Private Bankers founded 1590

BERENBERG BANK

Joh. Berenberg, Gossler & Co. KG

2011

Report
on the 422nd Financial Year

Key performance indicators

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total assets	€ million	1,943	1,852	1,912	2,294	2,718	3,621	4,279	3,389	3,242	3,953
Business volume	€ million	2,134	2,019	2,066	2,414	2,861	3,829	4,450	3,552	3,357	4,062
Net profit for the year	€ million	41	37	40	50	54	61	47	65	62	56
Liable equity	€ million	125	130	135	140	145	155	177	212	213	217
Receivables from clients/loans	€ million	796	715	636	565	567	629	663	573	559	531
Liabilities to clients/deposits	€ million	1,512	1,433	1,472	1,797	2,156	2,983	3,236	2,456	2,326	2,874
Return on equity (before taxes)	%	46.4	39.5	40.6	49.8	52.5	56.2	37.5	53.0	45.3	40.1
Cost-income ratio	%	44.7	48.9	49.9	55.0	65.3	66.5	66.9	61.9	74.2	75.9
Assets under management including subsidiaries	€ billion	8.2	9.5	10.5	12.4	15.5	19.1	20.3	21.9	25.5	26.0
Employees including subsidiaries		429	452	490	551	658	763	837	894	977	1,110

Established in 1590, Berenberg Bank is one of the leading private banks in Europe today with assets under management of €26 billion. We are an owner-managed banking house based in Hamburg, with eight further offices in Germany and nine abroad. With a firm grasp of our traditions, we have 1,100 staff driving our business into the future.

Report on the 422nd Financial Year

Cornelius Berenberg

Johann Hinrich Gossler

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

Dear clients and business associates,

The euro crisis dominated 2011, and is set to remain a determining topic in the present year, presenting major challenges to politicians and business leaders alike.

Our aspiration is to be a reliable service provider even in difficult circumstances. This approach again helped us to acquire numerous new clients in 2011. To keep pace with the growth in our business, we have expanded our workforce by 14% to take the total to 1,110 employees.

Our business is built on a broad foundation. All four business divisions – Private Banking, Investment Banking, Asset Management and Corporate Banking – made a positive contribution to earnings. Given the current market situation and considerable regulatory requirements, earnings throughout the Private Banking division remained under significant pressure. But here, too, we were able to cushion the trend by acquiring new clients. We again expanded assets under management slightly, from €25.5 billion to €26.0 billion, despite rapidly contracting markets.

Looking at the Bank as a whole, both diversification and, especially, the expansion of the services performed by our Investment Banking division had a positive effect. Berenberg was involved in all the larger IPOs in Germany in 2011, supported a number of capital increases, and provided advice for mergers and acquisitions. Most of the growth in commission income, which was up 17.3% overall, stems from this. In generating an operating profit of €56.1 million (2010: €61.5 million), we have again achieved a good result in light of the difficult circumstances in 2011 and against the backdrop of major investments in the future of the Bank.

The solidity of the banking world is currently being watched very closely. We can stand such scrutiny at any time: at 14.1%, the core capital ratio of the Bank is very comfortable, and is already well ahead of the 9% to be demanded of systemically important banks in the future. This is an expression and evidence of our conservative business policy.

In 2011, we again invested in expanding our business and enhancing the quality of our service and systems. Our analysts cover more than 400 companies. In order to market our research to US investors as well, we set up a subsidiary in Boston – the port city where we already maintained an office from 1828 to 1902. We have strengthened our presence in the key financial centres of Frankfurt and London, and opened our 18th office in Geneva. We have increased the number of account managers working in our nine offices in Germany. This move ensures that we can continue offering the high level of service for which our institution is renowned.

We look forward to remaining a reliable partner for you into the future, building on our proven business model and, together with our committed employees, thank you for your trust and confidence.

Dr Hans-Walter Peters (Spokesman) | Andreas Brodtmann | Hendrik Riehmer

EXECUTIVES

MANAGING PARTNERS

Dr Hans-Walter Peters (Spokesman)

Andreas Brodtmann

Hendrik Riehmer

ADVISORY BOARD

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

Joachim v. Berenberg-Consbruch
Hamburg

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

Professor Dr Heinrich v. Pierer
Managing Partner, Pierer Consulting GmbH, Erlangen

Dr Andreas Rittstieg
Gleiss Lutz, Hamburg

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

Dr Hans-Rüdiger Schewe
President, Fürstlich Fürstenbergische Gesamtverwaltung, Donaueschingen

Andreas v. Specht
Managing Partner,
Andreas von Specht – International Trusted Advisors GmbH, Hamburg

MANAGING DIRECTORS

Sven Albrecht
Lars Andersen
Tobias Bittrich
Dr Jan Böhm
Jens Brüggemann
Simon Chisholm
Gunnar Cohrs
Oliver Diehl
Ross Elder
André Enders
Jörn Engelmann
Lars Fuhrken
Carsten Gennrich
Max Giegerich
Gerhard Gleich
Erhard Gold
Jürgen Hauser
Dr Robert Hengl
Anthony Hervey
Eberhard Hofmann
Oliver Holtz
Dominic Hughes
Andreas Kitta
Axel Klappstein
Holger Knaup
Stephan Koop
Silke Krüger
Christian Kühn
Dr Alexander von Kuhlberg
Dieter Lügering
Andrew C. McNally
David Mortlock
Thomas Müller
Stephan von Parpart
Matthew Rogers
Raymund Scheffler
Jochen Schmidt
Dr Holger Schmieding
Andreas Schultheis
Uwe Schwedewsky
Tindaro Siragusano
Johannes Sommer
Volker Steinberg
Karsten Wehmeier
Dr Ronald Weihe

As at 22 March 2012

Into the future with a strong tradition: Seizing opportunities.

The Berenberg name is tied to a tradition going back 420 years. Our centuries of experience and the values associated with it are part and parcel of our work today. That is one side of the coin. The other side is a question that is no less important to us: How can this tradition help us create value for our clients in our daily work, and how can we lead them into the future?

In a constantly changing world, a company must prove itself anew every day. Our time-honoured values provide us with a useful guide, but do not insulate us from the behaviour of the markets and the world around us. We have always made use of the opportunities that result from this, identifying advantages and applying them to our business. Thus, we developed from a trading house into a bank, and we will continue to evolve in the years to come, **for only through change does tradition have a future.**

Today, we are simultaneously the second oldest bank in the world, and one of the most dynamic in Europe. It is between these two opposite poles – the steadying hand of tradition and the call of modernity – that we can progress in the course of our work. In so doing, we must always keep the future as much in view as the past. As a private banking house that is as traditional as it is modern, we are confident that we will meet good opportunities for a successful future in a changing Europe.

A Hamburger in Munich. Since 2009, Carsten Gennrich has led our branch office in the Bavarian capital. We operate out of nine locations in Germany and nine more in Europe, the US and China. **We are convinced that, for important decisions, clients want direct eye contact, and technology will never change this.**

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Our Bank has concentrated its stock research operations in London, the European financial centre. There, we currently analyse 400 European shares, from small to large cap, and are expanding our coverage. Gunnar Cohrs, Head of Equity Research, has been involved in building out this department at Berenberg for many years, and knows how important his team is. **Today, decisions on the international capital markets require very sound preliminary analysis work.**

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It is important now for companies to have broad access to capital. This includes liquidity supplied by the stock market. In 2011 Berenberg was involved in all major initial public offerings in Germany, and executed capital increases for many corporations. Oliver Diehl, Head of Equity Capital Markets, does not think this high demand is accidental: **With our good contacts and high service quality, we enjoy great confidence in market transactions.**

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Together with renowned art experts, in 2011 we set up Berenberg Art Advice. This subsidiary offers an extensive range of services, from art advice and transactions to collection management. Raymund Scheffler, Head of our Düsseldorf office and also Executive Director of Berenberg Art Advice, is sure that the idea is a sound one: **Art is an investment class that perfectly rounds out a quality portfolio.**

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THE YEAR 2011

Social commitment has always been a part of Berenberg Bank's philosophy. This goes back to the time when the Bank was originally founded and continues to be an important concern of the owners and employees.

»Bach & Sons« CD project – sustainable cultural sponsoring

An example of sustainable cultural funding is linked with pianist Sebastian Knauer. The Bank recently supported him together with the Zurich Chamber Orchestra under Sir Roger Norrington on the »Bach & Sons« CD project. Sebastian Knauer was the first scholar of the Berenberg Bank Foundation, and since then we have developed numerous projects together under our sponsorship. The latest joint production was released at the end of 2011 to highly praised reviews.

Berenberg Bank Masters – golf stars attract crowds

Nearly 10,000 people gathered at Cologne's Golf- und Land-Club to see their heroes close up. After three tight rounds, Welshman Ian Woosnam received the cup from the hands of Berenberg boss Dr Hans-Walter Peters and the two tournament ambassadors and golfing legends Bernhard Langer and Gary Player. At the awards ceremony, Dr Peters announced that the tournament would be repeated in 2012, this time at Wörthsee Golf Club near Munich from 27 June to 1 July.

Berenberg Asia Classics – Asian culture meets humanitarian aid

While the new series of Berenberg Asia Classics concerts is based on our centuries-old ties with Asia, it also demonstrates the popularity of Asian music in Germany. Taro Hakase, the celebrated star violinist from Japan, gave his German debut to 1,300 guests at the Düsseldorf Opera House. Berenberg Art Advice organised an accompanying auction featuring works by Georg Baselitz, Tony Cragg, Rebecca Horn and Thomas Struth. Branch manager Raymund Scheffler donated the proceeds of €130,000 to earthquake victims in Japan.

Berenberg Bank Classics – tennis stars in Stuttgart and Hamburg

Berenberg presented tennis legends not once but twice – at the start of the Porsche Tennis Grand Prix in Stuttgart and the German Tennis Championships in Rothenbaum, Hamburg. While Ivan Lendl, Mats Wilander, Henri Leconte and others played in Stuttgart, Ivan Lendl and Michael Stich ensured that the Hamburg event was a sell-out, with 7,000 spectators.

Recognition – twice the praise for cultural sponsoring

Our ongoing cultural sponsoring programme was greatly honoured. Hamburg's senator for culture Barbara Kisseler and Chamber of Commerce president Fritz Horst Melsheimer awarded the »KulturMerkur 2011« prize to Berenberg Bank for its exemplary commitment to culture. Karsten Wehmeier had the privilege of accepting the Merkur staff from last year's winner, Albert Darboven. Our cultural sponsoring also received warm praise at Berlin's »KulturMarken Award«, being recognised as one of the three most successful programmes anywhere in Germany.

Polo – traditional sport enters Rhein-Main region

Between Oberursel and Bad Homburg close to the financial hub that is Frankfurt, Berenberg Bank inaugurated a new polo tournament. 5,000 visitors had the chance to experience the speed and teamwork of the sport at first hand in August. Berenberg Bank has been sponsoring this traditional sport for ten years now, organising its own tournaments in Hamburg, Düsseldorf, Stuttgart, Donaueschingen and the London area, among other places.

Investor Conference – more interest than ever

The European Investor Conference we again organised at Pennyhill Park near London enjoyed even more interest than last year. Over four days, executives from a hundred listed companies sought to deepen relations with investors through presentations and one-to-one conversations. Our good access to listed German companies, in particular, will enable us to organise a special German conference in Munich in autumn 2012, in addition to the Pennyhill Park event.

BerenbergKids – volleyball for a good cause

»Dig, volley, spike« was the order of the day for the teams taking part in the BerenbergKids Challenge. Our staff collected €100,000 in entry fees. A team of celebrities, including actresses Nina Bott and Mirja du Mont and swimmer Sandra Völker, joined Berenberg Partner Andreas Brodtmann in a special match against a Berenberg team. Since BerenbergKids was set up in 2005, our staff have collected more than €500,000 for needy children.

