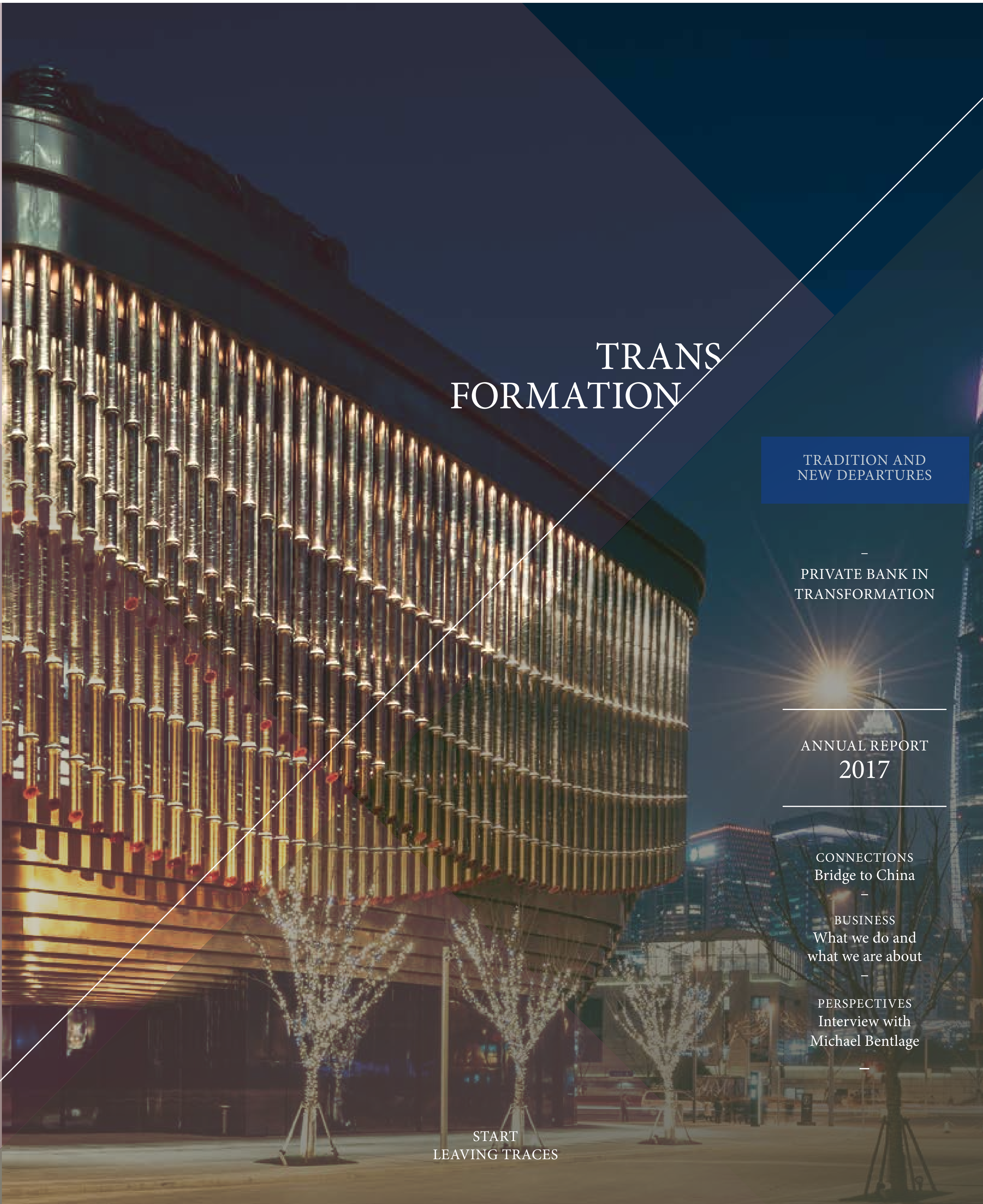
HAUCK & AUFHÄUSER

PRIVATBANKIERS SINCE 1796



TRANS FORMATION

TRADITION AND NEW DEPARTURES

–

PRIVATE BANK IN TRANSFORMATION

ANNUAL REPORT 2017

CONNECTIONS
Bridge to China

–

BUSINESS
What we do and what we are about

–

PERSPECTIVES
Interview with Michael Bentlage

–

START
LEAVING TRACES

KEY FIGURES ON BUSINESS DEVELOPMENT 2017

HAUCK & AUFHÄUSER GROUP IN EUR M

	2017	2016		Change
Total assets	4,866	2,813	2,053	73 %
Business volume	5,060	3,049	2,011	66 %
Assets under management (average)	74,973	56,540	18,433	33 %
Net interest income	18	19	–1	–7 %
Net commission income	116	91	25	28 %
Administrative expenses including write-downs	130	108	22	20 %
Net income (+)/net loss (–) for the year	26	– 8	34	> 100 %
Average number of employees (heads)	620	573	47	8 %
Average number of employees (FTE)*	588	543	45	8 %

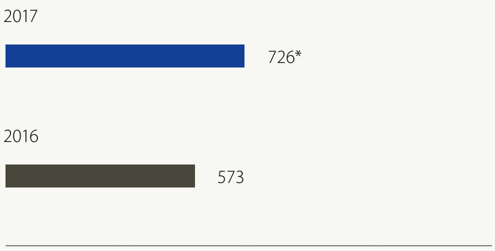
* FTE (full-time equivalents) denotes the notional number of full-time positions where there is a mix of full-time and part-time staff.

CONTENTS

HAUCK & AUFHÄUSER HIGHLIGHTS 2017

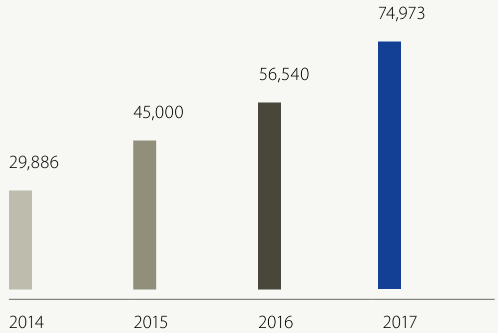
A successful year in figures

NUMBER OF EMPLOYEES

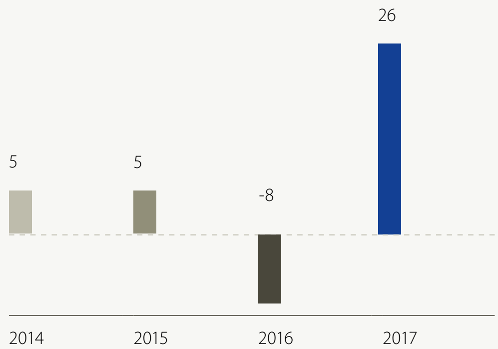


* Group employees (head count) as of the balance sheet date, December 31, 2017.

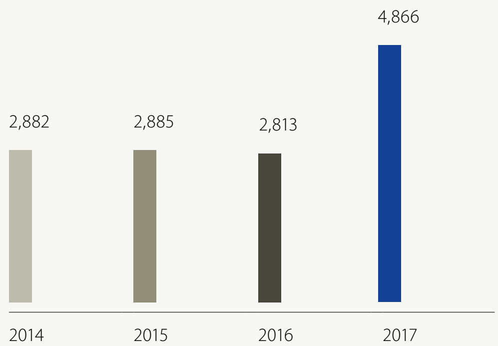
ASSETS UNDER MANAGEMENT (MEAN) IN EUR M



NET INCOME/LOSS FOR THE YEAR IN EUR M



TOTAL ASSETS IN EUR M



The strategy we started to implement in spring 2017 focuses on growth and digitalization.

KEY EVENTS

- In spring 2017, we started implementing our new "STRATEGY 2020". Our vision for the future envisages Hauck & Aufhäuser as a modern, personal and entrepreneurial private bank ranking among the top 3 private asset management banks in Germany. To fulfill this vision, we are pursuing a clear strategy focused on growth and digitalization.

- The CHINA DESK DEPARTMENT, which we established shortly after Hauck & Aufhäuser joined the Fosun Group, marks the creation of a platform that will enable us to successfully tap potential for cross-selling between Germany and China.

- REGULATORY REQUIREMENTS implied that the focus of our development measures in 2017 was on adaptation. This work paid dividends: The implementation of MiFID II proceeded very smoothly and was carried out within the planned budgets.

- Hauck & Aufhäuser reached an important strategic milestone through the completion of the TAKEOVER OF THE LUXEMBOURG-BASED SAL OPPENHEIM COMPANIES in December 2017. This major step of inorganic growth will enable us to expand our range of products and services from Luxembourg, the leading location for investment funds, to other parts of the European Union and other future key markets.

- With a PROFIT AFTER TAX OF EUR 26 M by the end of the reporting year 2017, Hauck & Aufhäuser achieved the best result since the financial crisis.

NON-FINANCIAL SUCCESSES

~100

customer events

~90.000

website visits

12

new-product processes

28

projects and strategic initiatives completed

MESSAGE FROM THE MANAGEMENT BOARD

Our review of the past financial year

The Management Board of Hauck & Aufhäuser Privatbankiers: Michael Bentlage and Wolfgang Strobel

DEAR CUSTOMERS AND BUSINESS PARTNERS,

We can look back on an extremely successful year in which our bank achieved its best result since the financial crisis.

Hauck & Aufhäuser is undergoing an intensive period of transformation: In 2017, we not only successfully tackled regulatory hurdles such as MiFID II and the investment tax reform, but also laid the foundation for our future structure. Together, we defined our Strategy 2020, which will guide the daily work of our company over the coming years.

One of the reasons why we need to focus on long-term strategic considerations is our cost situation. We can be pleased with a very positive annual income, however our current cost/income ratio is still not satisfactory. This is partly due to inefficiencies, which we are constantly working to eliminate, but also due to the size of our bank. Hauck & Aufhäuser is aiming to grow to a different size. Hence, along with organic expansion in our business activities, inorganic growth is an important pillar of our strategy.

Through the successful acquisition of the Luxembourg-based Sal. Oppenheim companies, we laid the foundation for this pillar in Asset Servicing – in the process welcoming over 135 new key personnel to our bank – and recorded a significant increase in assets under control. In 2017, we also intensified the relationship with our investor Fosun, while further expanding our international network. Both the successful expansion of the fund business in Luxembourg and the greater leveraging of synergies with our owner are contributing to the internationalization of Hauck & Aufhäuser.

While our bank's capital expenditure over recent years has been heavily influenced by regulatory obligations, our main priority in the future will be digitalization. In 2017, we laid the groundwork for the creation of a digital banking platform. At the same time, we invested further in automating internal processes and improving our efficiency. Without the constant commitment of our employees, it would not have been possible to implement these initiatives. For this reason, we would like to take the opportunity to thank our colleagues at all locations for their outstanding achievements over recent years.

All pillars of our strategy are aimed at becoming one of the leading banks for wealth management in the German-speaking countries. The focus here is on our customers' requirements – their trust is and remains our most important currency.

