is available for use in open-market transactions with the European Central Bank. The nominal sum of €47,250k has been lodged with a depositary as collateral for futures transactions.

The book values of the financial instruments reflect the maximum credit risk exposure.

3.3. Schedule of fixed asset movements

	Item € x 1,000	Gross value at Jan. 1, 2019	Additions	Disposals	Gross value at Dec. 31, 2019	Accumulated depreciation as at Dec. 31, 2019	Depreciation charged in 2019	Net value as at Dec. 31, 2019 (excluding Lump-sum provision)
1.	Participating interest	27	0	0	27	0	0	27
2.	Shares in affiliated undertakings[1)]	6,072	0	0	6,072	5,7540	5,7540	318
3.	Tangible assets, of which	8,606	301	6,943	1,964	1,268	328	696
a)	Land and buildings	4,465	0	4,465	0	0	95	0
b)	Business and office equipment	4,141	301	2,478	1,964	1,268	233	696
4.	Intangible assets	7,039	1,316	852	7,503	5,735	607	1,768
a)	Licences	6,386	1,119	199	7,306	5,735	607	1,571
b)	Payments on account	653	197	653	197	0	0	197
	Total	**21,744**	**1,617**	**7,795**	**15,566**	**12,757**	**6,689**	**2,809**

[1)] We refer to 3.4 Participating interests and to 3.5 Shares in affiliated undertakings.

The land and building owned by the bank were sold in July 2019 after the move to L-5365 Munsbach, 3, Rue Gabriel Lippmann.

Shares in affiliated companies "Metropolitan Trading Corporation S.A." were reduced because the investment company also sold the building and land in July 2019.

3.4. Participating interests

The bank holds shares in the following companies:

Name	Shareholding in % 2019	2018
Quint:Essence Capital S.A.	20	20

3.5. Shares in affiliated undertakings

The companies listed below are all unlisted companies.

The bank holds shares in the following companies:

Name	Shareholding in %		Net Equity €	Result of the last financial year €
	2019	2018	2018	2018
Metropolitan Trading Corporation S.A.	100	100	2,526,570	641,582
Nestor Investment Management S.A.	51	51	854,894	269,154

According to Article 83 (1) and (2) of the Luxembourg Law of June 17, 1992, the bank does not prepare consolidated annual accounts, as the bank considers its subsidiaries not being material, neither stand-alone nor as a whole, for the purpose of Article 85 (3) of the Luxembourg Law of June 17, 1992.

As a result of the sale of the land and building owned by “Metropolitan Trading Corporation S.A.” (100% held by the bank), also in July 2019, the shares in affiliated undertakings were amortised until the remaining equity.

The Metropolitan Trading Corporation S.A. is in liquidation since December 13, 2019.

3.6. Other assets

Other assets include, in particular, receivables due in respect of custodian fees and depositary bank fees amounting to €6,444k (previous year: €3,832k), tax receivables amounting to €1,236k (previous year: €1,644k) and redemption receivables totalling €1,729k (previous year: €1,766k).

3.7. Amounts owed to credit institutions and customers

The following is a breakdown of amounts owed to credit institutions and customers other than those repayable on demand:

Remaining maturity	**Credit institutions**		**Customers**	
€ x 1,000	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Up to 3 months	0	0	6,808	3,570
More than 3 months and up to 1 year	0	0	1,119	1,647
More than 1 year and up to 5 years	0	0	0	0
More than 5 years	0	0	0	0
Total	**0**	**0**	**7,927**	**5,217**

In addition, repayable on demand liabilities to credit institutions amounted to €2,481k (previous year: €635k), whilst repayable on demand liabilities to customers amounted to €1,660,175k (previous year: €1,141,800k).

Liabilities to affiliated companies and the participations are included in the liabilities to credit institutions amount to €0k (previous year: €368k) and the ones included in the liabilities to customers to €9,806k (previous year: €10,294k).

3.8. Other liabilities

Other liabilities of €14,642k (previous year: €9,151k) include trade payables and other liabilities of €835k as well as unpaid taxes of €309k and short term payables of €13,498k.

3.9. Provisions

This item includes miscellaneous provisions relating to operating expenditure (€12,208k), the amount of lump-sum provision (€157k) attributable to off-balance sheet items (see Note 2 “Summary of significant accounting policies”).

3.10. Subscribed capital

The bank’s subscribed capital amounts to €13,000k.

3.11. Reserves

€ x 1,000	Dec. 31, 2019	Dec. 31, 2018
Statutory reserve	1,300	1,300
Other capital reserves	2,556	2,556
Free reserves	15,884	15,884
Total	**19,740**	**19,740**

The other capital reserves cover a payment made for no consideration by the bank's shareholders. The free reserves contain a non-distributable amount of €4,151k (previous year: €3,886k) for special reserve formed according to § 8a of the Wealth Tax Law.

