

Disclosure Report

in compliance with Section 26a, German Banking Act (KWG)

in conjunction with Section 319 et seq.,
German Solvency Regulation (SolvV)

complete with disclosure compliant with Section 7,
German Regulations Governing Supervisory Requirements for Institutions' Remuneration
Systems (InstitutsVergV)

as at 31 December 2010

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Preface

The Basis of the Disclosure Report is the German Solvency Regulation (SolvV) governing the appropriate level of capital to be held by institutions, groups of institutions and financial holding groups. This document translates the European minimum capital adequacy standards specified in the Banking Directive (2006/48/EC) and the Capital Adequacy Directive (2006/49/EC) and the equivalent provisions of the Basel capital recommendations (Basel II) into national law. It replaces the former Principle I and specifies the appropriate level of capital to be held by the institutions required by Section 10 of the German Banking Act (KWG).

The purpose of the new regulations is to facilitate the risk-sensitive measurement, valuation and backing with capital of risks, geared to the risk profile of the institutions by approving modern risk-assessment methods, recognizing exposure-reduction techniques and building on the ability of the institutions to bear risk. The aim is for the results of the modern risk-assessment methods used to be incorporated into the internal management of the banks and help to improve the management process. As the third pillar of Basel II, disclosure is intended to provide for greater market transparency and market discipline by making important information available to the market participants to help them assess the risk profile and capital base of a financial institution or corporate group. This is based on the expectation that well-informed market participants would, in their investment and credit decisions, prefer the banks that demonstrate risk-conscious company management and effective risk management.

Section 26a (1) KWG obliges banks to publish qualitative and quantitative information at regular intervals about their equity capital, the risks they have assumed, the risk management procedures they apply and the exposure-reduction techniques they employ and to have in place formal procedures and regulations to meet these disclosure obligations.

According to Section 319 (1) SolvV, the disclosure rules defined in the German Solvency Regulation are applicable to financial institutions in the sense of Section 1 KWG and financial holding groups in the sense of Section 10a (3) 1 and 2 KWG. Within the framework of the present disclosure report, Berenberg Bank presents the disclosure requirements of the German Solvency Regulation for the individual institution (Section 26a (1) in conjunction with (2) KWG). Disclosure is not provided on the basis of the corporate group, because this additional information is not material. Its omission would not alter or influence the assessment or the decision of readers basing their economic decisions on this information. A disclosure obligation does not exist for information that is not material or that is legally protected or confidential.

Section 5 of the German Solvency Regulation defines more detailed requirements for the content of the information to be disclosed. The Bank has no securitizations in its portfolio, and has not issued any either, meaning that the disclosure requirements for securitizations defined in Section 334 SolvV are not applicable. In addition, the following sections of the German Solvency Regulation are not currently relevant for Berenberg Bank: Section 329 (Counterparty risk: Further disclosure requirements), Section 335 (Counterparty risk: Disclosure for asset classes for which the IRBA is used) and Section 337 (Instruments used to transfer operational risk).

Berenberg Bank is a user of the standardized approach to credit risk (KSA approach) as defined by the German Solvency Regulation.

1 General disclosures

1.1 Name of the bank

Joh. Berenberg, Gossler & Co. KG (*Section 323 (1) No. 1 SolvV*)

Berenberg Bank operates in four business divisions: Private Banking, Investment Banking, Asset Management and Commercial Banking.

1.2 Basic differences in consolidation for accounting and regulatory purposes, including presentation of consolidation groups

Disclosures compliant with Section 323 (1) No. 2 SolvV

Compliant with Section 340a (1) in conjunction with Section 290 (1) 1 HGB, the Bank is required to prepare consolidated financial statements in accordance with the principles of commercial law.

Principles of consolidation

Compliant with Section 301 (1) 2 HGB, consolidation is performed in accordance with the revaluation method by setting off the book values of the Bank against the prorated capital of the subsidiaries. The calculation is carried out on the basis of the carrying amounts applicable on the dates when the subsidiaries were acquired.

Compliant with Section 312 (1) HGB, consolidation using the equity method is determined in accordance with the purchase method. The calculation is carried out on the basis of the carrying amounts applicable on the date when the associated company was first consolidated.

Consolidation group under commercial law

The following companies are included in the consolidated financial statements of the Berenberg Bank Group:

- Joh. Berenberg, Gossler & Co. KG, Hamburg - Berenberg Bank
- Berenberg Bank (Schweiz) AG, Zurich
- Berenberg Lux Invest S.A., Luxembourg
- Berenberg Beteiligungsholding GmbH, Hamburg
- Berenberg Capital Management GmbH, Hamburg
- Berenberg Consult G.m.b.H., Hamburg
- Berenberg Private Capital GmbH, Hamburg
- Consilisto Berenberg Privat-Treuhand GmbH, Hamburg

In addition, Universal Investment Gesellschaft mbH is consolidated as an associated company using the equity method.

No further Group companies have been included in consolidation, as these companies and the associated companies are immaterial for the net assets, financial position and results of operations compliant with Section 296 (2) HGB and Section 311 (2) HGB, respectively.

Receivables and liabilities, and income and expenses, resulting from intra-Group activities are eliminated. There are no intercompany profits or losses.

Further information about the included companies is provided in section 4, "Participating interests".

Consolidation for supervisory purposes

Compliant with Section 10a (1) KWG, institutions, capital investment companies, financial companies and providers of ancillary services are consolidated for supervisory purposes. The following chart shows the different ways in which the various companies have been included in the consolidated financial statements:

Description	Name	Treatment for supervisory purposes		Consolidation in accordance with accounting standard
		Consolidation	Deduction methode	
		Full		Full
Bank	Joh. Berenberg, Gossler & Co. KG	x		x
Bank	Berenberg Bank (Schweiz) AG	x		x
Capitalinvestment company	Berenberg Lux Invest S.A.	x		x
Financial entity	Berenberg Beteiligungsholding GmbH	x		x
Financial services	Berenberg Capital Management GmbH		x	x
Other company	Berenberg Consult G.m.b.H.		x	x
Financial services	Consilisto Berenberg Private-Treuhand GmbH		x	x
Other company	Berenberg Private Capital GmbH		x	x

There were no subsidiaries without adequate capital cover at the reporting date (Section 323 (2) SolvV).

2 Capital structure of the Bank

2.1 Equity structure

Disclosures compliant with Section 324 (1) SolvV

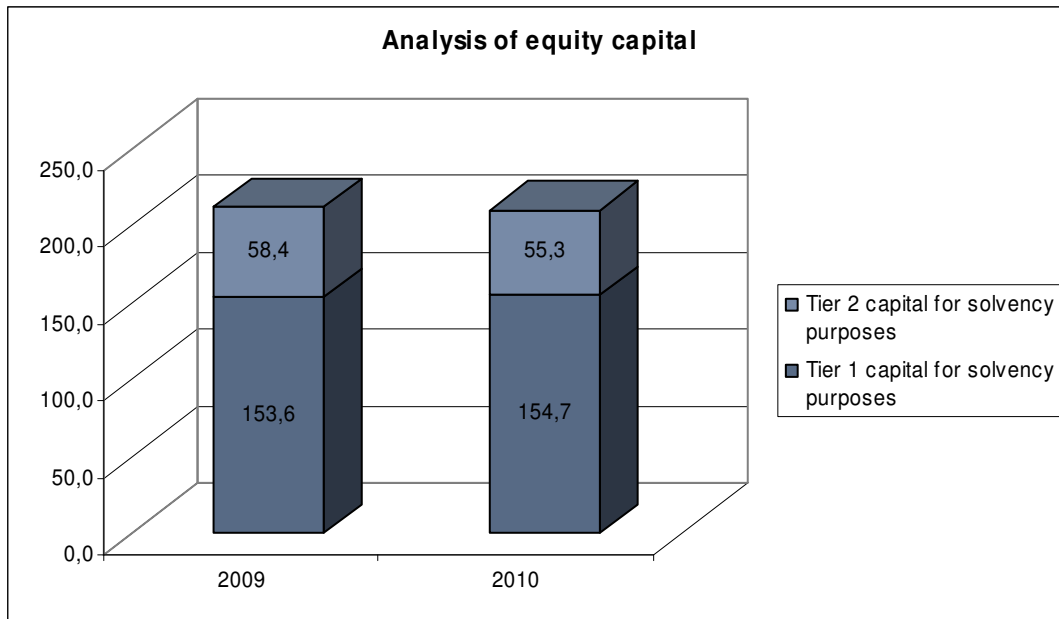
The subscribed capital of Berenberg Bank amounts to €150.0 million. There are retained earnings of €10.0 million.