We are grateful to you, dear customers and business partners, for your trust and support on our way. We look forward to continuing this successful cooperation in the future.

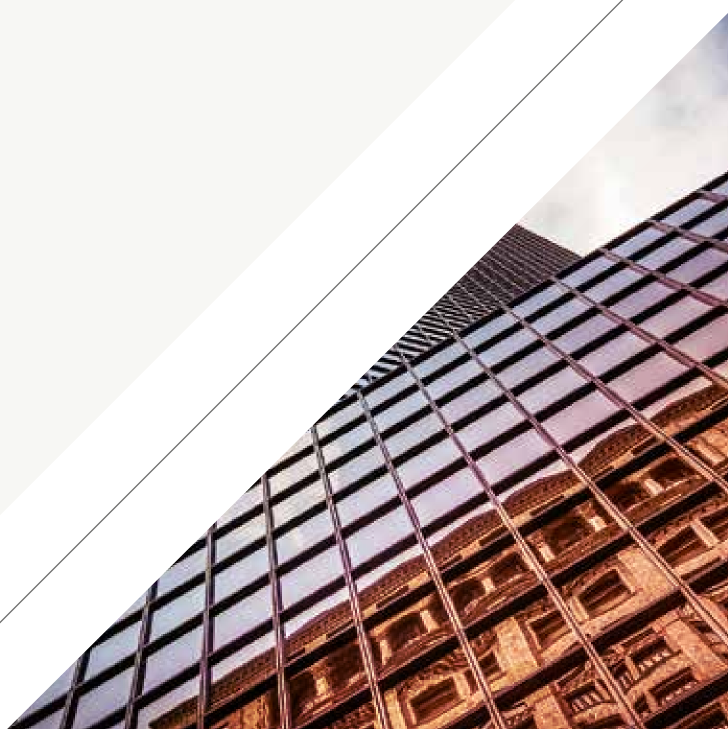
The Management Board

of Hauck & Aufhäuser Privatbankiers AG

Michael Bentlage, Wolfgang Strobel

Michael Bentlage

Wolfgang Strobel



TRANS FORMATION

TRADITION AND NEW DEPARTURES

What transformation means for us

The title of this annual report shows the Fosun Foundation building in Shanghai, which is in a perpetual state of transformation. Designed by Foster + Partners and Heatherwick Studio, the building unites art, culture and commerce under one roof and draws its inspiration from the open stages of traditional Chinese theater. A façade comprising three layers of bronze tubes, reminiscent of gigantic bamboo sticks, forms a curtain that moves vertically around the building. This rotates several hours a day in time to music. The building looks different from every angle.

The character of this building can also be used as a metaphor for the complexity of our bank. While Hauck & Aufhäuser is a traditional private bank with a history spanning 220 years, we are also in the midst of a far-reaching process of renewal – in doing so, we do not aim at playing catch-up with the pioneers but take our transformation into our own hands. This entails major changes in terms of technology, culture and commerce.

In order to keep pace with the advancing DIGITALIZATION, we need the right personalities. The way of thinking of our company and our employees is changing: We are more agile in how we work, we adapt faster to changing times and continually evaluate the benefits of automation. One of the major advantages of digitalization is the additional time it will give us to provide tailored support to our customers. The new online platform, which we are currently developing and which we will roll out to our customers in the course of 2018, is also aligned toward their needs.

Digitalization is not only changing internal collaboration and technological platforms, but also our personal networks. For we are convinced that established financial services providers are not in competition with young FinTech companies, but both sides can benefit greatly from one another, we are consistently expanding our network in this area.

As the pace of digitalization grows, so does the INTERNATIONALIZATION of our bank. The successful expansion of the fund business in Luxembourg, in particular, and the ever-greater leveraging of synergies with our owner Fosun are already paying dividends. This is transforming our previously regional, predominantly German-language corporate culture into an increasingly global one – the supporting measures range from language courses to regular business trips to Asia. Our customers and business partners will also benefit from our excellent connections to China, as this will enable us to offer a broader range of services and provide expert support for cross-border business.

>>

“We would like to make the transformation of our company more tangible for you. That’s why the annual report you have in your hands has a new format.”

To the complete Consolidated Financial Statements and the Combined Management Report

>>

Another aspect of our transformation is the CORPORATE OBJECTIVE of our company to grow organically and inorganically over the coming years. We want to broaden our target groups and open up new business potential where it appears promising. By dynamically implementing projects and continually identifying opportunities in obstacles, change will become the rule at Hauck & Aufhäuser.

Hauck & Aufhäuser’s external and internal relationships will be transformed and expanded. What will never change is our clear focus on our customers. We have excelled in the delivery of sophisticated, comprehensive advisory services across all business units for over 220 years – and this will remain the main focus of our claim to quality.

We would like to make the transformation of our company more tangible for you. That’s why the annual report you have in your hands has a new format. While you can access the detailed financial statements online, through this publication we would like to show you above all what we do in the various business units to invigorate the concept of transformation, why our annual net profit for 2017 constitutes an excellent basis for this, and what steps we are planning to take in the future.

GROWTH AT THE LUXEMBOURG LOCATION

Hauck & Aufhäuser acquires Luxembourg-based Sal. Oppenheim companies

The successful completion of the acquisition of the Luxembourg fund platform business of Sal. Oppenheim in December was undoubtedly one of the outstanding events of the 2017 financial year. Our bank not only reached an important strategic milestone, but also successfully completed the largest transaction in its recent history.

TAKEOVER AND CHANGE OF COMPANY NAME

On December 1, 2017, the day had finally arrived: after being granted approval by the competent supervisory authorities, and after some eleven months of intensive preparatory work, the process of taking over the Luxembourg Sal. Oppenheim companies from Deutsche Bank was completed. Following a change of name associated with the acquisition, two new companies were finally welcomed to the Hauck & Aufhäuser Group: Hauck & Aufhäuser Fund Platforms S.A. (HAFP, formerly Sal. Oppenheim jr. & Cie. Luxembourg S.A.) and Hauck & Aufhäuser Asset Management Services S.à r.l. (HAAM, formerly Oppenheim Asset Management Services S.à r.l.).

Now that the transaction has been successfully completed, the task is to integrate the newly incorporated business units into the Group as quickly and efficiently as possible in terms of technology, processes, organization, and culture.

SIGNIFICANT EXPANSION OF OUR MARKET POSITION

Through the acquisition of the two Luxembourg-based Sal. Oppenheim companies, which specialized in supporting third-party portfolio managers in connection with the "Deutsche Fund Platforms" over the past few years, we are consistently forging ahead with the development of our technology and organization. Bundling our existing and acquired activities will enable us to leverage synergies for the benefit of our business partners in the future. Our goal is to further develop our position as one of the leading specialists on the market for Asset Servicing, to offer our customers a constantly expanding, interesting range of services from a single source and to attract new customers and business partners.

GREATER INTERNATIONALIZATION

But the acquisition represents more than a key component of our growth strategy. Through the takeover, we have made yet another step toward the internationalization of our business. The merger of Sal. Oppenheim's platform business in Luxembourg with Hauck & Aufhäuser's fund business gives us the opportunity to expand our range of products and services in other parts of Europe and in other target markets, such as the U.S. and Singapore, from the financial center of Luxembourg.

BOOST FOR THE LUXEMBOURG CORPORATE LOCATION

Hauck & Aufhäuser has maintained a presence in Luxembourg since 1973. The addition of the 135 Sal. Oppenheim employees means that Luxembourg has now become the largest location in terms of personnel within the Group.

CONNECTIONS THAT CREATE FUTURE

Hauck & Aufhäuser: the bridge to China

With the extensive network of our owner Fosun, Hauck & Aufhäuser is in a unique position to act as an ambassador for the relevance of German-Chinese business partnerships. We see ourselves as the first port of call for inquiries and requests relating to China and the Fosun Group – for companies, entrepreneurs, journalists and other relevant industry players. 2017 presented Hauck & Aufhäuser with a wealth of extraordinary opportunities to serve as a bridge between Europe and China.

G20 YOUNG ENTREPRENEURS' ALLIANCE

In June 2017, we took part in the G20 Young Entrepreneurs' Alliance (G20 YEA) Summit, an annual business summit that promotes innovation and collaboration between start-ups, the corporate world, and investors around the world. Hauck & Aufhäuser used the occasion to present the internationally awarded start-up accelerator program "Protechting" – a program for which our bank will play an active supporting role for the first time in 2018. The opening speech by the Federal Minister for Economic Affairs and Energy, Brigitte Zypries, was followed by an inspiring speech by Lan KANG, Senior Vice President and Chief Human Resources Officer of Fosun, on the importance of leadership and entrepreneurship in the Chinese and global contexts. Hauck & Aufhäuser also participated both in a discussion panel on the topic of FinTechs as well as in the "Get in the Ring" format, which gave selected start-ups the opportunity to present their business models to a panel of experts.

Hauck & Aufhäuser welcomed guests of the highest caliber to the Fosun European Summit – here in discussion: Guangchang GUO, Chairman of Fosun, with Roland Berger (image top) and Dominique de Villepin (image bottom)

CHINA EUROPEAN INTERNATIONAL BUSINESS SCHOOL

The fact that Hauck & Aufhäuser serves as a positive example of German-Chinese partnerships was underlined at the third European Forum of the China European International Business School (CEIBS) in Munich. The focus was on the One Belt, One Road Initiative, the most ambitious and comprehensive infrastructure project in the world. In connection with this initiative, prestigious and prominent experts convened for a series of lectures and discussions in which they reported on their own experiences of acquisitions in Germany and discussed the potential benefits of cooperation between German and Chinese companies.