The bank paid interim dividends to its shareholder Lobra-2 S.à r.l. during the final year:

€ x 1,000	Interim dividends
June 19, 2019	761
September 05, 2019	13,600
November 08, 2019	1,400
Total	**15,761**

3.12. Contingent liabilities

Contingent liabilities (€3,263k), are composed of collateral provided by the bank on behalf of customers to third parties (€283k) and of guarantees and other direct credit substitutes (€2,980k).

Remaining maturity € x 1,000	Dec. 31, 2019	Dec. 31, 2018
Up to 3 months	1,662	1,451
More than 3 months and up to 1 year	1,601	969
More than 1 year and up to 5 years	0	0
More than 5 years	0	0
Total	**3,263**	**2,420**

3.13. Commitments

The unutilised commitments concern irrevocable credit commitments to one customer (€1,513k).

Remaining maturity € x 1,000	Dec. 31, 2019	Dec. 31, 2018
Up to 3 months	0	13
More 3 months and up to 1 year	1,513	1,775
More than 1 year and up to 5 years	0	0
More than 5 years	0	0
Total	**1,513**	**1,788**

3.14. Fiduciary transactions

As at the balance sheet date, there were thirty-seven fiduciary transactions with customers amounting to €342,670k (previous year: €418,972k)

4. Notes to the profit and loss account

4.1. Breakdown of income by geographical markets

	Germany		Luxembourg		Other countries	
€ x 1,000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Interest receivable and similar income	7,452	5,583	-1,632	-1,443	635	80
Income from shares and other variable-yield securities, participation interests and shares in affiliated undertakings	0	0	14,047	179	0	0
Commissions receivable	240	290	23,908	21,536	1,312	300
Net profit on financial operations	307	162	-52	0	-58	0
Value re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	0	0	0	0	0	0
Other operating income	88	81	12,127	4,233	3	1
Total income	**8,087**	**6,116**	**48,398**	**24,505**	**1,892**	**381**

4.2. Service business

The bank provides banking services for asset management customers from external asset managers, as well as services relating to the safe-keeping and management of securities for third parties.

As at December 31, 2019, the bank was acting as a depositary bank for Luxembourg funds and specialised investment funds having a total volume of €72,210,116k (previous year: €33,285,768k) and for securitisation vehicles having a volume of €3,586,935k (previous year: €1,220,065k). In addition, the Dublin branch is holding a volume of asset under depositary €6,829,312k as of December 31, 2019. In total, the bank is holding a volume of €82,626,363k.

4.3. Other operating income

Other operating income includes remuneration and reimbursements of expenses in respect of services rendered by the bank to third parties (€1,573k), the release of tax provisions (€570k) and other provisions (€236k) and the release of the AGDL provision corresponding to the contribution to the Single Resolution Fund in 2019 (€380k), asset disposal with book profit (€9,069k sale of building and land), penalty payment (€50k), as well as other miscellaneous income (€340k).

4.4. Other administrative expenses

Other administrative expenses include inter alia expenditure on securities-related research and information services (€935k), maintenance costs in respect of computer hardware and software (€1,900k), and consultancy fees (€2,329k).

Fees for services rendered by the independent auditor are:

Audit of annual accounts	€253k (previous year: €185k)
Other audit services	€125k (previous year: €144k)
Tax advice services	€19k (previous year: €0k)
Other services	€13k (previous year: €26k)

The figures stated do not include value added tax.

4.5. Other operating charges

The other operating charges are comprised, in essence, resulting from compensation trades for loss transactions, amounting to €107k (previous year: €499k), expenses relating to other periods of €166k (previous year: €165k), asset disposal with book loss €145k (previous year: €5k), as well as expenses true loss resulting from the merger with LRI Depositary S.A. on November 1, 2019 €249k (previous year: €0k).

5. Other financial commitments

Commitments arise from rental contracts, amounting to €5,880k (previous year: €26,396k) and from a lease contract, amounting to €529k (previous year: €549k).

6. Derivatives

At the balance sheet date, the following types of forward transactions were as yet unsettled:

Forward transactions in foreign currencies on behalf of customers, are valued at €1,667,570k.

At the balance sheet date, there were no forward transactions in the form of interest-rate swaps, concluded by the bank in order to hedge against interest rate risks.

Forward transactions in the form of 13 foreign-currency swaps having an equivalent value of €355,882k concluded by the bank as a hedge against foreign currency risks, existed as at the balance sheet date.

Forward transactions in the form of interest outright amounting to €887k concluded by the bank as a hedge against interest rate risks, existed as at the balance sheet date.

None of the above items represents a trading position of the bank.