Berenberg Bank has issued profit participation capital in a total amount of €5.0 million. The interest rate is 6.64% and the due date 31 December 2013, with an original maturity of 10 years.

Subordinated liabilities amount to €45.0 million. The interest rates granted are between 6.0% and 6.8%, with due dates up to 30 January 2020. €45.0 million of this total is eligible for supervisory purposes. The subordinated liabilities each have original maturities of 10 years. The remaining maturities are between 7.5 and 9 years.

Disclosures compliant with Section 324 (2) SolvV

€m	2010	2009
Paid-up capital	150,0	150,0
Other reserve	10,0	10,0
deduction items per Section 10 (2a) 2 KWG	-4,0	-5,2
Intangible Assets		
Total Tier 1 capital	156,0	154,8
Total Tier 2 capital	56,5	59,7
Participating interests compliant with Section 10 (6) 1 KWG	-2,5	-2,5
Items to deduct from Tier 1 and Tier 2 capital	-2,5	-2,5
Tier 1 capital for solvency purposes	154,7	153,6
Tier 2 capital for solvency purposes	55,3	58,4
Total equity capital	210,0	212,0



When the financial statements were adopted, the core capital rose by €3.3 million due to the creation of the fund for general banking risks compliant with Section 340e (4) HGB in conjunction with Section 340g HGB. Since then, the equity capital has totalled €213.3 million.

2.2 Capital adequacy requirements

Disclosures compliant with Section 325 (1) SolvV

The adequacy of the equity capital used to back future activities is assessed as part of the annual planning process. Equity capital is subject to risk-adjusted planning based on the Bank's business and risk strategy. The planning serves to highlight capital shortfalls so that timely preventive measures can be taken. If necessary, new equity capital is obtained. In this way we ensure that enough equity capital is on hand at all times to cover all material risks in accordance with the individual risk profile of Berenberg Bank.

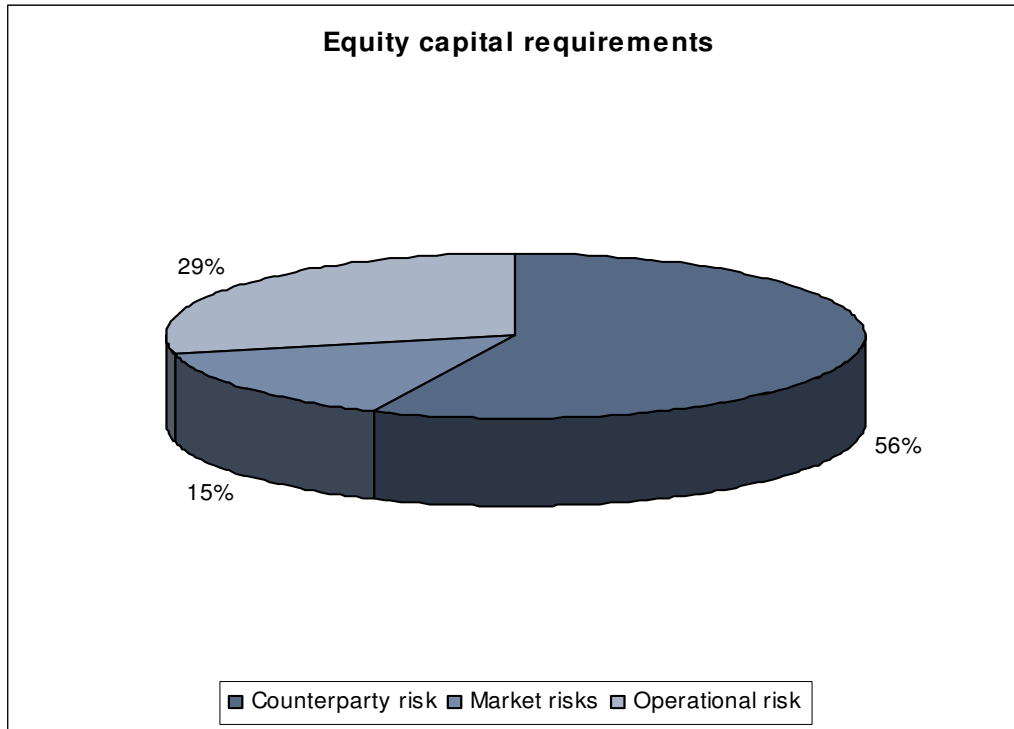
In addition, a daily projection of the equity capital requirements is made for a time horizon of 3 months during the year. This system makes it possible to identify short-term shortfalls at an early stage.

Furthermore, management is informed about the current development of equity capital on a monthly basis. The regulatory capital adequacy requirement compliant with the German Solvency Regulation is used for this capital allocation and monitoring.

Disclosures compliant with Section 325 (2) SolvV

Credit risk €m	Equity capital requirements	
	2010	2009
Counterparty risk		
- Central governments	0,0	0,0
- Regional governments and local authorities	0,0	0,0
- Other public offices	0,0	0,0
- Institutions	7,3	7,1
- Covered bonds issued by banks	1,6	3,9
- Corporates	44,1	46,8
- Retail business	0,2	0,2
- Investment fund units	3,9	2,9
- Other exposures	1,6	1,8
- Exposures overdue	1,4	0,9
- Participating interests	0,8	0,8
Settlement risk		
- Settlement risk	0,1	0,0
Market risk in the trading book		
Market risk in accordance with		
- Standard method	4,1	2,2
- Internal model method / own risk model	11,7	35,0
Operational risk		
Operational risk in accordance with		
- Basic indicator measure	30,7	28,2
Equity capital requirements in total	107,5	129,8

There are no equity capital requirements for the asset classes of central governments, regional governments and local authorities, and other public offices because the investments in these classes are classified as "SolvV 0% addresses".



2.3 Capital ratio

The following table shows the Bank's capital and core capital ratios:

Disclosures compliant with Section 325 (2) No. 5 SolvV

%	Capital ratio	Core capital ratio
Joh. Berenberg, Gossler & Co. KG	15,6	11,5

This capital base means that the Bank meets all the statutory requirements regarding equity capital and is already today well in excess of the tighter capital requirements under Basel III that will apply in the future.

3 Risk types

3.1 Risk management

Disclosures compliant with Section 322 SolvV

We continued to apply our conservative risk strategy throughout the past financial year. The deliberate focus on less risky, service-oriented business segments proved to be effective. The Bank's liquidity situation was very good throughout the year. Our securities portfolio is dominated by paper issued by German public-sector issuers. The Bank did not at any time undertake proprietary investments in securitized credit structures or in comparable instruments.

The Bank's risk management process is characterized by the strategic orientation towards services-based business segments combined with the use of modern risk measurement methods optimally geared to the institution's business.

The main risk types we analyze as part of our risk management process are counterparty, market price, operational and liquidity risk. Reputation risks are evaluated as part of the management of operational risk. In addition, we also pay close attention to earnings risk. Our approach to managing earnings risk is intended to prevent losses arising from the possible weakening of individual earnings components that prove volatile over the course of time.

The potential losses of the various business divisions are quantified for the risk types listed in accordance with the value-at-risk principle (VaR). The value-at-risk represents a loss threshold for a given probability level. The value-at-risk procedures only reflect the potential losses given relatively normal market movements. For several years now, we have consequently been supplementing risk evaluations with an analysis of stress scenarios.

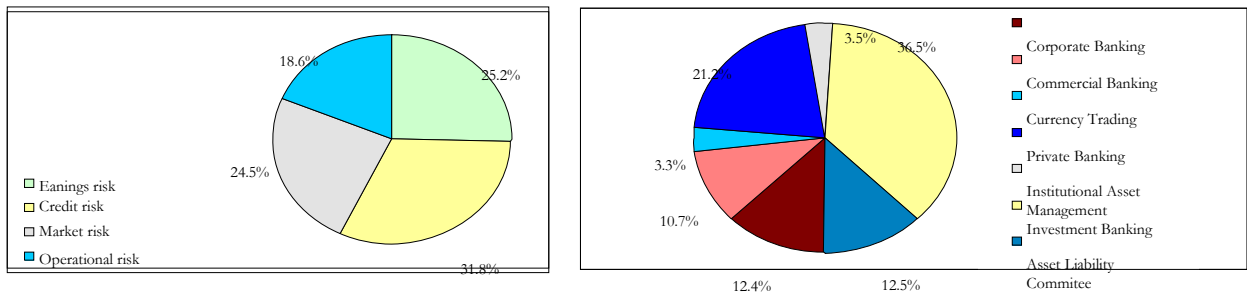
The regularly performed comparison between risk and economic capital is based on these two different ways of assessing the risk position. The economic capital considered as part of our risk management process is kept separate from the concept of regulatory capital or equity capital. In line with the concept of a going-concern, it should be possible to cope with unexpected losses without having to fall back on external capital measures. Consequently, the economic capital is essentially formed of the easily liquidated reserves available to the Bank. These reserves are compared with the value-at-risk within the framework of a confidence level of 99% derived from the German Solvency Regulation (SolvV).