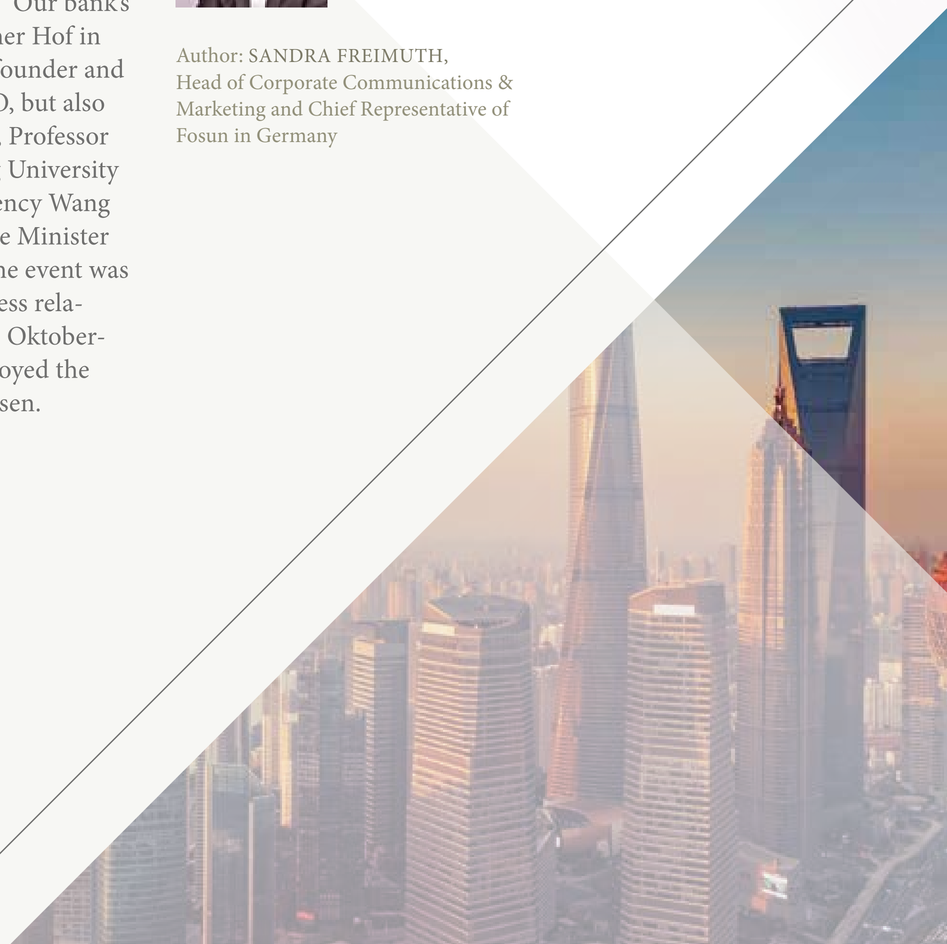
FOSUN EUROPEAN SUMMIT

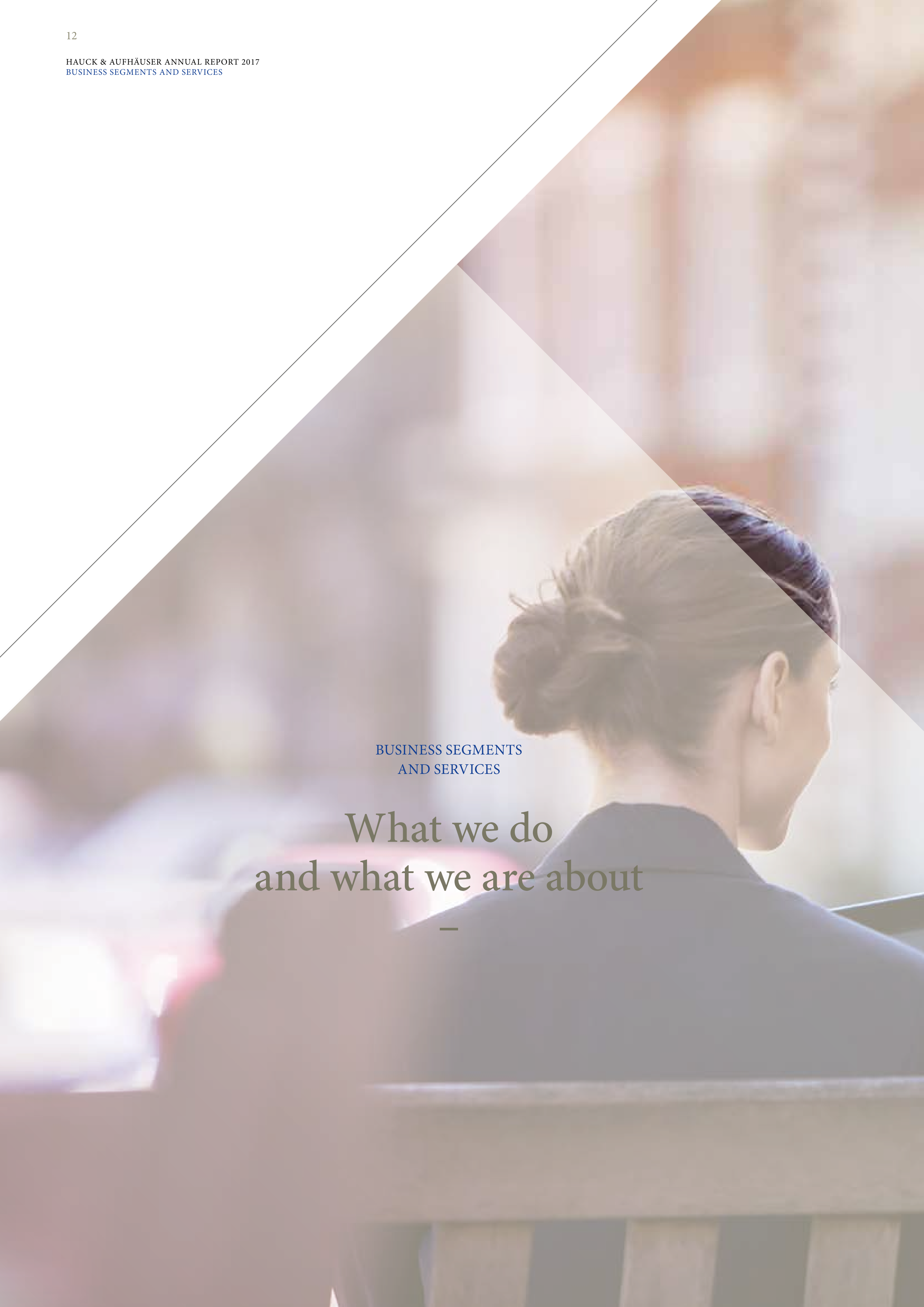
A particularly special event was the Fosun European Summit. The Chairman of our Management Board, Michael Bentlage, was given the honor of welcoming numerous high-caliber guests under the motto of “Connecting Intelligence.” Our bank’s invitation to the 5-star Hotel Bayerischer Hof in Munich was not only accepted by the founder and Chairman of Fosun, Guangchang GUO, but also guests of honor such as Roland Berger, Professor Tony F. Chan, President of Hong Kong University of Science and Technology, His Excellency Wang Weidong, and the former French Prime Minister Dominique de Villepin. The focus of the event was on developing German-Chinese business relations. The day ended with a visit to the Oktoberfest, where Chairman GUO clearly enjoyed the Bavarian tradition of beer and lederhosen.

CHINA DAY

After sharing this intensive time in Munich, a year characterized by joint appearances finally culminated in participation in the China Day on November 15 as part of the Euro Finance Week in Frankfurt. Michael Bentlage, our CEO, gave a keynote speech on the opportunities and risks associated with Chinese investments in Europe, an area we have learned a lot about since the start of our cooperation. Michael Bentlage stressed that “we need to sharpen our focus not on the differences, but rather on the potential synergies.” Wise words that we take to heart well beyond the boundaries of traditional banking.

Author: SANDRA FREIMUTH,
Head of Corporate Communications & Marketing and Chief Representative of Fosun in Germany





BUSINESS SEGMENTS
AND SERVICES

What we do and what we are about

–

The building of the
Fosun Foundation in Shanghai

CHINA DESK

A bridge between Asia and Europe

Shortly after our bank joined the Fosun Group, the China Desk department was initiated, which serves as a platform for tapping cross-selling potential between Germany and China.

FIELDS OF ACTIVITY AND CLIENTS

This division is divided operationally into the areas of Fosun Synergies, China business (including all services and products offered by Hauck & Aufhäuser for institutional, corporate and private clients from China) and Mergers & Acquisitions consulting (M&A).

Among the customers of the China Desk are:

- Fosun financial companies (Frankfurter Leben, Fidelidade, Millennium BCP, PeakRe, Tebon Securities, Hani Securities),
- Fosun non-financial companies (Fosun Capital, Thomas Cook, Club Med, Fosun Pharma, Idera, Resolution, Najing Steel),
- Fosun network companies (companies in which Fosun has invested or in which Fosun has a stake) and
- Chinese customers (financial institutions, corporations, individual investors).

OUR SERVICES

In order to realize a maximum of cross-selling opportunities between China and Germany, the China Desk offers its target customers a comprehensive range of services across all business areas:

- Access to the Asian markets for European private, corporate and institutional clients in the context of business start-ups and business expansions
- Advising European customers on market-specific, legal and regulatory conditions in China
- Access to Asset Management, Corporate Finance solutions and conventional and alternative investment solutions from Hauck & Aufhäuser for Chinese clients

The China Desk acts as an interface between the business units of Hauck & Aufhäuser and, depending on the occasion, takes on the role of business initiator, acquisition manager or coordinator.

Author: DR. HELEN LIANG,
Head of China Desk

ASSET MANAGEMENT

The three phases of 2017 and the approach we took

Positive performances on the stock markets and stable to slightly pleasing bond markets were the dominant trends on the capital markets last year. Our Asset Management division achieved excellent results in 2017, achievements for which it received multiple awards, primarily as a result of its excellent reaction to the individual phases of the year.

When scrutinizing the developments on the financial markets, the past year can be divided into three sections. The pleasing trend in the first half of the year on the stock markets was followed by slight consolidation over the summer months. In the second half of the year, the markets rallied and achieved, in part, historic highs, such as the 13,525-point peak on the DAX index.

The driving factors for the global stock markets were the dynamic development in the economy, a generally accommodating monetary policy and, last but not least, the very pleasing development in corporate profits. All in all, there was a high degree of economic synchronicity between the eurozone, the U.S., and Japan. Additional support came in the form of the generally more relaxed monetary policies of the central banks. This aspect of "cheap" money combined with low rates of inflation also serves to explain the performance on the bond markets. While yields on 10-year government bonds in Germany and the U.S. moved within a narrow range, the spreads in countries on the periphery of Europe, such as Italy and Spain, by and large melted away over the course of the year.

On the currency markets, the performance of the euro against most major currencies was particularly striking, with the European single currency gaining around 16 % on the U.S. dollar. In contrast to the U.S. dollar, after the initial devaluation in the wake of the Brexit referendum in June 2016, the British pound stabilized. After the Bank of England marginally increased the interest rate by 0.25 basis points, the British currency stabilized and recovered slightly against the euro.

HOW WE REACTED

Our investment policy in the first half of the year was characterized by a weighting of equities that was, when compared with the benchmark, largely neutral. Due to the consolidation that occurred on the stock markets, we increased the quota of "overweight" stocks in July. This decision was based on the continuing robust development of the economy, the excellent corporate reporting season, and the positive signals of our quantitative and qualitative indicators.

The equity funds portfolio performed positively in relation to the benchmark in the past year. European low-capitalized stocks made a particular contribution to the above-average performance. A prominent example of this was H & A Aktien Small Cap EMU, an in-house fund that invests in small cap companies in the eurozone. Due to its successful selection of stocks over recent years, the H & A AKTIEN SMALL CAP EMU not only outperformed the benchmark index (MSCI Europe Small Cap), but also the competition.

Our bond portfolio delivered a slightly positive performance in the past year. We were also pleased with the continued good performance of all corporate bonds of all credit rating levels, with a noticeable effect being felt by the restriction on credit risk premiums.

