

2007

2007

Report on the 418th Financial Year

Summary of key balance sheet data

(in million Euro)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Balance sheet total	1,515	1,494	1,623	1,772	1,943	1,852	1,919	2,294	2,718	3,621
Business volume	1,684	1,684	1,800	1,968	2,134	2,019	2,066	2,414	2,861	3,829
Retained earnings	16	18	39	41	41	37	40	50	54	61
Liable equity	89	95	110	118	125	130	135	140	145	155
Claims on banks	419	372	419	458	554	653	471	697	688	691
Claims on customers	707	751	796	840	796	715	636	565	567	629
Liabilities to banks	318	299	174	161	122	167	198	216	248	267
Liabilities to customers	914	1,037	1,243	1,377	1,512	1,433	1,472	1,797	2,156	2,983
Cost-income-ratio	59.1%	57.5%	42.7%	43.1%	44.7%	48.9%	49.9%	55.5%	65.3%	66.5%
Employees as at 31 December incl. subsidiaries	317	348	403	428	429	452	490	551	658	763

»The secret of success is constancy of purpose.«

Benjamin Disraeli (1804 – 1881, British prime minister)

2007

Report on the 418th Financial Year



CORNELIUS BERENBERG



JOHANN HINRICH GOSSLER

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Board of Partners (left to right): Claus-G. Budelmann, Dr. Hans-Walter Peters, Guido M. Sollors, Graeme Davies, Andreas Brodtmann, Hendrik Riehmer.

Dear customers and business friends,

Despite the turbulence on the capital markets, our company has completed its 418th financial year with an extremely pleasing result. Retained earnings increased by 14 % to EUR 61.2 million, assets under management grew by 24 % to EUR 19.1 billion, and our total assets increased by a third to EUR 3.6 billion. These are all signs that Berenberg Bank has been able to continue along its course of growth, even in these difficult times.

We have always devoted particular attention to the targeted control of risks. If we had not pursued such a prudent corporate policy, we would not now be able to look back on such a long and illustrious tradition. We always give equal consideration to returns and risk management – an approach that has paid off handsomely over the past few months. We did not make any investments in subprime structures.

We again increased our volume of business in all of the segments in which we operate. To reflect and underpin this growth, we have again significantly increased the size of our workforce – this time by 105 to 763. After all, the special competitive advantage of a private bank – ours in particular – is individual customer care. We shall pursue this policy in future, too. We feel that our corporate approach has been confirmed not only by the market, but also by our receipt of various prestigious awards. However this has not made us complacent: we are going to maintain our strategy of continuous further development without losing sight of our roots and our orientation to customer needs.

We would like to thank you for your trust and excellent cooperation. We will continue to serve you as a reliable and service-oriented partner.

Claus-G. Budelmann

Dr. Hans-Walter Peters

Guido M. Sollors

Andreas Brodtmann

Graeme Davies

Hendrik Riehmer

EXECUTIVES

Advisory Board

Prof. Dr. Harald Wiedmann, Chairman

Former Chairman of the Management Board KPMG Deutsche Treuhand-Gesellschaft AG
and former President of Deutscher Standardisierungsrat, Berlin

Joachim v. Berenberg-Consbruch
Hamburg

Vincent Doumier

Administrateur Délégué Compagnie du Bois Sauvage S.A., Brussels

Jürgen Kösters

Member of the Managing Board Norddeutsche Landesbank Girozentrale, Hanover

Dr. Hannes Rehm

Chairman of the Managing Board Norddeutsche Landesbank Girozentrale, Hanover

Dr. Andreas Rittstieg

Rittstieg Rechtsanwälte, Hamburg

Joshua Ruch

Chairman and Chief Executive Officer Rho Capital Partners, Inc., New York

Dr. Hans-Rüdiger Schewe

President Fürstlich-Fürstenbergische Gesamtverwaltung, Donaueschingen

Andreas v. Specht

Partner Egon Zehnder International, Paris

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Dr. Hans-Walter Peters

Guido M. Sollors

Andreas Brodtmann

Graeme Davies

Hendrik Riehmer

Managing Directors

Manuel Bally

Jörn Engelmann

Eberhard Hofmann

Wilfried Schnoor

Rüdiger K. Schultz

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 Lars Andersen (Frankfurt)
 Dr. Jan Böhm
 Jens Brüggemann
 Simon Chisholm (London)
 Christine Gärtner (Munich)
 Beate Gerdes
 Jürgen Hauser
 Hans-Jürgen Köcher
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 Dieter Lügering
 Andrew McNally (London)

Thomas Müller (Bremen)
 Michael Otto
 Raymund Scheffler (Düsseldorf)
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 Klaus Schröder
 Andreas Schultheis
 Gerd Simon
 Volker Steinberg (Bielefeld)
 Tom Wede
 Karsten Wehmeier
 Dr. Oliver Wojahn

Directors

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 Vincent Bischoff (Paris)
 Jimmy Burns (Edinburgh)
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 Jens Dose
 Manfred Dulitz
 Lars Fuhrken
 Carsten Gennrich
 Erhard Gold
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 Rainer Gutt (Bielefeld)
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 Oliver Holtz (Stuttgart)
 David Houston (Edinburgh)
 Martin Huber (Luxembourg)
 Frank Jungclaus

Andreas Kitta
 Axel Klappstein
 Holger Knaup
 Martin Koop
 Stephan Koop
 Rita Kortha
 Edmund Krug
 Christian Kühn
 Dennis Lettau
 Knut Olsson
 Wolfgang Pflüger
 Gerrit Roosen
 Dieter Rusch
 Dieter Schlichting
 Dr. Franz Graf von Schwerin
 Hans-Peter Sigl-Glöckner (Munich)
 Tindaro Siragusano
 Johannes Sommer
 Tim Storm

Supported by values: Stability

For a number of years, they were hardly discussed in society at large. The times were too exciting and developments too fast to waste time thinking about them. These days, however, the increasing pace of life means that roots are not as deep as they were – one day’s seeds can get carried away by the next day’s wind. Today, there are many indications that we are again reflecting on things that seemed to be long forgotten: values.

Our success as a private bank depends on the trust of our customers. Consequently, the subject of values is the basic capital on which all our further progress rests. *Integrity, loyalty, individuality, stability* and *performance*: we identified these five values as the cornerstones of the way we see ourselves. One of them keeps the other four firmly in place: stability.

It is this age of changing values, above all, which shows how important it is for stability to be firmly anchored in our minds. How do we know that the old buttress we demolished – maybe for purely cosmetic reasons – was not a cornerstone? Stability is a safeguard: it decelerates and delays, thereby encouraging prudent action.

One could think that stability means standing still, taking a step backwards or clinging to principles just for the sake of it. This would be the case if we misused

the term as an argument and a justification for refusing to make decisions and for not taking necessary action in our everyday activities.

Stability unfolds its essential power at the level of the principle itself: where orientation is key. When the changes just keep carrying us along, so to speak, and one market opportunity after another opens up, proven methods provide us with a safe starting platform that helps us to make things less complex. This enables us to make quick and safe decisions in our everyday business operations.

Stability is a value whose special quality does not become evident until the second glance. Not infrequently, it obliges us to show a great deal of courage in sticking to it – all too often, the first glance seems to hold out the promise of rapid growth or big profits.

The reason we are so good, agile and quick on matters of detail is that, as far as the big picture is concerned, we can orient ourselves towards principles that have been proven time and again. Stability is not the most spectacular of our principles, but it is undoubtedly one of the key ones.

It is a value building on which things can develop quality and mature over time – like a good wine.

REVIEW OF THE YEAR

The qualities that are now associated with keywords such as »corporate social responsibility« or »corporate citizenship« have been part and parcel of our corporate policy for centuries: the company's commitment to society. In the same way that our founders supported the Dutch »Armencasse« in Hamburg, one of the world's oldest poor relief organisations, at the end of the 16th century, we are now actively committed to the areas of culture, sport, science and social welfare.



The Berenberg Cultural Award and its prize money of EUR 15,000 went to the Chinese soprano Lini Gong. Hamburg's Culture Senator Prof. Dr. Karin von Welck thanked Dr. Hans-Walter Peters, Claus-G. Budelmann and Guido M. Sollors for the Berenberg Bank Foundation's many years of commitment and the bank for its contribution to cultural life in Hamburg.



Berenberg substantially increased its commitment to polo in 2007. We attended the Winter Polo meeting for the first time and presented Berenberg Snow Polo in Klosters, Switzerland. In Germany, as well as staging our tournaments in Hamburg and Munich, we sponsored a title in Düsseldorf. And in London, we were involved in two tournaments in which Prince William (photo with Andreas Brodtmann and Claus-G. Budelmann), amongst others, took part.



EUR 50,000 was raised by a variety of campaigns run by employees of our bank as part of the »Berenberg Kids« initiative. »Our objective is to work as a team to organise aid for needy children«, says initiator Graeme Davies. In addition to this, direct aid was provided by other activities such as a trip to the zoo with 100 children and the renovation of classrooms in London. EUR 25,000 was received by Susann Grünwald-Aschenbrenner from the »Stiftung Mittagskinder« foundation in Hamburg (photo). The amount was raised for climbing the Pico de Aneto in Spain.

Horse racing – the BMW German Derby in Hamburg, the German race meeting with the biggest prize money, was supported by Berenberg Bank in 2007. On the day of the main race, we followed some old traditions and presented the race for the Berenberg Cup.



»Making it to the top against fierce competition is difficult enough. Staying there is the real tour de force.« With these words, FUCHSBRIEFER publisher Ralf Vielhaber presented the certificate of first place to Dr. Hans-Walter Peters for the much-publicised survey »Die Top-Adressen für Ihr Geld« (»Top addresses for your money«) at the Private Banking Summit in Berlin. Particularly gratifying is the fact that we have also headed the all-time best list since 2005 – a sign of stability.