OPERATIONS AND UNDERLYING CONDITIONS

PROFILE

As private bankers, we stand for a special kind of *independence*. Free of corporate interests, we see ourselves obliged primarily to the client and consider ourselves a service provider.

We combine *individual, personal advice* with a special closeness to the client which is made possible by our company philosophy, our size and the structure of our institution.

Our private bank is characterised by a high level of *continuity*. We are proud of our corporate culture, which has matured over the centuries, and proud of our many long-standing client relationships and the average length of service of our staff.

As a private bank, we are not constrained to do everything. Instead, we *concentrate on specific business areas* where we are particularly good. This is where we can stand out from our competitors and offer our clients genuine value added.

STRUCTURE

Berenberg Bank offers its clients personal services through four business divisions:

Private Banking: This division serves wealthy private investors and families, frequently over generations. This is a complex and responsible challenge that we accept with proven competence and continuity in account management. Our opportunity-based approach to risk management helps to maintain and increase the wealth of our clients.

Investment Banking: The broad-based Investment Banking division focuses on service and client operations performed by the Equities, Financial Markets and Strategic Advisory segments. Our research covers over 400 European equities, in addition to which we support IPOs, capital increases and special transactions, and provide advice on mergers and acquisitions.
Asset Management: Our asset management activities centre on quantitative investment strategies that are implemented in both asset management accounts and retail and special funds. The client base consists primarily of institutional investors like insurers, pension funds, banks and foundations.
Corporate Banking: We advise SMEs on the selection and implementation of optimum funding structures and offer individual advice in targeted areas. We maintain specific expertise in specialist segments like Shipping and China.

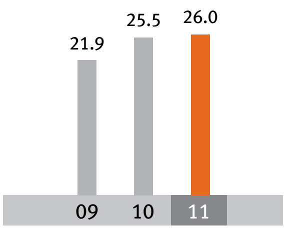
Further services are provided by specialist subsidiaries, including *Berenberg Art Advice GmbH* (art advisory), *Berenberg Capital Markets LLC* (marketing our research in the United States), *Berenberg Private Capital GmbH* (selection of investments in real assets) and *Consilisto Berenberg Privat-Treuhand GmbH* (family office).

Berenberg Bank has its head office in Hamburg. In Germany, it has six further branch offices in Bielefeld, Bremen, Düsseldorf, Frankfurt, Munich and Stuttgart, together with representative offices in Braunschweig and Wiesbaden. Outside Germany, we are represented by branch offices in London, Luxembourg, Paris, Salzburg and Vienna, a representative office in Shanghai and one in Zurich. Subsidiaries have their head offices in Hamburg, Boston, Geneva, Luxembourg and Zurich.

THE 2011 FINANCIAL YEAR

In the 2011 financial year, we succeeded in acquiring new clients in all four business divisions and generating pleasing results from the broader client base. Alongside the good results structure, we are particularly pleased that the high quality of our work has also been confirmed by various studies and press reports. We aim to continue living up to this aspiration moving forward.

Assets under management
€ billion



The Group increased its assets under management slightly, from €25.5 billion to €26.0 billion, despite the difficult market conditions.

As we lay such great store by the personal service we provide for our clients, we have expanded our workforce by 133 to 1,110, in line with our growth. Besides hiring account managers in the Private Banking division, we expanded our presence at key financial centres during the reporting period. One move entailed setting up a subsidiary in Boston to market our institutional equity research to US investors. Our branch office in London grew from 100 to 143 employees, the branch office in Frankfurt grew from 40 to 52, and the number of staff at our Hamburg head office rose from 683 to 726. Our Berenberg Bank (Schweiz) AG subsidiary set up a branch office in Geneva.

We consider our in-house IT department to be a particular competitive advantage. More than 120 employees in this area are involved in the development and implementation of proprietary software that enables us to deploy high-availability, secure IT applications that have been specially tailored to our clients and our operations.

Our commitment to proprietary trading and lending activities is in line with our restrictive risk strategy. The excess liquidity resulting primarily from the client deposits entrusted to us is invested very conservatively in a well-diversified portfolio of securities, for the most part comprising securities issued by German public-sector issuers and securities guaranteed by Germany or a German federal state. At no time has the Bank made investments in securitised credit structures or similar instruments.

AWARDS

The quality of our service was again rewarded with a series of awards in 2011. A report entitled DIE ELITE DER VERMÖGENSVERWALTER (The Elite Asset Managers) produced in conjunction with Handelsblatt noted that *anyone asking about a top private bank in the German-speaking world would always be directed to Berenberg. Its friendly attentiveness,* the report continues, *reflects the quality of the asset management per se.*

- GLOBAL PRIVATE BANKING AWARDS 2011 – *Best Private Bank in Germany*
- EUROMONEY PRIVATE BANKING SURVEY 2011 – *Best Local Bank in Germany*
- WORLD FINANCE BANKING AWARDS 2011 – *Best Private Bank in Germany*
- DIE ELITE DER VERMÖGENSVERWALTER 2012 (HANDELSBLATT) – *summa cum laude*
- FINANCIAL TIMES DEUTSCHLAND – *Analyst of the Year 2011 (Dr Schmieding)*
- TELOS SATISFACTION STUDY INSTITUTIONAL INVESTORS 2011 – *Overall Winner*
- EUROPEAN PENSIONS AWARDS 2011 – *Currency Manager of the Year*
- THOMSON REUTERS EXTEL SURVEY 2011
  Winner Equity Sales German Small & Mid Caps
  Winner Corporate Access Germany
  Winner Small & Mid Caps Research Germany

FINANCIAL PERFORMANCE

EARNINGS

Net profit for the year

The 2011 financial year closed with a net profit of €56.1 million (2010: €61.5 million). Given the difficult market conditions and the large investments made in the Bank's future, the year-on-year decline can be considered moderate. The fact that the profit before value adjustments is higher than the very good figure reported in the previous year highlights the strong operational structure of our business divisions. The return on equity, calculated as the ratio of profit before tax to equity at the start of the year, amounted to 40.1% after 45.3% in the previous year. The cost-income ratio changed marginally from 74.2% to 75.9%. The ratio of current net interest income (without income from participating interests/affiliated companies) to net commission income is 15 : 85 after 18 : 82 last year, which underlines the importance of commission-earning operations for the Bank's business model.

Net interest income

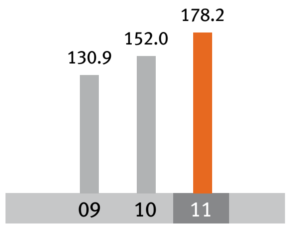
The current net interest income declined from €32.9 million to €31.8 million.

This development can be attributed notably to persistently very low interest rates. In addition, our conservative lending policy is reflected in net interest income.

As in 2010, a distribution from the current profits of subsidiaries was received in the 2011 financial year.

Net commission income

€ million



Net commission income

Net commission income reached a record high in the past financial year, documenting the Bank's good structure in the services activities that play a particularly important role in its business model. Net commission income, which is dominated by securities operations, increased by a considerable 17.3% to €178.2 million compared with €152.0 million in the previous year, in what was still a very volatile market environment.

Our strategy of broad-based securities operations involving three divisions (Private Banking, Investment Banking and Asset Management) again proved its worth in 2011. Net commission income from commercial banking is dominated by the services we perform for our German and international shipping clientele. Net commission income from lending operations also performed well on the back of an expansion of commission-driven new business in the Corporate Banking division.

Net trading income

Net income from financial transactions grew by 7.9% to €32.0 million after totalling €29.6 million in 2010. Whereas FX trading performed extremely well to increase the net income from the previous year with unchanged limits, the importance of securities declined year-on-year. As in 2010, a sum of €3.6 million (€3.3 million) was allocated to a statutory reserve compliant with Section 340g of the German Commercial Code (HGB) in connection with Section 340e (4) HGB. This amount is drawn from the net income from trading activities to act as additional economic capital.

General administrative expenses

The positive development in the results of operations allowed us to invest in reinforcing and expanding our successful business model in 2011.

As was already the case in previous years, the workforce expanded again in 2011, with some investment being made in highly qualified staff. Personnel expenses rose to €128.8 million in 2011 (€111.2 million) due to expansion.

Workforce growth coupled with capital spending on modern IT and targeted marketing activities led to a rise in the cost of materials and in the depreciation of property, plant and equipment. Together with the personnel expenses, this development led to a 14.7% increase in general administrative expenses, including depreciation and amortisation of property, plant and equipment and intangible assets, to €195.7 million.

Risk provisions

Within the framework of risk provisioning, sufficient funds have been allocated to valuation allowances and provisions for lending operations. All identifiable credit risks have been taken into account in full using prudent valuation methods.

FINANCIAL AND ASSETS POSITION

Capital base and principles

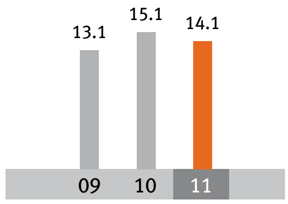
The Bank's liable equity rose to €216.9 million during the financial year (€213.3 million). The total equity consists of core capital of €166.9 million (€163.3 million) and supplementary capital of €50.0 million (€50.0 million). The supplementary capital essentially consists of subordinated liabilities of €45.0 million (€45.0 million).

The capital ratio compliant with the German Solvency Regulation amounted to 15.0% at year-end and the core capital ratio was 11.2%. The Berenberg Group (group of consolidated companies for regulatory purposes) had a capital ratio of 17.2% and a core capital ratio of 14.1% at the reporting date. This capital base means that we continue to meet all the statutory requirements regarding equity capital and today already comfortably meet the tighter equity capital requirements of Basel III to be applied in the future.

Despite the liquidity reserves that are constantly maintained for institutional investors' various funds, our ratio, in accordance with the German Liquidity Directive, is well above the industry average, at an annual average of 3.0 (3.2 at year-end), and comfortably above the requirements of the German Federal Financial Supervisory Authority (BaFin).

Core capital ratio

Berenberg Group, %



Funding and securities portfolio

Berenberg Bank can meet all its funding needs from client deposits, while regularly generating a large liquidity surplus. The Treasury business unit invests the majority of this surplus in top-rated bonds with a view to minimising possible credit risks.

At year-end, the portfolio consisted of bonds and other fixed-income securities with a volume of €2,339.7 million. This portfolio is dominated by paper issued by German public issuers (75%) and securities with a German state or public guarantee (15%). In addition, we hold German Pfandbriefs (1%), German corporate bonds (2%), government bonds from Scandinavia, Austria and France (3%) and covered bonds (4%).

The remaining maturity of these holdings averaged less than two years at year-end, meaning that the spread change risk inherent in this portfolio is limited. The interest rate risk is regularly restricted to the 3- or 6-month Euribor. The vast majority is deposited with Deutsche Bundesbank, which ensures the availability of a high refinancing facility with the European Central Bank in the event of an unexpected short-term liquidity requirement.

At the same time, shares with a volume of €81.4 million are held in investment funds as part of the liquidity reserve. With this, we are pursuing reduced-risk investment strategies based on international equity indexes and applying active (but still short) duration management on the bond side.

The Bank has no positions in asset-backed securities (ABS) or similar structured lending products in either investment funds or its own direct holdings.

Total assets and business volume

Total assets increased in 2011, from €3,241.6 million to €3.953.5 million, as a result of inflows of fresh client moneys and shifts away from securities into client deposits in response to the current market situation. Thus, liabilities to clients rose to €2,874.2 million (2010: €2,326.2 million). Client deposits accounted for 72.7% (71.8%) of total assets.

Liabilities to banks essentially consist of client trust funds held on deposit by our Swiss banking subsidiary. These rose by €144.9 million to €634.3 million.