A second comparison between risk position and economic capital is based on a possible target rating for the Bank, calculating the amount of risk exposure for a confidence level of 99.98%. Under this method, the results of stress scenarios are incorporated in the

calculations. Possible diversification effects across the various risk types are ignored by aggregating the covering amounts for the categories of risk. The economic capital to be set against the risks quantified in this way is supplemented by unused portions of regulatory capital that are not tied by risk-weighted assets. Even under this extreme scenario, the continued existence of the Bank as a going-concern is assured.

Not all of the economic capital available to the Bank in the past financial year was used by the business divisions, which highlights the conservatism built into the Bank's risk management process and expresses the appropriateness of the relationship between the opportunities arising from business activities and the risks assumed, with regard to the overall profit or loss. Optimization of the risk/reward ratio is defined as a key objective of our risk-adjusted overall bank management system. The business divisions only enter into risk if it is commensurate with the potential rewards. In terms of an inverse stress test, circumstances are regularly described in addition, under which, when actually occurring, a complete tie up of economic capital available would follow.

The following chart shows the distribution of the tied economic capital across the various risk categories and the business divisions of the Bank.



Management has overall responsibility for the risk management process and defines the general conditions for managing the various risk types. A central Finance unit, which reports to the Controlling/Risk Control department, acts independently of the various front offices in organizational terms as required by the Minimum Requirements for Risk Management (MaRisk) for banks and financial service institutions. This unit ensures a constant flow of information to the Bank's management and Advisory Board and is responsible for developing and overseeing the systems used in overall bank management and risk management. Risk Control carries out a monthly risk inventory and compares the risk amounts of the various risk types with the economic capital potential. Within the terms of risk management procedures it is ensured that there are no excessive risk concentrations either within, or ranging across, the various risk categories.

A back office unit that is organizationally independent from the front office units employs a wide-ranging limit structure to monitor the exposure to **counterparty risk**. A wide range of controlling analyses is used to support the management of default risk at overall portfolio level.

Market price risk arises from both short-term positions in the trading book and strategic positions in the banking book. It is monitored by the Risk Control unit.

Risk Control also quantifies **operational risk**, the size of which is limited by a comprehensive set of rules and contingency plans.

The Treasury department is responsible for the management of **liquidity risk** together with the Money Dealing department.

A monthly full calculation is used to monitor the profit and loss of the business divisions, taking into account the risks assumed. The **risk of earnings collapsing** in the profit centres is analyzed in this context. In addition, the Controlling unit makes available to both management and the individual relationship managers an efficient management information system that makes it possible for the users to analyze the risk-adjusted earnings and risk variables (VaR) at every aggregation level, from the Bank as a whole all the way down to the individual client.

The Bank's Internal Audit department controls the organizational precautions described in detail below for managing, monitoring and controlling the various categories of risk on a regular basis based on the parameters specified in the Audit Manual.

The Back Office and Risk Control departments provide information on a regular basis to the Risk Monitoring Committee set up by the Bank's Advisory Board.

The principles of our risk management strategy are recorded in a written risk strategy, which is available to all employees.

3.2 Counterparty risk

3.2.1 General

Disclosures compliant with Section 326 (1) / Section 327 (1) SolvV

Counterparty risk arises from the **commercial lending business** involving our corporate and private clients. In response to the current situation on the financial markets, which is also affected by uncertainties observed on certain issuers in the euro zone, particular attention was paid to counterparty risk resulting from our own **securities holdings** as issuer risk as well as from the investments made by our Money Dealing department in **interbank operations**.

The large pool of client deposits in particular led to strong demand for investment, with a simultaneously cautious lending strategy being applied in classical lending operations.

Only part of the liquidity surplus was placed in the **money market**, with the investments made under the following conditions:

- Trading only with selected, top-rated banks;
- Deliberate targeting of development banks enjoying public guarantees,
- Low limits for each institution or banking group, with a view to achieving the broadest possible diversification, and
- Use of the ECB deposit facility.

The structural liquidity surplus from client operations is invested in **bonds** with the very best ratings. In this context, we have high expectations in terms of the credit quality and market liquidity of these investments.

Our securities portfolio is dominated by securities issued by German public-sector issuers (approximately 63%) and by those guaranteed either by the Federal Republic of Germany or by a German state (22%). In addition, German Pfandbriefs (6%) as well as sovereign issues (4%) and covered bonds (4%) from Scandinavia, Austria and France. The average remaining maturity of these holdings amounted to 2.0 years at year-end, meaning that the spread change risk of this portfolio is limited.

The Bank's investment policy consciously avoids more volatile asset classes:

- No bonds from the euro periphery
- No unsecured bank bonds
- No investments in ABSs/MBSs/CDOs
- No US subprime-related credit risk
- No structured products

Daily reports keep management informed about the current bank exposure. The allocated bank limits are monitored regularly in order to allow counter-measures to be initiated promptly, if required. In this context, we not only rely on the appraisals by the rating agencies when assessing the institutions, we also support our decisions by analyzing annual reports and evaluating current market data.

Counterparty risk is managed using a wide-ranging limit system that encompasses the counterparty risk arising from derivatives by taking account of termination risk. To reduce counterparty risk a collateral management process has been continuously expanded over recent years.

The **Back Office department** is responsible for monitoring credit risk independently of the Front Office. Besides performing regular control activities, this department provides a second opinion in addition to the Front Office unit, as required by the MaRisk rules, on the basis of authority regulations for credit decisions. The regular creditworthiness and

rating checks are supported by an independent balance sheet analysis which similarly takes place in the Back Office department. The very conservatively defined authority regulations restrict the freedom of individual account managers to act autonomously and involve management in all major credit decisions.

All credit exposures are in a constant resubmission cycle complete with an annual rating review. The limit rules are supplemented by a series of organizational measures and rules regarding collateral for credit exposures.

A credit risk report prepared on a quarterly basis serves to inform both management and the Advisory Board about the structure of the credit risk.

Wide-ranging analyses performed by the central Controlling unit help to manage credit risk at overall portfolio level.

For the purposes of managing the overall portfolio in **commercial lending operations** the historic defaults of the last few financial years are managed and analyzed in a central default database. The statistical loss expected for each financial year at portfolio level is derived from this data as a long-term historic average for defaults. The expected loss of a credit exposure is incorporated in the credit terms by way of the calculation of standard risk costs.

The standard risk costs of a credit exposure are particularly influenced by the borrower's credit rating as well as by the size of the loan and the collateral provided. A rating system for our corporate banking operations has been made available to the account managers and Back Office department on the Bank's intranet. This system facilitates a prompt credit analysis using the borrower's balance sheet data. The special feature of this system is that it offers an online evaluation using Moody's RiskCalc™, the rating procedure developed specifically by Moody's for German "Mittelstand" clients, and the calculation of a probability of default. Qualitative factors regarding the borrowers are also incorporated when determining the rating class as well as balance sheet ratios. For exposures of project finance nature in the property and shipping segments we employ internally developed rating procedures that include the cash flow projections for these projects as a key parameter. In our portfolio of ship loans - which is not large in terms of magnitude compared with the overall portfolio - we notably look for short loan periods in the present market environment and prioritize outstanding collateral for the exposures.

The standard risk costs arising from the rating analysis can be obtained from the management information system (MIS) in all necessary aggregation levels.

The standard risk costs which, when aggregated, give rise to the statistical expected loss at overall bank level, merely represent a long-term default average over time around which the actual losses fluctuate. Consequently, a potential deviation of defaults from this expected value needs to be taken into account as an additional risk component. A

statistical credit portfolio model built on the creditrisk+ methodology is used to quantify the size of an unexpected loss at portfolio level which, with a probability of 99% or 99.98%, will not be exceeded. The Bank's economic capital serves as the economic capital for unexpected credit risk. An adequate return on the risk capital employed is essential to create added value for investors. An appropriate return on the unexpected loss is consequently taken into account as an additional margin component in accordance with the RORAC concept (Return On Risk Adjusted Capital) when calculating credit terms. Within MaRisk parameters our analyses on tying up economic capital are supplemented by additional stress observations such as for example by an overall deterioration of the probabilities of default.

