Private Bankers founded 1590

BERENBERG BANK

Joh. Berenberg, Gossler & Co. KG

2008

2008

Report on the 419th Financial Year

Summary of key balance sheet data

(in million Euro)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Balance sheet total	1,494	1,623	1,772	1,943	1,852	1,912	2,294	2,718	3,621	4,279
Business volume	1,684	1,800	1,968	2,134	2,019	2,066	2,414	2,861	3,829	4,450
Retained earnings	18	39	41	41	37	40	50	54	61	47
Liable equity	95	110	118	125	130	135	140	145	155	177
Claims on banks	372	419	458	554	653	471	697	688	691	455
Claims on clients	751	796	840	796	715	636	565	567	629	663
Liabilities to banks	299	174	161	122	167	198	216	248	267	617
Liabilities to clients	1,037	1,243	1,377	1,512	1,433	1,472	1,797	2,156	2,983	3,236
Cost-income-ratio	57.5%	42.7%	43.1%	44.7%	48.9%	49.9%	55.0%	65.3%	66.5%	66.9%
Employees as at 31 December incl. subsidiaries	348	403	428	429	452	490	551	658	763	837

»Integrity is the basis for trust.
Success grows from trust.«

2008

Report on the 419th Financial Year

CORNELIUS BERENBERG

JOHANN HINRICH GOSSLER

CONTENTS

The Managing Partners (left to right): Andreas Brodtmann, Dr. Hans-Walter Peters and Hendrik Riehmer.

Dear clients and business friends,

The financial crisis was the dominating feature of 2008. It not only led to a crisis of confidence of dimensions unknown until now, but also triggered the severest economic crisis since the Second World War.

Berenberg Bank, as reported last year, has never held non-liquid assets or structured products in its portfolio. The management of risks has always been a top priority for us as an owner-managed private bank with personally liable partners at the helm. Thus, we did not have to realign our longstanding risk strategy, even in times of financial crisis.

We thank the clients of our bank for placing their trust in us, especially during these difficult times for the banking sector. In addition to many long-term client relationships, we were able to secure a significant high number of new clients in 2008. The personal care of our clients has received our special attention for many years. Also for this reason we increased the number of our employees in 2008 by 10 % to 837.

Although retained earnings of EUR 47.1 million did not reach the record result of the previous year, we are, however, very pleased with our annual result and an equity return of 37.5 %. The core capital ratio of 12 % within the group reflects our bank's stability and enables further growth in the coming year. Just as in 2008, we will continue to develop growth opportunities emerging in various fields but will also continue to devote special attention to the risks.

Andreas Brodtmann | Dr. Hans-Walter Peters | Hendrik Riehmer

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Hamburg

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Andreas Brodtmann

Hendrik Riehmer

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Manuel Bally

Jörn Engelmann

Eberhard Hofmann

Rüdiger K. Schultz

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Johannes Sommer
Tim Storm

As at: 1.1.2009

Supported by values: Integrity

When we use the term value, especially in banking, we generally associate it with something tangible, countable and embedded solidly in a currency context. It gives us the impression of stability. What we are currently experiencing on the global capital markets demonstrates the relativity of this stability: values are declining rapidly, sometimes imploding, often in reaction to only marginal news. This is because our trust in them has crumbled.

This demonstrates how important the second meaning of value is. We fulfil this dimension within our bank with a canon that has shaped our image and our actions for more than 400 years: integrity, loyalty, individuality, stability and performance. Whilst the latter four values are about action, the first one – integrity – is strongly linked to personality. For us as a bank, integrity is of such primary significance that it should even be considered a conditional value as a prerequisite for the healthy continuation of our activities. If the integrity of a bank becomes questionable, then the bank itself is questioned.

As a bank, we act as the interface of the modern finance system – a system protected by the state and with increasing legal obligations.

The success of our economic system depends on whether we as banks can incorporate the government's control incentives into the market: not forgetting our own economic considerations but remaining aware of an inherent autonomy, conducting fair business practices and consciously acting for the common good.

A time of growing fragmentation makes us realise our strong need for unity, coherence and consent. And yet we find these ever less frequently. The large number of choices tears our world apart while the centrifugal power of the economic cycles moves our actions further and further away from our core. This makes it all the more striking when we are able to bring our convictions, standards and ideals in unison with our behaviour.

The financial markets and their economies have been unsettled during the last few months. A calming down is not yet in sight and we will, without doubt, be confronted with challenges in the near future. We will meet these successfully. At the same time we shall remain loyal to our opinions. We will remain firmly at our clients' side and protect our relationships like a pearl. For us, integrity is the basis of trust. And trust always comes before success.

REVIEW OF THE YEAR

Social commitment has always been part of Berenberg Bank's philosophy. This goes back to the time when the bank was founded but is still an important concern of the owners and employees.

Development of young talent: Lauma Skride, pianist born in 1982 in Riga, received the Berenberg Cultural Award 2008 and its prize money of EUR 15,000 (photo with Dr. Hans-Walter Peters). Additionally, the Berenberg Bank Foundation from 1990 supported six other young artists with scholarships. Cultural Senator Prof. Dr. Karin von Welck particularly thanked the bank for enabling four students from the conservatorium in Shanghai to study for one year at the University for Music and Theater in Hamburg as well as with the Hamburger Symphony Orchestra: »As a result they fill our city partnership with life!«

Hockey: Berenberg Bank in Hamburg presented top-class sport on two occasions. Both the final four of the German Indoor Championships for ladies and men, as well as the finals of the German Field Championships, took place with the support of Berenberg Bank as main sponsor.

New buildings: Five years after its formation, the Düsseldorf branch moved into a larger building at the beginning of 2008. Only 500 metres from the old location, the former service villa of the President of the Higher Regional Court at Cecilienallee 4 offers 1000 square metres of space for meetings and client events in a modern environment within historic walls (photo).
Berenberg Bank (Schweiz) AG has also moved: in time for its 20 year anniversary, the subsidiary moved to a new building in close proximity to the Opera House and lake Zurich. 200 guests came to the opening party.

Art: Together with the London Auction House Sotheby's, Berenberg Bank displayed significant works of German and Austrian art from the early 20th century at exhibitions in Hamburg, Frankfurt and Munich. Works of art by Max Beckmann, Gustav Klimt, Max Liebermann and August Macke were on show among others. Photo: Dr. Katharina Prinzessin zu Sayn-Wittgenstein and Andreas Brodtmann in front of Max Pechsteins »Circus with Dromedaries«.

City ranking: The HWWI/Berenberg city ranking published for the first time, was met by a great response by the media, politics and business. The 30 largest German cities were investigated as to their eligibility for the future. The frontrunner was Frankfurt, ahead of Munich and Stuttgart. The study was presented in various cities. Photo: Lord Mayor of Bielefeld, Eberhard David; Berenberg Branch Manager, Volker Steinberg; HWWI Director, Prof. Thomas Straubhaar and IHK (German Chamber of Commerce) Managing Director, Thomas Niehoff.

Polo: The highest calibre polo tournament on German soil for over a decade took place in the summer at the Düsseldorf Riding and Polo Club – at the Berenberg High Goal Cup a handicap of 14 was played. As well as this tournament, the other Berenberg tournaments in Hamburg, Munich and Klosters (Switzerland) staged exciting games for the numerous spectators and are among the most outstanding sporting events in the German-speaking world.

Charity: 22 teams set themselves a contest of a special nature at the BerenbergKids Challenge. The 66 participating clients, employees and friends of Berenberg Bank had to row a total of 12 kilometres and run 14 kilometres. They had to collect donations for their entrance fee – over EUR 90,000 was raised. The amount went to Stiftung Mittagskinder in Hamburg. Since its launch two years ago, BerenbergKids has already collected EUR 260,000 and has participated in many volunteering activities for children.

OVERALL ECONOMIC DEVELOPMENT

From a historic economic perspective, the year 2008 will go down as the start of a significant turning point. The confidence of wider groups of the population in the superior efficiency of self-regulatory market forces was badly shaken. The global financial crisis initially led to a major lack of confidence and then to the greatest economic crisis since the end of the Second World War. Without the intervention of the governments and central banks, the existence of the worldwide financial system would have been threatened, savers would have lost billions of their investments. It has become apparent that attempts to support the internal banking system and save jobs have distorted competition more and more. The turning point of globalisation seems to have been reached. Finally, as a consequence of the enormous asset losses and the restrictions of loan issues, the Americans have been forced to intensively rethink their system of debt-financed overstretching of global resources to satisfy short-term consumer desires.