Also a sign of stability are the top places in the second major ranking list, the »Elite of Asset Managers« report published by the HANDELSBLATT newspaper. Here we received the highest possible rating of »summa cum laude« for the fourth time in succession. Markus Sackmann, undersecretary of state in the Bavarian economics ministry, presented the certificate to Andreas Brodtmann and Eberhard Hofmann.



For the third time, we presented »Event Prominent«, the charity fashion show for the benefit of the organisations Hamburg Leuchtfeuer and Dunkelziffer. Celebrities offer their services as models and present the latest fashion on the catwalk. The event raised EUR 110,000 to support the work of the hospice and the German association for the prevention of sexual abuse of children.



OVERALL ECONOMIC DEVELOPMENT

The German real economy again showed a pleasing overall trend in 2007, even though the two halves of the year developed rather differently. The upturn from the previous year was maintained, with the overall rate of economic expansion coming to 2.5 % compared with 2.9 % in 2006. The catalysts were once again the persistently robust growth of the global economy and the improved competitiveness of German companies. With global growth likely to have been 5 % again, the five-year period from 2003 to 2007 is now seen as one of the global economy's most prosperous phases since the Second World War.

Foreign trade was again especially prominent as an engine of growth. Demand from our trading partners increased by 8.5 %. Thanks to exports worth EUR 969 billion, we were not only the world's leading exporter for the fifth time in succession, but also generated a record export surplus of EUR 190 billion.

Increasingly, many companies found themselves in the unfamiliar situation of capacities becoming tight. This affected not only machinery, production facilities and software, but also highly qualified staff. As a result, investment was increased. More than half a million people found permanent employment, mostly »proper« jobs with social security contributions. By the end of the year, unemployment had fallen to 3.4 million, the lowest level since 1993. As recently as 2005, the comparable figure was 4.9 million.

That would normally have meant favourable conditions for robust growth in consumer spending. This assumption, however, fails to take account of the increase in the German VAT rate from 16 % to 19 % and the continuous increases in food and energy prices throughout the year. In November, the price of crude oil reached a new record of USD 99.29 per 159-litre barrel. State and social security institutions are benefiting from the healthy economic situation and the fiscal measures. For the first time since 1986, the nation's budgets were balanced. The federal government, the federal states, the municipalities and the social security institutions even posted a mini surplus of EUR 70 million.

The distortions within the US economy in the summer months of 2007, and the problems that these caused for international financial institutions, have made it clearer than ever that continuity and stability in the general political framework are very much to be desired. For it was the USA, of all countries, which provided the starting point for a slowdown in the global economy in the second half of the year.

The increasing difficulties encountered by many homeowners of basically inadequate financial means in paying their mortgages in the face of rising interest rates accompanied by falling property values led to turbulence in specific bond segments. The »subprime crisis« ensued. Fixed-interest securities secured by bundled lendings of varying quality suffered dramatic falls in their value. Those investors around the world who were affected had to endure write-downs totalling hundreds of billions. Who was and is affected and to what extent remains unclear. This led, in the banking sector in particular, to an unusual degree of caution, and at times even to distrust. The whole episode had dampening effects on the real economy.

Naturally, US consumers reacted with particular sensitivity to the combination of falling house prices and rising oil and petrol costs. They cut down on their consumption. This led to a situation where, at the start of the year, the US economy was on the brink of a recession for the first time since the autumn of 2001. The dollar reflected this faltering trend and lost a further 12% against the common European currency. The dollar's value against the euro reached a new provisional low on 23 November 2007, falling to USD 1.4966. Another consequence was that the historic highs achieved by stock markets during the course of the year could not be maintained.

Conversely, the greater desire of many investor groups on the capital markets for security led to the highest prices for gold since 1980. The metal almost reached USD 900 per troy ounce. In addition, yields on government bonds showed a turnaround compared with the summer months, falling by up to one percentage point.

How the situation evolves in the ongoing financial year 2008 depends crucially on the extent to which growth in the emerging markets of Asia, pretty stable until now, can have a stabilising effect globally, on how quickly interest rate reductions and government anticyclical programmes in the USA take effect, and on whether a lengthy period of weakness on the capital markets can be avoided. Cautions optimism seems reasonable. Important policy adjustments have been carried out. At the beginning of the year, at any rate, the predominant economic forecasts were those which assumed a slowdown in global growth, but on no account a global recession.

BUSINESS AND STRUCTURE

Berenberg Bank has continued to operate as a private bank focusing on the four business segments Private Banking, Investment Banking, Institutional Asset Management and Corporate Banking. In 2007 we achieved highly positive results in all four segments with a significantly expanded customer and commercial base. We are gratified not only by this good results structure, but also by our acquisition of new customers in all segments and by the fact that the high quality of our work is confirmed by market tests and price reports. We aim to extend this quality leadership still further. For the second time in succession, we achieved first place overall in the FUCHSREPORT »Die Top-Adressen für Ihr Geld«. Since this survey series was launched, we have headed the list of the »all-time best«. And for the fourth consecutive time, we received the highest possible distinction of »summa cum laude« from the »Elite of Asset Managers« report (HANDELSBLATT newspaper). Our investment banking activities also received numerous distinctions.

Last year, our assets under management increased by 24% to just under EUR 19.1 billion (previous year: EUR 15.4 billion). Berenberg Bank's headquarters are in Hamburg. In Germany there are also branches in Bielefeld, Bremen, Düsseldorf, Frankfurt, Munich and Stuttgart, as well as a representative office in Wiesbaden. Abroad we are represented by branches in Luxembourg, Milan and Paris, and by representative offices in Edinburgh, London, Shanghai and a representation under Swiss law in Zurich. We also have subsidiaries based in Germany, Switzerland and Luxembourg. Most of the earnings generated by these companies are retained either directly or in intermediate companies.

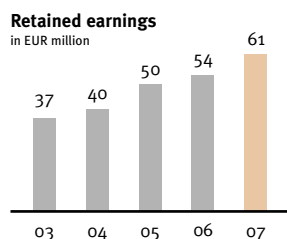
The existing locations were expanded further in the reporting year. Since we attach a great deal of importance to personal customer service, we again increased our workforce in line with the growth in our business volume. This involved higher investments in the areas of personnel and non-personnel.

In line with our restrictive risk strategy, our exposure in the retail banking and lending segments is manageable. The surplus liquidity which results predominantly from the customer deposits entrusted to us is invested highly conservatively in a well-diversified securities portfolio. This consists mainly of public-sector securities and mortgage bonds. In view of the current turbulence in the banking sector, we would like to point out explicitly that the bank has at no time made any investment in subprime structures.

*»The greatest reward for what we do
is not what we receive in return,
but what we become as a result.«*



THE CHARACTER OF OUR BANK, ITS CORPORATE CULTURE, DID NOT EMERGE OVERNIGHT. IT DEVELOPED OVER MANY YEARS UNTIL, EVENTUALLY, IT MERGED WITH OUR TRADITION. WE ENJOY THE UTMOST TRUST OF OUR CUSTOMERS. A RESPONSIBILITY WE TAKE VERY SERIOUSLY.



RESULTS OF OPERATIONS

RETAINED EARNINGS In the financial year 2007, retained earnings increased by EUR 7.7 million or 14% to EUR 61.2 million. The return on equity, calculated as the quotient of pre-tax profits and equity at the start of the year, increased from 52.5% to 56.1%. The cost-income ratio shifted only slightly from 65% to 67% despite the major investments made in connection with the further expansion of business. The ratio of net interest income to net commission income remained almost unchanged at 20:80.

NET INTEREST INCOME All in all, net interest income was increased by 16%, or EUR 5.0 million, to EUR 36.8 million. The growth in lending operations is being consciously restricted by our high creditworthiness standards and our requirement of an appropriate return on risk. Despite this, the average lending volume increased moderately with an only slightly lower margin, leading to an increase of 2% in net interest income from customer loans.

The result from deposit business has improved considerably thanks to substantial inflows of funds from the shipping and private banking areas. It improved by 32% and contributed almost twice as much to net interest income as lending operations.

While interest on the bank's own funds declined slightly, the result from participating interests and dividends improved by EUR 1.1 million to EUR 3.0 million. This result includes, amongst other things, the dividends distributed by a subsidiary to recover refinancing costs. All other profits earned by the subsidiaries were retained in full, as in previous years.

NET COMMISSION INCOME Net commission income increased by 24%, or EUR 29.3 million, from its already high previous year's level to EUR 151.5 million. The securities segment remained the most important source of commission income and its result improved by 27%. In this way, the strategy of maintaining a broad-based securities segment, featuring the three divisions Private Banking, Investment Banking and Asset Management, again proved highly successful. In Corporate Banking, too, net commission income increased. The primary factor in this area was again our highly successful services business with our German and international shipping customers.

TRADING INCOME All of the trading segments successfully utilised their carefully calculated value-at-risk limits. While the result of foreign exchange trading for own account was slightly lower than in the previous year, income from securities and other proprietary trading improved slightly. All in all, trading income fell slightly by 2%, or EUR 0.2 million, to EUR 11.5 million.

ADMINISTRATIVE EXPENSES In 2007, as in the previous years, we invested in highly qualified personnel. In addition, the opening up of further sources of income from service business, the awards that we have repeatedly received, and various other exceptional contributions by our employees to the bank's success resulted in further performance-related payments. Total staff costs increased by 27%.