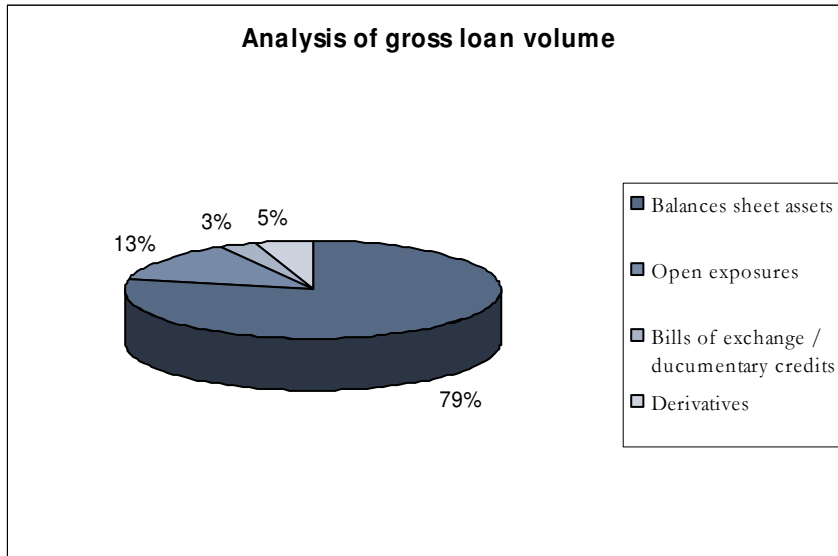
The quantitative methods we use to assess counterparty risk are validated regularly and refined when required. This approach has given rise to a highly informative system geared to the specialized needs of the Bank over the course of time. On account of the very small universe overall and the lack of an adequate number of defaulting borrowers for statistical purposes, however, these methods are not recognized for supervisory purposes as an IRB approach as defined in the German Solvency Regulation (SolvV). The Bank has made a deliberate decision to employ the standard method defined in the German Solvency Regulation for regulatory purposes.

Gross credit volume, broken down by risk-bearing instrument

The following charts do not include any subsidiaries or affiliated companies. Please refer to our comments in section 4 of the present report for more information in this regard.

Disclosures compliant with Section 327 (2) No. 1 SolvV

€m	Balances sheet assets		Open exposures		Bills of exchange / documentary credits		Derivatives	
	2010	2009	2010	2009	2010	2009	2010	2009
Total	3.116,0	3.274,7	525,8	579,5	115,0	163,8	201,6	174,5

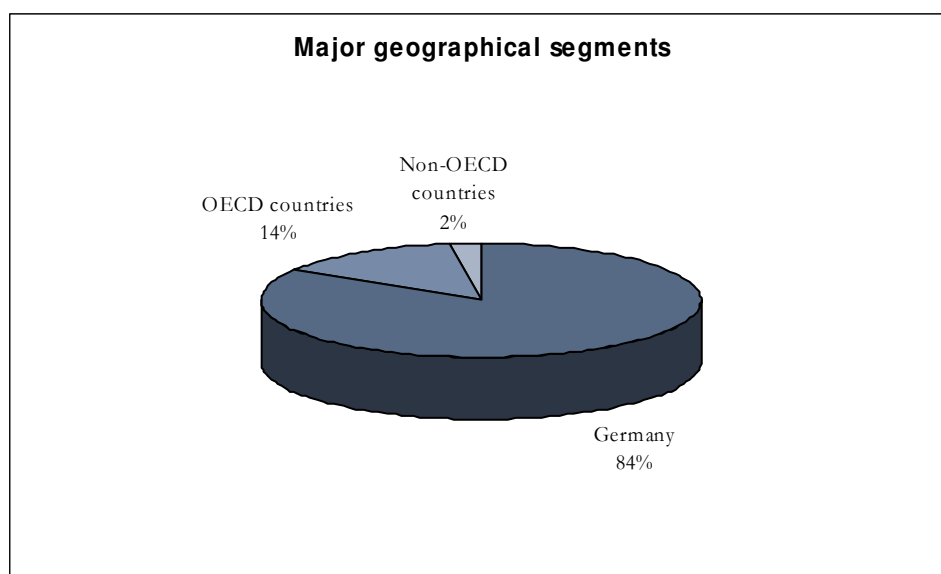


Geographic concentrations, broken down by credit-risk-bearing instrument

The Bank concentrates primarily on domestic activities. Within this focus, there is also a strong concentration on Hamburg, where the Bank has its head office and principal place of business. This concentration means the Bank has hardly any exposure to country risk.

Disclosures compliant with Section 327 (2) No. 2 SolvV

Major geographic areas	Balances sheet assets		Open exposures		Bills of exchange / documentary credits		Derivatives	
	2010	2009	2010	2009	2010	2009	2010	2009
Germany	2.652,3	2.777,7	429,9	478,9	105,0	114,0	128,7	134,6
OECD countries	414,4	440,6	80,3	85,9	9,0	48,9	46,0	39,3
ies	49,3	56,4	15,6	14,7	1,0	0,9	26,9	0,6
Total	3.116,0	3.274,7	525,8	579,5	115,0	163,8	201,6	174,5



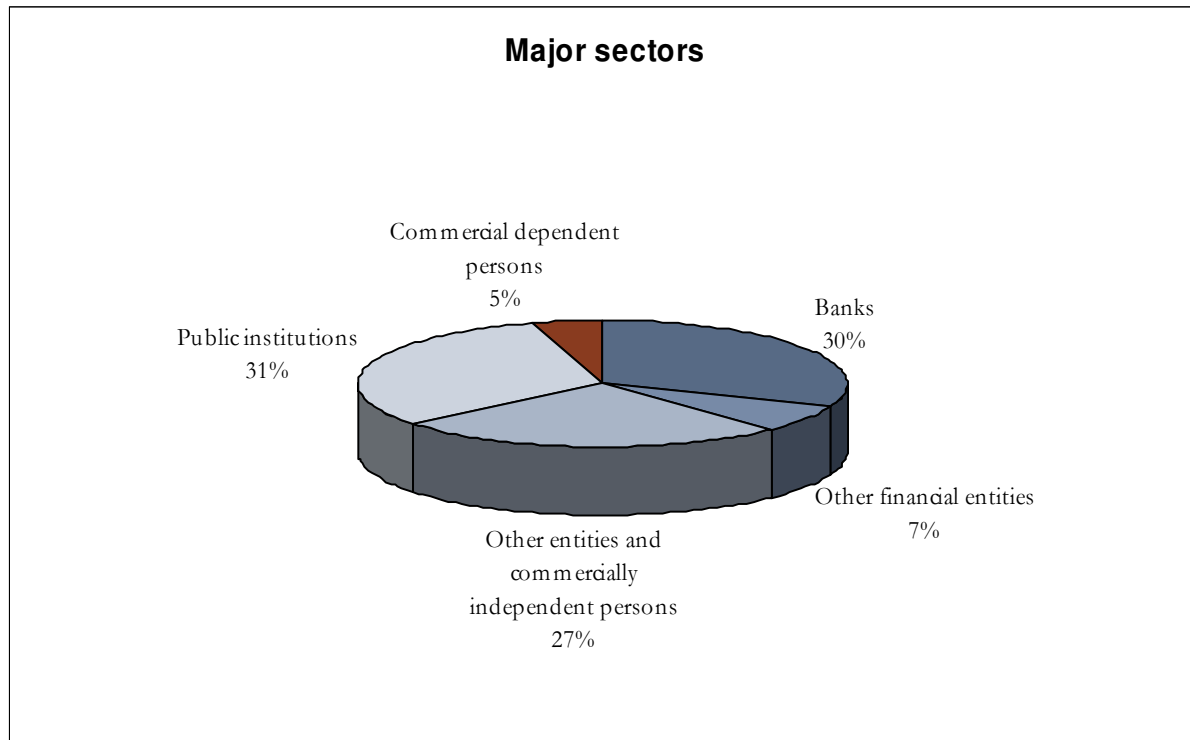
Major sectors, broken down by credit-risk-bearing instrument

Liquidity is invested primarily in banks and public issuers. The reason for this is that, where possible, investments are selected with a low risk content in order to secure and maintain the Bank's long-term profitability. The following table shows the breakdown of activities by individual sector.