Receivables from banks rose to €632.8 million (€504.6 million), of which €210.0 million is deposited with Deutsche Bundesbank. Excess liquidity was again essentially invested in bonds issued mainly by public-sector issuers instead of receivables from banks.

As a result of the continued application of our low-risk, conservative lending policy, receivables from clients fell to €530.8 million (€558.8 million).

The expanded business volume rose from €3,356.6 million to €4,062.1 million in line with the increase in total assets.

Credit volume

The expanded credit volume declined to €639.5 million (2010: €673.8 million). It consists of receivables from clients of €530.8 million and contingent receivables from guarantees and other indemnities of €108.7 million.

OVERALL ECONOMIC DEVELOPMENT

The global economy had to deal with a number of unusual shocks and incidents in 2011. The sharp rise in oil prices at the start of the year was followed in March by the natural and nuclear disaster in Japan, which brought great suffering to people in that country. It also interrupted major supply chains in the global automotive and semiconductor industries. Furthermore, China and other important emerging markets were forced to tighten their monetary policies in response to increasing inflationary pressure.

Ultimately, large parts of the global economy managed to cope well with these challenges:

- China had a soft landing. While the pace of growth slowed slightly during the course of the year as desired, inflationary pressure declined tangibly in the latter part of the year. This gives China the opportunity, if required, to cautiously take the foot off the monetary brakes during 2012 and stimulate domestic demand again somewhat.
- Other major emerging economies like Brazil and India also grew again, albeit at a somewhat slower rate.
- In the United States, all fears of a double-dip recession have so far proved groundless. Instead, the extremely loose monetary policy applied by the Fed has stabilised the labour and real estate markets, encouraging people to spend more on private consumption and housing construction. At a rate of just under 2% overall, growth maintained a level that could readily be considered appropriate given the high level of sovereign and private debt.
- Thanks to the resourcefulness of its workers and engineers, Japan succeeded surprisingly quickly in recovering most of the Fukushima losses sustained in the spring of 2011.

Up until mid-2011, Europe also managed to maintain the trends that had already prevailed in the previous year. While a dangerous debt storm raged in three small and highly indebted countries at the periphery of the eurozone – Greece, Portugal and Ireland – the other countries in Europe managed to enjoy a more or less strong upturn through mid-2011 under the protection of the EU safety net set up in May 2010.

It was during the discussions of a first haircut on Greek debt in July 2011, however, that the debt crisis spread to larger countries like Italy and Spain. Spooked by the subsequent turmoil on the financial markets, households and companies throughout Europe began to reduce their spending on private consumption and investment to such an extent that almost all European countries fell into recession.

»The subsequent rise in German leading economic indicators and calmer conditions on the markets suggest that the eurozone will emerge from recession this summer and that a Germany that exercises its responsibility in Europe will soon be able to return to the economic successes of previous years.«

For the year 2011 as a whole, Germany again achieved an excellent outcome, with output growing by 3%, the number of people in gainful employment rising by 2.5% and the overall government budgetary deficit declining to just 1% of GDP. The Agenda 2010 reforms of 2003, with which Germany greatly improved its growth potential, continue to bear fruit. At the end of 2011, however, the German economy also slid into a slight recession in the wake of the euro crisis.

The outlook for 2012 remains mixed in Europe. The situation in Greece remains critical, and in a number of other countries such as Italy and Spain, the inevitable austerity measures will tangibly dampen demand. Nonetheless, in December 2011, Europe's politicians laid the basis for containing the euro crisis during the course of 2012 by taking courageous decisions regarding a new fiscal straitjacket and a more active role for the European Central Bank. The subsequent rise in German leading economic indicators and calmer conditions on the markets suggest that the eurozone will emerge from recession this summer and that a Germany that exercises its responsibility in Europe will soon be able to return to the economic successes of previous years.

Carsten Gennrich

is Head of Berenberg's Munich branch. A native of Hamburg in Germany's far north, in 2009 he moved south to guide the growth of the Munich office, established in 2005. Today he leads a 13-person team, with whom he provides services to clients for the long term.

What makes Munich such an attractive location for a private bank?

Gennrich: Munich and its region have a very strong economy, with major financial and technology companies. Munich also has a healthy population of SMEs. These make it an ideal market for our comprehensive financial consulting services, as well as our corporate services, for example for mergers and acquisitions and capital market activities. Of course, the competition is also very intense. For example, Swiss banks have a long history here. So I am especially proud that, since its establishment in 2005, our branch has grown every year – contrary to the market.

How important is visibility for a private bank?

Gennrich: Being visible, and especially being easily located, is very significant today. This is one of the reasons we recently moved from Bogenhausen to Maximilianstraße. Of course, we maintain a good balance between visibility and discretion. We see it as part of our mission to build networks among our clients, which we do at events. In Munich there will be the Berenberg Bank Masters in 2012, one of Germany's three biggest professional golf tournaments. We are also holding a large investor conference for the first time, and regularly organise presentations on various topics at our premises. This is important for our clients, and also helps us become better known and networked around town.

What do Munich clients like about Berenberg?

Gennrich: Our customers appreciate our Hanseatic virtues – understatement, a sense of tradition, the long view. And I am sure there is also a certain affinity for the northern metropolis. People in Munich have an affection for Hamburg, and vice versa. So our Hamburg identity affects how people view us. But our independence is at least as important, if not more so. Berenberg is completely privately owned. This allows us to be very neutral in our advice. Our actions are purely business-motivated, and we are at the same level as our clients. We ask ourselves what our clients need, and do only that.

Berenberg now has 18 offices. In the digital age, how significant is customer proximity?

Gennrich: Closeness to the client will always be very important for us. In fact, in a complex world it may be becoming even more important. 20 years ago it was mostly about managing liquid assets. Now our clients are looking for broad-based management of all of their assets. Accordingly, we advise on topics from family and succession issues to corporate matters. Closeness is also important, because today we are working with a new generation of clients who are much more knowledgeable than before. Clients do make comparisons, and they are looking for information depth. This actually makes many things easier for us, because we know what our clients are concerned about, and can win them over with our expertise and transparency.

PERFORMANCE OF THE BUSINESS DIVISIONS

PRIVATE BANKING

Our clients are wealthy families, freelancers, entrepreneurs, independently wealthy individuals and foundations. What they all have in common is their desire for a reputable partner to draw up a sustainable strategy for preserving and multiplying their wealth. We consider ourselves equally a partner for conservative investors, who focus on capital retention, and for active investors who are looking to exploit market opportunities. Irrespective of profile and requirements, we deliver appropriate, tailor-made solutions and services.

Our advisors act as strategic partners that work together with both other units in the Bank and external experts in the interests of the client. The business model that has matured over generations was again the key factor in 2011 for the way we overcame diverse challenges in capital markets dominated by numerous political and economic change processes.

We again expanded our human resources in the year under review in line with rising demand. This makes it possible for us to continue providing advice that is geared to the individual requirements of our clients going forward. Our advisors pool skills that have matured and been acquired down the years and have an excellent understanding of our clients' needs. They possess specialist know-how, combining this with a high degree of service orientation in their daily work.

Asset structuring

Accompanying wealthy families over generations is a very complex, responsible task, and is one for which we allow ourselves plenty of time.

The starting point for working with our clients is an analysis of the structure of their existing asset base. Each portfolio has an individual proportion of risk and return, which it is our task to optimise, taking into account the personal objectives and parameters of our clients. Systematic asset structuring using the Berenberg SIGMA wealth concept creates a neutral foundation based on scientific evidence for individual, professional asset advice. New mathematical insights into finance were added to the model during the reporting period.

»Accompanying wealthy families over generations is a very complex, responsible task, and is one for which we allow ourselves plenty of time.«

This optimisation process gives rise to clear recommendations that go well beyond concrete investment proposals. We analyse the range of securities, participating interests, properties, insurance policies and alternative investments available on the market to identify the most promising options in each instance; these form the foundation for implementing a long-term wealth strategy. Individual investments are selected on the basis of quantitative and qualitative selection processes, normally taking into account the outlook for the respective asset class.

Real assets

Real assets have always played an important role in our advisory model. We consider equities to have a strong structured investment quality and promising performance outlook in the long run. In the short term, however, they do not provide the desired stability and security, as the market psychology, particularly in uncertain times like we are experiencing at present, leads to massive price fluctuations.

The situation is different with investments in traditional real assets like farmland, forests, property and even collections. 2011 just demonstrated that these can perform without major fluctuations, separate from developments on the capital markets. Index clauses and other mechanisms like rental and lease agreements often provide additional inflation protection.

»We provide our clients with access to direct investments that would normally require much larger amounts of capital to be tied up.«

We provide our clients with access to direct investments that would normally require much larger amounts of capital to be tied up. Where such investments are to be made using smaller amounts to improve diversification, we initiate investor consortia enabling our clients to put money into real assets jointly by means of special investment vehicles. Transparency is one of the advantages of this approach. The investors are aware of all the key parameters when the investment decision is made. The corresponding evaluation is performed by our experts using reproducible criteria. This creates a reliable foundation on which our clients can base their decisions.

Berenberg Private Capital GmbH has been successfully implementing and supporting real assets for a long time. Our team boasts many years of professional experience covering several economic and investment cycles. This enabled us to provide access for our customers to outstanding – and at times exclusive – investment opportunities.

Art

We set up a subsidiary called *Berenberg Art Advice GmbH* in 2011 with a view to providing our clients with professional services in the field of art consulting, creating and managing collections as well as art investment and art deals. Our competences cover everything from established classical art to young contemporary art. We succeeded in hiring experts who have been operating in the art market for years and have excellent connections. They are supported by a renowned Advisory Board consisting of internationally well respected museum directors and active collectors.

Private Asset Management

Our aspiration is to optimally satisfy the high expectations of our wealthy private clients with regard to quality, performance and transparency at all times. To do this, we focus on risk-controlled strategies in our Private Asset Management. Our central investment philosophy is based on a fundamental discretionary approach. During the reporting period, we modified structures and processes within our asset management offering and merged our asset management services that had previously been provided by two different units. This will enable us to enhance our expertise and effectiveness in asset management and optimise risk management, helping to create value for our private clients.

Family Office

Consilisto Berenberg Privat-Treuhand GmbH is the integrated Family Office service provider of the Berenberg Group, specialising in providing advisory for complex large portfolios. Consilisto devises an overall wealth strategy for clients on the basis of a detailed set of asset and financial accounts. The advice encompasses all assets and always incorporates a balanced asset allocation reflecting the ability of the client to bear risk. Consilisto regularly puts out to tender asset management mandates that need to be placed as part of a beauty contest, awarding the mandate to the bidders with the most convincing investment concepts, upon consultation with the clients.

Consilisto constantly monitors the activities of the mandated asset managers to ensure that our clients' portfolios and investments are not advised in isolation but always in the context of the total wealth. Regular detailed reports keep the clients informed about their asset situation and supply the necessary transparency. We also succeeded in acquiring further clients in this line of business during the reporting period, impressing them with the quality of our service.

Developments in the individual offices

The domestic and foreign offices of our financial institution with Private Banking activities again performed well:

Germany: With our head office in Hamburg as well as branch and representative offices in eight German cities (Bielefeld, Braunschweig, Bremen, Düsseldorf, Frankfurt, Munich, Stuttgart and Wiesbaden), we are superbly positioned to serve our customers personally where they live. Much of the growth is now coming from the offices that have largely been opened over the last ten years. Our teams in the branch offices have become established in their regions and are also contributing to local social life.

Austria: During the reporting period, we were able to build up the business we transact in Austria through the branch office in Salzburg opened in 2009 and successfully accompany existing as well as new clients. In the current year we are looking to exploit the opportunities that arise to profit from the dynamism of the Austrian private banking market, where we aim to position our brand more strongly.