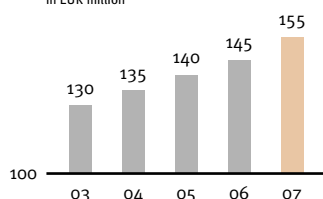
The improvement of the bank's business premises at both its Hamburg headquarters and its domestic and foreign subsidiaries, numerous investments in IT (including business continuity measures) and further expansions in its marketing activities led to growth in non-personnel costs and to fixed asset depreciation. All in all, administrative expenses including fixed asset depreciation and intangible assets increased by 26% to EUR 133.5 million.

PROVISION FOR RISKS Within the framework of provision for risks, sufficient funds have been allocated to valuation allowances and provisions in lending operations. All discernible credit risks were fully taken into account using prudent valuation methods. The winding up of commitments that still involved risks in previous years in turn led to pleasingly high reversals.

The constant growth in customer deposits led to a further increase in the need for investment through money market dealings and securities and liquidity reserves. We responded to the strains on the lending and capital markets caused by the sub-prime crisis by further diversifying our already highly conservative portfolio into particularly low-risk securities. In doing so, we acquired only publicly issued securities and mortgage bonds. This regrouping led to very manageable losses in the result from securities in the liquidity reserve. In connection with this, we would like to point out explicitly that the bank has at no time made any investments in sub-prime structures and that small ABS and SPV portfolios (with an aggregate volume of less than EUR 13 million) were sold at no loss months before the crisis began. The taxed contingency reserves in accordance with Section 340 f of the German Commercial Code (HGB) were increased as in the previous years.

FINANCIAL SITUATION AND NET ASSETS POSITION

Liable equity
in EUR million



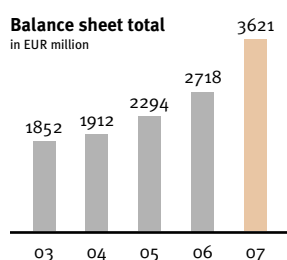
CAPITAL RESOURCES AND PRINCIPLES The bank's subscribed capital was increased by EUR 10 million. As a result, the bank's liable equity resources at the end of the financial year amounted to EUR 155.1 million. This capital includes core capital of EUR 145.0 million and supplementary capital of EUR 10.1 million. The supplementary capital consists of subordinated liabilities (EUR 5.1 million) and the participatory capital with terms of more than 2 years (EUR 5.0 million).

The hidden reserves in accordance with Section 340 f HGB, which were again increased, are not allocated to the regulatory liable equity.

The aggregate key figure in Principle I was 13.0% at the end of the year, while its average for the year was 12.8%. This level of capital resources means that we can continue to meet all the statutory capital requirements for equity.

At an average for the year of 1.99 (year-end 1.61), the liquidity ratio for Principle II is also above-average for the sector and exceeds the requirements imposed by the German Federal Financial Supervisory Authority (BaFin), despite the constant maintenance of liquidity reserves for institutional investors' various funds.

Balance sheet total
in EUR million



BALANCE SHEET TOTAL AND VOLUME OF BUSINESS In the year under review, the balance sheet total rose from EUR 2.7 billion to EUR 3.6 billion (+ 33.2%) as a result of the high liquidity holdings of the expanded securities and shipping business and the resultant increase in investment volume. Claims on banks remained almost unchanged at EUR 691 million (EUR 688 million). As a reaction to the tense financial situation, the bank invested any excess liquidity in bonds from predominantly public-sector issuers rather than in further claims on banks. Customer lending operations were expanded in a moderate and risk-conscious fashion. As a result, customer borrowings increased to EUR 629 million (EUR 567 million).

The portfolio of bonds and other fixed income securities was increased by EUR 783 million to EUR 2.0 billion. In view of the turbulence in the banking sector, new investments and groupings were concentrated to an increased extent on the public sector. The bonds are allocated as follows: EUR 791 million (EUR 151 million) public issuers, EUR 1.2 billion (EUR 956 million) financial institutions and EUR 9 million (EUR 109 million) other issuers.

The volume of shares and other variable-yield securities increased to EUR 151.8 million (EUR 121.9 million). As a result of special transactions, shares amounting to EUR 46.0 million were taken over, although thanks to obligations to take delivery and the high credit standing of the counterparty, they bear no risk. These special transactions were wound up completely in January. Other trading portfolios are insignificant.

As part of its liquidity reserve, the bank also holds investment funds amounting to EUR 85.6 million (EUR 46.2 million).

The liabilities side is characterised by a further heavy inflow of customer deposits and a continuing high level of interbank money as a result of the customer trust funds held on deposit by our Swiss banking subsidiary. Thus, liabilities to banks increased by 7.7% to EUR 267 million (EUR 248 million) and liabilities to customers, by 38.3% to EUR 3.0 billion (EUR 2.2 billion). The proportion of customer deposits in the balance sheet total amounts to 82.4% (79.3%).

The expanded volume of business increased by 33.8% from EUR 2.9 billion to EUR 3.8 billion, in line with the increase in the balance sheet total.

CREDIT VOLUME The bank's total volume of customer lending increased by EUR 128 million to EUR 837 million. This sum comprises claims on customers (EUR 629 million) and contingent claims from sureties and other guarantees (EUR 208 million). Credit equivalence sums from derivative transactions are relatively low.

*»In this world, the only constant thing
is inconstancy.«*



WITH 418 YEARS OF COMMERCIAL DEVELOPMENT UNDER ITS BELT, OUR COMPANY HAS A STRONGER PULSE THAN EVER BEFORE BECAUSE WE HAVE ALWAYS ADAPTED TO CHANGES THROUGHOUT OUR HISTORY. THE PATH WE HAVE TAKEN RESTS ON ORGANIC DEVELOPMENT – OUT OF STURDY ROOTS. THIS WILL REMAIN SO IN THE FUTURE, TOO.

BUSINESS DIVISIONS

Private Banking

Experience, continuity and innovative capacity as the basis for long-term growth – long-term asset maintenance and the value appreciation of family assets which are often accumulated over generations are the focal points of our services in the Private Banking division.

In the financial year 2007, our experience in the identification, analysis and final assessment of always new investment ideas again helped to ensure that innovative products underwent a mature risk assessment. In this way, we have made sure that when complex asset strategies are being devised, the only components taken into consideration are those which can be reconciled with the individual yield and risk profiles of the customers we represent.

The trust placed in us on this basis found expression in the intensification of existing mandate relationships and the establishment of new ones. These two elements jointly led to substantial growth in the inflow of funds in 2007 – even exceeding the previous year's record level. This pleasing development of business is an incentive for us to carry on meeting the requirements of our business partners in our own personal style.

INTEGRAL ASSET MANAGEMENT Guiding wealthy families over generations is a highly complex and responsible task to which we devote a great deal of time.

The starting point for cooperation with our customers is the analysis of their entire existing asset structure. The assets can be divided into ten asset categories using the Berenberg Sigma asset concept. This process can also take account of alternative investments and non-liquid assets (such as ships and property).

We examine overarching issues and work together with our customers to ascertain to what extent the planned structure – also with regard to a later transfer of assets or possible requirements within the family firm, for example – is expedient. The importance of risk management in the process is as great as that of yield optimisation.

Only then do we develop a specific investment strategy and implement it by selecting capital market solutions, participating interests, property, insurance schemes or alternative investments identifiable on the market. The selection of individual investments is based on quantitative and qualitative processes and always takes place in consideration of the respective investment categories' future prospects.

INDIVIDUAL SOLUTIONS Our existing and prospective customers in the Private Banking division are people and families with individual interests. Their concerns and requirements are served by a highly diverse range of solutions which are elaborated on a case-by-case basis.

The personal atmosphere of an evolved private bank on the one hand, and our diverse range of activities on the other, enable us to work out interesting solutions. Our customers in the Private Banking division have always benefited from the development of innovative special solutions in the Capital Markets and Asset Management fields, which are usually available only to institutional investors. In these areas we are not mere followers of investment trends; we see our strength rather in the early recognition of opportunities. We put our energy into the development and identification of investment ideas that help put our customers into a position where they can be early beneficiaries of a trend.

PROPRIETARY INVESTMENT PRODUCTS Although we use proprietary investment solutions in our customers' portfolios only rarely, we have managed to achieve market leadership in individual segments with a number of interesting niche products. In 2007, for example, we again demonstrated our experience as a successful operator of country-specific funds with the newly launched Eastern Europe fund BERENBERG-EMERGING-UKRAINE-UNIVERSAL-FONDS. We have also made a name for ourselves in the development of umbrella funds and in the field of small and mid cap funds.

The Private Banking division has gathered outstanding expertise in the sound valuation, independent selection and selective use of hedge funds as a significant element in a balanced asset structure. The network encompassing renowned managers and issuers that we have built up over the decades allows our customers permanent access to selected investment concepts which are available to only a limited group of investors.

More evidence of our innovative power is provided by the development of two special indices from the infrastructure (INFRAx) and shipping (SHIPINx) segments, which can already be invested in through various structures and demonstrate the permanent expansion of our service range.

PERSONAL CUSTOMER CARE The expansion of our workforce to keep pace with our growth means that, in the future, too, we can provide a highly personal type of customer care – be it at our headquarters in Hamburg or in one of our branches in Bielefeld, Bremen, Düsseldorf, Frankfurt, Munich, Stuttgart or Wiesbaden. Wherever the dialogue takes place, it goes without saying that we and our customers discuss things as equals. We pay special attention to maintaining a uniformly high level of quality at all our branches. The current FUCHSREPORT, to name just one example, provides impressive confirmation that we have achieved this.

Our teams of advisers pool their years of expertise and are intimately familiar with our customers' needs. They possess highly specialised know-how and combine this in their everyday work with a high degree of service orientation.

We are offering a new form of customer care to the fast-growing customer group of entrepreneurs with the BERENBERG UNTERNEHMER OFFICE. This pools the expertise of the Private Banking and Corporate Banking divisions and provides the entrepreneur with a contact who operates in an interdisciplinary fashion. Be it in asset investment, financing, succession planning or property advice, the expertise of our specialists is pooled across thematic boundaries in accordance with the individual needs of our customers.