Disclosures compliant with Section 327 (2) No. 3 SolvV

Major sector	Balances sheet assets		Open exposures		Bills of exchange / documentary credits		Derivatives	
	2010	2009	2010	2009	2010	2009	2010	2009
€m								
Banks *)	1.122,7	1.145,8	0,0	0,0	0,4	1,9	104,5	77,2
Other financial entities	142,6	262,5	74,4	94,1	10,5	22,3	37,6	62,0
Other entities and commercially independent persons	522,7	469,0	382,8	395,3	89,7	128,4	52,4	14,9
Public institutions	1.224,4	1.314,4	2,7	0,0	0,0	0,0	0,0	0,0
Commercial dependent persons	101,3	83,0	62,0	90,1	14,4	11,2	6,5	20,4
Non-profit organisations	2,3	0,0	3,9	0,0	0,0	0,0	0,6	0,0
Total	3.116,0	3.274,7	525,8	579,5	115,0	163,8	201,6	174,5

*) of which €461.0 million (€735.7 million) in Pfandbriefs or covered bonds



Contractual remaining maturities

The Bank makes every effort not to make any long-term investments, which means that the majority of the balance sheet assets are due in less than one year. The following table shows the breakdown in greater detail:

Disclosures compliant with Section 327 (2) No. 4 SolvV

Remaining terms €m	Balances sheet assets		Open exposures		Bills of exchange / documentary credits		Derivatives	
	2010	2009	2010	2009	2010	2009	2010	2009
< 1 year	603,5	579,2	28,1	65,4	35,0	45,5	162,5	124,7
1 year - 5 years *	1.441,0	1.682,4	24,0	7,0	36,1	73,6	22,2	18,8
> 5 years	202,8	202,8	9,8	0,0	5,1	3,5	16,9	31,0
unlimited** / until further notice	868,7	810,3	463,9	507,1	38,8	41,2	0,0	0,0
Total	3.116,0	3.274,7	525,8	579,5	115,0	163,8	201,6	174,5

*of which securities due in less than 2.5 years: €932.0 million

**of which securities with no specific maturity: €119.4 million

3.2.2 Non-performing loans and loans in arrears

Disclosures compliant with Section 327 (1) SolvV

Counterparty or credit risk is defined as the risk that a counterparty is not sustainably able to meet its obligations to service its debt.

Where circumstances arise from a credit exposure that demand separate observation/monitoring, appropriate account freezes and corresponding arrears notices are set up.

The decisions to be made in the arrears system or on account of manual arrears documents are documented by electronic release or initialling by the employee responsible for the customer in question.

The system creates a list of all existing arrears in excess of €5,000 on a daily basis, which is processed immediately by the Front Office employee responsible. The arrears are communicated to the heads of the Front Office and Back Office units at regular intervals.

The system generates a list of approved arrears on a daily basis.

The need to set up risk provisions is considered as soon as an exposure is added to the watch list. To this end, the collateral provided is also reviewed and, if appropriate, revalued. The Credit Risk Management department reviews the need for any new risk provisions or changes in the existing risk provisions on a quarterly basis. This review and modification during the year is documented in the Risk Report.

The Bank's objective is to ensure a valuation that is both appropriate and realistic for the current risk content of the credit portfolio by setting up risk provisions in line with sound commercial judgement on the basis of the currently applicable accounting standards in a way that can be reproduced by a knowledgeable third party.

Under commercial law, receivables are valued in accordance with the same principles as for current assets. Consequently, we strictly apply the principle of the lower of cost or market in accordance with Section 340e (1) HGB in conjunction with Section 253 (3) HGB. The risk provisioning encompasses specific value adjustments, provisions, interest adjustments and write-downs on receivables (so-called consumption or direct write-down). Uncollectible receivables are written down. An unsecured receivable is considered uncollectible when the general consensus is that the borrower is no longer expected to service the debt or this is extremely uncertain. On the other hand, specific value adjustments/provisions are set up for doubtful receivables. This is the case when, on account of inadequate economic circumstances and inadequate collateral, there are justified doubts that the loan can be redeemed from the borrower's income or assets or the collateral provided.

Making interest adjustments is intended to ensure that the Bank's income statement is adjusted to take account of probably uncollectible (interest) income. The need for an interest adjustment is always checked when a specific value adjustment/provision has been set up.

An interest adjustment should not be made if the customer is still able to service the interest (out of rents or capital gains, for instance), and provided an interest loss is not expected even though a capital loss certainly is.

The probability of a borrower no longer being able to meet his contractual payment obligations is the key factor in the case-by-case assessment of acute default risk; the probability of default is appraised primarily on the basis of the economic circumstances and the payment behaviour of the borrower. At the same time, it is important to assess what payments can still be expected after the borrower has defaulted, for which the expected proceeds from realization of the collateral provided are the key factor.

In the case of customers for whom no risk provisions have been set up, an interest adjustment may be made in exceptional instances if the customer is no longer permanently servicing the interest charges although a capital loss is not expected on account of the collateral provided.

We have set up general value adjustments for latent default risk in the amount permitted for tax purposes. A provision has also been set up for general banking risks compliant with Section 340 et seq. HGB.

We do not reverse a specific risk provision unless the economic circumstances of the borrower have discernibly improved with lasting effect, such that it has become unlikely that he will not be able to service the loan or there is no doubt that the loan can be redeemed using the collateral provided.

Section 286 BGB defines a deal to be in arrears if payments in the form of payments of interest, repayments of principal or other receivables are not made.

"Non-performing" loans are loans for which there is a fair probability of complete or partial default on the loan or if there are justified concerns about the borrower's solvency.

Non-performing loans and loans in arrears, broken down by major sector

Disclosures compliant with Section 327 (2) No. 5a SolvV

Major sectors €m	Total utilization due to non-performing loans and loans in arrears		Specific value adjustments (incl. Interest adjustments)		Provisions	
	2010	2009	2010	2009	2010	2009
Banks	0,3	0,3	0,3	0,3	0,0	0,0
Other entities and commercially independent persons	35,3	65,7	19,7	43,5	0,0	0,5
Commercial dependent persons	1,7	5,7	1,3	2,9	0,0	0,0
Total	37,3	71,7	21,3	46,7	0,0	0,5

Non-performing loans and loans in arrears, broken down by main geographical area

Disclosures compliant with Section 327 (2) No. 5 b SolvV

Main geographical areas €m	Total utilization due to non-performing loans and loans in arrears		Specific value adjustments (incl. Interest adjustments)		Provisions	
	2010	2009	2010	2009	2010	2009
Germany	25,9	47,7	15,5	34,9	0,0	0,5
OECD countries	5,1	16,6	2,4	8,6	0,0	0,0
Non-OECD countries	6,3	7,4	3,4	3,2	0,0	0,0
Total	37,3	71,7	21,3	46,7	0,0	0,5

Analysis of risk provisions

Disclosures compliant with Section 327 (2) No. 6 SolvV

€m	Opening balance	Set up	Release	Utilization	Closing balance for the period
Specific value adjustments	46,7	3,8	11,1	18,1	21,3
Provisions	0,5	0,0	0,5	0,0	0,0
General value adjustments	1,3	0,8	0,0	0,0	2,1

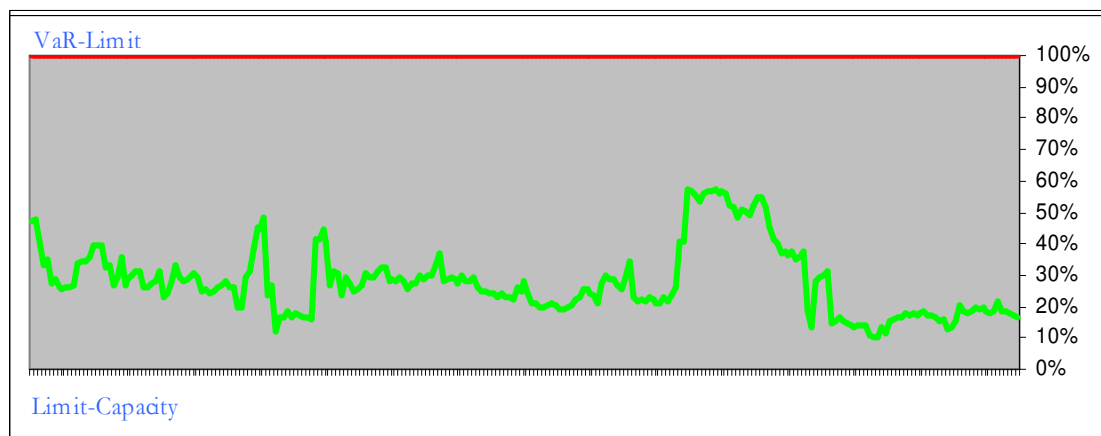
3.3 Market price risk

Disclosures compliant with Section 330 SolvV

Market price risk for positions in the Bank's trading and the banking books results from fluctuations in prices and volatilities in interest rates, equities and foreign currencies.