During long periods in 2008 it did not seem that the obvious problems of the banks and insurance companies could give rise to heavy collateral losses. However, the US economy, which is largely dependent on private consumer expenditure, was already close to a standstill in the spring. At the time the Eurozone was able to detach itself relatively well from this, in comparison to the previous year, the economy grew by 2.1 %. Although an increasingly inconsistent picture emerged. Whilst Germany remained surprisingly dynamic, the economy weakened more significantly in the »property-led economies« of Spain, Ireland and Great Britain.

In Germany, the economy continued to expand until the summer with growth rates of up to 3.3 %, the highest since reunification. This was mainly fuelled by exports, in 2008 we were once again the largest exporter in the world, just ahead of China, with deliveries abroad of EUR 1,000 billion. This, and the initial continuation of solid corporate investment, enabled further employment growth.

The unemployment figures continued to decline towards the year end and even fell just below the three million mark. Within this environment, wage agreements were concluded at levels above consumer price development for the first time in many years. The expected upturn in consumer expenditure failed to materialise due to the financial crisis and higher crude oil and petrol prices which raced right into July from an historical all-time high to the other extreme. At the same time the USD, at 1.60 per Euro, was weaker than ever before.

The negative influences from currency and raw materials, as well as the noticeably increased inflation rates, put a break on growth. The cost of living in the USA rose during the summer by 5.7 % and in the Eurozone by 4 %, being the fastest rate since the formation of the currency union. The fact that the price development almost reached zero at year end, i.e. shortly before the slide into deflation, was evidence of the rapid decline of the world economy. Like dominos one country after another fell into recession, including Germany. Extrapolated for the whole year, the gross domestic product shrank by 8 % during the final quarter.

In addition to normal cyclical recessionary forces, the extremely negative effects of a global credit crunch became noticeable following the bankruptcy of the investment bank Lehman Brothers. More loans and securities drastically lost value, thus burdening bank balance sheets and eroding their equity. Announcements of horrendous loss followed as did the threat of a run on bank deposits.

With lessons learned from the past, governments and central banks reacted to the escalation of the financial crisis and the severe economic slump with drastic counter measures. The USA resolved to support the banks with a volume of USD 700 billion. Around the globe, governments followed with similar aid packages which added up to more than USD 4,400 billion by the year end. Together with the state economic programmes, an astronomical total amount of USD 6,700 billion was spent, or rather almost 15 % of global economic GDP for 2007.

Furthermore, in an orchestrated action the large central banks lowered the base rates in several steps to record lows. In the USA, Japan and Switzerland only a few were above the zero percent level.

Capital market investors were also exposed to turbulent times. First, the prices of raw materials climbed to unprecedented heights and then slumped. The crude oil rates fell by more than 70 % from their all-time high in July. Share-price indices lost over 40 % in value. Gold and government bonds from the leading industrial nations proved themselves once again »safe havens«. Gold already reached unprecedented levels in the spring at USD 1,030 per troy ounce. The returns for bond market securities decreased from their interim high in the summer to rates of 2.5 % in the 10-year range for the USA and to almost 3 % in the Eurozone.

For 2009, a gradual recovery is expected for the USA and globally. The rescue packages initiated should revitalise global growth in the second half of the year. This will, however, be accompanied by re-inflation of the world economy in the medium term. The inflationary effects of the enormous future government debt should not be underestimated. The extent to which we impose future generations with too heavy a burden depends on how serious the intention is to use additional future tax income to prematurely repay capital. A return of consumer confidence will be helpful in this respect.

We protect the assets entrusted to us with the greatest of care and we perform our business activities with the appropriate discretion. Our clients and business friends experience us as a permanently reliable partner at their side. This is the basis on which something valuable grows: Trust.

BUSINESS AND STRUCTURE

Berenberg Bank has continued to operate as a private bank focussing on four business segments: Private Banking, Investment Banking, Institutional Asset Management and Commercial Banking.

Despite the extremely difficult market environment, we achieved good results in all four business areas from our expanded client and commercial base in 2008. In addition to our positive earnings structure, we are pleased that we have been able to significantly increase the number of our clients and that the high quality of our work has been confirmed by investigations and press reports. We aim to extend this quality leadership even further.

Last year assets under management grew by 5 % to almost EUR 20.3 billion (previous year 19.1 billion). The high inflow of new money is particularly positive.

Berenberg Bank's headquarters are in Hamburg. Other branches in Germany are located in Bielefeld, Bremen, Düsseldorf, Frankfurt, Munich and Stuttgart as well as a representative office in Wiesbaden. In the reporting year we were represented abroad by branches in Luxembourg, Milan and Paris, as well as by representative offices in Edinburgh, London, Shanghai and a representation under Swiss law in Zurich.

We also have subsidiaries based in Germany, Switzerland and in Luxembourg.

The existing locations were expanded further in the reporting year. Since we attach a great deal of importance to personal client service, we again increased our workforce in line with our growth.

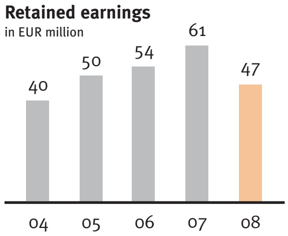
We view our own internal IT department as a particular competitive advantage. Over 100 employees in this department are involved with the development and implementation of internally generated software which enables us to use EDP applications that are tailor-made for our clients and business.

Our exposure in retail banking and lending segments is in line with our restrictive risk strategy.

The surplus liquidity, primarily resulting from client deposits entrusted to us, is invested in a highly conservative manner within a well-diversified securities portfolio. This consists mainly of public-sector securities and mortgage bonds. The bank has never made any investment in subprime structures.

RESULTS OF OPERATIONS

Retained earnings
in EUR million



RETAINED EARNINGS The financial year 2008 closed with net profit for the year of EUR 47.1 million (61.2 million). The return on equity, calculated at the quotient of pre-tax profits and equity at the start of the year, amounted to 37.5 % after reaching 56.1 % in the record year of 2007. The cost-income ratio was main-tained at the same level as in the previous year at 66.9 %. The ratio of net interest income (excluding income from participating interests) to net commission income amounted to 25:75 (18:82).

NET INTEREST INCOME Current net interest income (excluding income from subsidiaries) was increased overall by 24 % or EUR 8.3 million to EUR 42.6 million. The main reason for the increase was the significant inflow of funds in the Private Banking Division and in Shipping, which led to a volume increase of 24 %. The growth in lending operations is consciously restricted by our high creditworthiness standards and our requirement for an appropriate return on risk. The relative lending business share of client interest amounts to 35 %. With the exception of the distribution of refinancing costs, profits earned by the subsidiaries were retained in full, as in previous years. Other income from affiliated companies relates to a special distribution of some of the profits retained in previous years in connection with a change in shareholders.

NET COMMISSION INCOME Against a negatively influenced market environment, net commission income, dominated by the securities segment, managed to remain at a relatively high level of EUR 124.9 million (151.5 million). Significant inflows of funds helped to restrict the market-related decline in securities commissions to 21 %.

In this way, the strategy of maintaining a broad-based securities segment, featuring the three divisions Private Banking, Investment Banking and Institutional Asset Management again proved highly successful. Also in Commercial Banking, net commission income increased. The primary factor here was again our highly successful services business with our German and international shipping clients.

TRADING INCOME All trading segments were able to successfully utilise the high volatility of the securities and foreign currency markets within their still prudently calculated value-at-risk limits. Trading income improved by EUR 7.2 million, or 63 %, to EUR 18.8 million.

ADMINISTRATIVE EXPENSES As in previous years, we continued in 2008 to invest in highly-qualified personnel. As a result, our average number of employees in the bank including trainees increased by 14 %. The fact that despite this growth personnel costs were reduced by 2.6 % compared to the previous year shows that cost flexibility can be achieved through performance-related salary components.