MARKET TESTS »When a bank receives ungrudging recognition even from its competitors, it has to some extent elevated itself above the competitive struggle. If, in addition to this, it has led the all-time best list in our asset manager test since its inception, then it really must be doing something very special.« This was how FUCHSBRIEF publisher Ralf Vielhaber summed up the situation at the Private Banking Summit in Berlin, where he again handed over the renowned FUCHSREPORT victor's certificate to Berenberg Bank this year.

344 asset managers in German-speaking countries were surveyed by the editorial team of the »Elite of Asset Managers 2007« report published in cooperation with the HANDELSBLATT newspaper. We have received the highest distinction

»summa cum laude« for four years and were honoured additionally in November 2007 for »top performance over many years« with inclusion in editor-in-chief Hans-Kaspar v. Schönfels' pyramid of excellence.

In its widely acknowledged »Private Banking Survey 2008«, the British financial magazine EUROMONEY named us as the best German bank for managing assets of between USD 10 and 30 million. EUROMONEY also ranked us amongst the best three institutions for managing assets between USD 1 and 10 million and assets of more than USD 30 million.

BERENBERG PRIVATE CAPITAL GMBH Our subsidiary operates in the areas of Family Office and Structured Investments. The Family Office service was again strongly in demand during the past financial year and resulted in noteworthy canvassing successes, especially amongst small and medium-sized companies.

The term *Family Office* covers services and special solutions which are significant for advising, in particular, wealthy private customers in Germany in areas encompassing strategic asset allocation, the tax situation and succession planning. One basic service in connection with this is our accounting system, which enables us to depict and value non-liquid investment forms such as property, art and alternative investments.

The extensive range of services – which includes financial planning, asset consolidation and the selection of asset managers – was further refined and extended in order to effectively depict the increasing complexities involved.

One challenge that had a pleasing impact on the development of business was our response to the German corporate tax reform in 2008. In this area, tailor-made solutions were repeatedly devised and implemented, leading over time to permanent business relationships.

Our spectrum of services is completed by the increasing use of capital-building insurance solutions. In the area of property services, too, we successfully concluded a number of transactions with investment property and generated new strategic cooperations. In addition, we supported customers with research and individual advice.

We take the term *structured investments* to mean traditional closed-end funds (ships, property) and alternative investments (hedge funds, private equity, commodities).

In the area of closed-end funds, we had to be selective in our search for attractive offerings in the market, and as a result, our placement volume was slightly lower. Very pleasing results were achieved by all those funds whose sale was realised during the course of the year. A newly developed database is improving the quality of our service and providing our customers with a high level of transparency with regard to their own investment portfolios.

For the infrastructure and ocean shipping investment categories, whose long-term prospects we see as positive, we developed two share-based indices, the INFRAX and the SHIPINX, respectively. Our Swiss colleagues' vast expertise in hedge funds formed the basis for structuring a diversity of international umbrella and individual hedge funds in such a way that our German customers could invest in them, too. This area promises significant growth with its many and varied synergies and our positive market assessment.

The private equity umbrella fund that we launched together with an experienced issuing house in 2006 was closed as planned at the end of 2007. The fund volume generated made it possible to diversify across some 20 funds.

Investment options that concern themselves with the impact of climate change were included in our strategic focus for the first time. We are making plans for specific activities in this area in 2008.

BERENBERG BANK (SCHWEIZ) AG In its 19th financial year just ended, Berenberg Bank (Schweiz) again maintained its successful growth rates of previous years. With overall responsibility for the International Private Banking sector and a pleasing business trend, the Zurich-based institution again underlined its significance for the group. Customer assets under management again increased and now amount to CHF 3.2 billion.

The bank also managed to maintain the excellent results it had achieved in the FUCHSREPORT the year before, this time being honoured as the best asset managers in Switzerland for the second time in succession.

Last year, the range of retail investment funds available from Berenberg Bank (Schweiz) was supplemented by a second fund in the BERENBERG SYSTEMATIC APPROACH series. Even after the difficult stock market year of 2007, the basic model of both funds is proving to be a successful selection criterion. Both funds managed to outperform the MSCI indices in a sustained fashion.

In the year under review, Berenberg Bank (Schweiz) increased its workforce by 47% to 53 employees. Due to the heavy demand for our services in the Private Banking sector and the constant growth of our institutional and corporate operations, Berenberg Bank (Schweiz) moved into new, larger business premises in direct proximity to the Zurich Opera House in September 2007. This creates all the conditions required for the continuation of our organic growth over the next few years. Further details about the activities of our subsidiary bank can be obtained from the Berenberg Bank (Schweiz) annual report.

»The secret of success lies in never losing sight of our goal.«



WE ORIENT OURSELVES TOWARDS GOAL SPECIFICATIONS THAT WILL REMAIN VALID IN MANY YEARS' TIME. FOR US, THE MOST IMPORTANT OF THESE IS KEEPING OUR CUSTOMERS SATISFIED. WE ARE CONSTANTLY ALIVE TO THE THINGS THAT OUR CUSTOMERS FIND IMPORTANT: SECURITY, RETURNS AND PERSONAL CARE. THESE ARE THE ROOTS FROM WHICH LONG-TERM CUSTOMER RELATIONSHIPS GROW.

Investment Banking

The Investment Banking division consists of the two segments Capital Markets and Corporate Finance. In 2007, the division posted record growth of 47%, thereby impressively underlining its leading position in the area of European small and mid caps.

Capital Markets

RESEARCH 2007 was another year of expansion for equity research. 32 analysts covered 314 listed companies from Germany, Austria, Switzerland, France and Italy. In addition to the established locations of Hamburg, Zurich, Paris and Milan, a research desk was opened in London, in order to be close to clients in Europe's most important financial centre.

The increasing significance of our foreign branches is evidenced by the fact that more than 60% of the companies covered are now based outside of Germany. The internationalisation of equity analysis that we embarked upon in 2003 has thereby been consistently put into practice.

Building on the success of previous years, the investors' conferences were also expanded. In addition to the already well-established conferences for German small and mid caps in autumn and for Swiss small and mid caps in spring, a conference for French small and mid caps was held for the first time.

All of these conferences were held at Brocket Hall to the north-west of London, and each offered more than 100 institutional investors the opportunity to meet companies at board level in both presentations and one-on-one discussions. The conference activities were rounded off by smaller conferences for German companies in Paris and for Austrian companies in London.

The high quality of our equity research was recognized again in 2007 in the form of numerous awards. The German analysts' team was honoured by AQ RESEARCH for the best recommendations in the MDAX. The highly regarded financial publication BÖRSEN-ZEITUNG presented Berenberg Bank with the award for the best recommendations in the German small and mid cap segment.

We are especially pleased about the repeated good ratings from our customers. In the Thomson Extel Pan-European Survey conducted by THOMSON FINANCIAL, in which more than 1,000 fund management companies are surveyed, Berenberg Bank's equity research for German small and mid caps was ranked first place for the fourth time in succession.

Special emphasis must be given to the Swiss team's award as best research institution for small and mid caps by FINANZ UND WIRTSCHAFT, the leading business magazine in Switzerland.

INSTITUTIONAL SALES Our Institutional Sales team now serves more than 300 customers in Germany and abroad. Growth continued in 2007, even while the turbulences on the international stock markets led to a withdrawal of liquidity, especially from small and mid caps. As a result, the DAX performed better than the small and mid cap indices for the first time since 1999.

We were able to gain further institutional customers who appreciate our strategic focus on small and medium-sized companies in Germany, Austria, Switzerland, France and Italy. In 2007 we organised 540 (previous year: 430) roadshows with companies and 243 (previous year: 225) trips with investors. The growth in the number of roadshows resulted in particular from our activities with foreign companies.

SALES TRADING The 2007 trading year on the European stock markets was considerably more difficult than the previous year and characterised by a high level of volatility. The US mortgage crisis impacted markets across the board and resulted in at times significant price declines during the year.

Despite this difficult environment, the Sales Trading area was able to continue on its growth course. With more than 300 European institutional customers, sales of over EUR 25 billion were generated in European small and mid caps. This represents an increase of more than 50% compared with the previous year.

In order to further expand our leading role as a specialist in the field of European small and mid caps and meet our customers' high quality demands, we again took on additional staff in 2007. We currently have ten employees handling trading in German, Austrian, French, Swiss and Italian shares from the Hamburg office for our European institutional investors.

In November 2007, under the designation MiFID, the European Union widened the existing national rules on the handling of financial services by adding provisions on investor protection and improved transparency.

This guideline was implemented successfully in our Sales Trading area with our institutional customers.

Corporate Finance

The Corporate Finance segment has also developed most successfully and will be the growth engine of our investment banking activities over the next few years.

EQUITY CAPITAL MARKETS The market for IPOs in Germany weakened slightly – especially in the second half of the year – with the new companies in the Prime Standard numbering »only« 33 (compared with 40 new listings in 2006) and those in the General Standard, four (previous year: nine). The aggregate issue volume was EUR 7.8 billion, the same as in 2006. Of this sum, EUR 2.0 billion was accounted for by Tognum, EUR 1.2 billion by Hamburger Hafen und Logistik, and EUR 912 million by Gerresheimer; these were the year's largest IPOs.

We are expecting the environment in 2008 to be volatile at first, making stock market flotations more difficult particularly for medium-sized and small companies. On the other hand, the higher interest rates, which are currently a serious obstacle to corporate financing, especially for SMEs, should have a positive impact on the market for IPOs. We are again expecting to be involved in a number of flotations, capital increases and secondary placements.