Our ETHICAL-SUSTAINABLE PORTFOLIO MANAGEMENT was also able to look back on a positive year. With more than 20 years' experience, we are one of the pioneers and specialists in the field. Our Swiss subsidiary established the first ethical fund on the European continent in 1995.

In 2017, the strategies of our robo-advisory subsidiary, EASYFOLIO, also delivered a positive performance – heading the pack was easyfolio 70 with growth of 6.62 %, followed up by easyfolio 50 at 4.33 %. The easyfolio flex strategy was only slightly weaker at 3.84 %. easyfolio 30 brought up the rear with growth of 1.88 %.

Author: BURKHARD ALLGEIER, Chief Investment Officer

ASSET SERVICING

Pioneers with foresight for the trends in funds business

As early as 1969, when we launched the first private label fund, we began to build our professional fund platform. Hauck & Aufhäuser now provides high-quality fund services in Germany and Luxembourg and is one of the market leaders in custodian banking in both countries. And it is not only undergoing transformation itself, but is also helping institutional clients through their own process of digital transformation.

The intensive and successful cooperation with our business partners in 2017 enabled us to make significant qualitative progress in Asset Servicing and in the expansion of our service portfolio. We were able to improve our processes, increase our volume under management and hence improve our market position – all for the benefit of our investors.

REGULATIONS – BLESSING OR CURSE? BOTH!

2017 was dominated by the numerous regulatory challenges that needed to be countered through greater gains in efficiency. MiFID II ushered in tighter requirements with regard to transparency and information provision when cooperating with our fund initiators and their investors. We had to strike a balance between regulations and business – and, together with our business partners, at the same time get closer to the investors.

Regulatory changes are not always a burden, but often an opportunity to position ourselves in the market as fund experts with legal expertise. As a result, we can now offer our clients an all-inclusive package for Solvency II reporting. This has enabled us to lay the foundation for further growth in the institutional client segment, such as pension funds and insurance companies. In addition, we have rapidly gained extensive expertise in the alternative investment sector, particularly in structuring Reserved Alternative Investment Funds (RAIF), which was recently established in Luxembourg.

SUCCESSFUL NETWORKS

Personal contact has made an important contribution to the successful cooperation with our customers. For example, in 2017, we welcomed over 300 guests from the institutional sector to the Capital Markets Day in Frankfurt and paid special attention to a very special speaker: Professor Otmar Issing, President of the Center for Financial Studies (CFS) and former Chief Economist of the European Central Bank, delighted the audience with his presentation entitled "Monetary Union in Crisis?" His speech was met with a positive resonance both at the event and in the press. A further highlight of the past year was the 38th "Hauck & Aufhäuser Asset Manager Event" in Munich, Frankfurt and Hamburg, which attracted over 500 guests in total. The events honed in on the themes of cyber security and the challenges of the digital financial world – after all, expertly supporting our customers through digital transformation is a key aspect of our work.

LOOKING TO THE FUTURE

Digitalization demands that all asset-servicing providers take even greater account of the opportunities afforded by automated, efficient data processing and transmission. This will enable them to function as leaders of innovation: initiators and investors need intensive guidance and to carefully test the process digitalization waters. We also want to support asset managers with state-of-the-art analysis and ordering systems to enable them to meet the demands of the financial markets and

“Both digitalization and regulation represent the key challenges that providers of custodian services face today. Under no circumstances should these two factors be viewed in isolation. The significantly greater requirements placed on reporting and risk management, in particular, will increase the need for appropriate digital solutions.”

ANJA SCHLICK, Head of Financial Assets Germany

“Greater regulation created complex circumstances that needed to be integrated at great effort into daily business. In 2017, not only did we get to grips with these circumstances, but we also generated additional growth – we have to thank our excellent business partnerships for this pleasing result.”

STEFAN SCHNEIDER,
Head of Financial Assets Luxembourg

“We intend to grow in a way that will enable us to constantly meet the high standards we place on

ourselves as the market leader in quality for the issuing of open and closed-end alternative investment funds in Germany and Luxembourg. We will also remain a reliable partner that supports our customers with high-value tailored services.”

LUDGER WIBBEKE,
Head of Real Assets

“The successful acquisition of the Luxembourg-based Sal. Oppenheim companies contributed significantly to our success. While Hauck & Aufhäuser’s strengths have so far been rooted in its business dealings with fund initiators in German-speaking countries, our new colleagues have excellent relationships with international initiators – a promising combination that will generate further growth.”

MARC KRIEGSMANN,
Branch Manager Luxembourg

achieve outstanding results. From 2018 onward, we will intensify and develop the collaboration with our business partners. A key role will be played by the exploitation of new sales channels and the deployment of innovative technologies. At the same time, as a customer-focused fund service provider, we will continue to attach great importance to providing our service expertise through personal account managers.

In the Real Assets segment we will focus on products with great future potential, such as alternative activities relating to crowdfunding that have so far been subject to little regulation. We expect that crowdfunding platforms will receive the same regulatory treatment as funds in the future – some are already investigating how to voluntarily establish legally compliant, sustainable structures. This business potential has encouraged us to establish ourselves as experts and partners in this area over the longer term. Another theme for the future is social housing, which is increasingly attracting investment as a result of demographic developments and legislation. Here, we will bring together various interest groups, such as ecclesiastical donors and real estate owners, to support them in successfully issuing funds.

INVESTMENT BANKING

How we write success stories

Hauck & Aufhäuser's Investment Banking division capitalizes on its mix of extensive experience, the ability to think "out of the box" and its true passion for collaboration with its customers on writing new, unique equity stories. We asked Marc Osigus, Head of Investment Banking, three questions about the developments of the past and the potential for the future.

What, in your view, were the key developments in 2017?

MARC OSIGUS Hauck & Aufhäuser Investment Banking started in a tapas bar in London in 2008 on the firm conviction that it must be possible to form long-term customer relationships in Investment Banking if you have excellent employees. It fills us with pride to announce that, in 2017, we managed 18 capital market measures with an almost unchanged number of employees, at all times staying focused on the interests of our customers. This is proof that we succeeded in attracting exactly the right people.

"We want to prove that it is not only possible, but also imperative, to reconcile the interests of institutional investors and publicly listed companies."

MARC OSIGUS,
Head of Investment Banking

How has the Investment Banking division changed over recent years?

MARC OSIGUS Founded as a start-up at the height of the financial crisis, over the last few years, Hauck & Aufhäuser Investment Banking has developed into a unit with almost 50 employees and with offices in Hamburg, Frankfurt, London, Paris and Zurich. Started as a research unit focusing on German small caps, we now cover the entire value chain from equity research, sales, trading, and equity and debt capital markets. We serve over 400 institutional investors, primarily in Europe and North America. The recently established business segments of Principal Strategy and Corporate Brokerage round off our range of services. They will prove that it is not only possible, but also imperative, to reconcile the interests of institutional investors and publicly listed companies.

What are your plans for the current financial year and beyond?

MARC OSIGUS Our mission is to maintain the annual average growth rates of the last nine years and to become THE name in capital market activities for German-speaking small and mid-caps. With five transactions in the first quarter, we had an excellent start to 2018 and confirmed our leading position in the corporate league tables with market capitalization of up to EUR 1 billion. We consider MiFID II and the attendant obligation for our customers to pay only for quality to be a great opportunity. We are responding to the impending market consolidation and the resulting expected gains in market share with further investments in employees and infrastructure.

SUCCESS STORIES

JOINT EFFORTS CAN LEAD TO INDIVIDUAL SUCCESS. THE BEST PROOF THAT OUR CUSTOMERS ARE HAPPY IS PROVIDED BY THE NUMEROUS SUCCESSFUL TRANSACTIONS:

AUMANN

Our support for the entire IPO process for Aumann AG and, in particular, the over-subscribed placement was marked by passion and personal dedication. The company has a promising future before it, as it will benefit from the massive growth in the e-mobility solutions market.

CANCOM

Not only were we successful in placing the Munich-based IT service provider's stocks, but we also carried out two capital increases, which met with high demand thanks to our international investor network. Today, CANCOM is a permanent fixture on the TecDax.

NABALTEC

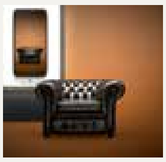
The company is a specialist in environmentally friendly flame retardants and, through its special product for batteries, benefits from the potential offered by e-mobility. In September 2017, in order to prepare for the anticipated demand, we worked with Nabaltec to successfully place a capital increase with institutional investors across Europe.

NEXUS

After countless research reports and discussions with investors, we joined forces with Nexus AG to enthuse prestigious investors about its comprehensive platform for hospital management software and raised capital for organic growth and value-adding acquisitions.

PANTAFLIX

The Pantaflix platform serves as a conduit between film studios and end customers. In November 2015 and October 2017, we successfully helped the company to raise capital to support its growth strategy.



STRÖER

Ströer SE has shaped the market for outdoor advertising in Germany like no other company before. As a key partner, we were able to support the extensive placement of more than EUR 300 million to investors around the globe.

PRIVATE BANKING

Trust is our most important currency

Despite the fast-moving times in which we currently live, Hauck & Aufhäuser's Private Banking division continues to build long-term, trusting customer relationships. They form the strong basis of our business. We interviewed Markus Flakus, Chief Operating Officer Private Banking, and Thomas Kleffmann, Head of Private Banking Germany, who explain how this connects to digital wealth managers.

MARKUS FLAKUS,
Chief Operating Officer
Private Banking

"Digitalization marks a turning point in financial investment. In order be optimally positioned in this context, Hauck & Aufhäuser is launching a new, user-friendly online banking platform in 2018."

What is the current situation in the Private Banking market?

MARKUS FLAKUS It is generally understood that the Private Banking market includes customers with liquid assets of EUR 500,000 or more, and is one of the fastest growing sectors in transactions with private and corporate clients in Germany. Current studies put annual growth rates at 2 to 6 %. There is also steady growth in the assets received from Private Banking clients. 40 % of these assets are real estate assets and around 33 % are active corporate investments. The remaining 27 % comprise liquid assets connected to portfolio management or investment advice.

And how is Hauck & Aufhäuser positioning itself in this environment?

THOMAS KLEFFMANN The fact that Private Banking clients hold a large proportion of their assets in real estate and liquid investments is having a positive impact on our strategic position, as we are specialized in providing support to real estate developers and real estate project developers. Furthermore, managing the liquid capital assets of our private and business clients is the core competence of our Private Banking division. Firstly, our customers mandate us to provide excellent portfolio management services. Furthermore, we also offer tailored investment advice that enables our customers to develop bespoke investment strategies with their account managers. When we look at the competitive environment, we can clearly see that many banks are withdrawing from the provision of investment advice on an individual security basis – for Hauck & Aufhäuser, however, these services continue to be one of our sustainable core competences. In addition, there is considerable potential offered by the provision of investment advice to medium-sized corporate clients, the "Mittelstand," which is seeing high rates of growth in Germany. The increasing number of company disposals means there is a growing need for the type of comprehensive investment advice we offer.