United Kingdom: We have been marketing our Private Banking offerings in the UK from our London branch office since the middle of 2011. With this new activity at our branch in Threadneedle Street we aim to tap synergies and promote cross-selling with Investment Banking, in particular, and provide a further point of contact in Europe's most important financial centre for our British and international clients alongside our offices in Zurich and Geneva. The business performance was in line with expectations. We believe that our reputation as a long-standing, independent private bank offering excellent service will open up profitable opportunities for us in the English-speaking world in the medium term.

Switzerland: The 23rd financial year of *Berenberg Bank (Schweiz) AG*, which serves Private Banking clients throughout the world from its offices in Zurich and Geneva, proved to be highly successful. We were able to continue smoothly on the path of growth seen in recent years. We built on the geographical breakdown of the advisory teams in 2011 by adding teams specialising in specific topics. This resulted in a tangible expansion in the range of services offered and an extension of the Bank's in-house expertise. At the same time, during 2011 we developed innovations in promising investment niches, including some that had previously not been accessible to investors. This will, for instance, enable our clients to benefit from the expected appreciation of the Chinese yuan.

For more information about the activities of the Bank and Bergos AG, a wholly-owned subsidiary that is responsible for Family Office services, please refer to the separate Annual Report of Berenberg Bank (Schweiz) AG.

Awards

Our institution again won accolades in 2011 for the quality of the services its Private Banking division provides. The prestigious trade magazines PROFESSIONAL WEALTH MANAGEMENT and THE BANKER (both part of the Financial Times Group) named us »Best Private Bank in Germany« as part of the GLOBAL PRIVATE BANKING AWARDS. The British trade magazine EUROMONEY called us the »Best Local Bank in Germany«, while the title »Best Private Bank in Germany« was bestowed upon us at the WORLD FINANCE BANKING AWARDS. Moreover, we achieved the highest score of any institution analysed in the report entitled DIE ELITE DER VERMÖGENSVERWALTER (Handelsblatt) for the third time in a row, also receiving the »summa cum laude« distinction for the eighth time. Receiving awards regularly is something we consider recognition for the continuity of our performance among the best private banking providers.

Gunnar Cohrs

is Head of Berenberg Bank's Equity Research. He joined Berenberg in 1996, and in 2010 relocated from Hamburg to London along with 15 other employees. Since then, his team has grown to over 70 analysts, and it is apparent that more research experts will be needed.

In 2010, Berenberg concentrated its research in the London office. Why?

Cohrs: The move to London was the logical consequence of our decision to include large caps in our analysis, along with small and mid caps. We needed to expand the team and also give it opportunities to talk to other analysts. With our quality-oriented bottom-up approach, we monitor 400 companies in 24 industries, and naturally there are many interrelationships among these companies. Here, we're at the heart of the European financial markets and have excellent opportunities to expand the coverage and quality of our research, building on a proven basis. That means that we can offer new, cross-industry analyses.

How does analysis work differ between Hamburg and London?

Cohrs: London is a very dynamic place, and a place that attracts high potentials like no other. If you are good, this is where you come. Here you can go up against the best, every day. Or to put it differently, this is not just the national league, this is the Champions League. Another factor is that in London we work in larger teams. This promotes communication and acts as a »performance accelerant« – being surrounded by top people pulls you ahead, too.

The Berenberg Research Team has grown quickly since 2010. You already have 70 people, and want to add more. What are the reasons?

Cohrs: I have to back up a little to answer that question. In 2001 to 2003, when the new economy bubble was bursting, we invested and boosted capacity in the mid cap field, with the idea of acting counter-cyclically. We knew that the markets would turn around again, and they did – 2005 through 2007 were good years for mid caps. Then, in late 2008, Lehman pushed the markets back into crisis. As a result, many large competitors let people go. We again used this as an opportunity to take good talent on board. Naturally, you can only do this sort of thing when you are backed by a bank that thinks strategically and has the profitability to invest for the long term.

Your clients, the international fund managers, regularly award Berenberg's research top marks. What do you do better than the competition?

Cohrs: In recent years we have built up an excellent reputation for German second-tier stocks. Awards like the one from THOMSON REUTERS show that clients honour continuity. We naturally want to do the same for our new industry approach. In many other points we are not substantially different from the big players. No client will place a single order more with us just because our banking house is more than 400 years old. What clients appreciate is the fact that we adapt to their needs. Another factor is that we do not have any active proprietary trading activities in our Equities segment, so we can avoid potential conflicts of interest.

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INVESTMENT BANKING

Our Investment Banking division offers a wide range of banking and advisory services. It is divided into three segments: Equities, Financial Markets and Strategic Advisory.

Equities

Equity Research

Our institution pursues a pan-European sector approach in the Equity Research department. This means that we limit our research activities in terms of both geography and industry. As we do not maintain our own order book, our equity research is independent and geared to the needs of the clients. Our fundamental analysis is carried out on a bottom-up basis. Macroeconomic expectations produced by our Economics department are included in the corporate models.

We increased the number of analysts we employ from 45 to 70 during the reporting period, while the number of companies evaluated rose from 190 to 400. We now cover all relevant companies throughout Europe, from small caps to large caps, in seven sectors – Consumer, Energy, Financials, Healthcare, Industrials, Materials and TMT (Technology, Media & Telecommunications) – and 24 sub-sectors.

Our clients are institutional investors like retail funds, pension funds and hedge funds. To assist them with their portfolio decisions, we make a range of data available to them on a daily basis. This includes wide-ranging sector reports, regular company updates, telephone conferences, Excel models and expert meetings. Furthermore, we ran more than 400 roadshows in 2011 during which company executives generally gave presentations to institutional investors as well as more than a hundred reverse roadshows and field trips involving the investor visiting the company.

Moreover, we again ran regional seminars in 2011, including the Diagnostics Day in London and the Lighting Conference in Milan. The pan-European investor conference we hosted at Pennyhill Park in December 2011 again proved very popular, drawing representatives from nearly a hundred different companies.

We also pass on our findings in direct dialogues, with our analysts discussing their results in over 3,500 client meetings.

Berenberg's Equity Research department possesses a wealth of experience and is fully independent, located in a single facility in London. The sectoral breakdown ensures that our findings on markets and industries are conveyed to the best effect. The 70 analysts have more than 500 years of experience between them, while 25 of them have been in the business for more than ten years. As a result of this, several teams succeeded in occupying places just outside the top ten in the THOMSON REUTERS EXTEL SURVEY in their first year of operation. As in previous years, Berenberg again ranked first for German small and mid cap research.

Equity Institutional Sales

Despite volatile markets and low institutional trading volumes, the Berenberg sales team continued to broaden and deepen its institutional relationships and win further market share. This challenging environment along with increasingly onerous regulation is particularly burdensome on our competitors, and we are witnessing structural change in European investment banking on a scale not seen for 25 years. This provides a huge opportunity for Berenberg to further establish itself as a key player in European equities.

Our sales philosophy is very simple: we are a client service business, so our overwhelming focus is to service our clients tenaciously, professionally, to a high standard and with high levels of integrity. This philosophy shapes the way we recruit and retain sales staff.

Our global sales team developed further during 2011. The most notable development was the opening and licensing of our Boston office, now staffed by four senior salespeople. This office enables us to address all of the major investment institutions on the east coast of the US, to further extend our client network and gain added revenue potential for Investment Banking.

In the spring of 2011 we also opened a sales office in Frankfurt, to serve the key German asset managers locally. The Frankfurt office will also serve all German investment companies. In Europe, this now gives us fully built-out sales offices in Hamburg, Zurich, Paris and Frankfurt.

In London we added six more generalist salespeople and restructured our sector specialist sales team to include four new members.

With an enhanced global sales team selling an established research product, the way institutional clients perceive the Berenberg equities business has changed dramatically, and will continue to change. This is reflected in our steady climb up the rankings on most client broker votes, and in the fact that our secondary commission stream was up in 2011, making us one of the few London-based stockbroking firms to see a year-on-year increase.

Although markets remain challenging, the Berenberg distribution platform has now reached a point where in terms of resource, experience and quality we are well set to take advantage of the huge market share opportunity on offer.

Equity Execution

We reorganised the Sales Trading department in 2011 in response to the strong growth in our equity activities, forming two separate units in the middle of the year: Sales Trading and Equity Execution. In doing so, we have created a structure that enables us to satisfy the requirements arising from a sharp rise in client numbers and the associated rapid increase in revenues.

Our sales traders sit in our offices in London, Frankfurt and Hamburg, and also Paris in the future, while the equity dealers are based in Hamburg. Serving our clients locally has the advantage of increasing client proximity. At the same time, the equity traders can concentrate fully on the order flow.

Equity turnover in all of Europe was almost unchanged on 2010 in the turbulent year of 2011. Consequently, we are very pleased to have increased our trading volume by around 15%, hence gaining market share.

Equity Capital Markets

The Equity Capital Markets department (ECM) based in Frankfurt primarily helps companies to issue shares as part of capital increases or IPOs. In 2011, Berenberg was the only bank to be involved in all five of the biggest IPOs in Germany. According to Bloomberg, Berenberg ranks second in the German mid-market issuance business (transactions up to €500 million) with seven transactions accompanied. The services offered include structuring transactions, preparing company valuations, helping to prepare the offering prospectus and organising marketing with the assistance of our research and sales teams. In addition, we help the management board of the issuer to prepare in detail for the marketing phase with an analyst and roadshow presentation. This includes things like dry runs of critical meetings with investors. The issue price and allocation are determined at the end of the marketing and bookbuilding phase, and the share price is stabilised immediately after the IPO.

The focus is on large caps, mid caps and private equity firms that frequently use the stock market to dispose of their holdings.

Our core competence comprises the professional, customised handling and marketing of the issue with international institutional investors in Europe and the United States as well as with wealthy private clients in Germany. Alongside major institutional investors, we focus on the medium-sized and smaller funds that major banks frequently no longer serve. The international sales platform combines with this focus to create a decisive competitive advantage. As a result, we are frequently commissioned by the issuer well ahead of the issue to provide a sound opinion on the placement possibilities, marketing strategy, structuring and valuation.

»In 2011, Berenberg was the only bank to be involved in all five of the biggest IPOs in Germany.«

We successfully carried out 14 transactions during 2011, including IPOs for GSW (€468 million), Norma Group (€386 million) and Prime Office (€214 million), and capital increases for Gildemeister (€213 million), IVG (€145 million), Schuler (€68 million) and DIC Asset Management (€52 million).

Financial Markets

Fixed Income Research

We set up a Fixed Income Research team at the Hamburg facility during the reporting period. It started operating in May 2011, concentrating on the analysis of corporate bonds from the mid cap segment in Germany and Austria. The corporate bonds in question have a minimum volume of €150 million. The aim is to increase the number of companies covered to around 30 in 2012.

We reinforced our fixed income research capability by setting up a further research team in the Düsseldorf office. The new team focuses on covered bonds, financials, sovereign bonds and bonds issued by government-related entities.

Fixed Income Sales Trading

The Fixed Income Sales Trading department was able to repeat its good performance of the preceding year, despite the difficult market environment. This was achieved by acquiring new clients among insurers, pension funds, superannuation funds, savings banks and commercial banks and particularly by successfully conducting numerous primary market transactions.

All in all, we succeeded in expanding our market position and our capability in fixed income, and we intend to continue in this direction in 2012.

Currency Trading

The uncertainty on the finance markets engendered a continued need for security on the part of our clients. This increased the demand for all forms of flexible hedging, using the traditional instruments like spot and forward transactions as well as options. Indeed, our clients used these bespoke structures not only for hedging purposes, but also for portfolio optimisation. The strong demand for special strategies resulted in 14% sales growth, which plain vanilla options were unable to keep pace with.

With our active currency management we were successful in further deepening and strengthening our relationships with SME clients, as is reflected in the 18% increase in commercial sales over 2010. Furthermore, our risk-aware proprietary trading also benefited a lot from the volatility in the markets. A revenue increase topping 23% made a very positive contribution to our overall performance.