The counterparty risk in respect of exchange rate-related transactions (OTC) is computed using the mark-to-market method. The derivative credit risk arising from these positions is as follows:

Counterparty	Volume	Positive market values	Negative market values	Original credit risk	Eligible securities	Credit risk after CRM
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Affiliated credit institutions	0	0	0	0	0	0
Unrelated credit institutions	1,211,129	4,843	-2,333	16,985	-10,690	6,294
Customers	830,918	1,802	-3,789	10,140	-6,611	3,530
	2,042,047	**6,645**	**-6,122**	**27,125**	**-17,301**	**9,824**

Since the bank is a non-trading book institution, derivatives are traded solely for the account of customers, and are secured by corresponding counter-transactions.

Notes

7. Return on equity

The return on assets, calculated as the quotient of net profit and total assets, is 1.0%.

8. Disclosure in accordance with Part 8 of Regulation EU No 575/2013 of June 26, 2013 on prudential requirements for credit institutions (CRR)

The information which has to be disclosed according to Article 431 (1) in connection with Article 433 CRR will be published on “www.europeandepositarybank.com”.

The information which has to be disclosed according to the CRR is published in a separate disclosure report 2019 of the bank. In such cases the disclosure report contains a remark according to Article 434 (1) sentence 3 of the CRR.

9. Deposit guarantee scheme

The Law on measures for the dissolution, recovery and resolution of credit institutions and investment firms and on deposit guarantee schemes and investor compensation schemes was adopted on December 18, 2015, transposing into Luxembourg law Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and Directive 2014/49/EU on deposit guarantee schemes and investor compensation schemes. The system hitherto existing for the protection of deposits and investor compensation, which had been introduced by the AGDL, has been replaced by a new deposit guarantee and investor compensation scheme based on contribution payments.

The new system guarantees all reimbursable investments by the same investor up to an amount of €100k (“Fonds de garantie des dépôts Luxembourg” (FGDL/Luxembourg Deposit Guarantee Fund)) and investment transactions up to an amount of €20k per investor (“Système d’indemnisation des investisseurs Luxembourg” (SIIL/Luxembourg Investor Compensation Scheme)).

The provisions set up in the past for the purposes of the AGDL in the annual accounts of credit institutions will be gradually released in accordance with the contributions to be made by the credit institutions to the Luxembourg deposit guarantee fund („Fonds de garantie des dépôts Luxembourg” (FGDL)) and/or to the Luxembourg single resolution fund („Fonds de résolution“(SRF)).

10. Tax unity

The tax unity, for the purposes of corporate and business tax, of the bank as controlling company and its sister company LRI Capital Management SA (until April 25, 2019: Augeo Capital Management SA) was discontinued in 2019.

11. Staff

During the 2019 financial year, the bank had an average workforce of 168 broken down into the following groups:

Management	2
Executives	11
Salaried employees	155

12. Corporate bodies

Since December 18, 2009, the bank has been managed in accordance with the dual control structure, consisting of the Management Board and the Supervisory Board. The conduct of the bank's business is the responsibility of the Management Board. The Supervisory Board exercises permanent control over the activities of the Management Board.

The composition of the bank's corporate bodies was as follows during the 2019 financial year:

Supervisory Board:

Joachim Olearius, Hamburg (until January 31, 2019)
- Chairman -
Spokesman for the partners of M.M.Warburg & CO (AG & Co.) KGaA, Hamburg

Dominik Wilcken, Hamburg (until January 31, 2019)
- Deputy Chairman -
Chief representative of M.M.Warburg & CO (AG & Co.) KGaA, Hamburg

Dr. Julien Alex, Luxembourg (until January 31, 2019)
Retired ambassador

Prof. Joseph Bannister (as from January 31, 2019)
- Chairman -
Retired Chairman of the Malta Financial Services Authority

Peter Hughes (as from January 31, 2019)
- Deputy Chairman -
CEO and Founder of Apex Fund Services Ltd.

David Carrick (as from January 31, 2019)
CFO of Apex Group Ltd.

Georges Schmit (as from January 31, 2019 until January 25, 2020)
Retired Senior Economic Advisor of the Luxembourg Government

Management Board:

Carl-Egbert Stever (until January 31, 2019)

Rüdiger Tepke

Stefan Forse (as from January 2019)

13. Group affiliation

The annual financial statements of European Depositary Bank SA are included in the consolidated financial statements of Apex Group Limited, Bermuda.

For this reason, the Bank does not prepare its own partial consolidated financial statements in accordance with Article 80 of the Law of 17 June 1992.

The consolidated financial statements are not published.

14. Subsequent events

Georges Schmit has resigned from his function as member of the Supervisory Board of European Depositary Bank SA, Luxembourg with effect from January 25, 2020.

The Branch Manager European Depositary Bank SA, Dublin Branch, Paul Whelan, has resigned with effect from February 28, 2020. Roseanna Young – currently Head of Depositary and Custody Services of the Ireland Branch – has been appointed as Branch Manager as of February 29, 2020.

Luxembourg, February 20, 2020

European Depositary Bank SA

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