To what extent does Hauck & Aufhäuser distinguish itself from other service providers?

MARKUS FLAKUS Through the profitable linking of tradition, expertise, and internationality. Tradition, because we have helped our customers achieve their financial goals for more than 220 years. For over two centuries we have continuously improved our approach and established ourselves as a reliable partner. Expertise, because our

THOMAS KLEFFMANN,
Head of Private Banking

"Together with our clients, we develop the best possible individual investment concepts – solutions that endure beyond the day in a rapidly changing world and take future developments into account."

systematic analysis of asset structures and investment processes are independent, rule-based and skillfully structured. Internationality, because our Chinese owner, Fosun, places an excellent network at our disposal that enables us to profitably leverage the enormous potential for growth in Asia and, in particular, in the second-largest economy in the world – China – for the benefit of our customers.

THOMAS KLEFFMANN In addition, we place great store on tailored, all-round support. At the end of 2017, we adapted our leadership structure with the aim of intensifying our focus on this area. As the new Head of Private Banking Germany, I want to focus our business model more intensively on our customers and will support this strategy through targeted personnel development measures.

What other changes are imminent in Private Banking?

MARKUS FLAKUS Digitalization marks a turning point in financial investment. In order to optimize our position in this environment, Hauck & Aufhäuser is launching a new digital banking platform in 2018 that will provide numerous user-friendly functionalities. This includes a digital wealth manager, transparent reporting, to name but a few – naturally, also available as a mobile app. Our customers will have a lot to look forward to.

THOMAS KLEFFMANN Digital competence in Private Banking means that, in future, the customer's experience of Hauck & Aufhäuser will be digital, but still always linked to tailored advisory services – because the trust of our customers is our most important currency. The key components in the growth strategy of our Private Banking division will continue to be personal client advisors and the provision of professional counselling locally in Hamburg, Cologne, Düsseldorf, Frankfurt and Munich.

ASSET STRUCTURE ANALYSIS

OUR ASSET STRUCTURE ANALYSIS PURSUES THREE OBJECTIVES:

- We want to provide our customers with an objective view of their current financial situation.
- We give them a clear assessment of how reliably their investment objectives can also be achieved in the future.
- As a result, we develop a concept for the sustainable achievement of individual investment objectives.

THE STRENGTHS OF OUR ASSET STRUCTURE ANALYSIS:

- By performing a holistic assessment of the current financial situation, we present a transparent picture of the potential opportunities and risks.
- Our optimization approach not only factors in empirical values but also considers our own yield expectations.
- We generate an analysis report that is individually tailored to our customers, is informative and easy to understand, and which also conducts a simulation of the future.

EMPLOYEES
AND SOCIAL RESPONSIBILITY

How we work and take responsibility

–

EMPLOYEES

Banking requires personalities

Working with us means challenging tasks, transparent processes and structures, and respectful interaction.

The advancing digitalization is increasing transparency in the corporate world. As products and services become more and more comparable, it is the people who make the difference.

EMPLOYEE RETENTION AS FACTOR FOR SUCCESS

The more valuable employees become for the success of a company, the more important it is to keep them in the company over the long term. Thereby, satisfaction and dedication go hand in hand. In 2017, with the aim of continuously motivating our highly qualified and committed employees, we intensified our support for top performers and key talent throughout the bank, in the process developing and extending a range of in-house and external learning and development (L&D) programs, partly in cooperation with our majority owner, Fosun. We have successfully implemented team-building measures, invested in our management development and formulated a mission statement for cooperation and leadership. Through our support for university degrees and certifications as well as through a young talent program, we provided our employees with the opportunity to enhance their professional and personal qualifications. At the same time, we expanded our flexible working-hours program and increasingly promoted the opportunity for employees to increase their work-life balance by working from home. These measures were the result of a Group-wide employee survey carried out with the aim of uncovering potential for optimization and adapting measures precisely. In the interests of continuous improvement, we plan to repeat this survey on a regular basis.

EMPLOYEE RECRUITMENT AND INTEGRATION

The growth strategy of the Group means that it is imperative that we constantly improve our attractiveness as an employer. To attract highly skilled and committed employees, in addition to a market-friendly remuneration system, we offer an environment with a wide range of opportunities for development. For young talents and university graduates who have gained initial practical experience, we provide entry opportunities with high potential for development. Working with us means challenging tasks, transparent processes and structures, and respectful interaction.

KEY FIGURES

OUR EMPLOYEES

726

group employees
(head count)

39

%
of the workforce
are women

As of the balance sheet date, December 31, 2017, the Group employed a total of 726 employees (head count). 39 % of the workforce are women and 17 % of employees work part-time.

LOOK AHEAD

NEW CHALLENGES IN HUMAN RESOURCES

The increasing internationalization of our Group and the advancing digitalization will also pose key challenges for human resources-related work in the coming year. In order to play an active role in the digital transformation of the company, we will need to enhance both the digital skills of each individual employee and to develop a digital organizational culture. Our customers and business partners will also benefit from this over the medium term.

However, we did not make this special effort in personnel development last year solely as a result of the generally greater competition for skilled employees. As a result of the acquisition of the Luxembourg-based Sal. Oppenheim companies, we gained around 135 employees who needed to be integrated into the company on a skill, organizational and cultural basis. This process has not yet been completed, but thanks to the high degree of openness and willingness to embrace integration, it is proceeding succesfully among all those involved. All in all, we are not only pleased with the significant addition to our highly qualified and esteemed workforce, but also that Luxembourg has established itself as the largest location in the Hauck & Aufhäuser Group.

SOCIAL
COMMITMENT

United for a good cause

Despite the whole process of transformation, one thing will not change at Hauck & Aufhäuser: our traditional commitment to cultural and social projects. This is the most important way in which our bank can start leaving traces.

HAUCK & AUFHÄUSER CULTURAL FOUNDATION

We bundle our charitable activities in the Hauck & Aufhäuser Cultural Foundation (HACF), which was founded in 2008. The HACF was managed by the partners Michael Bentlage and Stephan Rupprecht (until December 31, 2017). Alexander George completed the three-member committee as Executive Director.

The focus in 2017 was primarily on promoting educational projects, supporting social organizations and cultural commitment. Additionally, as a strong partner on the German foundation scene, HACF supported the 2017 German Foundation Day in Leipzig.

The renowned pianist, Anna Scheps, enthused the audience in Düsseldorf during the Christmas Concert in Garath Castle.

For many years we have contributed to the Christmas package campaign of “Die Arche e. V.“

EDUCATIONAL PROJECTS

Education is the key to the development of our society and is of particular importance to us. In the past year, we provided funding to Jugend Aktiv e.V. [Active Youth] in Düsseldorf, which assists young people in choosing their future careers. Experienced managers and employees volunteer for the project, providing tips and support, regardless of whether the young people are aiming for an academic career or intend to go into vocational training. The aim of the project is to contribute to a significant reduction in drop-out rates in university degrees and apprenticeships.

In addition, we continued our support for the educational activities of the "Zeit"-Stiftung [Zeit Foundation] through its "Weichenstellung" [Setting the Course] initiative, which focuses on helping as many elementary school pupils in Hamburg, Biberach and Ravensburg as possible make the transition to high school. For the second year running, we continued our support for the Wertestipendium Stiftung [Ethics Scholarship Foundation], which focuses on promoting ethics in the digital era.

SOCIAL PROJECTS

HACF's social support in 2017 included the Lichtblick Seniorenhilfe Stiftung [Ray of Hope for Senior Citizens Foundation] in Munich. Through our contribution, we were not only able to finance urgent basic material necessities for pensioners living in poverty, but also – more importantly – to help them overcoming their loneliness.

ART AND CULTURAL INITIATIVES

On the occasion of the 10th anniversary of our Hamburg branch, we were able to enlist Christopher Park, a former HACF prizewinner, to provide us with an unforgettable piano recital. At the anniversary concert, the pianist, who is in great demand all over the world, impressed the audience with works by Schumann, Chopin and van Beethoven.

The Christmas concert at Garath Castle in Düsseldorf has meanwhile become a much-loved tradition, and in 2017 we had the pleasure of being able to listen to the music of the renowned pianist Anna Scheps. The Scheps family has piano playing in its blood: Our guest pianist's sister, Olga Scheps, has already achieved fame through the production of countless classical music CDs. The Düsseldorf Christmas Concert also included a donation to the Düsseldorfer Kindertafel [Children's Food Bank].

In addition to its own events, HACF also supported the Holzhausen concerts of the Frankfurter Bürgerstiftung [Community Foundation]. In the idyllic setting of Holzhausen Palace, the evening revolved around "Mara": the most famous cello in the world, which Antonio Stradivari created over 300 years ago, told the story of its life – with a concert and a reading by Christian Poltéra, Oliver Triendl, and Wolf Wondratschek.

In the field of fine arts, we supported the exhibition on the Gerhard Richter Series – Birkenau. The Birkenau series was shown as part of an exhibition in Munich at the beginning of 2017 with the aim of making a clear statement against forgetting the Holocaust.

As private bankers, we bear a great responsibility not only for our clients, but also for the present and future of our society

CHRISTMAS DONATIONS

HELPING TOGETHER

For several years, our bank has supported charities at Christmas through donating money rather than buying gifts for our customers and employees. The Management Board decided that this tradition would continue in 2017. The focus was on institutions that are primarily active on the local stage and are dedicated to improve the future prospects of social disadvantaged children and young people, including:

- Die Arche e. V. [The Ark] Frankfurt am Main
- Düsseldorfer Kindertafel
- Franz-Thiel-Abel-Stiftung Hamburg
- KIDsmiling e. V. Cologne
- Pädagogische Tagesgruppe [Pedagogical Day Group] Haus Kobenbach Trier
- Friedheim school in the Canton of Zurich

We also supported the Nieder-Ramstädter Diakonie foundation (Frankfurt) and the Theodor Triebenbacher foundation (Munich), which are committed to supporting people who are reliant on assistance as a result of physical incapacity, disability or mental diseases. Through the Munich-based charity, lebensmut e. V. [Courage for Life], and the Hospice Foundation for the Region of Aachen, we also supported two institutions that are committed to providing the best possible care for seriously ill people. In Luxembourg, we made a donation to the HUMOR HILFT HEILEN [Humor Helps Healing] foundation, which promotes the therapeutic use of laughter. And through our donation to SWISSAID, we contribute to the realization of self-help projects in the poorest segments of society.

30

thousand EUR Hauck & Aufhäuser Privatbankiers AG donated for Christmas 2017

Michael di Martino, Private Banking Düsseldorf, and Thomas Kleffmann, Head of Private Banking, presented the Christmas donation to the Düsseldorfer Kindertafel.

At the Christmas party of Die Arche e. V. the children were presented with many gifts packed by our employees.