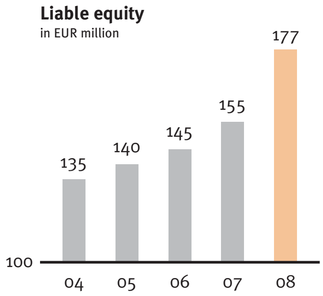
Personnel growth, investments in modernised IT and targeted marketing activities led to an increase in non-personnel costs and in tangible fixed asset depreciation. Accounting for the reduced personnel expenses and fixed asset depreciation, administrative expenses overall increased slightly by 1.2 % to EUR 134.7 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 discernable credit risks were fully taken into account using prudent valuation methods.

The continued increase in client deposits led to investment primarily in a highly diversified and conservative portfolio of securities, mainly public-sector issued, plus German mortgage bonds, European covered bonds and bank bonds with guarantor's liability. The bank has never held non-liquid paper or structured products. Securities held are measured exclusively at trading market values. In compliance with the conservative risk strategy, the bank avoids the risks of comprehensive transformation of terms and shortens the duration of the portfolio using interest swaps. A loss arising on the valuation of securities within the liquidity reserve, results only from the broadened spread of mortgage bonds.

The tax 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



CAPITAL RESOURCES AND PRINCIPLES The liable equity resources of the bank increased during the financial year by EUR 21.9 million to EUR 177.0 million. This includes core capital of EUR 145.0 million and supplementary capital of EUR 32.0 million. Supplementary capital consists of subordinated liabilities (EUR 27.0 million) and participatory capital with terms of longer than 2 years (EUR 5.0 million).

The aggregate key figure in accordance with the Solvency Directive amounted to 11.1 % at the end of the year. This level of capital resources means we can continue to meet all of the statutory capital requirements for equity.

At an average of 2.34 for the year (year end 2.06), 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.

REFINANCING AND SECURITIES PORTFOLIO Berenberg Bank can refinance itself fully from client deposits whilst regularly generating a huge liquidity surplus. The Treasury department invests the majority of this surplus in bonds of the highest credit standing with the objective of minimising lending risks.

The growth in client deposits led to an increase in the level of debenture stocks and other fixed-interest securities held of EUR 766.2 million to EUR 2,765.8 million. The share of public-sector issuers (almost entirely German Federal States) rose particularly steeply to EUR 1,724.1 million (790.7 million). The balance of bonds from banks (mainly German mortgage bonds, in addition to European Covered Bonds and bank bonds with guarantors' liability) decreased to EUR 1,016.8 million (1,199.8 million). EUR 24.9 million (9.1 million) relates to other issuers, whereby explicit state guarantees are available for EUR 15.0 million and the remaining EUR 9.9 million is allocated to various trading book positions.

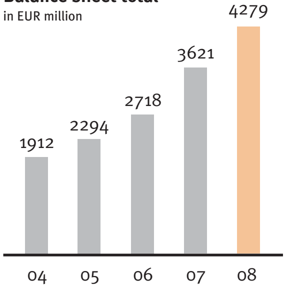
The average remaining term of the portfolio amounts to 2.5 years, whereby the interest risk is limited regularly to the 3 or 6 month Euribor. The major part of the portfolio is deposited with the Deutsche Bundesbank which, in case of short-term liquidity requirement, guarantees a high refinancing package at the ECB.

Additionally, within the liquidity reserve investment funds are held which, pursue risk-reduced investment strategies on international share indices or, alternatively, operate an active (but still only short) duration management on the bond side. The volume was reduced to EUR 77.7 million (85.6 million) by the sale of shares.

Positions are not held either within the investment fund or in the portfolio directly in ABS, CDO or comparable structured lending products. The level of debentures from banks which are unsecured and not secured with a guarantors' liability, is very low with a volume of EUR 7.5 million and mainly short remaining terms.

As a result of specific transactions, shares amounting to EUR 101.6 million (46.1 million) were taken over which, due to pledged credits, option agreements and the high credit-standing of the counterparty, bear no material risk.

Balance sheet total
in EUR million



BALANCE SHEET TOTAL AND VOLUME OF BUSINESS In the reporting year the balance sheet total rose from EUR 3.6 billion to EUR 4.3 billion (+18.2 %) 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 decreased to EUR 454.7 million (690.9 million). Of these, EUR 210.0 million is held by the Deutsche Bundesbank. As a reaction to the tense situation in the banking sector, the bank invested any surplus liquidity in bonds from predominantly public-sector issuers rather than in further claims on banks. Client lending operations were expanded in a moderate and risk-conscious fashion. As a result, client borrowings increased to EUR 662.7 million (629.1 million).

The liabilities side is characterised by a further heavy inflow of client investments and a strong increase in bank monies as a result of the client trust funds held on deposit by our Swiss banking subsidiary.

Thus, liabilities to banks increased by 131.3 % to EUR 617.5 million (266.9 million) and liabilities to clients by 8.5 % to EUR 3,236.4 billion (2,982.7 billion). The proportion of client deposits in the balance sheet total amounts to 75.6 % (82.4 %).

The expanded volume of business, which increased by 16.2 % from EUR 3.8 billion to EUR 4.4 billion, is in line with the growth in the balance sheet total.

CREDIT VOLUME The bank's extended total volume of client lending almost remained unchanged at EUR 833.4 million (836.6 million). The sum comprises claims on clients (EUR 662.7 million) and contingent claims from sureties and other guarantees (EUR 170.7 million).

We are independent from within and solid on the outside. The influences of the market affect our bank. They are, however, never so great that we are controlled by them. This is achieved because our actions are based on a stable business model and are in line with principles we can follow in any situation.

BUSINESS DIVISIONS

Private Banking

Reliability through a risk-adjusted advisory philosophy – a target that we have always felt committed to and which has contributed significantly in 2008 to maintaining the assets entrusted to us. Through the implementation of strongly diversified investment strategies and consistent risk management, our clients have been able to absorb the strong market distortions – even though the high correlations in the exceptional year 2008 made risk diversification more difficult. We have always seen ourselves as the professional risk managers of our clients and were able to show again that far-sightedness and prudence contribute to the avoidance of negligent investment decisions and therefore fulfil the interests of investors long-term.

BUSINESS DEVELOPMENT The consistent implementation of our personal and comprehensive asset management contributed once again to the development of existing business relations and to securing many new client relationships. Newly received assets have a volume of EUR 1.3 billion higher than in the previous year. In particular, the increasing number of significant family and foundation asset portfolios managed by us and the intensity of our business relationship with many medium-sized companies across the German Federal Republic is proof of this development. The image we have of ourselves as strategic partner to our clients and the subsequent face-to-face dialogue resulting from this, is both an obligation and a motivation for us to meet the global challenges of the financial markets with innovative strategies which are viable long-term. In a market environment increasingly characterised by standardisation, we recognise the individuality of our clients and develop tailor-made solutions and concepts.

INDIVIDUAL AND COMPREHENSIVE APPROACH Our asset management consulting covers far more than the traditional securities business. For years, analysis of the entire existing asset structure has been the starting point for working together with our clients. All asset portfolios have a certain risk and return relationship which is to be optimised under consideration of the personal aims and expectations of our clients. This is achieved by the allocation of total assets to individual investment components specially tailored to client requirements. We identify in every case the best from the range of investment alternatives available on the market. Our clients therefore benefit from close cooperation with Institutional Asset Management and thus have access to particular solutions which are usually only open to institutional investors. As a result, the skilled combination of selected components forms the basis for a long-term oriented asset strategy. The selection of individual investments is based on a quantitative and qualitative selection process and always accounts for the future prospects of the particular investment category. Consequently, a comprehensive approach at the highest level and the basis for long-term investment success are ensured.

CLIENT ADVICE The positive business development and the high expectation of individual advice from us, have led to a renewed increase in personnel resources applying to both the consultancy and technical areas which support our advisers with special know-how in their everyday contact with clients. A high-quality dialogue is ensured between adviser and client through permanent in-house and external exchanges of ideas, as well as through numerous continuing education measures for our employees. An extraordinarily high employee loyalty forms the basis for the establishment of a long-term and stable trust relationship between staff and clients. Specialist advisory teams are part of an established structure which offers a high degree of service orientation for a high level of client satisfaction.

INNOVATIVE STRENGTH The ongoing development of our internal infrastructure is evidence that tradition and continuity can be effectively harmonised with innovative corporate development. The permanent improvement of our modern and high-performing portfolio and risk management systems, as well as the constant optimisation of our various reporting systems, lay the foundations for a client-oriented operating business.