We have further expanded our sales team as well as proprietary trading staff, in order to make even better use of future opportunities.

Strategic Advisory

Our Strategic Advisory business unit focuses on transaction advisory and corporate broking services. Our clients need high quality advice that they can trust from advisors who have no hidden agenda and who are not afraid to speak their minds.

Transaction Advisory

The competitive environment remains intense, with the larger banks happy to consider transactional business below their traditional size limits, and smaller competitors cutting fee levels dramatically. This intensity combined with a reduced overall transaction volume to make 2011 a very difficult year for the industry as a whole.

During the year we continued with the plan which was put underway in 2010, offering a broad range of advisory services to clients in four main industry sectors: TMT, Healthcare and Fine Chemicals, Retail and Consumer Goods, and General Industrials.

We were able to attract a number of highly experienced new team members at all levels of seniority, and have continued to increase the combined transaction experience and industry expertise of the whole team. A great deal of effort has also gone into continuation training for existing team members in order to keep them up to date with all the relevant developments in their individual areas of expertise.

In business development we achieved our objective of becoming involved with a broader range of clients in terms of both size and industrial sector. 2011 saw Berenberg improve its league table position in mergers and acquisitions for German companies dramatically, with the ten completed transactions putting the Bank in sixth place in terms of deal volume and tenth in terms of deal numbers. The transactions completed by the team include the largest deal yet completed by the Bank acting alone, the €3.6 billion takeover of Tognum AG, where Berenberg acted as sole financial advisor to the target.

Corporate Broking

We provide companies with long-term advice on how to deal with their investors and the stock market regardless of type or size of any specific transaction. We succeeded in adding a number of clients to our corporate broking portfolio. As we also act as market maker, our Corporate Broking team can build on our excellent position in equity trading and, as designated sponsor, help companies to meet their obligations in connection with a stock market listing. This advice forms a key part of our strategy with regard to approaching and acquiring clients.

Oliver Diehl
took on the Equity Capital Markets department in 2010. In his 14 years of operation, he has been involved in transactions of all scales. With his six-person team, he is working to play an even larger role in major transactions in the future.

In 2011, Berenberg was involved in all major German IPOs. What do you see as the reason for such great demand for your services?

Diehl: After steadily adding personnel to our capital market staff, Berenberg now has a very strong research and sales platform. We have over 250 people working in Investment Banking, the great majority of them in the capital market business. This lets us cover a broad range of services, and on IPOs makes us just as able to deliver as the big banks.

Our involvement in the five biggest public offerings in Germany was also due to the fact that in many cases we complement the big banks, since, in addition to large investors, we also work with many medium-sized investors. During the 2008 crisis, the big banks reduced their head count in this area, but we hired.

In Investment Banking, Berenberg comes up against names like Deutsche Bank, Credit Suisse, UBS and Goldman Sachs. How are you perceived there?

Diehl: In the selection process we are now treated equally with the big banks, and they respect us as a fair partner. That is important, because, especially in this business, the ability to work in teams is a key element to success. Generally, initial public offerings and capital increases involve multiple banks. It is important for us to maintain good relationships and repeatedly demonstrate that we can cooperate and perform well in handling transactions.

Berenberg has entered the large cap business in research and trading. What role do you hope to play in future large-scale market transactions?

Diehl: We want to be part of the bank syndicate for all IPOs in Germany. The same goes for capital increases and share placements. In addition, we want to be more involved in European stock issues. We have good relationships with international investors, and for large issues, in particular, we can generate demand from our wealthy private clients.

Will we see IPOs in 2012? And if so, where can we expect them?

Diehl: We think 2012 will be a good year for initial public offerings. The equity capital market has recovered, market volatility is much lower, and we are seeing great demand for new issues. These are ideal conditions for companies to go out into the market. In Germany, we expect to see more public offerings than last year. Some of the upcoming IPOs are already known, like Evonik, Osram and Talanx. The climate for IPOs is good elsewhere in Europe as well. For example, Berenberg is taking the Swiss trading group DKSH to market – Switzerland's biggest IPO in many years.

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ASSET MANAGEMENT

The Asset Management division focuses on investments for institutional clients in special-purpose mandates and retail funds, offering specialist solutions on the basis of systematic and quantitative/model-based investment processes. The range of products and services marketed encompasses selected fields in which Berenberg possesses specific expertise. This includes the implementation of optional, market-neutral strategies to generate additional earnings by using a self-developed multi-factor model (DYMACS), alpha and risk management strategies for currency positions, overlay management for equity and interest rate risks, and active, quantitative selection strategies for equities and bonds. The institutional investment strategies are pooled in an actively managed fund of funds (Berenberg Strategy Allocation).

Every investment strategy is built on a strict, clearly structured and reproducible investment process that can be tracked at any time.

Private clients also have the opportunity to invest in institutional retail funds thanks to special unit classes.

Investment strategies

2011 was dominated by the steadily worsening euro crisis and the ensuing high volatilities on the capital markets.

The uncertainty in the capital markets increased notably in August and September, leading to a massive correction on the stock markets with daily losses reaching record levels. In this environment, the use of overlay management strategies in equity and bond operations contributed massively to the performance achieved for our institutional clients. The BERENBERG DYMACS FIXED INCOME MARKET NEUTRAL FUND in particular profited from the refinement of the strategy resulting from the similarly turbulent previous year. The performance was impressive, with results roughly matching the target returns.

The fund managers of the BERENBERG DYMACS EQUITY MARKET NEUTRAL FUND efficiently countered the effects of the euro crisis by applying active risk management, which enabled the total return concept to be maintained across the year as a whole.

The BERENBERG EUROPEAN EQUITY SELECTION FUND showed that equity selection in accordance with purely quantitative criteria can pay off, especially in markets dominated by short-term mood swings. Not only does the equity fund offer investors maximum transparency in the investment process, it also benefited from its disciplined strategy in this turbulent equity market.

The uncertainty on the currency markets turned management based on quantitative models into a major challenge. This was notably the case for currency mandates. Taking everything into account, we can look back on one of the most difficult years on the currency markets since 1991. Driven by political markets and the intervention of the Japanese and Swiss central banks, leading currencies evolved decoupled from historical trends. Currency pairs that used to follow trend, like the euro/dollar and pound/dollar, tended to move sideways for months at a time without showing any lasting trends, making it almost impossible for currency managers to profit from changes in exchange rates.

24-hour trading

An important innovation was the introduction of 24-hour trading. The currency transactions for overlay mandates in the Bank's Asset Management division have been managed around the clock since May 2011. The move has given portfolio managers better order control, enabling them to execute orders with less impact on the market. This offering helps us to satisfy the demands of our clients for greater transparency and service.

United Kingdom

The growing demand for our asset management strategies in the UK encouraged us to start offering our asset management solutions to institutional investors and consultants from our London office.

Customer satisfaction

Receiving the EUROPEAN PENSIONS AWARDS 2011 in the »Currency Manager of the Year« category in London demonstrated how our quantitative, model-based, transparent investment process also impressed in the international context. And our Asset Management division was also nominated for the first time in the »Alternative Investment Manager of the Year« category. The TELOS SATISFACTION STUDY recognised our particularly satisfied clients for the third time in a row. 280 institutional investors gave Berenberg Bank top grades in the fields of industry competence, client management, performance, proactive approach, product range and portfolio management process.

The satisfaction of our clients is our key objective. For this reason, we wanted to know straight from our institutional investors how satisfied they were with Berenberg Asset Management. In November 2011, we commissioned the prestigious independent market research institute Homburg & Partner to carry out a client survey by phone. 57% of our clients took the opportunity to give their opinion of our strengths and areas in need of improvement. The results show that our clients are more than satisfied with our advisory and support services and our active client approach, in particular. We are taking up the constructive criticism and suggestions expressed in the survey, using them to systematically improve our offering.

»280 institutional investors gave Berenberg Bank top grades in the fields of industry competence, client management, performance, proactive approach, product range and portfolio management process.«

Clients appreciate the personal contact. We gave investors the chance to enter into a dialogue with us not only during regular client meetings but also at conferences and events. During 2011, we had a presence at the Institutional Money Congress in Frankfurt and the Finance Symposium in Mannheim, and welcomed numerous clients at the Berenberg Asset Management Conference in Hamburg.

CORPORATE BANKING

Our Bank continued to consolidate its credit-related units during the reporting period. In line with this, our Corporate Banking division now unites traditional corporate client operations with the shipping and real estate sector businesses and the Structured Finance department. In addition to our representative office in Shanghai, the 50-strong division serves the whole of Germany and increasingly also international markets from its Hamburg base. The objective is not to offer every single service possible. Instead, we aim to define our partnership with clients in both the SME sector and on the capital markets side with specialist know-how, excellent market insights as well as targeted industry and product knowledge coupled with speed, reliability and discretion.

»In addition to our representative office in Shanghai, the 50-strong division serves the whole of Germany and increasingly also international markets from its Hamburg base.«

Corporate Clients

The Corporate Clients department again successfully coordinated demand-compliant solutions in 2011, taking into account the company-specific requirements of our clients ranging from SMEs in northern Germany to listed corporations. Demand was particularly strong for risk management solutions hedging interest rate and currency risk and for investment concepts. Lending was not at the heart of our client relationships during the reporting period; in fact, it was only offered to clients with whom we conduct other activities in different parts of the Bank.

Structured Finance

The specialists in the Structured Finance department arrange and advise on financing projects for companies and financial investors, often in conjunction with the acquisition of companies or participating interests. We can look back on a successful year in 2011 particularly in terms of acquisition finance for financial investors. This is an activity from which several of our competitors withdrew during the year.

Our objective is to collaborate with financial investors as strategic partners with a view to generating additional business opportunities. In terms of transactions, we selected mainly companies that are characterised by market or technology leadership, a non-cyclical business model and strong profitability. In one instance, we acted as mandated lead arranger and bookrunner for Riverside, a financial investor, for the financing of a partnership with the Transporeon Group. Our employees contribute many years of structuring and transaction experience to such transactions, coupled with capital market expertise.

For a number of years now, we have also been marketing our expertise as a service provider as part of our financial advisory model. This is an area in which we provide neutral advice to our clients for complex financing solutions involving loans, bonds or promissory notes.

Shipping

On the shipping markets we have observed a further sharp downturn since the second quarter of 2011. Overcapacity and price wars caused a partly dramatic decline in freight and charter rates. Furthermore, market activities were dampened by actual and threatened slumps in demand due to the debt crisis, geo-political tensions, natural disasters and a slowing of economic output in major emerging markets.

In this setting, we acted very cautiously in 2011. At the same time, however, we were able to leverage the opportunities afforded to us by the market. It continues to be the case that traditional ship-financing banks are not available to the usual extent. Our orientation enables us to finance ships with relatively low loan-to-value ratios and short- to medium-term maturities in order to bridge liquidity gaps or replace other loans. New commitments were always linked with cross-selling potential. An absence of conflicts of interest helps to boost our M&A activities, for instance. Consequently, Berenberg Bank is evolving into a competent partner for all corporate finance issues for shipping companies as well.

Our cash management services continue to play a major role. We satisfy the high-quality expectations of our clients with our experience in shipping issues, supported by a high level of continuity in personal advice from a single source, and rapid response times. This competitive advantage is leading to constantly growing demand for our services.

Real Estate

The Real Estate department essentially serves selected project developers and builders by financing commercial and residential building projects in central locations in northern Germany with land-purchase loans and construction bridging loans. In 2011, most of our loans were for residential properties on account of strong demand from both owners and investors.

In addition, the Real Estate department provides advisory services ranging from property and portfolio analysis to the selection of external service providers and lending advice. Transaction support encompasses every major process step from buying property to managing the sale of property, be it as part of a targeted off-market transaction or by executing a structured bidding procedure. Client demand for these services was also strong in 2011.