The market price risk arising from proprietary trading positions is managed using an internally developed risk measurement system. Value-at-risk figures are calculated on a daily basis for all positions containing market price risk using a Monte Carlo simulation. In accordance with the provisions of the German Solvency Regulation, a confidence level of 99% and a holding period for the financial instruments of ten trading days are assumed for these value-at-risk calculations. The following risk factors are incorporated: discount factors in the field of interest rates, equity time series or equity indices in the field of equities, and exchange rates in the field of foreign currencies, with a historic observation period of one year. In addition to the value-at-risk calculation performed for supervisory purposes, which is based on a balancing of the historic input parameters, a further calculation using exponentially weighted historic observations is carried out for the purposes of internal limit monitoring. Under this approach, the value-at-risk reacts faster to changes in market events.

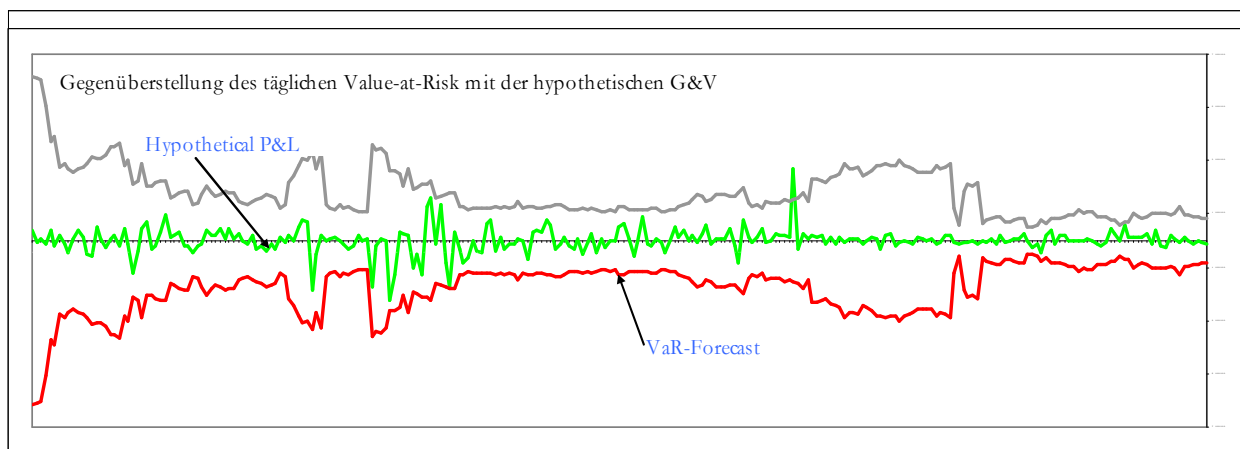
The following chart shows the percentage distribution of the value-at-risk limit utilization level over the past financial year for the positions in the trading book.



The chart shows moderate risk potential arising from trading activities. The Bank's trading book is dominated by classical equity positions. Optional products play a subordinate role and concentrate especially on the foreign exchange segment. Plain vanilla products predominate here. Compared with the results achieved by the trading units, a beneficial risk/reward ratio is indicated. A major portion of the allocated value-at-risk limits relates to equity sales operations. These activities are not proprietary trading as such, as this segment more frequently handles orders for institutional clients.

The quality of the value-at-risk forecasts is checked and analyzed over time using a daily back-test, during which the forecast on the subsequent trading day is compared against the actual changes in value of the positions. The fact that no back-testing outlier was observed in the past financial year at overall portfolio level reflects the conservatism in the parameterisation of our models.

The following chart shows the progression of the back-testing results of the past financial year over time.



The following table shows the structure of the value-at-risk of the trading portfolios in the last financial year, taking into account the parameters to be applied for regulatory purposes:

Trading portfolios €m	VaR at end of Periode	VaR values during the year		
		Highest value	Lowest value	Reporting period ø
Aggregated VaR	3.718	20.611	2.395	7.863

(SolvV parameter with a 10 day holding period)

Since the value-at-risk method only provides information about the risk content of positions under "normal" market conditions and does not take account of extreme market situations, the analyses are supplemented by daily worst-case calculations. This involves examining how current trading positions would behave in historically extreme situations. This stress test analyzes the potential effects on the current trading positions of maximum weekly fluctuations in the respective risk factors that have been observed in each case within the last five years.

Additional worst-case limits that must be observed on a daily basis exist for each trading segment alongside value-at-risk limits. For the market price risk segment, the economic capital is compared against the full limit in line with the conservative risk management strategy, and not against the current limit utilization level. Whereas the value-at-risk limits

are used to analyze a 99% confidence level, the economic capital is compared against worst-case limits for the 99.98% confidence level. The limits for the individual trading segments are manageable in the comparison against the available economic capital and are approved by all department heads jointly. This approach ensures that no individual dealer is in a position to enter into large risk positions by means of his activity for the Bank.

Positions in the trading book are taken exclusively in liquid financial instruments for which a market price can be determined on a daily basis. Our portfolios do not contain any instruments that can only be valued using models.

The strategic positions in the liquidity reserve are managed by the Asset Liability Committee (ALCO), which consists among others of representatives of the Treasury and the Controlling departments together with members of the management team. The market price risk arising from positions in the liquidity reserve are measured using the same methods as the positions in the trading book. Furthermore, potential risks for spread fluctuation are analysed on the basis of historic data for the investment classes represented in our portfolio and additionally backed by economic capital.

No increased interest rate risk was assumed for the large proprietary investments in securities issued by public-sector issuers and Pfandbriefs described in the section about counterparty risk. The investments were made in either floaters or securities with a fixed coupon in connection with an interest rate swap.

The effect of the interest rate shocks for interest rate risk in the banking book defined for supervisory purposes is analysed on a daily basis. This involves analyzing the effect of an upward shift of 130 basis points or a downward shift of 190 basis points in the current yield curve on the present value of the aggregated cash flows of the Bank as a whole. The ratio of the resulting change in the present value to equity capital, which according to the regulatory requirements should not exceed 20%, amounted to 1.78% at year-end. This ratio documents the generally short maturities in our deposit-taking and lending operations. To keep interest rate risk as small as possible, we invest customer deposits mostly in current accounts as demand deposits or in floaters.

Risk Control, which is kept organizationally separate from the trading units up to management level, summarizes all market price risk positions in a risk report and ensures that management is kept informed on a daily basis.

Equity capital requirements for market risk

Alongside the internal model to calculate the supervisory equity capital requirement for general market risk, Berenberg Bank uses the standard method to calculate the equity capital requirements for other market risks in the trading book.

Shown below are the equity capital requirements for the special price risk under the standard method:

Disclosures compliant with Section 330 (1) SolvV

Market risk €m	Equity capital requirement	
	2010	2009
Net interest exposure	3,3	1,0
Net share exposure	0,7	1,1
Net currency exposure	0,1	0,1
Total	4,1	2,2

The internal model gives rise to the following equity capital requirements for general market risk:

Disclosures compliant with Section 326 (2) SolvV

€m	Weighting factor x average of potential risk amounts of the past 60 business days		Potential risk amount at balance sheet date	
	2010	2009	2010	2009
Net interest exposure	1,6	1,0	0,8	1,1
Net share exposure	9,4	33,1	2,5	18,8
Net currency exposure	0,7	0,9	0,4	0,2
Total	11,7	35,0	3,7	20,1

Counterparty risk

Compliant with Section 15, 16 SolvV, trading book transactions give rise to the following settlement risk:

€m	Market valuation method	
	2010	2009
Settlement risk	0,10	0,00

3.4 Operational risk

Disclosures compliant with Section 331 SolvV

Operational risk is defined as the danger of incurring losses as a result of the inappropriateness or failure of internal methods, people and systems, or of external events. This definition also covers legal risk and reputation risk.

Operational risk is limited by a wide-ranging set of instructions, workplace regulations and authority rules. The various department heads have direct responsibility for compliance with and the ongoing update of these rules and regulations. The Internal Audit department audits conformity of business activities with these rules and regulations at regular intervals.

A major component of operational risk relates to the functionalities and security of the computer systems deployed. This segment is covered by special arrangements and precautions in the various technical units. These include constant technical refinement and market data together with a firewall concept to prevent viruses and attempted intrusions from outside and back-up systems used to ensure uninterrupted business operations in the event of system failure. A central contingency management and business continuity management function (BCM) has been established for all areas of the Bank.

The employees of the Bank are appraised by their supervisors at regular intervals. Cooperation between the HR department and the department heads ensures that the employees have the right skills and motivation for their position at the Bank.

Legal risk is limited by means of constant collaboration between the Legal department and the functional units together with the use of suitable forms and contracts and the standardization of input and settlement procedures in connection with computer processing. In addition, the Legal department examines all concluded contracts in advance as part of a central contract management process.