The Private Banking division has obtained excellent expertise in the reliable valuation, independent selection and targeted application of various total return approaches. This includes institutional special solutions (e.g. Overlay Management), risk-adjusted certificate funds (e.g. High-Discountportfolio Universal) and selected bond strategies (e.g. Berenberg 1590-Income-Universal). The development of all these approaches results from an intense observation of the capital markets and also from consultation with specialists from a network built up over decades. These consistently contribute to the optimisation of the portfolio structure of our clients.

BRANCHES Through the constant expansion and development of our locations across the whole of the Federal Republic (Bielefeld, Bremen, Düsseldorf, Frankfurt, Munich, Stuttgart and Wiesbaden), we were able to achieve a tangible increase in awareness of the bank and, thus, positively increase the volume of client relations. Through our involvement in culture, sport and society, we carry the flag in the major economic regions and the bank is publicly gaining in presence. Not least of all, this has made us optimistic that we are in a position to go on successfully using market opportunities available and continue our growth path.

BERENBERG PRIVATE CAPITAL GMBH The two departments Family Office and Structured Investments both equally contributed to the positive operating result for 2008. The *Family Office* managed to continue its growth. The department covers services and special solutions which are significant for advising very wealthy private clients in Germany in areas encompassing asset structuring, the tax situation and succession planning. From an organisational point of view, we act as an intermediary between clients and external service providers. In order to meet the increasing requirements of our clients and the growing complexity of issues dealt with, we have further refined and extended our comprehensive spectrum of services, including financial planning, asset controlling and selection of asset management systems.

One challenge was dealing with the changes to the corporate tax reform in 2008 as well as with the inheritance tax reform. The latter, in particular, significantly affected our medium-sized clients. A clear increase in the requirement for advisory services led several times to permanent business relations. Additionally, there was a strong rise in interest in foundations. We are able with our specialists to advise potential founders on setting up a foundation and to consult existing foundations on management and asset management.

The crisis in the international financial markets attracted the focus of more clients to our independent Family Office service in the year under review and led to notable success in the acquisition of medium-sized companies in particular. We define *Structured Investments* as classic, closed funds (ships, property) as well as alternative investments (hedging funds, private equity, raw materials). We were only able to identify a few products in the first half year which fulfilled our quality requirements for closed funds. Overall, placement volume declined to the extent that we were even more selective in the second half year due to the financial crisis. However, the results of the closed funds placed so far and old closed funds realised during the year were positive. For the first time, our focus shifted to climate change and the growing world population, which led to a trend of rising agricultural raw material prices. This, in turn, will have an effect on the prices for fertile farmland. For this reason we have initiated the exclusive placement of one of the first investments in farmland, FarmInvest. We have supported the project from the outset and as a result have occupied a new market niche. We will continue to develop this new business and make further investments available to our clients.

In the *private equity department* we plan, together with Hansa Treuhand, a new umbrella fund with a geographical focus on Asia in 2009. Within the alternative investments, we were not able to detach ourselves completely from the negative market trend. In addition to the optimisation of our models and the analysis approach, the focus is stronger on the development of more stable and liquid solutions. Within property services, we successfully concluded several transactions with investment properties and support clients with research and individual advice.

BERENBERG BANK (SCHWEIZ) AG In the 20th financial year, Berenberg Bank (Schweiz) AG generated a positive result despite the extremely difficult market environment. The record result of the financial year 2007 could not be achieved. However, the actual result of CHF 7.3 million is positive in light of the investments in the growth of the bank such as, the recruitment of more employees and the opening of a new building. We see this as continued confirmation of the solid socio-political orientation of the Swiss bank.

As a subsidiary, Berenberg Bank (Schweiz) AG adopts all international Private Banking activities of the Berenberg Group from its location in Zurich. In this area it also managed to expand its business in the past year.

Despite the massive decline in prices on the market and the resulting reductions in deposit balances, the volume of all of the client assets managed has only declined in line with normal market development due to numerous positive new acquisitions. Client assets currently managed amount to CHF 2.7 billion.

Following the stock exchange years which have predominantly developed sideways in the past, the crisis year 2008 has supplied further evidence of a successful long-term share selection based on the »Berenberg Systematic Approach«. Since 2004 the selection model developed by Berenberg Bank (Schweiz) AG has enabled long-term outperformance compared to the MSCI index even when there were price collapses. The two funds set up in past years, which invest according to this model, also continued to develop positively and did not have to disclose any cash outflows.

Personnel has continued to strengthen at Berenberg Bank (Schweiz) AG: with the 58 current staff (+9 %), the bank is in a good starting position for the continuation of future organic growth.

You can find further details about the activities of our subsidiary from its own Annual Report – Berenberg Bank (Schweiz) AG.

Investment Banking

Capital Markets

RESEARCH Overall 25 analysts serve almost 300 quoted companies from Germany, Austria, Switzerland, France and Italy. In addition to our long-standing small and mid cap services, we are now extending our range of services to include large caps as requested by several clients.

Our analysts operate locally from Hamburg, London, Milan, Paris and Zurich in order to guarantee proximity to both the companies and the markets as well as to clients. The increasing importance of the foreign locations is documented by the fact that more than 70 % of the companies analysed are located abroad. The route taken in 2003 to the establishment of a European share analysis, has thus been consistently implemented.

Repeat investor conferences were organised after the success of previous years. As well as the annual conference for German specialists, already in its 6th year, conferences focussing on Switzerland and France have been organised.

All conferences were held in Brocket Hall to the north-west of London and each offered more than 100 institutional clients the opportunity to meet companies at board level in both one-to-one meetings and presentations. Completing this were several small conferences for German, Austrian and Swiss companies in Paris and Zurich.

The high quality and acceptance of our equity research was recognised again in 2008 in the form of numerous awards. The German analyst team was honoured by AQ RESEARCH for the best recommendations in the MDAX. We are especially pleased with the repeated good ratings from our clients. In the »Thomson Extel Pan-European Survey« conducted by THOMSON FINANCIALS, in which more than 1,000 fund management companies are surveyed, Berenberg Bank's equity research for German small and mid caps was ranked in a strong second place and has thus proven itself in the leading group for a few years now.

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

SALES In 2008 the stock markets showed clear signs of the cooling off of the worldwide economy and the ever growing extent of the global financial crisis. The leading DAX index lost 40 % in value and experienced its highest annual loss since it was first calculated on 1 July 1988. The MDAX, representing the mid caps, lost 43 % in value and thus closed with a worse performance than the DAX for the second consecutive year.

Despite the worsening market conditions, our sales team still managed to increase its number of clients and is responsible for 340 institutional investors. Equally, the service within the foreign research products was intensified further over the year. As a result of increasing economic insecurity, travel activities of both companies and of investors declined notably as the year progressed. In 2008 we organised 456 (540) road-shows and 182 (243) trips with investors.

SALES TRADING The Berenberg Sales Trading Team was able to gain additional market shares and further expand its leading role as a specialist in the field of pan-European small and mid caps. For the year under review, Sales Trading was able to generate sales of more than EUR 18 billion in European small and mid caps.

In order to continue to extend its leading role as a specialist in the cash-equity area and to meet the high quality expectations of our clients, we invested further in new technologies. In this way certain European stock exchanges were, for example, linked directly by memberships. Furthermore, through the development of an internal algorithmic trader and the implementation of a Program Trading Desk, new clients were gained and the service for existing clients made more comprehensive. Currently, a professional team comprising 10 sales traders, based in Hamburg, service the institutional investors.

FIXED INCOME The year 2008 was characterised by the financial market and confidence crisis which led to extreme distortions, particularly in the bond markets. The consequence was a complete revaluation of all market segments coupled with great insecurity. For all investor groups the topic of security was a priority, whereby the limelight shifted to treasury bonds. Interest declined significantly. However, in this area, states with less positive ratings had to pay substantial premiums. This became worse, particularly, after the bankruptcy of Iceland was avoided by the intervention of the ECB and of several states. The inter-bank money market almost came to a complete standstill, despite massive interest rate cuts by the ECB. The problems of the IKB, several Federal State Banks and particularly of the Hypo Real Estate Group, even led to an issuing stop on the bond markets, which were known in the past as particularly secure, and also to illiquidity of the second markets. This development led to a huge range of spread among the corporate and high-yield bonds. New issues could only be placed with state guarantees or with extreme interest concessions.