Raymund Scheffler
has been Head of Berenberg's Düsseldorf branch since 2003. In 2011, he took the initiative of founding Berenberg Art Advice GmbH, our subsidiary specialising in art investment consulting.

What prompted Berenberg Bank to found an art consultancy?
Scheffler: In the last ten years, more and more investors have taken an interest in art. However, not all of them have made fortunate decisions in choosing pieces. This is not at all surprising, since the art market is extremely complex. This gave us the idea of offering clients independent, objective consulting services, providing them with a safe way to get into this investment class. In 2011, this resulted in the foundation of Berenberg Art Advice. The central motivation of my two Executive Director colleagues and myself is our own passion for art.

How might one describe the art market as it currently stands?
Scheffler: Well, for one thing it is very international. For another, it is very dynamic. Currently about €50 billion are traded on the art market worldwide. That is not much compared to the international

capital market, but the art market is growing vigorously, with strong demand from Asia. Germany's share of the world art auction market is just 1.9%, while China has a 33% share. Furthermore, the art market is still unregulated. That makes it not just lacking in transparency, but also often very hard to get into. For our work, that means that we must not just be very knowledgeable, we must also have good connections around the globe in order to get top quality pieces for a fair price.

How do you access the talent you need for quality consulting?

Scheffler: I am glad to say that with Helge Achenbach and Dr Stefan Horsthemke we have been able to gain two very knowledgeable art experts as Managing Partners. As founder of one of Germany's oldest art consulting firms, one has helped build numerous private and company collections, while the other was Managing Director of a leading international art insurer for many years. We are also assisted by a high-calibre Advisory Board. Three of its six members, Christian Boros, Dr Harald Falckenberg and Prof Dr Dr Thomas Olbricht, are among Germany's leading art collectors. With Prof Dr Martin Roth and Dr Klaus Albrecht Schröder, the board also includes two very high-profile museum directors from London and Vienna, respectively.

How important do you consider art to be as an investment?

Scheffler: Art should have a firm place in a diversified wealth strategy, as a complement to the established investment classes. A rule of thumb is that with a moderate risk profile, 5% should be a permanent part of the portfolio. In order to make economical access easier for investors, we plan to set up an art fund. This will give investors the ability to invest in this equity class in very calculable units.

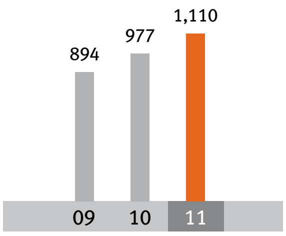
What can clients expect when they come to you?

Scheffler: Neutral advice, knowledge of the subject, and dependable, discreet assistance in all matters surrounding art. If desired, we perform transactions as a trustee on behalf of the client, so that the client's name does not appear in public. We can do this for all items that are tradable on the international art and auction market, including such things as valuable vintage automobiles. We see ourselves as a partner for all parties involved – collectors, art dealers, museums, and artists. For us, art is not just an enrichment for a client portfolio, but should also create an emotional added value for its owner.

”

EMPLOYEES

Workforce as at 31 December
including subsidiaries



The number of people employed by the Bank rose again in 2011. Year-on-year, the workforce had grown by 14% at the reporting date, meaning that we employed 1,110 (977) people in the Berenberg Group at year-end 2011, with 996 (874) of them at Berenberg Bank.

Given the strong growth, it remains a challenging and important task to integrate the new employees. As more than 20% have been with the Bank for ten years or more, however, we continue to have a good combination of young and experienced »Berenbergers«. The average length of service fell to 5.8 years due to the expansion. Berenberg's operations are becoming ever more international, reflected in the fact that we employ people from 32 different countries.

The quality and capabilities of the workforce become readily evident in an environment that is far from easy. Our strong market position can to a large extent be attributed to the commitment and hard work of our employees, for which we would like to thank them at this point. We would also like to thank the Works Council for its open and constructive collaboration.

We set up a special Graduate Programme in London to accompany the existing international Investment Banking Trainee Programme in 2011 with a view to supporting the ongoing expansion of our London branch with qualified junior staff. During this entry-level programme for graduate high potentials, the candidates have the chance to experience the Research, Sales and Sales Trading departments over the course of twelve months. Intended primarily for graduates from British universities, this scheme has been very well received. We have taken on five people for the Graduate Programme and plan to continue this in 2012.

Besides expanding our trainee and starter programmes for university graduates, we have also added a large number of new internships. The programme has proven a successful way of boosting awareness of the Bank at universities and also gives us the opportunity to become acquainted with potential candidates. We took on a total of 130 interns in 2011, of whom 19 were given permanent contracts at the end of their internships.

RISK REPORT

We continued to apply our conservative risk strategy unchanged throughout 2011. The deliberate focus on less risky, service-oriented business divisions proved its worth during 2011, a year again characterised by very volatile capital markets. The Bank's liquidity situation was very good throughout the year. Our securities portfolio is dominated by paper issued by German public-sector issuers with short residual maturities. At no time did the Bank conduct proprietary investments in securitised credit structures or similar investments.

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

The main risk types we analyse as part of our risk management process are counterparty, market price, operational and liquidity risk.

Reputation risks are evaluated as part of the management of operational risk. In addition, we also pay close attention to the risk of earnings collapsing. Our approach to managing the risk of earnings collapsing is intended to prevent losses arising from the possible weakening of individual earnings components that prove volatile over the course of time.

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

The regularly performed comparison between risk and economic capital is based on these two different ways of assessing the risk position.

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

As part of a second analysis performed in parallel, the results of the stress tests are set against the available economic capital. The economic capital to be set against the risks is supplemented by unused portions of regulatory capital that are not tied by risk-weighted assets. Even under this extreme scenario, the continued existence of the Bank as a going concern is assured. Possible diversification effects across the various risk types are ignored by aggregating the covering amounts for the various categories of risk. As required by the German Minimum Requirements for Risk Management (MaRisk), the stress tests evaluate the impact of an extreme economic downturn.

Not all of the economic capital available to the Bank in the reporting period was used by the business divisions, which highlights the conservatism built into the Bank's risk management process and expresses the appropriateness of the relationship between the opportunities arising from business activities and the risks assumed, with regard to the overall profit or loss. The optimisation of the risk/reward ratio is defined as a key objective of our risk-adjusted overall bank management system. The business divisions only enter into risk if it is commensurate with the potential rewards.

In addition, for an inverse stress test, we regularly define scenarios which, if they were to occur, would tie up all of the economic capital available.

Management has overall responsibility for the risk management process and defines the general conditions for managing the various risk types. Our central Finance business unit, to which the Controlling/Risk Controlling unit reports, acts independently of the various front offices in organisational terms as required by the MaRisk for banks and financial service institutions. This unit ensures a constant flow of information to the Bank's management and Advisory Board and is responsible for developing and overseeing the systems used in overall bank management and risk management. The Risk Controlling unit carries out a risk inventory every month and sets the risk amounts of the various risk types against the available economic capital. As part of the risk management process, we ensure that excessive concentrations of risk do not exist in either the various risk classes or across the various risk classes.

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

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

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

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

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

The Bank's Auditing business unit controls the organisational precautions for managing, monitoring and controlling the various categories of risk regularly based on the parameters specified in the Audit Manual.

The Credit Risk Management and Risk Controlling units provide information on a regular basis to the Risk Monitoring Committee set up by the Bank's Advisory Board.

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

The complete risk report can be called up at www.berenberg.de/riskmonitoring.

OUTLOOK

In the current market environment, we see good chances for the Bank and its subsidiaries to acquire more new customers and expand existing business relationships.

Moving forward, we believe that demand will remain strong for the services that Berenberg Bank provides. Our goal is to gain further market share. The independent advice that an owner-run private bank offers is still very popular with the customers of all our divisions – Private Banking, Investment Banking, Asset Management and Corporate Banking. Although we will continue to concentrate on these four divisions, as in the past we will also look to leverage any opportunities that arise to expand our business activities. We will focus on those areas where we can create value for our customers, looking primarily to offer services and not assume risk directly.

We are aiming to expand our presence at key European financial centres as we believe this will afford us even better business opportunities. We will raise the number of stock analysts we employ in London from 70 to 100 over the next two years, allowing us to increase the number of companies we track. Already, today, we are one of the biggest analyst houses in Europe, covering some 400 companies. We also intend to considerably expand our presence at the financial centre of Frankfurt. With this in mind, we will relocate to a new, larger building at the end of 2012, which will make it possible to expand the workforce from 50 at present to 200 in the medium term. Besides expanding existing units like Private Banking, Strategic Advisory, Equity Capital Markets and Equity Sales, we also intend to set up a Fixed Income unit, for instance. Our German branch and representative offices provide very good market coverage: starting from these offices, we aim to grow further in the regions.

Besides expanding our front office units, we will constantly modify our internal structures to reflect our growth and requirements, concentrating mainly on the Risk Controlling and Compliance units, but also on HR and Marketing. Our 120-strong in-house IT business unit ensures that we will remain fully adaptable in the future, able to respond quickly to both customer demands and regulatory requirements.

At the time the annual financial statements were drawn up, no specific risks that could have a major impact on the future performance of the Bank were known.

We are convinced that we have a good position on the market and expect to again report good net profits at a similar level in the coming years, driven by the hard work and commitment of our skilled staff.

Private Banking

The business model, which is consistently geared to the needs of our clients, will continue to provide the basis for expanding existing business ties and establishing many new client relationships. We have specialised in the management of large private and foundation wealth and in advisory for frequently complex asset structures of successful entrepreneur families.

In a demanding capital market environment, interest in professional asset management has seldom been greater and demand for advice from Berenberg Bank is huge. Structures that have delivered good results over recent years have been optimised in response to insights gained from the difficult year on the capital markets. Our clients will again benefit from our wide-ranging expertise in informed valuation, independent selection and the targeted use of both established and innovative investment solutions. The outcome is the sustainable optimisation of individual portfolio structures and the consequent increase in client satisfaction.

We aim to reinforce our presence throughout Germany by investing in our existing branch and representative offices. In doing so, we will underline more firmly our aspiration to be an independent private bank that is close to its clients. Trust and reliability are the prerequisites for our activities in this context. A constant exchange of ideas, both internally and externally, coupled with a high level of continuity in our staffing and teams of specialist advisors, will guarantee a maximum degree of service orientation and individual advisory moving forward.

Investment Banking

Despite the persistently high volatility on the capital markets, we take a positive view on the prospects for Investment Banking.

We possess a very well established value chain for our service-oriented business model in the Equities segment. We have succeeded in building up a strong market position over recent years with our branch office in London as the hub, and the various local offices, to which Boston was added during the reporting period. We were involved in all the major IPOs in Germany last year and supported several capital increases and M & A transactions.

We will remain a reliable partner at the side of our clients moving forward, with our broad range of services and the considerable expertise of our employees. The well-positioned Fixed Income and Currency Trading units deliver good contributions to the division's earnings and round out the range of services provided by our Investment Banking division. We are confident of being able to continue the positive performance.

Asset Management

Much will depend in 2012 on the extent to which Europe succeeds in handling the euro crisis, thus restoring investor confidence in the financial markets.

We aim to consistently refine our quantitative investment strategies and optimise the range of products and services we offer. We will continue to centralise our asset management activities with a view to securing and expanding the high quality of our services, leveraging potential for growth and enhancing our competitive position.

A standard administration platform, coupled with a modern risk management system, underpins the high quality of our services, which will have a positive impact on the performance of our Asset Management division.

Corporate Banking

We consolidated our credit-related activities in the Corporate Banking division in 2011, bringing together corporate client operations, the shipping and real estate sector businesses and the specialists from Structured Finance and the China Desk under a single roof. While companies could fund themselves fairly readily with loans, promissory notes and bonds in 2011, we assume that the supply of credit by major banks will deteriorate during 2012. Little improvement is expected in the shipping sector in 2012, following on from an already difficult year. The real estate market continues to look stable, especially for commercial properties in central locations and residential properties.