Banks are required to hold adequate capital to cover the operational risk they assume. Methods with a different level of accuracy are authorized for use when quantifying the capital adequacy for this risk category, the measurement of which requires highly complex statistical methods. The Bank uses the least complex Basic Indicator Approach for the purposes of calculating the capital required to cover operational risk. In this context, the average gross earnings from the last three financial years are weighted with a factor of 15%. In 2010, the capital required to cover operational risk totalled €30.7 million. The allocation of economic capital for operational risk is similarly based on this method.

Even though the Bank has opted to use the simple Basic Indicator Approach, we are constantly refining our risk management approach for operational risk. A key aspect of this involves sensitising all employees to this category of risk. For a number of years now,

we have been using a database to systematically record operational losses, which enables us to analyze losses incurred and to draw up appropriate counter-measures. This database is used as the foundation for informing management about the extent of operational losses on a regular basis.

The loss database is supplemented by an annual self-assessment. This involves expert surveys conducted in all areas of the Bank to facilitate the appraisal of potential future operational risks and provide an additional perspective on this category of risk. The self-assessment did not identify any operational risk in excess of the allocated economic capital. The self-assessment is also used to draw up risk-reduction measures for significant risks. In addition, potential reputation risks for the Bank are listed when the expert surveys are conducted. If required, measures are discussed with a view to ensuring a constantly high level of public confidence in our Bank.

3.5 Liquidity risk

Berenberg Bank can fund itself completely from customer deposits and was highly liquid at all times in the past financial year. There were no outstanding liquidity positions at any time.

There is hardly any liquidity risk for durations of more than one year on account of the short-term structure of our business. There was a strong surplus in durations of less than one year. The Treasury department invested this surplus in liquid bonds (issued primarily by German states and development banks). The vast majority is deposited with Deutsche Bundesbank, which would guarantee a large funding facility with the European Central Bank in the event of an unexpected liquidity requirement. This free credit line with Deutsche Bundesbank amounted to €1.4 billion at 31 December 2010. We do not expect this positive liquidity situation to change at all in the new financial year.

To manage the short-term liquidity, the Treasury department analyzes on a daily basis all cash flows over the course of time in conjunction with the Money Dealing department. This includes carrying out a stress test on a daily basis. Besides the simulation of general stress scenarios, further scenarios are considered involving extreme additional stressing of individual liquidity components. On account of the Bank's comfortable liquidity situation, no economic capital is allocated for liquidity risk at present. Only in the unlikely event of a negative stress test would it be necessary to provide economic capital to cover the potential costs of it becoming more expensive to obtain liquidity.

The Bank's Finance unit monitors compliance with the German Liquidity Regulation on a daily basis and creates an additional overview of the development of the liquidity situation over time by preparing a fixed interest rate statement.

The risk of inadequate market liquidity for individual trading products defined in the MaRisk rules is monitored implicitly as part of market price risk control.

3.6 Interest rate risk

Disclosures compliant with Section 333 SolvV

The strategy for managing interest rate risk in the trading book is dictated by the very short-term structure of the lending and deposit-taking operations. Transactions that are not assigned to the strategic ALCO portfolio are normally "short-swapped" where the terms are in excess of one year. Since the ALCO interest book is also characterized by a short duration, interest rate risk in the trading book plays only a minor role in the risk profile of the Bank as a whole.

The interest rate risk in the trading book is measured and reported on a daily basis. The MaRisk rules call for a cycle that is at least quarterly. Since we started using the internal market price risk model, all ALCO exposures have been stated in the central market price risk report using the same method as the positions in the trading book. In line with the Basel II parameters, the Bank decided to additionally introduce a net present value approach to quantify interest rate risk.

Starting from the gap analysis files from reporting and the individual interest transaction file, all transactions are broken down into the corresponding cash flows on a daily basis. The value-at-risk is determined on a daily basis. Foreign currency positions are translated into euros for the calculations, because the currency risk represents a sub-segment of the internal market price risk model through the net currency position.

Worst case scenarios are calculated taking into account the standardized interest rate shocks defined by Basel II. All risk ratios for the interest rate risk in the trading book are shown on a separate page in the market price risk report on a daily basis.

In order to minimize interest rate risk, both value-at-risk limits and worst-case limits (based on the results of the interest rate shocks) have been defined for buckets of less than and more than twelve months. The utilization levels are reported to management as part of the daily reporting of market price risk. Management is informed directly when limits are exceeded. The value-at-risk limit assigned to the ALCO is included in the monthly comparison of risk covering potential and economic capital.

Interest rate risk in the trading book

Currency	Interest risk Schock 1 (+130 / -190 bp)	
€m	Present value decline in income	Present value increase in income
EUR	3,7	5,5

3.7 Earnings risk

The earnings risk essentially results from market-induced collapses in earnings that are set against an inadequately flexible cost structure in some circumstances.

The exposure to earnings risk is limited by the strategic orientation of the Bank towards segments that offer a clear earnings cushion in excess of the fixed costs and by the deliberate diversification across different segments and markets. In addition, the earnings risk is reduced by smoothing the sources of earnings and ensuring a high level of client and employee retention. It proved possible to create ways of making adjustments on the cost side as well using variable remuneration models, notably in segments with a greater volatility of earnings due to the market.

The risk of a department's earnings collapsing is determined by quantifying the volatility of the earnings and costs arising from the core business as part of a simulation approach for each profit centre. Backing this risk category with economic capital also implicitly contains coverage of potential reputation risks, as a negative change in reputation would result in falling earnings.

Daily reports on the key earnings components and scenario plans act as an early-warning system. A deliberate diversification is pursued across segments and markets. A potential collapse of 25% of earnings must not be allowed to put the Bank into a particular risk situation.

As a result of measuring earnings risk for many years, it is possible to identify undesirable developments at an early stage and to initiate necessary counter-measures with a view to securing the profitability of the Bank as a whole.

3.8 Overall bank management

The central ratio of our risk-adjusted overall bank management is the return on costs (the counterpart of the cost-income ratio), adjusted for an expected return on the tied risk. Initially, a minimum return on costs is defined as a target that each profit centre is expected to achieve in line with its personnel costs, non-personnel costs and overheads, and taking into account the standard risk costs. Aggregated across all departments, the earnings calculated from the return on costs yield a minimum profit for the Bank.

Additional risk-sensitive return expectations for each profit centre are derived from the tied economic capital in the respective business divisions for market price risk, unexpected credit risk, operational risk and earnings risk. These are used to continually replenish the economic capital over the course of time.

The risks and rewards of banking operations are constantly held in view by this process of overall bank management. The scarce resource of economic capital is only allocated to the segments for which the opportunities considerably exceed the risk assumed.

By presenting the entire earnings less the expected returns on tied economic capital and the standard risk costs as a proportion of the departmental costs, the extent to which a profit centre has met its targets can be measured using a single ratio, the return on costs. A detailed analysis of this profitability ratio is carried out as part of the monthly profit centre statement.

The strategy proved over many years is reviewed regularly together with the corresponding risk strategy during the annual planning process. This process involves an analysis of which measures the various profit centres wish to adopt to achieve their strategic targets and how the activities affect the prospective development of earnings and the tied economic capital.

The quantitative information and control systems employed by the Bank as part of the risk management process supply important information for assessing risk. Combining this with the huge experience of the workforce facilitates a wide-ranging analysis of the risk situation. Consequently, we are certain overall that the risk assumed is in an appropriate relation to the earnings that can be achieved and that no risk has been assumed in excess of the Banks' ability to bear risk.

4 Participating interests

Disclosures compliant with Section 332 SolvV

Annex 1 shows the structure of Berenberg Bank's participating interests (complete with its material participating interests including equity holdings in excess of 50%). All participating interests are assigned to the Bank's trading book and carried as affiliated companies in the separate financial statements.

Berenberg Bank's participating interests can be divided into operating and strategic subsidiaries. The operating subsidiaries are assigned to individual business units at the Bank. They support and supplement the Bank's operating activities in their respective lines of business. They are financially, organizationally and economically integrated in the corporate group.

In accordance with the provisions of the German Commercial Code (HGB), the participating interests are valued at their acquisition cost. In the case of permanent loss of value, write-downs are taken to the lower of cost or market. Write-ups are only permitted up to the amount of the acquisition cost. The values recognized for the participating interests in the separate financial statements and consolidated financial statements prepared in accordance with the German Commercial Code are reviewed regularly as part of monthly corporate reporting and checked for impairment. The Bank's Risk Monitoring Committee controls the participating interests and the recognized values on a regular basis.

The following table shows the values recognized for the Bank's direct participating interests calculated using the valuation methods described above.