All in all, against this development in all market areas there were repeated major exaggerations, which we were able to use for our clients because of our independence and product neutrality. In order to improve our competence and neutral advice in the classical fixed-income area for both existing and new clients – especially institutional investors – we have recently restructured the Sales Trading Fixed Income area. For this we were able to secure a team with many years of market experience.

As a result of a very risk-conscious portfolio management, which is aligned quickly to the relevant market situation in the area of own trading of fixed-interest securities, we were able to achieve a record result.

FOREIGN EXCHANGE TRADING If the interest differentials in the foreign exchange market gave the relevant impulses over the past few years, this was only true to a limited extent in 2008. The extensive sub-prime crisis and its effects on money and capital markets also affected the foreign currency market. Uncertainty existed for almost the whole year and events were influenced by very high volatility.

Whereas the market rewarded this development until the middle of the year with Euro-USD rates of just over 1.6000, there was then an abrupt change in events and the exchange rate fell to 1.2350 without any major counter-movements.

Conversions and returns of American assets back to the USA were given as the major arguments for these counter-movements. The fast-moving negative economic expectations in Europe, and particularly in Germany, contributed to this development.

The flight away from many asset categories and the related fall in prices, did not affect the carry trades. The high-interest currencies were placed under enormous pressure and the main debt currency, the Japanese Yen, increased by over

30 % at its peak against the Euro. All of these areas of tension led to an increase in demand for currency hedges by our clients. We were only able to partially meet this requirement with new option strategies.

In this year, characterised by great insecurity and sometimes extremely high volatility, there were many strong and long-term trends in many currency pairs. By applying technical analysis we were able to recognise many of these trends. As a result, we were able to positively expand both our client business and also achieve a record result in our own trading area which works with conservative risk limitations.

Corporate Finance

In addition to Capital Markets, Corporate Finance has also been successfully established. As part of our continued strategic development we have also organisationally placed Corporate Banking in this area.

EQUITY CAPITAL MARKETS If the market for new stock market listings is analysed it can be ascertained that IPO activity is strongly dependent on the development of the stock markets. In years of good performance there are, as a rule, many new stock exchange listings, whereas conversely, in years of declining price development there is a significantly lower number.

Therefore, it is not surprising that only two companies ventured a Prime Standard / General Standard listing in the year 2008. SMA Solar AG and GK Software AG both went to the stock exchange in June, before the market finally collapsed as a result of the Lehman insolvency.

Even a company as large as Deutsche Bahn was forced to decline its planned flotation. Prospects for 2009 are, accordingly, difficult. As the end of the financial crises is not yet in sight, a long-term upward trend in the stock markets does not appear to be imminent. Furthermore, IPO activity has a time lag and, therefore, it has to be assumed that the first candidates for a stock exchange listing would potentially come forward at the year-end at the earliest.

The environment for capital increases looks more positive. Many companies require fresh capital in order to secure organic growth or enable acquisitions. Since external capital can currently only be obtained with difficulty and is expensive to obtain, the only financial instrument remaining is capital increase. We have already received the first enquiries regarding this.

Despite the difficult environment, the Equity Capital Markets Team of Berenberg Bank was able to perform several successful capital market transactions in 2008:

- Smartrac engaged us in the joint lead manager function for the reissue of a share package held by old shareholders
- As sole lead manger we performed a ten percent capital increase for Dürr AG excluding the preferred rights
- Berenberg Bank was engaged as accompanying bank for the public takeover tender for cash.life AG

CORPORATE BANKING & STRUCTURED FINANCE The performance of our corporate client business is based on our many years of knowledge of individual client needs and our advice being personally geared towards the client. We were also able to extend our market position in 2008.

Flexibility and the speed of decision-making, as well as the development of client-oriented solutions, are the basis of our working relationships with our clients. The close accompaniment of the projects and the short decisions paths enable us to continue to react flexibly and quickly to clients' requests. Within regional Corporate Banking we have used opportunities offered to extend the cooperation with our clients. Here the focus of activities was, as before, on business with trading-oriented companies, on financing property projects in the building phase and on the support of medium-sized and large companies from various industries.

In 2008 we brought Corporate Banking closer to Investment Banking. The objective is to be able to offer more advice on mergers and acquisitions, capital market oriented topics and transaction advice on company acquisitions and successor rules, even for companies already advised, and to extend our range of services. We have therefore combined Structured Finance and Corporate Banking.

Across the regions we have intensified our support of transactions, particularly in the Structured Finance area. In this area the focus was on the financing of capital market-oriented companies covered by our research (e.g. by arranging debenture loans) and in selective financing with private equity participation.

Additionally, we expanded across Germany with our Berenberg Entrepreneur's Office advisory approach, under which we observe the entrepreneur, the company and assets comprehensively. The focus here is on particular issues of the entrepreneur regarding changes in shareholders, the succession rule and the strategic orientation of the family business.

In the Trading department our core competences are the advising and financing of export trading transactions for our primarily medium-sized clients who come from the greater Hamburg region. We offer these trading and production companies a flexible and client-oriented service through extreme client proximity, continuity of advisor from the bank and a comprehensive advisory concept. The advisory segments include domestic and foreign payment processing, same-day processing of documentary business, foreign currency exchange, interest and currency management as well as the financing of import and export business, working capital facilities and structured projects.

In the area of real estate financing we provide property purchase loans and bridging finance to selected project developers and construction companies within commercial and private real estate. We concentrate predominantly on projects in northern Germany, particularly in Hamburg.

Whereas the demand for commercial projects has decreased significantly as part of the weakening of overall economic development, the demand for private property in central locations has remained at a good level.

Our focus is on the support of typical medium-sized companies and, in particular, on family companies. We are often the contact for special business and for cross-functional transactions. In addition to classic working capital financing, the focus of activities is on the management of liquidity investments and on the development of instruments to hedge or optimise interest and currency positions.

For 2009 we expect that our position and the changes in the banking environment will open up opportunities for interesting new business and that we can also expand our activities regionally. Parallel to this we will continue our active risk management which also made its contribution to the positive result in corporate client business in this year.

MERGERS & ACQUISITIONS Despite the difficult framework conditions for financing company acquisitions, Berenberg can look back on the financial year 2008 as the most successful economic year of its M&A consultancy. This pleasing result is due most of all to a series of auction procedures where the purchase prices achieved for our clients were sometimes clearly at the upper end of the expectancy range. With quoted companies such as BASF, Curanum, Constantia, Rheinmetall or Vossloh and with renowned family companies such as Bertschi, Hoyer or Punker in addition to our many years of advisory experience with »classical medium-sized companies« we were also able to increasingly use our transaction expertise related to capital markets.

After the market for transaction deals under EUR 500 million (target segment of Berenberg) could be described as being intact in the first three quarters, there has also been a substantial decline in activities since September 2008. Thus, only subdued prospects are justified for 2009. The decline in the number of transactions and also an increased risk of discontinuance of M&A projects due to financing restrictions is to be expected.

Institutional Asset Management

The Institutional Asset Management division manages and controls investments for insurance companies, pension funds, pension schemes, large foundations, enterprises and banks within special funds, master funds, public funds or net assets administration portfolios.

The major decline in the share and loan markets accompanied by an extremely high volatility led to a high risk-aversion by our clients. Against this strained environment, our activities were concentrated on our four core competences: Overlay Management, option-based strategies, fixed-interest security management and small and mid-cap shares.

Within Overlay Management, market price risks are managed by a model-based decision structure in the currency, interest, securities and raw materials areas. The focus of our sales activities was on protection overlays which dynamically manage the relevant market price risk until a state of being completely hedged is reached. Furthermore, comprehensive risk solutions have been developed and implemented for the existing assets. A further focus is on the area of currency overlays. In this segment, currency risks, which arise for example from holding foreign assets, are actively managed in order to generate a positive value from the currency risk.

In the area of option-based strategies, mainly asymmetrical solutions are demanded which allow positive participation in both rising and falling share markets with a stipulated risk budget. At the same time we develop tailor-made solutions independent from the individual risk-yield profile of our clients.