COMMITMENT OF OUR EMPLOYEES

RUNNING, WORKING AND PACKING FOR A GOOD PURPOSE

In 2017, Hauck & Aufhäuser's employees ran many kilometers for good causes, gave senior citizens a wonderful day out at the museum, and brought a smile to the faces of numerous children at Christmas.

For seven years, we have made it possible for our employees to take part in the Malteser Social Day, which involves social commitment on a working day. In Frankfurt, in 2017, this involved spending a wonderful day with the residents of the Oberin-Martha-Keller Senior Citizen's home in the Städel museum and on the banks of the river Main.

The bank paid the participation fees of around 40 of our Frankfurt-based colleagues to take part in the "J.P. Morgan Corporate Challenge" company run, where they mastered 5.6 kilometers to contribute to the support of young people with disabilities.

Each year, we also contribute to the Christmas package campaigns for children in need organized by "Die Arche e.V.," and the "Das kunterbunte Kinderzelt e.V." [The Multi-Colored Children's Tent]. A particular success story was the self-organized fund-raising campaign at our Luxembourg location, where more than EUR 1,300 were collected in 2017 to put together 188 Christmas packages for Das kunterbunte Kinderzelt e.V., much to the delight of many needy children in Romania.

188

Christmas packages for Das kunterbunte Kinderzelt e. V.

Our colleague Matthias Kopp travels to Romania every year to personally hand out the collected gifts at the Das kunterbunte Kinderzelt e.V. kindergarten.

To the complete Consolidated Financial Statements and the Combined Management Report

STRATEGIC AND FINANCIAL SITUATION

Our year 2017 in figures

–

THE 2017 FINANCIAL YEAR

REPORT OF THE SUPERVISORY BOARD

In accordance with its duties pursuant to law and the bank's Articles of Association, the Supervisory Board convened six times in 2017, of which three times jointly with the bank's Shareholders' Committee. It received regular reports on the management and development of the bank and supervised the conduct of the bank's affairs. Matters of general policy and specific issues were discussed at the meetings of the Supervisory Board and in numerous discussions between its Chairman and the Management Board. The development of business at the bank, its domestic and international subsidiaries, and the conditions on the market were dealt with intensively. Further subjects of detailed discussion, besides the further improvement of the bank's earnings situation, were the measures by the Executive Board to cover and monitor risks, on which the Supervisory Board was briefed in detail at each of its meetings. The Supervisory Board also discussed in detail the annual reports by the heads of Internal Auditing and Compliance.

SUPERVISORY BOARD

WOLFGANG DEML
Chairman

QIANG LIU
Deputy Chairman
(since April 10, 2017)

BIN TANG
Member

DR. THOMAS DUHNKRACK
Deputy Chairman
(until April 10, 2017)

SIEGFRIED KLINK
Employee Representative

THOMAS THEOBALD
Employee Representative

The Risk Committee of the Supervisory Board decided on all loans submitted for its approval and also reviewed the structure of the loan portfolio. In particular, it discussed in detail with the Executive Board all major loans subject to higher industry-specific or country-specific risks. The bank complied with the Minimum Requirements for Risk Management directive. Special consideration was given to the coverage of the various risk aspects and adequate risk provisioning.

The bank's affairs were conducted in compliance with the rules of procedure for the Supervisory Board and for the Management Board.

In addition to the current economic situation at home and abroad, the Supervisory Board also consistently discussed in detail the bank's future development and its risk position. The Committee also closely examined changes in legislation and their implications for the bank as well as external audit reports.

In the first meeting of the year on January 2, 2017, the Supervisory Board proposed that an Extraordinary General Meeting be held on February 8, 2017, with the purpose of electing Mr. Michael Bentlage as a Personally Liable Partner of Hauck & Aufhäuser Privatbankiers KGaA. Furthermore, it resolved to appoint Mr. Bentlage as the Speaker of the Executive Board, to take effect on the date of becoming a Personally Liable Partner. On February 8, 2017, the Extraordinary General Meeting elected Mr. Michael Bentlage as a Personally Liable Partner. At this point in time, Mr. Bentlage became the Speaker of the Executive Board.

The Extraordinary General Meeting on February 21, 2017, adopted the resolution to change the legal form of the company into an Aktiengesellschaft [stock corporation].

At the spring meeting held on April 10, 2017, the auditors reported on the annual financial statements for 2016 and were available to answer questions. In addition, the Supervisory Board approved the annual report and the invitation to the Annual General Meeting to be convened on May 31, 2017. Furthermore, the Committee discussed various strategic and regulatory matters. At the same meeting, the Audit Committee also held its annual meeting, which intensively examined the annual financial statements of the bank along with the auditors' report. During the meeting of the Supervisory Board, Mr. Qiang LIU was elected to the position of Deputy Chairman of the Supervisory Board. We would like to thank the previous Deputy Chairman, Dr. Thomas Duhnkrack, for his dedication over the past months.

At its meeting prior to the Annual General Meeting on May 31, 2017, the Supervisory Board adopted the proposals put forward for resolution at the Annual General Meeting. Furthermore, the Committee conducted a comprehensive examination of the strategic changes of the bank.

The Annual General Meeting on May 31, 2017, approved the 2016 annual financial statements and agreed to the proposed appropriation of profit; the actions of the Personally Liable Partners, the Supervisory Board and the Shareholders' Committee were ratified.

Upon registration in the Commercial Register on May 31, 2017, Hauck & Aufhäuser Privatbankiers KGaA became Hauck & Aufhäuser Privatbankiers Aktiengesellschaft. On this day, Mr. Michael Bentlage was appointed to the position of Chairman of the Management Board and Mr. Jochen Lucht and Mr. Stephan Rupprecht were appointed as members of the Management Board.

On September 12, 2017, in its autumn meeting, the Supervisory Board analyzed in detail the results for the current financial year both for the Group as a whole and for the individual business segments.

On September 30, 2017, Mr. Jochen Lucht stepped down from the Management Board. We would like to thank Mr. Lucht for his personal commitment to the bank's prosperity and wish him all the best for the future. On October 1, 2017, Mr. Wolfgang Strobel joined the Management Board of Hauck & Aufhäuser Privatbankiers Aktiengesellschaft. We wish him every success in the tasks that lie ahead.

In its last meeting of the year on December 12, 2017, the Supervisory Board focused on the preliminary results for 2017 and the planning for 2018.

Mr. Stephan Rupprecht stepped down from the Management Board with effect as of December 31, 2017. We would also like to thank him for his unwavering commitment and wish him every success in the future.

The consolidated Group financial statements and the annual financial statements of the parent company for the year ending December 31, 2017, were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed as the company's auditor at the Annual General Meeting on May 31, 2017, and was engaged by the Supervisory Board. Following the performance of its audit, which included the accounts and the management reports, the auditors issued an unqualified opinion on the consolidated Group financial statements, the parent company's annual financial statements, the management reports, and the dependent company report. The auditors were available to answer the questions of the Supervisory Board and its Audit Committee during the meeting held to pass resolution on the consolidated Group financial statements and the parent company's annual financial statements.

The Supervisory Board and its Audit Committee have examined the consolidated Group financial statements, the parent company's annual financial statements, the management reports, the proposed appropriation of profit, and the auditors' reports, and has found no cause for complaint. Following its examination, the Supervisory Board raises no objections to the conduct of the company's affairs and the contents of the documents examined, and approves the annual financial statements. It hereby adopts the annual financial statements of Hauck & Aufhäuser Privatbankiers AG. It gives its consent to the management reports of the Management Board and their proposal for the appropriation of profit.

Frankfurt am Main, April 23, 2018
The Supervisory Board

Wolfgang Deml
Chairman

FINANCIAL PERFORMANCE AND FINANCIAL POSITION:
ABRIDGED VERSION

BUSINESS DEVELOPMENT 2017

We stayed on track for growth in the reporting year, aided by buoyant capital markets, and far surpassed our targets for assets under management in the Group, which were also bolstered by external acquisitions.

The Group's net income for the year, including the one-time effect from acquisition accounting, came to EUR 26.0 m.

Compared with the forecast, the Group substantially improved its gross income. In this context, administrative expenses increased substantially in the Group.

RECONCILIATION FOR THE GROUP, SIMPLIFIED PRESENTATION

Balance sheet

All amounts in EUR m	31.12.17	31.12.16		Change
Assets				
Cash reserve	2,370	479	1,891	> 100 %
Loans and advances to banks	174	101	72	71 %
Loans and advances to customers	437	402	35	9 %
Financial assets	1,675	1,475	200	14 %
Equity investments/shares in affiliates	13	11	2	23 %
Trust assets	190	225	– 35	– 15 %
Other assets	197	343	– 146	– 43 %
	5,056	**3,037**	**2,019**	**66 %**
Liabilities and equity				
Liabilities to banks	244	205	39	19 %
Liabilities to customers	4,310	2,357	1,953	83 %
Trust liabilities	**190**	**225**	**– 35**	**– 15 %**
Other liabilities/deferred income	43	28	15	53 %
Provisions	**63**	**48**	**15**	**31 %**
Fund for banking risks	10	4	5	> 100 %
Equity	196	168	28	17 %
Negative consolidation difference	0	2	– 2	– 100 %
	5,056	**3,037**	**2,021**	**40 %**

RECONCILIATION FOR THE GROUP, SIMPLIFIED PRESENTATION

Income statement

All amounts in EUR k	31.12.17	31.12.16		Change
Net interest income	17,670	19,538	– 1,869	– 10 %
Net commission income	116,272	91,275	24,997	27 %
Net income from trading book positions	4,609	5,370	– 761	– 14 %
Other net income	29,507	7,751	21,756	> 100 %
Total net income	**168,058**	**123,934**	**44,124**	**36 %**
Personnel expenses	80,363	61,093	19,270	32 %
Other administrative expenses	45,068	41,672	3,397	8 %
Amortization, depreciation and write-downs	**4,420**	**5,225**	**– 805**	**– 15 %**
Risk provisions	8,733	14,181	– 5,449	– 38 %
Total expenses	**138,584**	**122,172**	**16,413**	**13 %**
Earnings before taxes	**29,474**	**1,763**	**27,711**	**> 100 %**

KEY FIGURES ON BUSINESS DEVELOPMENT

KEY FIGURES ON BUSINESS DEVELOPMENT

All amounts in EUR m	31.12.17	31.12.16		Change
(1) Total assets not including assets held on a trust basis	4,866	2,813	2,053	73 %
(2) Business volume	5,060	3,049	2,011	66 %
(3) Assets under management (average)	74,973	56,540	18,433	33 %
Net interest income	18	19	– 1	– 7 %
Net commission income	116	91	25	28 %
Administrative expenses including write-downs	130	108	22	20 %
(4) Net income (+)/net loss (–) for the year	26	– 8	34	> 100 %
Average number of employees (heads)	620	573	47	8 %
Average number of employees (FTE)*	588	543	45	8 %

* FTE (full-time equivalents) denotes the notional number of full-time positions where there is a mix of full-time and part-time staff.