Values recognized for participating interests

Groups of equity interest instruments	Comparison	
	Book value	Fair value
	Amount €m	Amount €m
Banks	2,6	2,6
Financial entities	0,1	0,1
Other entities	9,4	9,4
	12,1	12,1
Of which:		
Affiliated entities	3,2	
Equity interests	8,9	

The "Other companies" item contains indirect participating interests in financial service providers.

On account of the lack of marketability (saleability), the fair value is the same as the book value. There are no valuations derived from previous years on the basis of disposals of participating interests.

Alongside the material participating interests, these are also participating interests with an interest held of less than 50%. These participating interests are insignificant. An exception to this is the participating interest in Universal Investmentgesellschaft, in which the Bank holds an interest of 26.67% (book value: €8.6 million). The company acts as a capital investment company for proprietary investments. This is an operating participating interest.

Further details are provided below on the significant operating subsidiaries included in the Bank's consolidation group at the balance sheet date. The non-consolidated subsidiaries are not described separately for reasons of immateriality.

Berenberg Bank (Schweiz) AG, Zurich:

The main lines of business of this deposit-taking credit institution mainly are in wealth advisory and asset management together with various types of financing. The company has been recognized as a bank since 2001.

Berenberg Lux Invest S.A., Luxembourg:

Formed in 2000, Berenberg Lux Invest S.A. acts as a capital investment company based in Luxembourg. In October 2004, the Luxembourg financial supervisory authority - the Commission de Surveillance du Secteur Financier (CSSF) - approved the company's application for permission to conduct the following activities:

- Joint portfolio management,
- The management of investment portfolios at its own discretion and on an individual basis within the framework of a mandate issued by investors, and
- The custody and administration of UCITS shares (investment funds subject to the law of 20 December 2002 regarding undertakings for collective investments in transferable securities).

In addition, a branch office was opened in Germany on 31 December 2008. This office performs finance portfolio management services compliant with Section 1 (1a) 2 No. 3 KWG.

Berenberg Beteiligungsholding GmbH, Hamburg:

Berenberg Beteiligungsholding GmbH is a strategic subsidiary that acts as an intermediate holding company covering subsidiaries.

The Bank set up this company in 2000 with a mission to take and manage participating interests in companies, and to conduct lease activities involving movable assets.

Berenberg Capital Management GmbH, Hamburg:

This company's purpose is to manage proprietary assets, notably by holding participating interests for own account.

Berenberg Private Capital GmbH, Hamburg:

The company's purpose is to provide services in connection with financial investments, participating interests and land. The company is not a financial institution within the meaning of Section 1 (1b), (3) KWG and conducts no business in this regard.

The company provides the following services:

- The analysis, selection, design, structuring, brokering and marketing of closed-ended funds,
- The purchase, maintenance, management, operation and disposal of investments in companies, property and other assets that are not financial instruments within the meaning of Section 1 (11) KWG, 2 (2b), and
- Strategic class-related wealth structuring using internally developed financial software and the preparation of future-looking liquidity plans, including advice in this regard.

Consilisto Berenberg Privat-Treuband GmbH:

The purpose of this company is to provide family office services. The company specializes in the provision of individualized advice and oversight for complex asset structures. This notably includes the development of all-round, strategic wealth packages. The company is a financial services institution within the meaning of Section 1 (1a) KWG.

The company provides the following financial services:

- The brokering of business involving the purchase and sale of financial instruments or their documentation (investment broking) compliant with Section 1 (1a) 2 No. 1 KWG,
- The purchase and sale of financial instruments in the name of and for account of others (contract brokering) compliant with Section 1 (1a) 2 No. 2 KWG, and
- The administration of individual portfolios of financial instruments for others on a discriminatory basis compliant with Section 1 (1a) 2 No. 3 KWG.

5 Instruments and methods

5.1 Rating system

Disclosures compliant with Section 328 SolvV

The Bank uses the recognized external rating agency Standard & Poor's Rating Services (S&P) for the purposes of the German Solvency Regulation. This is the case for the debtor class "states" for credit checks. In this context, the credit rating for the debtor classes "institutions" and "covered bonds issued by credit institutions" depends on the state rating.

5.2 Exposure-reduction techniques

Disclosures compliant with Section 336 SolvV

Alongside the creditworthiness of the borrowers and counterparties, the available collateral (or general exposure-reduction techniques) are of vital importance for the extent of counterparty risk. For the purposes of the German Solvency Regulation, the Bank takes account of pledged assets as well as securities issued by public-sector borrowers as collateral. These are only included in significant cases and not in full.

In the case of currency forwards and currency options with non-banks, the netting of transactions denominated in the same currency is carried out for supervisory purposes. The basis for this is formed by the master agreement for financial futures contracts with the non-bank clientele issued by the Association of German Banks.

In addition, there are risk sub-participations/guarantees from other, generally domestic banks.

The Bank does not include further collateral within the meaning of the German Solvency Regulation.

Disclosures compliant with Section 328 SolvV

Total value of outstanding receivables (€m):

Credit default risk in accordance with the standard approach

Risk weight in %	Prior to loan risk		After loan risk reduction with substitution effects		Exposure value in accordance with Section 48 SolvV		Weighted risk item value as per Section 24 SolvV	
	2010	2009	2010	2009	2010	2009	2010	2009
0	1.808,3	1.659,6	1.923,5	1.728,9	1.923,5	1.728,9	0,0	0,0
10	209,3	481,4	209,3	481,4	209,3	481,4	20,9	48,1
20	427,8	414,5	450,6	445,6	445,1	440,1	89,0	88,0
50	3,8	4,2	3,8	4,2	3,8	4,0	1,9	2,0
75	2,9	3,0	2,9	3,0	2,9	3,0	2,2	2,2
100	1.336,1	1.423,3	1.193,7	1.286,4	647,2	664,2	647,2	664,2
150	0,2	0,2	0,2	0,1	0,2	0,1	0,3	0,2
Other	35,0	35,0	35,0	35,0	35,0	35,0	0,0	0,0

Total amount of hedged exposure

Portfolio €m	Financial securities		Guarentees and loan derivatives	
	2010	2009	2010	2009
Companies	119,7	74,6	22,7	31,4
Total	119,7	74,6	22,7	31,4

6 Disclosure compliance with Section 7 InstitutsVergV

The German Regulations Governing Supervisory Requirements for Institutions' Remuneration Systems (Instituts-Vergütungsverordnung – InstitutsVergV) was published on 6 October 2010. The regulations came into force on 13 October 2010.

Section 7 InstitutsVergV requires every institution to disclose the following information, taking account of the principles of materiality, protection and confidentiality specified in Section 26a (2) KWG:

- The structure of the remuneration systems, notably the applicable remuneration parameters and the composition of remuneration and the method of granting, and
- the total amount of all remuneration paid, divided into fixed and variable remuneration and the number of beneficiaries of variable remuneration.

6.1 Risk analysis

The Bank applies a defensive risk policy and its business activities largely have a service orientation. The Bank manages proprietary trading using carefully defined and closely monitored risk limits that are agreed by all executives. Trading limits are always assigned in harmony with the conservatively defined economic capital that is available.

Sustainability and avoiding disproportionate risk also have top priority in our institution's remuneration policy. This is reinforced by the legal form of a limited partnership under German law (Kommanditgesellschaft) and the long period of service of managers in their positions, which promote long-term thinking and prevent short-term profit-maximisation tendencies.

The head office in Hamburg manages the international orientation of the Bank's business activities centrally. This also includes risk control, the assignment of tightly defined trading limits and other monitoring of business activities (Compliance, Internal Audit, Legal Affairs and so on).

A separate risk analysis is not necessary on account of these regulations, as the Bank is not one of the major institutions specified in Section 1 II InstitutsVergV on account of the average total assets of the last three years.

6.2 Structure of remuneration

Remuneration comprises a fixed salary and a variable component (bonus or special payment). The fixed salary represents the basic remuneration paid to employees, in line

with the activity they each perform, and is intended to help retain employees at Berenberg Bank for the long run. This method prevents employees becoming overly dependent on a bonus.

The bonuses are based on both personal target achievement and the operating result of the respective division and the Bank as a whole.

6.3 Remuneration in the business divisions

The structure outlined above applies across all business divisions in the Bank. The following table shows the breakdown of the various components of remuneration in the 2010 financial year:

Business divisions €m	Employee qualify for bonus	Total salary	there of variable
Asset Management	26	5,4	2,2
Commercial Banking	13	2,3	0,6
Investment Banking	199	37,7	13,0
Private Banking	90	18,2	6,3

Beteiligungsübersicht