In the area of bonds, the measurement of credit risks central to client interest was the particular focus of our bonds team. For new and existing clients we generated attractive opportunities in the market. In addition to classic fund-based solutions, increasing numbers of advisory engagements were requested in the selection of bonds. We have continued to refine the selection of small and mid cap shares. This asset class, which is always subject to special distortions in crisis phases, also suffered a loss of confidence in the most recent financial and economic crisis.

We think that as the capital markets normalise again, confidence will return to the business models of small and medium-sized companies and demand will increase for the asset class.

By establishing an independent investment advisory team, we have further improved the support of our clients. This specialist unit is responsible for the technical support of all existing clients. It is also available for the preparation of individual investment concepts as well as for our relationship management and internal and external multipliers for technical presentations.

Within relationship management, the focus in the year under review was on the development of new and existing contacts to institutional investors in the German-speaking region. It was possible that the image of Berenberg Bank as the »Asset-Management-Boutique« for specialist investment strategies was improved immensely because of this.

Despite substantial market distortions and a consolidation trend establishing itself within the asset management sector, we are looking positively to the future. Two arguments can be principally considered: through the breaking of the value added chain within Institutional Asset Management, demand will become greater for specialist knowledge for the relevant sub-area. Specialist houses will benefit from this. The quality of the track record is relevant for further growth; we see our position here as especially strengthened through the positive development of the value of strategies in the difficult year 2008.

Commercial Banking

We have ascertained that company clients who are above all convinced of our know-how in foreign business as well as of our personal service, have a particular acceptance of our services.

The flexibility and speed of our decision processes, as well as the potential for developing client-oriented solutions for financing, cash management concepts and service activities, in connection with operative business, are important foundations for permanent relations with our clients both in Germany and abroad.

The German and international shipping business is of special and further dynamic growth importance. This client group has, above all, contributed to a very good result, whereby the extraordinarily positive interest result was particularly characterised by strong growing client deposits. Furthermore, the result from currency hedges and payments processing, however, was significantly increased.

Since the majority of the international shipping companies have an owner structure influenced by private shareholders, these client relations also utilise other services in our company to a notable scope.

SHIPPING Within this significant business field we were again able to positively extend our client relations worldwide. These include domestic and overseas shipping companies, ship management companies, agencies, property agents, bunker traders and the P&I Club.

We place particular value on our client advisers having excellent sector knowledge and close ties to individual clients over many years and who are, therefore, able to offer an individual and tailor-made service with the support of the appropriate technical possibilities. Above all, our services are being actively sought within operating activities and in the optimisation of cash-flows.

Short-term cash-flow financing is always in the foreground in connection with loans. Within the shipping loan division we concentrate on the financing of second-hand tonnage.

In addition to restricting the amount and term of the individual loan, we placed particular value on a strong diversification with regard to types of ships financed. Overall, these activities were built up very cautiously.

Through our close proximity to our clients and markets, the loans are monitored constantly and on a timely basis. Our risk management also contributes significantly to the optimal structuring of our loan portfolio and the decision processes relevant to it.

Whereas the international freight and charter market was characterised by a strong boom development in the first three quarters of 2008, in the fourth quarter previously unknown adjustment appeared as a consequence of the international financial crisis, affecting bulk carriers and container ships in particular.

For the current year we are expecting a slight upturn in the shipping markets but, at the same time, assume that this development will progress rather hesitantly and differently for each of the various types of ship.

Independent of the current market situation, we are convinced that we have developed a special profile over the past few years in this segment of the industry. With our demonstrated sector know-how and range of services, we will, in the future, also find growing acceptance among our clients.

COUNTRY ACTIVITIES Business with China traditionally has a special position within our bank. We are the only private bank that, in addition to our China Desk in Hamburg, has had access to a representation in Shanghai for many years. Via this service centre we have the best prerequisites to also further develop our business relations.

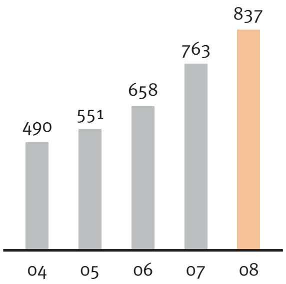
As part of this process, we have our targets set first and foremost on the processing and hedging of risks within the import and export business. In this segment, the long-term and close cooperation with our Chinese bank partners is a major prerequisite.

As a result of the steadily growing number of shipping companies organised within the private economy in China, business relations with these companies are notably gaining in importance for us. We see substantial growth potential here.

With our country know-how we are also at the disposal of trading and production companies from the most diverse sectors. The securing of country risks, particularly in connection with export letters of credit, is not only of positive relevance to China but also to other countries in Asia and the Middle East.

It is our policy here to only get involved in the short-term period and not to set any general country limits, but to perform a critical risk analysis promptly on each individual transaction, accounting for the relevant key data.

Employees at 31.12.
Bank and subsidiaries



EMPLOYEES

Within a difficult environment for the financial economy, we were again able to react very successfully and have increased the number of employees in line with the rise in the scope of business. At year end, the Berenberg Group had 837 (763) employees on its books, 751 (680) of these at the bank.

This represents an increase of 10% over the previous year. We are also looking for qualified employees for the coming financial year and expect further – even if more moderate – growth in personnel. A low staff turnover and a high average length of service prove the strong identification that our employees have with our company, with the average age being 38 years. The qualification of our employees is absolutely key to the success of Berenberg Bank. Therefore, we significantly expanded the number of the different qualification measures in the current financial year. In addition to extending the range of our internal seminar programme to include further topics, we again experienced a strong demand for specific training seminars such as Chartered Financial Analyst (CFA) or study courses accompanying professional work, for example, at the Frankfurt School of Finance & Management. We increased the number of trainee jobs to 21 (20). This year we were able to use the newly implemented university marketing very successfully. Through strong presence at selected universities we were able to significantly increase our awareness level amongst students. This was reflected by the constantly growing number of applications from different universities and subsequent recruitment in various areas of the bank. Excellent cooperation between the personnel department and the other departments of the bank, high personal motivation and absolute client-orientation, also enabled us this year to fulfil the specific and diverse requirements as well as possible.

We thank our works' council for their cooperation based on mutual trust. All personnel and social questions were dealt with very openly and constructively.

Dialogue and implementation are, for us, inextricably linked. Our clients should always be able to see what we do and do not stand for. We are clear in our approach and fair in our communication – both internally within the bank and externally towards our partners.

RISK MONITORING

The past financial year was characterised by turbulent developments in the capital markets and by the financial crisis which intensified as the year progressed. The growing pessimism on the stock exchanges and, in particular, the loss of trust in the inter-bank markets which led to increasing liquidity problems for individual banks, presented the risk management of the bank with special challenges. Our risk strategy, which is based on prudence, has proven itself during this period. The bank did not initiate its own investment in sub-prime loan structures or comparable investments at any time. The bank's liquidity position was very good throughout the whole financial year.

The strategic orientation of the bank towards less risky, service-related business areas, combined with the implementation of modern risk measurement methods optimally directed towards the bank's business, are characteristic of its risk management.

In our risk management process, counterparty, market price, operational and liquidity risks are analysed as the most significant types of risks. 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 the 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 value 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 past 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. In view of the overall result, this 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 returns.

The Board of Partners has overall responsibility for risk management and defines the principles for the control of the various risk types.

A central controlling section accountable to the Controlling/Risk Controlling Department, acts in the sense of MaRisk (minimum requirements of risk management for banks) structurally independent of the various market divisions. This area guarantees a steady flow of information to the bank's Board of Partners and Advisory Board and is responsible for the development and support of the overall systems for bank and risk management.

A Credit Risk Management department independent of the client 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 divisions is monitored by means of a monthly overall calculation with due consideration of the risk exposure. The risks of substantial profit decline within the profit-centre are analysed in this connection. In addition, the management and the individual client 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 clients.

The bank's Internal Audit department carries 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 Credit Risk Management and Risk Controlling departments regularly inform the Risk Monitoring Committee which was implemented by bank's Advisory Board.

The principles of our risk management are recorded 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 the four core business divisions Private Banking, Investment Banking, Institutional Asset Management and Commercial Banking.

PRIVATE BANKING The consistent implementation of our personal and comprehensive asset management support will again in 2009 contribute to the development of existing business relations and to the securing of many new client relationships. We expect particularly strong growth in the administration of significant family and foundation asset portfolios, as well as in connection with the comprehensive advice given to medium-sized companies by the Berenberg Entrepreneur Office.