The Bank's conservative risk strategy again yielded a risk result that is satisfactory overall. We assume that we will be able to leverage the opportunities afforded by our strong capacity to act, even on an anticyclical basis in an arguably difficult economic setting. Thus we expect the Corporate Banking division to continue performing well with rising earnings against the backdrop of more transactions.

BALANCE SHEET AS AT 31 DECEMBER 2011

Assets		2011 €	2010 €
Cash reserve			
Cash on hand		712,481	1,096,381
Balances with central banks		74,130,950	46,137,599
	1)	**74,843,431**	47,233,980
Receivables from banks			
Payable on demand		615,931,039	395,561,259
Other receivables		16,820,985	109,033,821
		632,752,024	504,595,080
Receivables from clients	2)	**530,814,066**	558,759,749
Bonds and other fixed-income securities			
Bonds and notes			
– by public-sector issuers	3)	1,786,989,680	1,209,313,501
– by other issuers	4)	552,739,366	652,671,148
		2,339,729,046	1,861,984,649
Shares and other variable-yield securities		**194,314,482**	104,564,161
Assets held for trading		**30,546,890**	51,097,048
Participating interests	5)	**8,869,871**	8,872,939
Shares in affiliated companies	6)	**6,293,481**	3,178,079
Trust assets	7)	**29,910,413**	27,959,870
Intangible assets		**3,461,969**	2,367,917
Property, plant and equipment		**14,025,617**	11,514,288
Other assets		**86,080,658**	58,095,784
Prepaid expenses		**13,596**	0
Excess of plan assets over pension liabilities		**1,800,104**	1,358,425
Total assets		**3,953,455,648**	3,241,581,969

1) thereof: with Deutsche Bundesbank €73,532,642
2) thereof: municipal loans €0
3) thereof: eligible as collateral with Deutsche Bundesbank €1,771,340,035
4) thereof: eligible as collateral with Deutsche Bundesbank €510,876,950
5) thereof: in banks €89,864; in other financial institutions €0
6) thereof: in banks €2,540,872; in other financial institutions €0
7) thereof: trustee loans €9,738,001

Equity and liabilities		2011 €	2010 €
Liabilities to banks			
Payable on demand		197,441,525	265,189,213
With agreed term or period of notice		436,875,457	224,242,221
		634,316,982	489,431,434
Liabilities to clients			
Savings deposits with agreed notice period of			
– three months		364,659	495,942
– more than three months		48,022	59,415
Other liabilities			
– payable on demand		2,034,285,974	1,688,853,721
– with agreed term or notice period		839,478,989	636,809,057
		2,874,177,644	2,326,218,135
Liabilities held for trading		**28,712,350**	3,044,475
Trust liabilities	1)	**29,910,413**	27,959,870
Other liabilities		**38,448,411**	43,524,882
Deferred income		**64,899**	47,417
Provisions			
Provisions for pensions and similar obligations		18,448,637	17,802,195
Provisions for taxes		1,424,462	9,010,620
Other provisions		54,999,606	49,718,587
		74,872,705	76,531,402
Subordinated liabilities		**45,000,000**	45,000,000
Profit participation capital	2)	**5,000,000**	5,000,000
Special fund for general banking risks	3)	**6,900,000**	3,300,000
Equity			
Subscribed capital		150,000,000	150,000,000
Revenue reserve		10,000,000	10,000,000
Retained profit		56,052,244	61,524,354
		216,052,244	221,524,354
Total equity and liabilities		**3,953,455,648**	3,241,581,969
Contingent liabilities			
Liabilities from guarantees and indemnities		**108,661,540**	115,019,540
Other obligations			
Irrevocable loan commitments		**58,435,676**	61,806,696

1) thereof: trustee loans €9,738,001
2) thereof: due within two years: €0
3) thereof: special item compliant with Section 340g HGB in conjunction with Section 340e (4) HGB €6,900,000

INCOME STATEMENT
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

Expenses		2011 €	2010 €
Interest expenses		**46,297,830**	39,894,343
Commission expenses		**29,537,157**	23,475,259
General administration expenses			
Personnel expenses			
– Wages and salaries		114,230,734	97,322,433
– Social security charges and expenses for pensions and similar benefits	1)	14,543,862	13,885,558
Other administrative expenses		61,711,863	53,957,686
		190,486,459	165,165,677
Depreciation, amortisation and write-downs on tangible and intangible assets		**5,118,781**	5,298,587
Other operating expenses		**2,624,297**	4,199,731
Extraordinary expense		**0**	233,860
Taxes on income		**8,145,213**	11,002,289
Other taxes where not shown under other operating expenses		**129,064**	200,667
Net profit for the year/Retained profit		**56,052,244**	61,524,354
Total expenses		**338,391,045**	310,994,767

1) thereof: for pensions €3,461,527

Income		2011 €	2010 €
Interest income from			
– credit and money market activities		21,647,964	22,959,474
– fixed-income securities and government-inscribed debt		56,081,589	49,227,603
		77,729,553	72,187,077
Current income from			
– shares and other variable-yield securities		413,535	571,955
– investments		702,394	1,156,523
– shares in affiliated companies		14,090,755	12,449,986
		15,206,684	14,178,464
Commission income		**207,757,929**	175,452,605
Net income from assets held for trading	[1]	**31,972,479**	29,641,514
Income from write-ups of receivables and certain securities and from the reversal of loan-loss provisions		**2,363,709**	12,647,280
Other operating income		**3,360,691**	5,931,055
Extraordinary income		**0**	956,772
Total income		**338,391,045**	310,994,767

[1] thereof: transfer to special item compliant with Section 340g HGB in conjunction with Section 340e (4) HGB €3,600,000

SELECTED NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

GENERAL

The annual financial statements for the year ended 31 December 2011 have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the accounting regulations for banks. Unless stated otherwise, figures for 2010 are shown in brackets.

Principal accounting and valuation methods

The existing accounting and valuation methods have been applied again in the reporting period.

Receivables from clients and banks have been considered at the nominal amount, less any value adjustments. Accrued interest is included in the respective balance sheet items. Deferred income items have been set up for discounts on loans and on purchased receivables.

Specific value adjustments have been set up to provide adequate cover for all identifiable risks in the loan book. General value adjustments have been set up to cover latent risks and collective value adjustments have been set up in Luxembourg for the same purpose. The value adjustments are deducted from the receivables or added to provisions.

Securities classified as held for liquidity purposes are measured strictly at the lower of cost or market.

The Bank uses a modified mark-to-market method with a value-at-risk discount to measure securities held for trading. The risk discount is determined on the basis of the Bank's internal management system using mathematical procedures. The value-at-risk is determined for a holding period of ten days and a confidence level of 99%. A historical observation period of 250 trading days is assumed, with the individual changes in value being incorporated in the calculation with exponential weighting.

Shares in affiliated companies and participating interests are carried at acquisition cost. No permanent impairments have been recognised.

Property, plant and equipment and intangible assets are carried at acquisition or production cost, less scheduled depreciation and amortisation taken on a straight-line basis in line with the applicable tax regulations. Assets with acquisition costs of up to €150 are written down in full in the year of acquisition. Low-value assets with acquisition costs of between €150 and €1,000 are grouped together in a collective item and written down on a straight-line basis. They are shown in the analysis of non-current assets as additions and in the amount disclosed for depreciation in the financial year 2011.

Other assets, including purchased options, are recognised at the lower of acquisition cost or fair value. Generally, option premiums received and paid were taken to the income statement upon expiry of execution of the option.

Liabilities are carried at the amount payable plus accrued interest.

Provisions have been recognised taking adequate account of all identifiable risks and uncertain obligations, including those arising from off-balance-sheet transactions, in accordance with the principles of sound commercial judgement.

Provisions for pensions have been calculated in the amount of the obligation at cash value on the basis of the biometric data included in the 2005G standard tables prepared by Prof Dr Klaus Heubeck. An interest rate of 5.13%, a rate of increase of 2.5% in future compensation and an industry-specific standard fluctuation are applied. Appropriations to pension provisions are presented in interest expenses and personnel expenses. Assets used to serve pension obligations are netted with corresponding obligations.

Provisions due in more than one year are discounted using the average market rate of the past seven years appropriate for their remaining maturity (Section 253 (2) 1, German Commercial Code (HGB)). As provided for in the German Provision Discounting Ordinance (RückAbzinsV), the interest rates used for discounting tally with the monthly interest rates published by Deutsche Bundesbank.

Derivatives are accounted for by creating valuation units; assets and liabilities denominated in foreign currency are translated using the foreign exchange reference rates published by the European Central Bank.

Forward currency contracts are valued across the board using the forward rate applicable at the reporting date for all transactions. The results in the different currencies are offset. A provision for anticipated losses on pending transactions would have to be made to cover any remaining loss. A compensating item is set up on the assets side of the balance sheet under Other assets for any remaining gain from specially covered transactions.

Gains on currency and securities transactions involving clients are carried in net commission income.

As in 2010, the price gains on client-related trading activities are reflected in net commission income. Consequently, deviating from the regulatory trading book, the securities transactions conducted on behalf of clients are carried under Bonds and other fixed-income securities and Shares and other variable-yield securities.

NOTES TO THE BALANCE SHEET

Receivables from/liabilities to clients/banks

Breakdown of maturity by remaining maturity	**Up to 3 months**		**More than 3 months and up to 1 year**		**More than 1 year and up to 5 years**		**More than 5 years**	
€'000	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Receivables								
from clients	359,912	419,991	51,352	50,617	96,047	73,397	23,503	14,754
of which: with no fixed maturity	284,290	317,338						
from banks	16,428	28,747	393	367	0	0	0	79,920
Liabilities								
to clients	705,411	593,481	134,068	43,328	0	0	0	0
to banks	317,958	170,365	116,976	47,055	1,433	6,240	508	582
Savings deposits	365	496	10	22	38	37	0	0

Loans with a term of more than one year are not subject to any specific interest rate risk as a result of swaps or other interest rate hedges (micro-hedges).

Disclosure of relationships with affiliated companies and companies in which a participating interest is held

Relationships	with affiliated companies		with companies in which a participating interest is held	
€'000	2011	2010	2011	2010
Receivables				
Banks	13,714	0	0	0
Clients	0	0	0	73
Liabilities				
Banks	575,969	433,965	0	0
Clients	25,241	7,166	1,510	1,410

Bonds and other fixed-income securities

This item divides into securities of €'000	public-sector issuers	other issuers	Total
2011	1,786,990	552,739	2,339,729
of which			
– due in 2012	613,595	327,234	940,829
– participating interests	0	0	0
2010	1,209,314	652,671	1,861,985

The bonds of public-sector issuers originate almost exclusively from German federal states.

The following table shows the breakdown of bonds of other issuers:

Bonds of other issuers €'000	**2011**	**2010**
German Pfandbriefs	25,879	112,790
European covered bonds	95,225	87,106
Bonds with public guarantee	282,020	261,137
Bonds with state guarantee	108,561	170,767
Banks (unsecured)	4,974	0
Other	36,080	20,871
Total	**552,739**	652,671

Positions with state guarantees originate from German development banks or are older issues by Landesbanks that still enjoy state guarantees provided by the German state or a federal state (some of which are also secured by liens). Debentures with a state guarantee are mostly backed by Germany.

The remaining maturity of all bonds averages less than two years. Interest rate risk is normally limited to the 3- or 6-month Euribor by investing in floaters or taking out hedges in the form of interest rate swaps (micro-hedges).

Shares and other variable-yield securities

This item contains shares in investment funds of €81.4 million (83.2 million) used as investments as part of the liquidity reserve.