(1) Total assets not including assets held on a trust basis comprise total assets less trust assets. This figure increased sharply due to the inclusion of HAFP and HAAM. (2) Business volume is the sum of total assets and liabilities from guarantees. (3) Assets under management are calculated internally.

(4) The Group's net income for the year increased sharply due to consolidation effects and the satisfactory operating result.

The two newly acquired companies made only a negligible contribution to profit and loss in the reporting period because they were not included in the consolidated financial statements until December.

FINANCIAL PERFORMANCE

Most income is earned in euros on the European market, especially in Germany and Luxembourg, and stems from commission-earning business.

COMPARISON WITH THE PRIOR YEAR

All amounts in EUR k	31.12.17	31.12.16		Change
(1) Net interest income	17,670	19,538	– 1,869	– 10 %
(2) Net commission income	116,272	91,275	24,997	27 %
Net income from trading book positions	4,609	5,370	– 762	– 14 %
(3) Other net income	29,507	7,751	21,757	> 100 %
Total net income	**168,058**	**123,934**	**44,124**	**36 %**
(4) Personnel expenses	80,363	61,093	19,270	32 %
(5) Other administrative expenses	45,068	41,672	3,397	8 %
Amortization, depreciation and write-downs	4,420	5,225	– 805	– 15 %
(6) Risk provisions*	8,733	14,181	– 5,449	– 38 %
Operating result	**29,473**	**1,763**	**27,711**	**> 100 %**
Extraordinary result	0	0	0	0 %
(7) Earnings before taxes	**29,473**	**1,763**	**27,711**	**> 100 %**
Income taxes and other taxes	– 3,482	– 9,741	6,259	– 64 %
(8) Earnings after taxes	**25,992**	**– 7,978**	**33,970**	**> 100 %**

* Expenses (+)/income (–)

(1) The net interest income of the Group dropped substantially. Net interest income was lower than in the prior year due to the high level of client deposits and the ECB's prolonged low interest rate policy and the related challenges for the traditional banking operations and for our liquidity management.

(2) Net commission income in the Group increased sharply due to the favorable market environment for investment business and the related sharp increase in volumes. Commission income derives mainly from investment business and from currency trading for clients and from the lending and service business.

(3) Other net income in the Group increased sharply as a result of the effects of acquisition accounting. Other net income captures all income which cannot be allocated to any other item in the statement.

(4) Personnel expenses in the Group increased sharply. The increase in personnel expenses in the Group relates mainly to the increase in remuneration tied to the performance of Hauck & Aufhäuser and to the higher headcount. In addition, personnel expenses for the newly acquired companies had to be accounted for the first time in the Group.

(5) Other administrative expenses in the Group increased substantially due, among other things, to the first-time inclusion of the newly acquired companies which were not contained in the Group in the prior year.

The (6) risk provisions of the Group decreased sharply in line with the lower level of expenses for write-downs and provisions for possible loan losses in the reporting year. Impairment losses and write-downs on equity investments were once again required in the Group.

(7) Earnings before taxes increased sharply on the prior year, because the increased net commission income and the reduced risk provisions more than made up for the higher personnel expenses and non-personnel operating expenses. Earnings before taxes in the Group are primarily shaped by the one-time consolidation effect.

FINANCIAL POSITION

The Group was able to meet its payment obligations at all times. Liquidity shortages are not expected to occur.

The regulatory financial performance ratios are stated for the institution Hauck & Aufhäuser Privatbankiers Aktiengesellschaft. Owing to its dominant position and its status as the central credit institution within the Group, the regulatory ratios are primarily determined by the Bank. HAFP, the second bank in the Group, reports on its regulatory ratios in its own management report.

COMPOSITION OF BOOK EQUITY

Composition of equity

All amounts in EUR k	31.12.17	31.12.16		Change
Subscribed capital	16,000	16,000	0	0 %
Capital reserves	56,054	56,045	9	0 %
Other eligible reserves	96,264	102,120	– 5,856	– 6 %
Currency translation/exchange differences	120	185	– 65	– 35 %
Equity	**168,437**	**174,350**	**– 5,913**	**– 3 %**
Net retained profit (+)/accumulated loss (–)	27,401	– 6,829	34,230	> 100 %
Book equity	**195,838**	**167,521**	**28,318**	**17 %**

SUMMARY OF THE POSITION

The Group's assets and liabilities were in order. The financial position was stable and payment obligations were able to be satisfied on time at all times. In the lending business and in the equity investment portfolio, the Bank adequately accounted for recognizable risks – to an unusual extent in the reporting year – by setting up bad debt allowances and provisions.

The flourishing economy in Germany and the upward trend on the capital markets were key factors for our success. Both the volume of assets under management and net commission income were increased sharply in the Group thanks to successful acquisitions, the upward trend on the capital markets and the flourishing economy.

The purchase of the Luxembourg Sal. Oppenheim companies in December 2017 entrenched our position as one of the top specialists for Asset Servicing in the financial center of Luxembourg. This enables us to offer our clients an even more attractive and integrated range of services. Pooling our existing and acquired activities in Luxembourg allows us to leverage synergies in the future interests of our clients.

We see this as a vindication of our strategy and believe that we are sufficiently well equipped to face foreseeable future challenges.

FINANCIAL PERFORMANCE INDICATORS

SELECTED FINANCIAL PERFORMANCE INDICATORS

	31.12.17	31.12.16	Change	
A) Strategic indicators				
(1) Return on equity (%)	15.4	– 4.6	20	> 100 %
(2) Net income/employee (FTE) (in EUR k)*	286	228	58	25 %
Average assets under management (in EUR m)**	74,973	56,540	18,433	33 %
(3) Cost-income ratio (%)	75	83	– 8.3	– 10 %
B) Other indicators				
Total assets (in EUR m)	5,056	3,037	2,019	66 %
Book equity (in EUR m)	196	168	29	17 %
Net income (+)/net loss (–) for the year (in EUR k)	25,992	– 7,978	33,970	> 100 %
(4) Ratio of personnel expenses to total operating performance (%)	48	49	– 2	– 3 %
(5) EBITDA (in EUR k)	33,893	6,988	26,905	> 100 %
(6) Quarterly average number of employees (FTE)	588	543	45	8 %

* FTE (full-time equivalents) denotes the notional number of full-time positions where there is a mix of full-time and part-time staff.
** Information is based on internal calculations

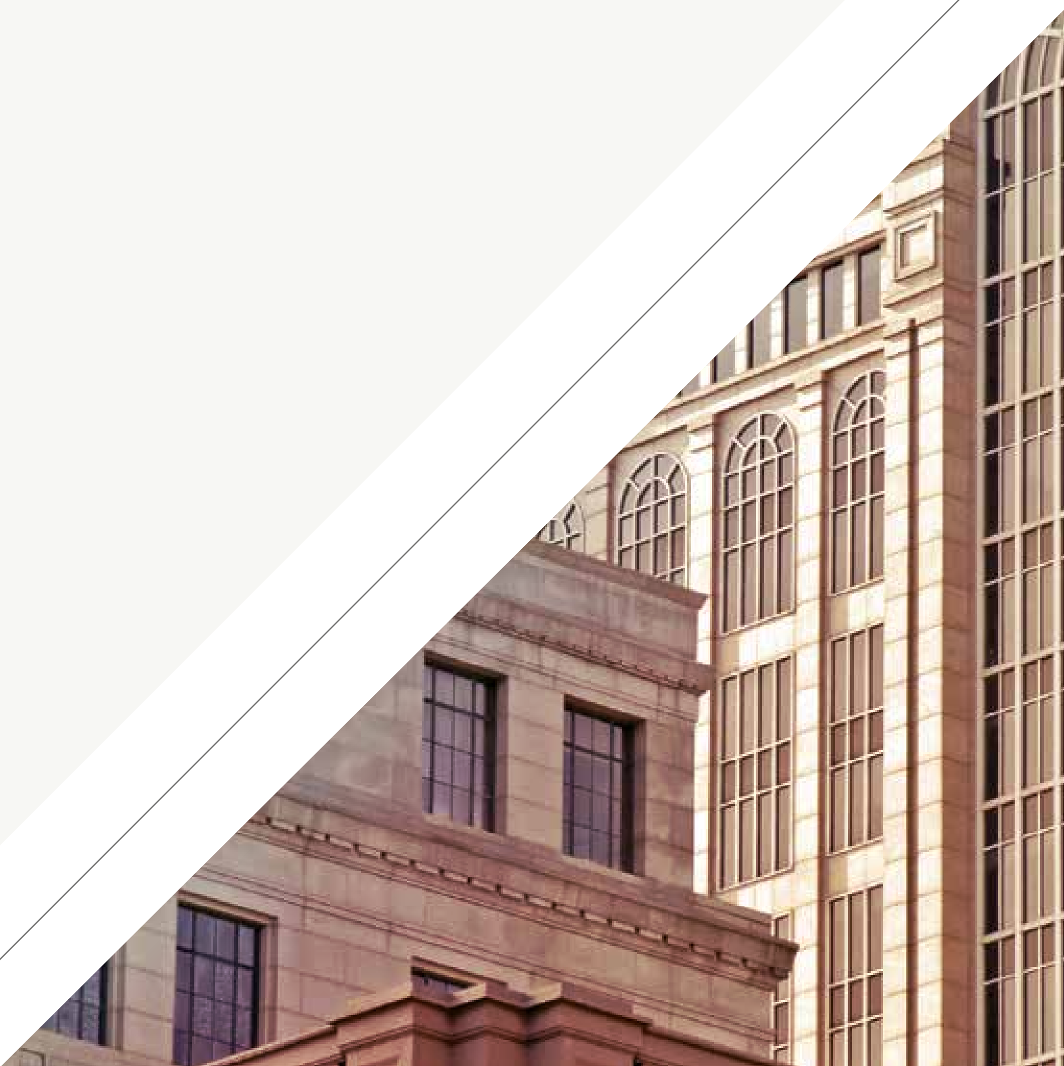
(1) Return on equity, calculated as net income divided by book equity as of the balance sheet date less the net retained profit/accumulated loss for the current fiscal year, improved sharply year on year.

(2) Net income per employee rose substantially in the Group based on the average number of employees measured in each quarter in terms of full-time equivalents (FTEs). Income comprised net interest income, net commission income, net income from trading book positions and other net income.

(3) The cost-income ratio improved sharply in the Group. It is calculated as the ratio of personnel expenses and other administrative expenses to income. Income comprises the same items as in (2) income per employee.

(4) The ratio of personnel expenses to total operating performance decreased slightly in the Group. Total operating performance comprises net interest income, net commission income, net income from trading book positions and other net income.

(5) EBITDA (earnings before interest, taxes, depreciation and amortization) increased sharply in the Group due to a one-time consolidation effect, the improved earnings situation and the lower risk provisions. It is calculated as net income, plus the extraordinary result, the tax result and depreciation of property and equipment and amortization of intangible assets.