We will continue unchanged our long-standing conservative risk strategy and support our clients based on individuality, continuity and maintenance of value, therefore creating the foundation for trust and reliability. A permanent exchange of ideas both internally and externally, unusually high employee continuity and our specialised consulting teams will also ensure in future that there is a high degree of service orientation and client satisfaction. Our clients will also benefit in the future from our expertise in sound valuation, the independent selection and targeted implementation of total return approaches. As a result, the long-term optimisation of the individual portfolio structures will steadily raise the satisfaction of our clients and lead the dialogue among equals to remain in line within a capital market environment which continues to be demanding.

INVESTMENT BANKING Despite the difficult environment due to the financial crisis, we see the prospects for Investment Banking as positive. Especially in periods of crisis, client relations can further be reinforced and work, selectively carried out to improve the services offered. We therefore plan, for example, to expand our already wide spread research activities. We should benefit more than proportionally from the expected upturn in the investment banking business due to our wide positioning in Capital Markets and Corporate Finance.

INSTITUTIONAL ASSET MANAGEMENT The year 2009 will continue to be influenced by extreme uncertainty in capital markets and a high risk aversion by the institutional investors resulting from this. In this environment, the focus of client interest remains on risk control and the optimal use of the risk budget. Tailor-made, individual concepts which, in particular, consider the risk objectives of our clients, are the at the centre of our actions. In this context, risk-reduced overlay strategies, which are implemented via options or futures based on quantitative models, are of particular interest in the current environment. Additionally, our core competences include the generation of Alpha using systematic investment processes for share selection, as well as quantitative bond management.

In summary, it can be ascertained that the area of Institutional Asset Management is optimally positioned both strategically and operatively in accordance with the increased demands of the market and the clients, whereby we are optimistic that we will continue to see good growth here.

COMMERCIAL BANKING Our Commercial Banking department sees itself as a service-provider for selected sectors and products; international shipping and foreign expertise in various core markets play a significant role here.

In addition to the special sector know-how of our client advisers and the competence demonstrated in the implementation of client expectations in the operative area, such as foreign payments processing, cash management, interest and currency hedges, client relationships are supported by financing for short-term liquidity requirements and shipping project financing.

As a result of the owner structures of our corporate clients, there are additionally notable activities and additional business potential in cross-selling for Private Banking. Thus, this division has a profile which will remain very successful in the market in the future. As a result of the general economic situation and the strong slump in the shipping division after years of above-average growth, for 2009 we expect a consolidation. In the next few years will strive for the continued expansion of every facet of our securities segment and regard the Commercial Banking departments, in which we operate, as a core field of business with potential. Our objective is to gain market share. Against the background of our growth path we plan a targeted increase in the size of our workforce. In connection with this, we will adjust our internal structures to this growth, particularly in IT, by making further investments. We are expecting that our bank cannot detach itself from the consequences of the weakening global economy and the effects of the financial crisis either. Further particular risks, which could possibly have an essential influence on future business development, were not foreseeable at the time of reporting.

We firmly believe that we are well-positioned in the market and due to the hard work of our dedicated and experienced staff, expect to again achieve a good annual result in relation to the overall economic conditions.

Balance sheet as at 31 December 2008

Assets	EUR	EUR	2007 EUR '000
Cash reserves			
Cash on hand	1,055,639		917
Balances with central banks	69,029,216		41,727
(thereof: with Deutsche Bundesbank EUR 67,140,953)		70,084,855	42,644
Claims on banks			
Repayable on demand	268,546,207		269,580
Other claims	186,121,762		421,313
		454,667,969	690,893
Claims on clients		662,672,894	629,129
(thereof: municipal loans EUR 9,977,000)			
Bonds and other fixed-income securities and notes			
Bonds and notes			
– of public sector issuers	1,724,119,231		790,735
– of other issuers	1,041,706,360		1,208,885
(thereof: eligible as collateral for Deutsche Bundesbank EUR 2,759,042,912)		2,765,825,591	1,999,620
Equity shares and other variable-yield securities		197,191,767	151,790
Participating interests		8,821,894	7,233
(thereof: in banks EUR 89,864; in other financial institutions EUR 0)			
Shares in affiliated companies		3,178,079	3,178
(thereof: in banks EUR 2,540,872; in other financial institutions EUR 0)			
Assets held on trust		48,581,810	38,557
(thereof: loans held on trust EUR 36,227,446)			
Intangible assets		3,810,141	3,430
Tangible assets		10,943,782	8,817
Other assets		53,066,167	45,703
Deferred items		28,333	34
Total assets		4,278,873,282	3,621,028

Liabilities and capital	EUR	EUR	EUR	2007 EUR '000
Liabilities on banks				
Repayable on demand		263,540,109		227,843
With agreed period or period of notice		353,953,520		39,077
			617,493,629	266,920
Liabilities to clients				
Saving deposits with agreed period of notice of				
– three months	457,950			673
– more than three months	143,496			151
		601,446		
Other liabilities				
– repayable on demand	1,677,332,374			1,653,056
– with agreed period or period of notice	1,558,512,231			1,328,850
		3,235,844,605		
			3,236,446,051	2,982,730
Liabilities held on trust			48,581,810	38,557
(thereof: loans held on trust EUR 36,227,446)				
Other liabilities			71,818,964	35,650
Deferred items			31,595	96
Provisions				
Provisions for pensions and similar obligations		29,988,335		27,101
Provisions for taxes		2,696,443		2,933
Other provisions		44,599,835		50,778
			77,284,613	80,812
Subordinated liabilities			30,112,919	5,113
Participatory capital			5,000,000	5,000
(thereof: due within two years EUR 0)				
Equity				
Subscribed capital		145,000,000		145,000
Retained earnings		47,103,701		61,150
			192,103,701	206,150
Total liabilities			4,278,873,282	3,621,028
Contingent liabilities				
Liabilities from guarantees and indemnity agreements			170,753,243	207,509
Other obligations: Irrevocable loan commitments			79,719,126	44,861

Profit and loss account
for the period from 1 January to 31 December 2008

Expenses	EUR	EUR	EUR	2007 EUR '000
Interest expenses			122,209,437	110,768
Commission expenses			20,452,247	23,123
Administrative expenses				
Personnel expenses				
– Wages and salaries	77,679,320			80,724
– Social security contributions and expenses for pensions and other benefits	11,236,601			10,566
(thereof: for pensions EUR 3,609,955)		88,915,921		
Other administrative expenses		40,777,370		38,139
			129,693,291	129,429
Depreciation, write-downs and value adjustments on intangible and tangible assets			5,006,032	3,772
Other operating expenses			6,040,544	5,476
Write-downs and value adjustments On claims and certain securities as well as additions to provisions for possible loan losses			12,172,715	0
Taxes on income			7,244,126	14,648
Other taxes (Unless reported above)			92,154	332
Net profit for the year/ Retained earnings			47,103,701	61,150
Total expenses			350,014,247	348,698

Income	EUR	EUR	2007 EUR ’000
Interest income from			
– Lending and money market business	60,218,251		76,008
– Fixed-income securities and government-inscribed debt	103,917,594		68,571
		164,135,845	144,579
Current income from			
– Equity shares and other variable-yield securities	678,605		454
– Participating interests	739,148		597
– Shares in affiliated companies	15,751,217		1,907
		17,168,970	2,958
Commission income		145,372,073	174,614
Net income from financial transactions		18,763,610	11,538
Income from write-ups on claims and certain securities and also on the release of provisions in loan business		0	8,955
Other operating income		4,573,749	6,054
Total income		350,014,247	348,698

NOTES TO THE ACCOUNTS

General

The annual financial statements for the year ended 31 December 2008 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 methods remained unchanged during the reporting year. Claims on clients 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. In order to cover deferred risks general allowances are made and in Luxemburg so-called collection allowances. The allowances are offset against the relevant assets or included in provisions. Reserves saved for certain items in previous years under Section 340 f HGB were no longer required in the financial year and were released to the profit and loss account. An uncommitted reserve was set up for a part of the amount released. The branches in Milan and Paris do not offer loan business. Securities are treated within liquid assets as trading stock and have been valued in accordance with the strict lower of cost and market value principle.

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. Fixed assets with acquisition costs of up to EUR 150 are written off in full in the year of their acquisition.