Berenberg Bank's Equity Capital Markets Team can look back on a series of successful transactions in 2007:

- The IPO of Kromi Logistik AG in March 2007 was the first IPO in the Prime Standard that we had carried out as sole lead manager and sole bookrunner.
- Carlyle Group entrusted us with the placement of its 66 % stake in P&I Personal und Informatik AG as sole lead manager and sole bookrunner with a volume of

more than EUR 100 million. The shareholding was liquidated as part of an international private placement with around 50 fund managers in Europe and the USA with a long-term orientation.

- We were again able to support the Free and Hanseatic City of Hamburg in its capital market activities; we were part of the issue consortium for Hamburger Hafen und Logistik AG and were involved in the placement of the EUR 1.2 billion shareholding in Beiersdorf AG.
- We were also involved in a number of other IPOs and share placements.

The Equity Capital Markets segment has also had its staff numbers increased in line with its growing volume of business; we now employ seven ECM professionals there.

MERGERS & ACQUISITIONS With 12 completed transactions in 2007, Berenberg Bank was among the top ten M&A advisory institutes with volumes of up to EUR 200 million for the first time. The most pleasing aspect of this was the positive customer structure: these were both listed companies (e.g. Curanum, Rheinmetall, Vossloh) and esteemed financial investors (e.g. BPE, Carlyle, General Atlantic Partners), as well as renowned private companies (e.g. GFA, i-Punkt). In central Berlin, two property portfolios from the non-performing loans segment were sold successfully with our support. In addition, Berenberg supported the management and supervisory boards of Itelligence AG during the company's acquisition by Japanese firm NTT Data Group with a fairness opinion.

For 2008 we are expecting the favourable sediment for small and medium-sized transaction volumes (up to EUR 500 million) to remain intact, as financing arrangements for acquisitions of this magnitude have remained largely unimpaired by the distortions on the financial markets. With this in mind, we have strengthened our team with further experienced investment bankers and will increase our consulting capacity again in 2008.

STRUCTURED FINANCE In 2007 we guided a number of financing operations in connection with reallocations of shares.

At the same time, we recruited additional staff for the Structured Finance segment so that we can increase the number of syndicated loans we arrange in 2008. Our customers in this area originate primarily from companies we analyse, but also from the bank's other divisions. The financing arrangements guided by us usually exceed EUR 10 million and can run into hundreds of millions. In view of our concentration on this mid-market segment, we are expecting a number of transactions in 2008, even though the market environment might become more difficult.

Institutional Asset Management

Our institutional Asset Management segment manages investments for insurance companies and pension funds.

The year 2007 presented institutional investors with some major challenges. The burgeoning property crisis in the US subprime segment, the uncertainty in the global financial system to which it led, and the massive liquidity crisis were the dominant topics on the international financial markets.

In this environment, our Asset Management segment operated with a clear focus on risk management and yield continuity for the customer funds entrusted to us. We have enhanced our established strategies and developed innovative new products. With these we were able to fulfil investors' wishes in a sustained fashion.

It was with great pleasure that we received the Feri rating AA for our BERENBERG FUNDS – EUROPEAN SMALL & MID CAPS and the Feri rating A for the BERENBERG FUNDS II – EAST EUROPEAN SMALL & MID CAPS. This was confirmation of the outstanding quality of our portfolio managers from an external, independent and acknowledged rating agency.

Our option-based strategies, which stand out by virtue of their asymmetrical and risk-reduced payout profile, were developed cautiously with the addition of innovative, exotic options. The yardstick and focus of these activities was always to take account of investors' wishes in respect of the desired risk-yield profile.

The enhancement of our competence portfolio with the Overlay Management segment benefited from the increased volatility, particularly in the second half of 2007. Currency, interest rate, share and raw materials risks faced by our institutional investors and companies are managed efficiently by deploying quantitative models, with our dynamic hedging strategies being placed with particular success.

We are expecting two trends in 2008. Firstly, highly efficient investment instruments such as ETFs, certificates and benchmark-oriented strategies are likely to be in demand. Secondly, there is likely to be a trend towards individualisation and standardisation against a backdrop of wide variations in criteria from investor to investor (yield expectation, risk-bearing capacity and/or balance-sheet restrictions).

This is precisely where Berenberg Bank's institutional Asset Management unit sees itself as a partner of exceptional competence: on the one hand, we know our investors thanks to our long-standing, continuous relationships with them and have

a feel for their needs; and on the other, we put our committed staff at our customers' disposal with their great specialist knowledge and understanding of capital markets.

BERENBERG CAPITAL MANAGEMENT GMBH The tasks of this subsidiary include canvassing for new customers and looking after institutional investors.

Its selling activities were focused on the newly defined needs of the institutional customers. Because of the volatile trend on the capital markets, there was greater demand for diversification options and uncorrelated investment strategies with absolute return targets. At the same time, demand for risk-adjusted fund concepts, individual strategies, and overlay management strategies for bond and special share funds, which are also realised within master fund structures for the associated segments, also increased.

A series of events geared especially to customer wishes made the prospects of our complex strategies clear while introducing and describing our speciality funds in equally clear terms. In September, the Berenberg Bank pension fund conference for pension funds, insurance companies and superannuation funds was held for the eighth time.

Corporate Banking

The effectiveness of our corporate banking operations is based on our vast knowledge of individual customer needs and a personal advisory style geared to the customer. In 2007 we were again able to further reinforce and expand our market position.

In our opinion, flexibility and speed in decision-making and the development of customer-oriented solutions are the basis of cooperation with our customers. Together with our German and foreign corporate customers, we develop and optimise financing structures and offer high-quality services in the management of payment flows and cash positions and in the support of documentary foreign transactions.

The advice and care concept BERENBERG UNTERNEHMER OFFICE, developed in 2007, is geared specifically to owner-run family firms. It combines the competencies of financing and investing. In conjunction with the Private Banking division, we have pooled our advisory and care competencies for owners of family undertakings. We provide our customers with a personal contact who works out made-to-measure financing and investment concepts for the company, the entrepreneur and his or her family. The analysis encompasses the private assets, the participating interests and the overall property complex.

As part of our risk and return-oriented strategy, we again significantly improved our net interest income and net commission income. We were also able to strengthen our risk management through active portfolio management, as in the previous year. The credit volume increased slightly over the previous year. The further expansion of our cross-selling business in the fields of payment transactions, foreign exchange trading and documentary business made noticeable contributions to the improved result.

We expect to see further growth in all our fields of operation in 2008. In the coming financial year, the basis of our growth expectations will again be the risk and return-oriented structuring of our credit portfolio.

INDUSTRY AND PROPERTY In this area we focus on advising and supporting SMEs, especially family firms. We are often a contact for special transactions and cross-sector business deals. Our forward-looking analytical processes (BERENBERG

DELTA ANALYSIS) enable us to develop optimum financing strategies for our customers. The focal points of our activities, in addition to traditional working capital financing, are the management of liquidity investment and the development of instruments for securing and/or optimising interest rate and currency positions.

For project transactions, company acquisitions and succession arrangements we offer structured, cash-flow-oriented financing with terms of medium duration. In conjunction with our customers, we develop individual financing structures geared towards the project or the transaction.

In the property financing area, we have been cooperating with project developers and building contractors within the framework of commercial and residential projects for many years now. In this field, we concentrate primarily on projects in good, central locations in Northern Germany, especially in and around Hamburg.

Thanks to our meticulous guidance of the projects and short decision-making processes, we can react quickly and flexibly to our customers' wishes before and during the construction phase.

TRADING AND COMMODITIES Providing advice and financing for predominantly small and medium-sized, often owner-run, trading customers of transaction-related import/export business is one of our core areas of expertise. We take on the challenge of being more than just a handling office for our customers by providing customer proximity, adviser continuity, high service quality and expert advice with an eye to the future. The success of this concept is affirmed by its high level of market acceptance and by the acquisition of many new customers, which in turn fortifies our strategic orientation.

Imports of raw materials and semi-finished and finished goods in the food, drink and tobacco industry and in the chemicals, pharmaceuticals and petroleum industries remain as significant as ever. Our expertise with regard to products and markets alike makes us a competent contact and means that we can react flexibly to the at times highly volatile development of raw materials prices.

Demand for so-called special-offer goods – technical products, textiles, and sports and outdoor articles – has stabilised at a high level, although requirements in respect of their quality and environmental friendliness are gaining in significance.

Thanks to individual hedging strategies in interest rate and currency opera-

tions, we were able to support our customers in managing any risks outside of their goods transactions. The complex requirements of document handling and foreign payment transactions were handled using a constantly updated service programme.

SHIPPING The Corporate Banking segment specialises in, amongst other things, cooperation with customers from the international shipping industry. As a private bank, we occupy a special position in this field.

Our business links rest primarily on the German shipping market, but also virtually span the globe. Our customer base includes a notable number of German and foreign ship owners, ship management companies, agencies, brokers, bunker traders and P&I clubs.

In 2007, too, our international customer base was again able to benefit from the remarkable growth rates in international transport volumes, especially in the emerging markets. This, in turn, led to increased demand for our specialist services.

Cooperation with our shipping customers in the management of operating activity (cash management, including the keeping of ship accounts, international payment transactions, foreign exchange trading, short-term investment of surplus liquidity on the money market, working capital financing for the pre-financing of charter and freight rates, and/or chartering-out fees and affreightment commissions) remains a focal point of our activities. The efficient maintenance of operating accounts is very strongly oriented to our customers' high and individual quality requirements. Thanks to our associated areas of expertise and our reliable and flexible service, we were able to expand existing customer relationships and gain new ones.

Our operations with ship mortgage loans for second-hand tonnage were again expanded cautiously and with success.

Our services in respect of competent interest rate and currency management were again afforded generous scope. Particularly against the backdrop of turbulence on the markets in question, the value of providing our customers with constant support and advice as a matter of course, also involving the ongoing valuation and possible realignment of their positions, was again demonstrated.