OPPORTUNITIES
AND OUTLOOK

Look ahead

–

OUTLOOK

THE EXPECTED DEVELOPMENT OF HAUCK & AUFHÄUSER

EXPECTED FINANCIAL PERFORMANCE

Growth and earnings prospects may continue to diverge in the core business segments and could, as a direct consequence of sudden changes in the market environment, differ widely from our forecasts to date in the near future. The forecasts to date point to a continued positive market environment.

We remain cautiously optimistic in our operative planning for 2018 and forecast a further increase in gross income for the year after, too.

The successful integration of the Luxembourg-based Sal. Oppenheim entities, commenced in 2017, will have a major impact on how our forecast evolves in 2018. Over the coming years, fully managing legal and regulatory requirements and further improving the cost-efficient platform for providing our services will also entail considerable long-term investment and additional administrative expenditure.

Like all other banks, our risk provisioning is subject to uncertainty and depends on the general economic development and the level of issuer, investment or collateral risks in the lending business and any related current or future legal disputes and court proceedings. Swings in either direction could have a positive or negative impact on the forecast earnings.

For 2018, we have again budgeted for a significant volume of investment in other essential projects to implement contractual and regulatory requirements and to improve the efficiency of our business model and the effectiveness of our business processes. For the following years, we anticipate similar amounts with a slightly rising trend.

EXPECTED ASSETS AND LIABILITIES

Overall, we do not anticipate any significant changes in the composition of assets and liabilities.

Total equity and liabilities are mainly shaped by demand deposits from our institutional clients whose accounts are maintained by the bank. The level of liabilities is therefore primarily determined by the investment behavior of clients. To avoid counterparty credit, market and liquidity risks in connection with our risk-reduced investment strategy, client funds are mainly held in the cash reserve or in low-risk fixed-income securities.

EXPECTED FINANCIAL POSITION

The Group's financial and liquidity position will remain stable.

According to our forecast, as in previous years, we will satisfy the regulatory capital requirements by rigorously reinvesting our net income for the year. With regard to our dividend policy, we expect to maintain our allocations to reserves in future years, thus meeting the enhanced capital requirements by 2019. In the medium term, we do not anticipate any changes in our dividend policy.

In 2018, investments are planned in the fund platform business in Luxembourg. As in previous years, investments will be financed by the Group's own funds.

FORECAST FINANCIAL PERFORMANCE INDICATORS

The focus of our work in 2018 will be on integrating the two newly acquired former Luxembourg-based Sal. Oppenheim companies in the Group and in our business processes. We will also continue to forge ahead with the strategic measures already initiated, especially those related to digitalization.

FORECAST FOR THE GROUP

	Actual 2017	Forecast for 2018
Return on equity	15 %	sharp decrease
Net loss (–)/net income (+) for the year (in EUR k)	25,992	sharp decrease
Quarterly average number of full-time equivalents (FTE)*	588	sharp increase
Net income/employee (in EUR k)	286	sharp decrease
Assets under management (in EUR m)	74,973	sharp increase
Total net income (in EUR m)	168	slight decrease
Administrative expenses including amortization, depreciation and write-downs (in EUR m)	130	sharp increase
Cost-income ratio	75	sharp increase
Earnings before taxes (in EUR k)	29,522	sharp decrease

* FTE (full-time equivalents) denotes the notional number of full-time positions where there is a mix of full-time and part-time staff.

Our planning remains cautious and we are forecasting only minimal changes in the financial performance indicators, which are also highly dependent on a continuation of the stable development on the securities markets.

This forecast is shaped by the one-time base effect from acquisition accounting in the reporting year 2017 and the strategic measures initiated for 2018, and will in most cases lead to lower estimates for the forecast year 2018.

As a direct consequence of the planned strategic measures to boost growth and efficiency, the performance indicators in subsequent years may differ widely from our forecasts to date.

The planned cash capital increase may result in a slightly lower return on equity.

SUMMARY OF FORECAST DEVELOPMENT

We expect the market in 2018 to be shaped by buoyant securities markets, which will become increasingly volatile, and low interest rates with a slight upward trend on an international level, as well as by unrelentingly high regulatory requirements. As we see it today, we have adequately taken the prolonged adverse (fiercely competitive) market environment in the industry into account in our forecasts.

The consequences of the acquisition of the fund platform business in Luxembourg will shape our development over the next few months and will be a huge drain on our resources. The acquisition of the Sal. Oppenheim fund platform business in Luxembourg will enhance both our Asset Servicing segment and our service offering, and will greatly strengthen our market position and allow us to offer our clients an even wider range of services. This is an important milestone on the path to realizing our growth strategy together with our owner Fosun.

A successful digital strategy calls for a clear focus on customer value and a systematic integration of innovative industry solutions in the Bank's internal value chains. One of our answers will be to be step up efforts to forge strategic alliances with fintechs and specialist third-party service providers. This will enable us to systematically expand our range of services offered to our clients and optimize our processes.

We do not anticipate any change in our dividend policy for 2018 and therefore expect to strengthen our capital base further. We expect to be able to finance the planned investments in business operations entirely with our own funds.

Overall, we anticipate appreciable growth and a continued improvement in profitability in the next few years, driven by our new strategy.

INTERVIEW WITH MICHAEL BENTLAGE, CHAIRMAN OF THE MANAGEMENT BOARD

Hauck & Aufhäuser has set sail for a successful future. Key to this are profitable transformation processes.

Mr. Bentlage, what can Hauck & Aufhäuser improve over the coming years?

MICHAEL BENTLAGE We are a small bank – this brings us advantages that we can exploit and disadvantages that we need to balance out. The main focus of the past few years has also been on making savings and staying within budget. With Fosun as our owner, we now have the opportunity to further expand our business. This is a fantastic situation for us, because our shareholder practically demands that we take an entrepreneurial approach. To achieve this, however, we must succeed in making rapid and agile progress and not only in reacting to the far-reaching changes in the course of digitalization, but in actively helping to shape these changes. In the future, we will make greater use of state-of-the-art technologies to improve the efficiency of in-house processes. At the same time, our goal is to grow organically and inorganically and to

"The objective of the work we do every day is to establish Hauck & Aufhäuser as one of the leading banks for wealth management in the German-speaking countries."

achieve a certain competitive order of magnitude. Following the successful takeover of the Luxembourg-based Sal. Oppenheim companies, we will continue to keep our eyes open for attractive opportunities for acquisitions and cooperation. We see great potential for this, particularly, in the area of Investment Banking, as well as in Asset Management.

Are these projects underpinned by a specific strategy?

MICHAEL BENTLAGE Yes, the framework for these projects is our Strategy 2020. In addition to growth, or rather, in connection with it, another important pillar is internationalization. In the future, we would like to increasingly use our excellent connections to China to collaborate on successful business activities with our customers. Luxembourg is another important pillar of our internationalization strategy. The international orientation of the former Sal. Oppenheim companies, which we acquired in 2017, will not only strengthen our business dealings in Luxembourg, but will also enable us to systematically expand our international network.

The buzzword digitalization, which you have already mentioned, probably appears in every bank's annual report around the world. How will Hauck & Aufhäuser handle this theme?

MICHAEL BENTLAGE In 2018, we will release a new online platform, offering our customers a digital experience and creating new forms of interaction. At the same time, it is important to us to maintain our tailored advisory services through personal account managers over the longer term. In addition, in 2018, we will bring the internationally recognized and award-winning start-up accelerator program, "Protechting", to Germany for the first time. We, Fosun and other partners are looking for innovative start-ups from the Insurtech, FinTech and Healthtech sectors who we will provide with the opportunity to make significant progress in developing their business models. All these measures will contribute to enhancing Hauck & Aufhäuser's role as a driver of innovation and will invigorate the strategic pillar of digitalization.

If you had one wish for the coming years, what would it be?

MICHAEL BENTLAGE The regulatory requirements, among others, in connection with MiFID II along with investment tax reform, have demanded a great deal from us over recent years, tying up resources and slowing down innovation. In this respect, I would like to see prudent regulation in the future that will enable banks to focus on their core business and invest in products and improvements for customers rather than in projects that only serve to meet regulatory requirements.

STRATEGY 2020

The strategic decisions at the beginning of the year, which are manifested in "Strategy 2020," played a decisive role in the positive results for 2017. The roadmap for the future of Hack & Aufhäuser takes the following routes:

ORGANIC GROWTH
Targeted measures based on the core competencies and market opportunities for each of the divisions

INORGANIC GROWTH AND FINTECHS
Ongoing review of further opportunities for acquisitions and collaborations in all business areas

DIGITALIZATION
Modern customer platform and positioning as innovation driver

INTERNATIONALIZATION
Focus on international funds business from Luxembourg and on cross-selling potential between Germany and China

AUTOMATION AND SOURCING
Increasing the efficiency of internal processes

TALENT MANAGEMENT
Targeted development and advancement of our employees

REGULATORY MATTERS

BRANCH OFFICES AND REPRESENTATIVE OFFICES

BRANCH OFFICES

Frankfurt

Munich

Hamburg

Düsseldorf

Cologne/Bonn

London

Luxembourg (Munsbach)

Zurich

REPRESENTATIVE OFFICES

Paris

HAUCK & AUFHÄUSER PRIVATBANKIERS AG

Kaiserstraße 24
60311 Frankfurt am Main
Phone +49 69 2161-0
Fax +49 69 2161-1340

Lenbachplatz 4
80333 Munich
Phone +49 89 2393-1
Fax +49 89 2393-2849

Seidlstraße 21
80335 Munich
Phone +49 89 2393-1
Fax +49 89 2393-2849

Mittelweg 16–17
20148 Hamburg
Phone +49 40 4506342-0
Fax +49 40 4506342-3020

Steinstraße 1–3
40212 Düsseldorf
Phone +49 211 301236-0
Fax +49 211 301236-6050

Konrad-Adenauer-Ufer 67
50668 Cologne
Phone +49 221 139319-700
Fax +49 221 139319-7019

1c, rue Gabriel Lippmann
5365 Munsbach
Luxembourg
Phone +352 451314-1
Fax +352 451314-229

3rd Floor
43 Berkeley Square
London, W1J 5AP
United Kingdom
Phone +44 207 408-1100

info@hauck-aufhaeuser.com
www.hauck-aufhaeuser.com

IMPRINT

PUBLISHER

Hauck & Aufhäuser
Privatbankiers AG,
Frankfurt am Main

RESPONSIBLE FOR THE CONTENT

Hauck & Aufhäuser
Privatbankiers AG,
Frankfurt am Main

CONCEPT AND DESIGN

Scheufele Hesse Eigler
Kommunikationsagentur GmbH,
Frankfurt am Main

PRINTED BY

Druck- und Verlagshaus
Zarbock, Frankfurt am Main

PHOTOGRAPHY CREDITS

All pictures:
Hauck & Aufhäuser,
Frankfurt am Main

HAUCK & AUFHÄUSER

PRIVATBANKIERS SINCE 1796