Low-value assets with acquisition costs of between EUR 150 and EUR 1,000 are summarised in a collective item and written off straight-line. 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 pension provisions are determined based on the biometric accounting principles in accordance with the currently applicable actuarial tables at the amount of the obligation under IAS 19. For this calculated amount an interest rate of 5.75 %, a salary increase of 2.5 % and a pension payment increase of 2.0 % were established. From the conversion the bank was charged with an additional EUR 1,045,000 in the fiscal year.

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 clients' foreign currency and securities trades are included within commission income.

Notes to the Balance Sheet

CLAIMS/LIABILITIES TO CLIENTS/BANKS

Maturity analysis according to remaining term*	less than 3 months		more than 3 months up to 1 year		more than 1 year up to 5 years		more than 5 years	
	2008	2007	2008	2007	2008	2007	2008	2007
Claims								
– Clients	605,010	573,546	48,733	44,376	4,633	5,625	4,296	5,582
thereof on demand	355,052	329,588						
– Banks	186,122	421,313	0	0	0	0	0	0
Liabilities								
– Clients	1,380,352	1,283,774	178,056	44,201	104	875	0	0
– Banks	349,893	39,077	4,060	0	0	0	0	0
Saving deposits	458	673	51	46	92	105	0	0

* In EUR '000.
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.

Relationship	to affiliated enterprises*		to entities with which a participating interest exists*	
	2008	2007	2008	2007
Claims				
– on clients	0	548	1,002	1,080
– on banks	30	5,689	337	25,163
Liabilities				
– to clients	61,510	59,089	3,546	1,682
– to banks	556,685	199,868	0	0

* In EUR ’000.

Bonds and other fixed-income securities*	Public sector issuers	Other issuers	Total
2008	1,724,119	1,041,707	2,765,826
thereof			
– due 2009	235,822	229,556	465,378
– participations	0	0	0
2007	790,735	1,208,885	1,999,620

* In EUR ’000.

Bonds issued by the public sector are almost all from German Federal States Bonds issued by other issuers can be analysed as follows:

Bonds of other issuers*	
German mortgage bonds	426,882
European covered bonds	239,400
Bonds with guarantor’s liability	343,068
Banks (unsecured)	7,491
Other	24,866

* In EUR ’000.

The items within the guarantor’s liability derive from German development banks or are older regional bank issues, which are subject to the guarantor’s liability of the State or a Federal State (partially additionally secured with mortgages). Other securities include bonds with explicit state guarantees of EUR 15 million. The average remaining term of all bonds amounts to 2.5 years. The interest fluctuation risk is regularly limited to the 3 or 6 month Euribor through investment in floaters or rather through interest swap hedges.

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 77.7 million (85.6 million). As a result of special transactions, shares amounting to EUR 101.6 million (46.1 million) were taken over which, due to pledged credits, option agreements and the high credit-standing of the counterparty, bear no material risk.

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 77.7 million (85.6 million) are not eligible for listing. All other shares are listed. Of the shares in affiliated entities EUR 2.7 million (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 and the corresponding liabilities held on a trust basis comprise EUR 36.2 million (28.6 million) on-demand lending to non-bank clients and EUR 12.4 million (10.0 million) other assets or other liabilities held on a trust basis as security for the pension obligations of a third party.

OTHER ASSETS Included in this item are collectible instruments (cheques, matured bonds, coupons and dividend warrants totalling EUR 12.7 million (7.6 million), interest and accrued fees amounting to EUR 23.2 million (28.6 million) and tax reimbursement claims amounting to EUR 5.0 million.

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

Fixed assets schedule*	Cost of acquisition				Depreciation charges				Net book values	
	Balance 31.12.2007	Additions	Disposals	Balance 31.12.2008	Balance 31.12.2007	Additions	Disposals	Balance 31.12.2008	2008	2007
Participating interests	7,233	1,589	0	8,822	0	0	0	0	8,822	7,233
Shared in affiliated companies	3,178	0	0	3,178	0	0	0	0	3,178	3,178
Furniture and office equipment	25,757	5,325	961	30,121	16,940	3,134	897	19,177	10,944	8,817
Intangible assets	4,625	2,251	0	6,876	1,195	1,871	0	3,066	3,810	3,430
	40,793	9,165	961	48,997	18,135	5,005	897	22,243	26,754	22,658

* In EUR ’000.

SUBORDINATE LIABILITIES Interest of EUR 1.1 million is included in expenses. Subordinate liabilities amounting to EUR 30.1 million are analysed as follows:

Subordinate Liabilities*	%	Due date
5,113	6.60	19.07.2010
10,000	6.55	01.06.2018
10,000	6.80	25.06.2018
5,000	6.25	07.01.2019

* In EUR ’000.

The terms are in line with Section 10 (5a) of the German Banking Act (KWG). There is no premature repayment claim. Of the subordinate liabilities EUR 27.0 million is transferred to the liable capital in accordance with Section 10 KWG (supplementary capital). 40 % of subordinate liabilities which are due within two years are accounted for.

The terms are in line with Section 10 (5a) 5a of the KWG. There is no premature repayment claim. Interest of EUR 1.1 million is included in expenses.

OTHER LIABILITIES Other liabilities mainly include current liabilities in respect of tax payments amounting to EUR 16.3 million (8.2 million) and deferred interest rate swaps and swap options amounting to EUR 25.1 million (20.7 million).

A negative difference of EUR 27.7 million (0.8 million) was set up from closed forward exchange transactions and from a forward currency prolongation.

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 the year end. Assets amounting to EUR 315.5 million (544.1 million) and liabilities of EUR 1,068 million (899.4 million) are in foreign currency.

CONTINGENT LIABILITIES Liabilities from guarantees and from warranty contracts include guarantees of bills of exchange of EUR 123.5 million (145.9 million) and letters of credit of EUR 47.2 million (61.6 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, 96 % (98 %) is generated in Germany and 4 % (2 %) abroad (Luxembourg, Paris and Milan).

SERVICE ACTIVITIES We provided services for our clients, 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.

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 6.3 million (EUR 5.4 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.

Derivative financial instruments*	Volume		Credit equivalence amount	
	2008	2007	2008	2007
Forward exchange contracts	3,854,703	2,752,085	94,610	78,241
Securities futures	557,406	426,752	2,446	10,853
Securities options	176,775	196,377	26,294	21,225
Swaps	1,290,794	1,164,784	17,877	19,878
Caps/Floors	45,000	19,400	1,539	311
Equity options	104,720	46,045	35,555	6,819
Total	6,029,398	4,605,443	178,321	137,327

* In EUR '000.

The bank assesses the potential market risk for interest rate related trades and trades with share or exchange rate risks in its trading book using an »internal model« that has been checked and approved by the Federal Financial Services Supervisory Authority. Applying the multiplier factor 3.0 to these risks and adding further interest, share and currency positions in accordance with the standard procedure (in compliance with the Solvency Directive) the capital adequacy requirement amounts to EUR 28.8 million (13.8 million).

Structure of capital adequacy requirement*

Market risk		**Capital adequacy**	
		2008	**2007**
Standard procedure	– Net share positions	**408**	776
	– Net interest positions	**123**	139
	– Overall currency positions	**37**	52
	Total	**568**	967
Own risk models	– Net share positions	**26,477**	11,097
	– Net interest positions	**1,196**	1,273
	– Overall currency positions	**586**	474
	Total	**28,259**	12,844
Total		**28,827**	13,811

* In EUR ’000.

Client transactions are basically hedged. As a rule, the bank only enters into positions in its own right in order to cover interest rate risk 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).

EMPLOYEES The average number of employees during the financial year amounted to 686 (601), of these 284 (248) were female and 402 (353) were male. We trained 19 (17) people. 61 (58) staff were employed part-time.

BOARD OF MANAGEMENT The Board of Management comprised the following personally liable partners during 2008:

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

At the close of 31 December 2008, Claus-G. Budelmann and Guido M. Sollors retired from the bank as personally liable partners. From 1 January 2009, Andreas Brodtmann and Hendrik Riehmer became personally liable partners.

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 2008, 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 sqq. HGB (German Commercial Code), amounted to EUR 47.1 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 2008 to 31 December 2008. 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 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, 27 February 2009

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgnd. Rohardt
Auditor

sgnd. Butte
Auditor

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