Thanks to our special orientation and market position, the shipping business developed with great dynamism and success for our bank. Leading economic researchers are forecasting that world trade is going to expand at a disproportion-

ately high rate over the next few years. Shipping will be a leading beneficiary of this trend. For that reason, we continue to see significant growth potential in this business segment.

COUNTRY ACTIVITIES AND CORRESPONDENT BANKING The outstanding significance of China in our international activities was further consolidated in 2007 and can be seen in the greatly increased volume of foreign trade transactions that we handled. In this area we are traditionally geared both to documentary credit business with local Chinese banks for German exports and to the handling of documentary import transactions entrusted to us by our German customers. To accompany this, we support our exporting customers with the hedging of commercial risks abroad. This is done via silent and disclosed credit confirmations in the short-term segment.

Our commercial policy of assessing the risk in each individual transaction promptly and individually without setting any general country limits, and of either taking them into our own portfolio or placing them on the international secondary market as appropriate, has proved its worth. In view of the considerable letter of credit volume passed on to us by Chinese banks, China again assumed by far the most significant role in the field of securing risk for our customers, followed by other countries in Asia, the Middle East and Europe.

Our country-specific know-how that has grown over the decades is brought together in our China Desk in Hamburg, which is managed by Chinese employees and is at the disposal of our German and Chinese customers with its professional competence, personal continuity and proximity to customers.

Our commercial relationships with Chinese banks and companies are facilitated by our representative office in Shanghai, which also supports our German SME customers in the establishment and further development of their business activities in China.

FOREIGN EXCHANGE TRADING As in the previous year, interest rates were the motivating force on currency markets. The European Central Bank (ECB) continued with the cycle of rate increases that it had begun in 2005. It raised the main refinancing rate by 0.25 % in March and again in June. As the Federal Reserve (Fed), for its part, reduced its rate by a total of one per cent from September onwards,

the short-term euro and dollar rates were almost the same at the end of the year. This removed one of the main arguments in favour of the US dollar.

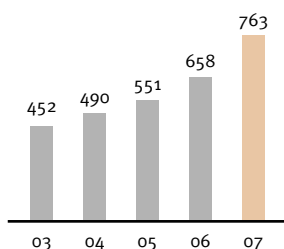
The subprime crisis in the USA, which was also the trigger for the Fed's interest rate reductions, led to a major loss of confidence in the US dollar. Thus favoured, the euro exchange rate rose by 10% between September and the end of November and reached its provisional all-time high at just under USD 1.5000.

The weakness of the yen and the strength of the high-interest currencies made up the second dominant theme on the markets. These carry trades were increasingly in demand from customers, especially in the options segment.

With our eight-strong trading team, we concentrate on the various concerns of our customers, who are represented particularly strongly in the shipping and trade sectors. In addition, we are responsible for our bank's other business segments and for institutional securities transactions and private banking.

In our proprietary trading activities, which work with low margins, technical analysis remained the focal point. This brought us success with both the main currencies and the second-line currencies, resulting in another pleasing contribution to earnings this year.

Employees as at 31 December
Bank and subsidiaries



EMPLOYEES

Pronounced customer orientation, a high level of professional competence and personal commitment are the prerequisites of our bank's commercial success. Our employees again met these requirements with success in the year under review. For this we would like to express our heartfelt thanks.

Our continued commercial success led to another increase in the size of our workforce in the financial year. As at 31 December 2007, the bank and its subsidiaries had 763 (previous year: 658) staff on its books, 680 of these at the bank. This represents an increase of 16% over the previous year. Over the past three years we have increased the number of our employees by more than 55%. We are expecting an increase in our staff numbers for the upcoming financial year, too.

The integration of new employees is a major challenge. A representative survey of our workforce showed that we have been highly successful at quickly integrating new employees into the bank and familiarising them with our culture.

The high level of expertise displayed by our employees is also of major significance for the development of our bank. Therefore, in cooperation with ebs-Finanzakademie in Oestrich-Winkel, for example, we have developed and implemented an advanced private banking training programme geared specifically to our needs, and have trained our customer support staff in eight different modules, including a demanding final examination on current and future advisory topics.

The expected scarcity of qualified staff due to demographic change and a declining number of graduates from universities and colleges is intensifying the competition to attract qualified, promising young employees. That is why securing a good supply of young talents is going to be one of the central themes of our human resources policy over the next few years. We will face up to this challenge and, during the upcoming year, develop a targeted university and college marketing concept.

At this point we would like to express our thanks for the cooperation of the works council, which was again constructive and trusting in the year under review.

»Substance remains – in front.«



FUCHS-REPORT, ALL-TIME BEST LIST: ANOTHER FIRST PLACE FOR ASSET MANAGEMENT, ELITE REPORT (HANDELSBLATT): SUMMA CUM LAUDE FOR MANY YEARS OF OUTSTANDING PERFORMANCE, THOMSON EXTEL SURVEY: FIRST PLACE FOR RESEARCH AND TRADING. BY CULTIVATING OUR SUBSTANCE EVERY DAY, WE CAN REMAIN AT THE TOP WITH OUR SERVICES AS TIME GOES BY. THAT MOTIVATES US.

RISK MONITORING

Our essentially cautious risk strategy has proved its worth in the expired financial year, which on the capital markets was shaped by turbulence triggered by the subprime crisis. At no time has the bank made any investments of its own in subprime structures or comparable transactions. The bank's liquidity position was very good throughout the financial year.

The strategic orientation of the bank towards service-related business areas tending towards low risk, combined with the implementation of modern risk measurement methods optimally geared towards the bank's business segments, is characteristic of its risk management. We were therefore again able to achieve a positive risk result in the reporting year.

In our risk management process, counterparty risks, market price risks, operational risks and liquidity risks are analysed as the most significant types of risk. Reputation risks are assessed as part of the management of operational risks. Special attention is devoted additionally to the risk of profits deteriorating sharply. The management of this profit risk is designed to prevent losses being incurred as a result of the possible weakening of individual profit components which are volatile over time.

The level of potential losses is quantified separately in accordance with the value-at-risk (VaR) principle for the different risk categories that the bank's divisions enter into. The VaR determines a maximum loss for a certain probability level. Since the VaR method only reflects potential losses under relatively normal market movements, we supplement the risk evaluations with analyses of stress scenarios.

The regular comparison of the risk with the volume of the risk to be covered is geared towards these two different ways of viewing the risk position. The risk-covering capital (economic capital) viewed as part of risk management should be separated from the definition of regulatory equity, or balance sheet equity. In line with the going concern concept, unexpected losses should be endured, as far as possible, without any external capital measures. The risk-covering capital is, therefore, materially characterised by the realisable reserves available to the bank. With a confidence level of 99% derived from the Solvency Directive (SolvV) these reserves are balanced against the VaR.

A second comparison of risk position and volume of risk to be covered, geared towards a possible internal target rating by the bank, calculates the amount of the risks for a confidence level of 99.98 %. For this assessment the volume of risk to be covered for the comparison is supplemented by free portions of regulatory equity not bound by risk assets.

In the expired financial year, not all of the economic capital available to the bank was allocated to the divisions, which clearly reflects the special caution inherent in the bank's risk management process and, in view of the overall result, indicates that the business opportunities were appropriate in relation to the risk exposure. Our risk-adjusted overall management of the bank defines an optimisation of the profit-risk ratio as a central goal. Risks are entered into by the divisions only if they are appropriate in relation to the potential profits.

The Board of Partners has overall responsibility for risk management and defines the principles for the control of the various risk types. A central finance section, allocated to the Controlling/Risk Controlling department and acting independently of various market segments in the interests of MaRisk (minimum requirements of banks' risk management), develops and is responsible for the overall systems of bank and risk management and guarantees a steady flow of information to the bank's Board of Partners and Advisory Board.

A Back Office Processing & Control division independent of the customer service departments monitors the loans through a comprehensive structure of limits. Management of default risks at the overall portfolio level is supported by the Controlling department conducting multiple analyses.

Market price risks arise from both the short-term positions in the trading book and strategic positions in the investment book and are monitored by Risk Controlling. Risk Controlling also guarantees a quantification of operational risks, the amount of which is limited by a comprehensive set of procedures and through emergency planning. The Treasury department is responsible for monitoring and managing liquidity risks, together with the Money Market Desk.

The success of the business segments is monitored by means of a monthly overall calculation with due consideration of the risk exposure. The profitability risks of the profit centres are analysed in particular. In addition, the management and the individual customer advisers can use an effective management information system which allows the user to analyse the risk-adjusted profit and risk values

(VaR) at all levels of aggregation, from the whole bank through to individual customers.

The bank's internal auditors carry out regular checks in accordance with the guidance prescribed in the audit manual to ensure adherence to the individual organisational procedures set out for the management, monitoring and control of the various risk categories. The principles of our risk management have been recorded in writing in a risk strategy which is available to all staff.

The entire risk monitoring report can be found at www.berenberg.de/riskmonitoring.

PROSPECTS

Over the next few years, the bank and its subsidiaries will continue to focus on their four core divisions Private Banking, Investment Banking, Institutional Asset Management and Corporate Banking. In doing so, we will strive for further organic growth.

PRIVATE BANKING From our point of view, this market segment offers an attractive field of business with further growth potential.

With the focus on certain customer groups and segmentation of these into specialist consultant teams, we particularly fulfil the demanding core requirements (individuality, competence, objectivity and continuity) of our wealthy private customers.

Integral asset management is to the fore in this area and comprises much more than traditional securities advice. We therefore work on an optimal segmentation of the individual asset components (securities, investments, property, life insurance and alternative investments) in order to optimise the relationship between risk and return. We are anticipating a significant expansion of our business operations in the fields of Family Office, foundation management and the analysis of complex large-scale fortunes.