The Bank holds shares of more than 10% in domestic investment funds within the meaning of Section 1 of the German Investment Act (InvG). These break down as follows:

€'000	Investment target	Fair value	Book value	Reserve	Distribution 2011
BAI-Universal-Fonds	Equities	49,033	46,433	2,600	155
BIRD-Universal-Fonds	Bonds	40,957	35,000	5,957	235
		89,990	81,433	8,557	390

There are no restrictions on daily redemption rights.

Positions held for trading

€'000	2011	2010
Assets		
Bonds and other fixed-income securities	9,163	44,120
Shares and other variable-yield securities	21,384	6,575
Derivative financial instruments	0	256
Foreign currencies	0	146
Total	**30,547**	51,097
Liabilities		
Bonds and other fixed-income securities	107	145
Shares and other variable-yield securities	28,606	2,899
Total	**28,713**	3,044

The financial instruments held for trading are marked-to-market less a risk discount. The risk discount is determined on the basis of the Bank's internal management system using mathematical procedures. The value-at-risk is determined for a holding period of ten days and a confidence level of 99%. A historical observation period of 250 trading days is assumed, with the individual changes in value being incorporated in the calculation with exponential weighting. The discount is calculated and disclosed for each portfolio separately. If the risk discount exceeds the write-up amount, no more than the amount of the write-up is used as the risk discount. The total risk discount amounts to €3.8 million (€2.0 million).

The derivative financial instruments are exclusively interest rate swaps.

Marketable and listed securities

As in the previous year, all bonds and debentures are publicly listed. Of the shares and other variable-yield securities, the investment funds of €81.4 million (€83.2 million) included in the liquidity reserve are not marketable. All other equities are listed on a stock market. €2.7 million (€2.7 million) of the shares in affiliated companies are marketable. The remaining participating interests and shares in affiliated companies are not marketable.

Valuation units

Fixed-income securities of €1,283.5 million (€844.3 million) have been included in micro-hedges to hedge interest rate risk. The Bank's strategy for managing interest rate risk calls for its lending and deposit-taking activities to have a short-term structure. Transactions with a term of more than one year are principally hedged by concluding interest rate swaps, which serves to reduce the dependence on positions that are sensitive to changes in interest rates. The effectiveness of the valuation units is determined using the fair-value-oriented method.

Trust assets

The trust assets and corresponding trust liabilities relate to loans of €9.7 million (€9.4 million) extended to non-bank clients on a trustee basis and other trust assets or trust liabilities (under liabilities to clients) of €20.2 million (€18.5 million) held as security for the pension obligations of a third party.

Analysis of non-current assets				**Acquisition cost**				**Depreciation/amortisation**	**Residual book value**	
€'000	Balance 31/12/2010	Addi-tions	Dis-posals	Balance 31/12/2011	Balance 31/12/2010	Addi-tions	Dis-posals	Balance 31/12/2011	**2011**	**2010**
Participating interests	8,873	0	3	8,870	0	0	0	0	8,870	8,873
Shares in affiliated companies	3,178	3,115	0	6,293	0	0	0	0	6,293	3,178
Furniture and office equipment	37,094	5,956	868	42,182	25,580	3,414	838	28,156	14,026	11,514
Intangible assets	9,609	2,799	0	12,408	7,241	1,705	0	8,946	3,462	2,368
Total	58,754	11,870	871	69,753	32,821	5,119	838	37,102	**32,651**	25,933

Other assets

This item contains accrued interest and fees of €25.5 million (€24.7 million). An adjustment item of €24.0 million (€12.5 million) has been recognised on the assets side of the balance sheet for forward foreign exchange contracts concluded and forward foreign exchange contracts rolled over on account of the special cover.

Other provisions

This item comprises mostly provisions for personnel expenses.

Excess of plan assets over pension liabilities

€'000	Acquisition cost 2011	Acquisition cost 2010	Fair value 2011	Fair value 2010	Amount payable provisions 2011	Amount payable provisions 2010
Provisions for pensions and similar obligations	16,784	16,256	16,820	16,256	15,427	15,459
Other provisions (semi-retirement)	1,499	1,499	1,502	1,499	1,095	937

€'000	Interest expense 2011	Interest expense 2010	Interest income 2011	Interest income 2010	Valuation at fair value 2011	Valuation at fair value 2010
Provisions for pensions and similar obligations	737	1,543	0	0	36	0
Other provisions (semi-retirement)	72	78	0	0	3	0

Section 246 (2) 2 HGB contains a requirement to net the assets serving to settle pension obligations with the corresponding liabilities.

Obligations of €1.7 million (€1.5 million) arising from employee working-time accounts, which would otherwise be presented under other liabilities, were netted with the assets of the same amount, which would otherwise be presented under other assets.

Compliant with Section 246 (2) 2 HGB, the interest expense of €0.8 million (€1.6 million) arising from discounting has been netted with the gains of €0.04 million (€0 million) on the valuation of the plan assets.

Section 253 (1) 4 HGB requires that such assets be measured at fair value. The assets in question are composed exclusively of listed securities of public issuers, the market value of which is equal to the stock exchange price at the reporting date.

There is an excess of plan assets over pension liabilities of €1.8 million overall.

Subordinated liabilities

Interest expense of €2.2 million is included in expenses. The following table shows the breakdown of the subordinated liabilities totalling €45.0 million:

€'000	%	Due
10,000	6.55	01/06/2018
10,000	6.80	25/06/2018
5,000	6.25	07/01/2019
10,000	6.00	03/01/2020
10,000	6.00	30/01/2020
45,000		

The terms comply with Section 10 (5a) of the German Banking Act (KWG). There is no right to demand premature repayment. Subordinated liabilities of €45.0 million are included in liable equity compliant with Section 10 KWG (supplementary capital).

Special fund for general banking risks

The special fund for general banking risks was set up with an amount of €6.9 million (€3.3 million) in accordance with Section 340e (4) HGB in conjunction with Section 340g HGB. The transfer is included in net income from trading activities at €3.6 million (€3.3 million).

Other liabilities

This item mainly includes current taxes payable of €3.0 million (€8.3 million) and deferred interest payments of €22.3 million (€19.2 million) for interest rate swaps and swaptions. An adjustment item of €1.4 million (€7.2 million) has been recognised on the liabilities side of the balance sheet for forward foreign exchange contracts concluded and forward foreign exchange contracts rolled over.

Deferred taxes

At the reporting date, there were temporary differences in the stated values of individual items in the commercial balance sheet and the tax balance sheet. Recognition and measurement differences giving rise to deferred tax assets and liabilities occurred in the following line items: receivables from clients, shares and other variable-yield securities, participating interests, provisions, the special fund for general banking risks and supplementary capital.

The valuations have been made using an average trade tax rate of 16.39%. The option to capitalise deferred tax assets permitted by Section 274 (1) 2 HGB has not been exercised.

Additional notes to the balance sheet

Various securities have been deposited with other banks as security deposits for Eurex and lending trades. There were no open-market positions at year-end.

Assets of €325.1 million (€216.0 million) and liabilities of €1,097.4 million (€885.0 million) are denominated in foreign currency.

Contingent liabilities

Liabilities for guarantees and indemnities include guarantees for bills of exchange of €83.1 million (€84.5 million) and documentary credits of €25.6 million (€30.5 million).

During the course of the annual screening of the lending portfolio carried out as part of the Bank's credit risk management, the guarantees for bills of exchange and documentary credits that have been issued were examined for potential default risk. Consequently, it is considered very unlikely that the amounts will be utilised.

Other obligations

The other obligations consist exclusively of irrevocable loan commitments totalling €58.4 million (€61.8 million).

NOTES TO THE INCOME STATEMENT

Breakdown of income by geographic segment

Interest income, current income from shares and other variable-yield securities, participating interests and shares in affiliated companies, commission income, net income from trading activities and other operating income shown in the income statement break down into 80% (93%) generated in Germany and 20% (7%) generated abroad.

Service activities

We provided services to our clients, particularly in the management and brokerage of securities transactions and in international documentary business. Income of €120.7 million (€89.2 million) from commission-earning business and €27.7 million (€31.8 million) from fund management was generated from management and brokerage of securities transactions.

Other operating income

This item comprises principally cost reimbursements from the provision of services and dissolution of other provisions.

OTHER INFORMATION

Other financial commitments

As a result of the participating interest held in Liquiditäts- und Konsortialbank GmbH, there is a contingent liability under the company's articles of association.

There are annual commitments arising from rental and lease agreements and from software licences amounting to €17.4 million (€14.7 million) per year for the next three financial years. The increase in the annual commitments is mainly attributable to the expansion of the offices outside Germany.

Futures

Futures contracts were entered into during the course of the year that can be divided into the following by their essential nature:

- Futures in foreign currencies, especially future foreign exchange contracts, commitments arising from foreign exchange options, foreign exchange options and structured products;
- Forward interest rate contracts, especially forwards involving fixed-income securities, commitments arising from interest rate options, interest rate options, interest rate swaps, swaptions, caps and floors;
- Futures relating to other price risks, especially equity futures, index futures, commitments arising from equity options, equity options, commitments arising from index options and index option rights.

Client transactions are principally hedged. As a general rule, the Bank only enters into its own positions in order to hedge interest rate risks from other positions directly or in general. Thus, interest rate swaps are used as interest rate hedging instruments for fixed-income bonds (micro-hedges).

The following table shows the derivative financial instruments outstanding at the reporting date:

€'000	Volume 2011	Volume 2010	Positive market values 2011	Positive market values 2010	Negative market values 2011	Negative market values 2010
Exchange transactions	8,569,695	5,010,602	127,346	64,668	106,767	54,269
Securities futures	1,619,751	1,764,763	9,545	6,388	7,279	6,388
Securities options	1,384,600	2,142,443	68,069	62,648	68,069	62,724
Swaps	1,873,082	1,381,363	68,170	47,857	2,885	3,620
Caps/floors	56,625	94,633	2,249	1,826	2,249	1,826
Equity options	0	4,491	0	0	0	38
Bonds futures	342,921	100,000	4,690	2,704	2,833	0
Total	**13,846,674**	10,498,295	**280,069**	186,091	**190,082**	128,865

The transactions listed above are almost exclusively concluded to hedge fluctuations in interest rates, exchange rates or market prices in trading activities.

The Bank assesses the potential market risk for trades involving interest rates and trades involving equity and/or currency risk in its trading book in accordance with the standard method (last year this was done in part using in-house risk models). This gives rise to a capital adequacy requirement of €15.6 million (€15.8 million).

The following table shows the breakdown of the capital adequacy requirement:

Market risk €'000	Capital adequacy requirement 2011	Capital adequacy requirement 2010
Standard method		
Net equity positions	13,639	698
Net interest positions	830	3,345
Overall currency position	1,177	36
Subtotal	**15,646**	4,079
Proprietary risk models		
Net equity positions	0	9,403
Net interest positions	0	1,626
Overall currency position	0	650
Subtotal	**0**	11,679
Total	**15,646**	15,758

Board of Management

The Board of Management comprised the following personally liable partners in 2011:

Dr Hans-Walter Peters, Banker (Spokesman)
Andreas Brodtmann, Banker
Hendrik Riehmer, Banker

Remuneration and loans

We have decided not to disclose the remuneration paid to the members of the Board of Management because we believe the conditions set forth in Section 286 (4) HGB have been met.

As in the previous year, no loans were granted to members of the Board of Management after taking account of the allocation of the retained profit in 2011.

Appropriation of profit

The retained profit of €56.1 million is earmarked for distribution to the shareholders.

AUDITORS' REPORT

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

»We have audited the financial statements, comprising the balance sheet, the income statement 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 2011 to 31 December 2011. 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 prepared 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. The audit includes assessing the accounting principles used and significant estimates made by the legal representatives, 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, 22 March 2012

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Rohardt
Auditor

sgd. Butte
Auditor

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