INVESTMENT BANKING We can also discern a positive outlook for Investment Banking. The steady growth course of recent years, amongst other things through the establishment and expansion of foreign locations, has led to a renewed increase in the number of institutional customers in the Capital Markets segment. We plan to extend our significant market position in European small and mid caps in the future primarily through the Corporate Finance division, which will offer the companies selected advisory services.

INSTITUTIONAL ASSET MANAGEMENT We meet the competitive challenges and the requirements of institutional investors with made-to-measure concepts that will help us keep on increasing the assets managed in public and special funds. We intensively analyse the risk limits and the yield expectations of our customers and devise individually tailored solutions.

In the future, too, we are going to focus on a pronounced degree of individuality driven by innovative power in order to meet our customers' requirements and generate growth potential above and beyond that. The use of specific software solutions and the resultant optimisation of operating business processes are important projects.

CORPORATE BANKING Our Corporate Banking division sees itself as a service provider for selected sectors and products. We want to continue demonstrating our special competence in the core areas of trading, shipping, industry and property. The cornerstones of a successful connection with our customers are not only credit business in the form of working capital loans, project financing and structured forms of credit, but also services in the fields of cash management, payment transactions and documentary business as well as comprehensive know-how in interest and currency management. We are expecting all these segments to continue to grow in the future.

In 2008, we are striving for the continued expansion of every facet of our securities segment, and regard the Corporate Banking segments occupied by us as a core field of business with growth potential.

We are planning to increase the size of our workforce again to keep pace with our persistent growth. In connection with this, we are going to adjust our internal structures to this growth by making substantial investments, particularly in IT. No particular risks that could possibly have a material influence on the future development of our business were foreseeable at the time this report was prepared. We are observing the current critical developments on the capital markets intensely.

We firmly believe that we are well-positioned on the market and again expect to achieve an excellent annual result thanks to the hard work of our dedicated, skilled and qualified staff.

*»If we are level-headed and patient,
we will achieve what we are aiming for.«*



IN AN AGE OF COUNTLESS OPTIONS, WE RETAIN OUR ORIENTATION. OUR INVESTMENT STRATEGIES AND SERVICES ARE LONG TERM AND SEEK A STABLE PERSPECTIVE. NOT OVERHASTY AND OVERLY DEPENDENT ON FLEETING TRENDS, BUT EXAMINING THE OPPORTUNITIES ON THE BASIS OF EXPERIENCE: THAT IS HOW WE SET ABOUT OUR TASKS. AND THAT IS HOW WE ACHIEVE GOOD RESULTS AT THE RIGHT TIME.

Balance sheet as at 31 December 2007

Assets	EUR	EUR	2006 EUR'000
Cash reserves			
Cash on hand	916,949		1,148
Balances with central banks (thereof: with Deutsche Bundesbank EUR 37,726,598)	41,726,713		38,126
	42,643,662		39,274
Claims on banks			
Repayable on demand	269,579,711		293,973
Other claims	421,313,576		393,766
	690,893,287		687,739
Claims on customers (thereof: municipal loans EUR 290,000)		629,129,434	566,953
Bonds and other fixed-income securities and notes			
Bonds and notes			
– of public sector issuers	790,735,319		151,409
– of other issuers	1,208,884,900		1,064,871
(thereof: eligible as collateral for Deutsche Bundesbank EUR 1,971,076,983)		1,999,620,219	1,216,280
Equity shares and other variable-yield securities		151,789,617	121,903
Participating interests (thereof: in banks EUR 89,864; in other financial institutions EUR 0)		7,232,747	6,974
Shares in affiliated companies (thereof: in banks EUR 2,540,872; in other financial institutions EUR 0)		3,178,079	3,178
Assets held on trust (thereof: loans held on trust EUR 28,575,543)		38,556,969	34,853
Intangible assets		3,430,258	2,049
Tangible assets		8,816,954	5,758
Other assets		45,702,048	33,284
Deferred items		34,367	240
Total assets		3,621,027,641	2,718,485

Liabilities and capital	EUR	EUR	EUR	2006 EUR'000
Liabilities on banks				
Repayable on demand		227,842,710		176,194
With agreed period or period of notice		39,076,865		71,569
		<u>266,919,575</u>		<u>247,763</u>
Liabilities to customers				
Saving deposits with agreed period of notice of				
– three months		673,171		710
– more than three months		151,068		177
		<u>824,239</u>		
Other liabilities				
– repayable on demand		1,653,056,057		1,439,227
– with agreed period or period of notice		1,328,849,503		715,857
		<u>2,981,905,560</u>		<u>2,155,971</u>
		2,982,729,799		
Liabilities held on trust			38,556,969	34,853
(thereof: loans held on trust EUR 28,575,543)				
Other liabilities			35,650,579	18,468
Deferred items			95,878	202
Provisions				
Provisions for pensions and similar obligations		27,100,343		23,696
Provisions for taxes		2,933,358		450
Other provisions		50,778,213		38,464
		<u>80,811,914</u>		<u>62,610</u>
Subordinated liabilities			5,112,919	5,113
Participatory capital			5,000,000	5,000
(thereof: due within two years EUR 0)				
Equity				
Subscribed capital		145,000,000		135,000
Other revenue reserves		0		0
Retained earnings		61,150,008		53,505
		<u>206,150,008</u>		<u>188,505</u>
Total liabilities			3,621,027,641	<u>2,718,485</u>
Contingent liabilities				
Liabilities from guarantees and indemnity agreements			207,509,416	142,118
Other obligations: Irrevocable loan commitments			44,860,996	5,000

Profit and loss account for the period from 1 January to 31 December 2007

Expenses	EUR	EUR	EUR	2006 EUR'000
Interest expenses			110,767,691	72,779
Commission expenses			23,122,603	17,113
Administrative expenses				
Personnel expenses				
– Wages and salaries	80,723,626			62,860
– Social security contributions and expenses for pensions and other benefits (thereof: for pensions EUR 3,651,686)	10,565,943			8,958
		91,289,569		
Other administrative expenses		38,138,934		32,433
			129,428,503	104,251
Depreciation, write-downs and value adjustments on intangible and tangible assets			3,772,137	2,059
Other operating expenses			5,476,218	6,621
Write-downs and value adjustments				
On claims and certain securities as well as additions to provisions for possible loan losses			0	0
Taxes on income			14,648,306	12,106
Other taxes (Unless reported above)			332,321	39
Net profit for the year/ Retained earnings			61,150,008	53,505
Total expenses			348,697,787	268,473

<u>Income</u>	EUR	EUR	2006 EUR'000
Interest income from			
– Lending and money market business	76,008,516		65,915
– Fixed-income securities and government-inscribed debt	68,570,825		36,749
	<u>144,579,341</u>		<u>102,664</u>
Current income from			
– Equity shares and other variable-yield securities	454,439		329
– Participating interests	596,631		491
– Shares in affiliated companies	1,906,797		1,092
	<u>2,957,867</u>		<u>1,912</u>
Commission income	174,613,802		139,311
Net income from financial transactions	11,537,781		11,744
Income from write-ups on claims and certain securities and also on the release of provisions in loan business	8,955,293		8,982
Other operating income	6,053,703		3,860
Total income	<u>348,697,787</u>		<u>268,473</u>
Profit appropriation Net profit for the year	61,150,008		53,505
Transfer to reverse reserves to other reverse reserves	0		0
Retained earnings	<u>61,150,008</u>		<u>53,505</u>

NOTES TO THE ACCOUNTS

General

The annual financial statements for the year ended 31 December 2007 have been prepared in accordance with the provisions of the German Commercial Code and accounting regulations for banks. Unless otherwise stated, figures from the previous year are shown in brackets.

ACCOUNTING PRINCIPLES AND VALUATION METHODS The accounting principles and valuation methods remained unchanged during the reporting year.

Claims on customers and banks are stated at nominal value. Accrued and deferred interest is accounted for in the appropriate balance sheet items. Discounts on loans and on the purchase of claims are deferred under liabilities.

Specific allowances have been made against claims to cover sufficiently all recognisable risks in the loan book. General allowances have been made to cover inherent risks and overall contingency reserves in Luxemburg. The allowances are offset against the relevant assets or included in provisions. The branches in Milan and Paris do not offer loan business.

Securities are treated within liquid assets as trading stock and have been valued pursuant to the stringent principle of the lower of cost and market value in accordance with fiscal requirements.

Shares in affiliated companies and participating interests are stated at cost of acquisition.

Tangible assets are stated at purchase or manufacturing cost reduced by depreciation charged on a straight-line basis. Low-value assets are written off in full in the year of acquisition. In the fixed assets schedule they are shown as additions and included within the total depreciation charge for the financial year.

Other assets, including purchased option rights, are stated at acquisition cost or net realisable value, if lower. Option premiums received and paid are recognised/expensed only when the option lapses or is exercised. Liabilities are stated at their payable amounts plus accumulated interest.

Adequate provisions have been made to cover all known risks and uncertain obligations, even those arising from off-balance sheet transactions, in accordance with the principles of reasonable commercial judgement.

The provisions for pensions are determined on the basis of the biometric calculation principles in accordance with the currently applicable actuarial tables. In addition to the tax allowable amounts a provision in accordance with IFRS continued to be accounted for.

Foreign currency assets and liabilities are stated at the official exchange rates issued by the European Central Bank; forward currency contracts are measured at the year-end forward rates.

Trading gains from customers' foreign currency and securities trades are included within commission income.

Notes to the Balance Sheet

CLAIMS/LIABILITIES TO CUSTOMERS/BANKS

<u>Maturity analysis according to remaining term</u> (in EUR'000)	less than 3 months		more than 3 months up to 1 year		more than 1 year up to 5 years		more than 5 years	
	2007	2006	2007	2006	2007	2006	2007	2006
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Claims								
– Customers	573,546	470,944	44,376	63,661	5,625	28,969	5,582	3,379
thereof on demand	329,788	272,433	0	0	0	0	0	0
– Banks	421,314	389,555	0	4,210	0	0	0	0
Liabilities								
– Customers	1,283,774	700,249	44,201	15,158	875	450	0	0
– Banks	39,077	70,870	0	700	0	0	0	0
Saving deposits	673	710	46	53	105	124	0	0

Loans with a term of more than one year are not subject to any interest rate risk as a result of swap deals or other interest rate hedges.

<u>Disclosure</u>	<u>of affiliated entities*</u>		<u>and entities with which a participating interest exists*</u>	
	2007	2006	2007	2006
Claims				
– Customers	548	2,288	1,080	717
– Banks	5,689	0	25,163	25,110
Liabilities				
– Customers	59,089	49,552	1,682	1,406
– Banks	199,868	200,123	0	0

* In EUR'000.

<u>Bonds and other fixed-income securities*</u>	<u>Public sector issues</u>	<u>Other issues</u>	<u>Total</u>
2007	790,735	1,208,885	1,999,620
thereof			
– due in 2008	215,064	360,706	575,770
– associated companies	0	0	0
2006	151,409	1,064,871	1,216,280

* In EUR'000.

EQUITY SHARES AND OTHER VARIABLE-YIELD SECURITIES Included in this balance sheet item are investment funds as assets within the liquidity reserve amounting to EUR 85.6 million (EUR 46.2 million). As a result of special transactions, equity shares amounting to EUR 46.1 million (EUR 72.6) were taken over which, due to purchase agreements and the high credit-standing of the counterparty, bear no risk. These special transactions were already completely processed in January.

LISTED SECURITIES AND SECURITIES ELIGIBLE FOR LISTING All bonds and loan notes are listed, as in the previous year. Of the shares and other variable-yield securities, the investment funds within the liquidity reserve amounting to EUR 85.6 million (EUR 46.2 million) are not eligible for listing. All other shares are listed. Of the shares in affiliated entities, EUR 2.7 million (EUR 2.7 million) are eligible for listing. The remaining participating interests and shareholdings in affiliated entities are not eligible for listing.

ASSETS HELD ON A TRUST BASIS Assets held on a trust basis and the corresponding liabilities held on a trust basis comprise EUR 28.6 million (EUR 26.5 million) on-demand lending to non-bank customers and EUR 10.0 million (EUR 8.4 million) other assets or other liabilities held on a trust basis as security for the pension obligations of a third party.

OTHER ASSETS Included within other assets are collectible instruments (cheques, matured bonds, interest coupons and dividend warrants) totalling EUR 7.6 million (EUR 3.5 million) and accrued interest and fees amounting to EUR 28.6 million (EUR 17.6 million).

Fixed assets schedule (in EUR'000)	Cost of acquisition				Depreciation charges 2007				Net book values	
	Historical 2006	Additions	Disposals	Actual 2007	2006	Additions	Disposals	Accumul.	2007	2006
Participating interests	6,974	337	78	7,233	0	0	0	0	7,233	6,977
Shared in affiliated companies	3,178	0	0	3,178	0	0	0	0	3,178	3,178
Furniture and office equipment	21,610	5,794	1,647	25,757	15,852	2,635	1,547	16,940	8,817	5,758
Intangible assets	2,107	2,518	0	4,625	58	1,137	0	1,195	3,430	2,049
	33,869	8,649	1,725	40,793	15,910	3,772	1,547	18,135	22,658	17,959

OTHER PROVISIONS These mainly relate to personnel provisions and provisions for part-time early retirement. Loan provisions are now only of relatively low significance here.

SUBORDINATE LIABILITIES Subordinate liabilities amounting to EUR 5.1 million (EUR 5.1 million) have been taken up at 6.6 % p.a. and mature on 19 July 2010. The terms are in line with Section 10 Para. 5a of the German Banking Act (KWG). There is no premature repayment claim. Interest of EUR 0.3 million is included in expenses.

OTHER LIABILITIES Other liabilities mainly include current liabilities in respect of tax payments amounting to EUR 8.2 million (EUR 5.3 million) and deferred interest rate swaps and swap options amounting to EUR 20.7 million (EUR 8.6 million).

ADDITIONAL NOTES TO THE BALANCE SHEET Various securities have been placed with other banks as security deposits for the performance of Eurex and lending trades. There were no open market positions at year-end. Assets amounting to EUR 544.1 million (EUR 587.1 million) and liabilities of EUR 899.4 million (EUR 666.6 million) are in foreign currency.

CONTINGENT LIABILITIES Contingent liabilities from guarantees and other indemnity contracts include guarantees of EUR 145.9 million (EUR 89.7 million) and letters of credit of EUR 61.6 million (EUR 52.4 million).

Notes to the profit and loss account

SEGMENTAL ANALYSIS OF INCOME BY GEOGRAPHICAL REGION Of income recorded within the profit and loss account from interest, income from equity shares and other variable-yield securities, participating interests and from shares in affiliated companies, commission income, net income from financial transactions and other operating income, 98% (previous year 98%) was generated in Germany and 2% (previous year 2%) abroad (Luxembourg, Paris and Milan).

SERVICE ACTIVITIES We provided services for our customers, particularly in portfolio management, selling securities and also in respect of international documentary business.

OTHER OPERATING INCOME This item comprises principally cost reimbursements for the provision of services and the release of provisions.

Other information

OTHER FINANCIAL COMMITMENTS A contingent liability exists from the participating interest in the Liquiditäts- und Konsortialbank GmbH based on the articles of association of the company.

There are annual commitments in the next three years arising from rental and leasing contracts and from software licences amounting to EUR 5.4 million (EUR 4.8 million) per year. These also include the liabilities for the foreign branches.

FUTURES In the course of the year futures contracts were entered into falling into the following different categories:

- Futures in foreign currencies, in particular forward foreign exchange contracts, obligations from foreign exchange options, foreign exchange option exercise rights and structured products;
- Forward interest rate contracts, in particular related to fixed-income securities, obligations and exercise rights from interest rate options and interest rate swaps, swaptions, caps and floors;
- Futures related to other price risks; in particular share price related forward contracts, index futures, obligations and exercise rights from share options and index options.

The following derivative financial instruments existed at year-end (in EUR'ooo):

	Volume		Credit equivalence amount	
	2007	2006	2007	2006
Forward exchange contracts	2,513,791	1,911,883	70,770	40,513
Currency options	238,294	112,568	7,471	4,030
Securities futures	426,752	213,428	10,853	3,463
Securities options	196,377	213,893	21,225	14,382
Swaps	1,164,784	702,389	19,878	14,535
Caps/Floors	19,400	29,800	311	394
Swaptions	0	20,000	0	360
Equity options	46,045	74,276	6,819	12,414
Total	4,605,444	3,278,237	137,327	90,090

The Bank assesses the potential market risk exposure on its open interest-dealing positions and trades affected by movements in share prices and exchange rates in its trading book using an »internal model« that has been checked and approved by the Federal Financial Supervisory Authority. Applying the multiplier factor 3,0 to these risks, and adding forward derivative positions held in the investment book, the capital adequacy requirement amounts to EUR 15.7 million (EUR 10.4 million).

The capital adequacy requirement is analysed as follows (in EUR'000):

Market risks	Capital requirement	
	2007	2006
Investment book		
– Interest rate contracts	316	250
– Currency contracts	70	45
– Share related transactions	0	0
Total	386	295
Trading book		
– Interest rate contracts	139	1,583
– Currency contracts	52	92
– Share related transactions	776	339
– Loan default risk	1,523	1,544
– Own trades	12,844	6,569
Total	15,334	10,127
Total investment and trading book	15,720	10,422

As a matter of policy, contracts on behalf of our customers have matched positions. As a rule, the Bank enters into positions in its own right only in order to cover interest rate risks from other positions directly or in general. Thus, in this way interest rate swaps and interest rate futures are used as interest rate security instruments for fixed-interest bonds (micro hedge).

BOARD OF MANAGEMENT The Board of Management comprised the following personally liable partners during 2007:

Claus-G. Budelmann
Dr. Hans-Walter Peters
Guido M. Sollors

REMUNERATION AND LOANS Disclosure of the remuneration of the members of the Board of Management is not required because we consider the requirements of Section 286 Para. 4 HGB (German Commercial Code) to be met. After taking account of the allocation of the distributable profit for 2007, as in the previous year, there were no loans made to members of the board of management.

PROFIT APPROPRIATION The retained earnings arising, following further allocation to the taxed reserves in accordance with Section 340 et seq. HGB (German Commercial Code) amounted to EUR 61.2 million and are intended for distribution to the shareholders.

AUDITORS' REPORT

The following unqualified auditors' report was issued on the full financial statements and management report:

»We have audited the financial statements, comprising the balance sheet, the profit and loss account and the notes to the financial statements, together with the bookkeeping system and management report of Joh. Berenberg, Gossler & Co. KG, Hamburg for the financial year from 1 January 2007 to 31 December 2007. The maintenance of the accounting records and the preparation of the financial statements and management report in accordance with German Commercial Law are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the financial statements, including the accounting records, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB (German Commercial Code) and the generally accepted standards for the audit of financial statements promulgated by the Institute of German Auditors (»Institut der Wirtschaftsprüfer« [IDW]). Those standards require that we plan and perform the audit so that material misstatements affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with accounting principles generally accepted in Germany and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the system of internal accounting control and the evidence supporting the disclosures in the accounting records, the financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Hamburg, 25 February 2008

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Rohardt
Auditor

Butte
Auditor

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