Report on the 426th Financial Year
Berenberg was established in 1590, and today we are one of Europe’s leading privately owned banks, focusing on four business divisions: Private Banking, Investment Banking, Asset Management and Corporate Banking. The Hamburg-based bank is run by managing partners and has a strong presence in the international financial centres of Frankfurt, London, New York and Zurich. We have over 1,300 staff and a total of 19 locations driving our business into the future.
### Key performance indicators

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</thead>
<tbody>
<tr>
<td>Net commission income</td>
<td>€ million</td>
<td>122</td>
<td>151</td>
<td>125</td>
<td>131</td>
<td>152</td>
<td>178</td>
<td>206</td>
<td>234</td>
<td>244</td>
<td>321</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>€ million</td>
<td>54</td>
<td>61</td>
<td>47</td>
<td>65</td>
<td>62</td>
<td>56</td>
<td>60</td>
<td>66</td>
<td>40</td>
<td>104</td>
</tr>
<tr>
<td>Total assets</td>
<td>€ million</td>
<td>2,718</td>
<td>3,621</td>
<td>4,279</td>
<td>3,389</td>
<td>3,242</td>
<td>3,953</td>
<td>4,279</td>
<td>4,525</td>
<td>4,514</td>
<td>4,738</td>
</tr>
<tr>
<td>Business volume</td>
<td>€ million</td>
<td>2,861</td>
<td>3,829</td>
<td>4,450</td>
<td>3,552</td>
<td>3,357</td>
<td>4,062</td>
<td>4,383</td>
<td>4,623</td>
<td>4,586</td>
<td>4,801</td>
</tr>
<tr>
<td>Liable equity</td>
<td>€ million</td>
<td>145</td>
<td>155</td>
<td>177</td>
<td>212</td>
<td>213</td>
<td>217</td>
<td>221</td>
<td>223</td>
<td>219</td>
<td>234</td>
</tr>
<tr>
<td>Receivables from clients/loans</td>
<td>€ million</td>
<td>567</td>
<td>629</td>
<td>663</td>
<td>573</td>
<td>559</td>
<td>531</td>
<td>794</td>
<td>642</td>
<td>750</td>
<td>1,013</td>
</tr>
<tr>
<td>Liabilities to clients/deposits</td>
<td>€ million</td>
<td>2,156</td>
<td>2,983</td>
<td>3,236</td>
<td>2,456</td>
<td>2,326</td>
<td>2,874</td>
<td>3,083</td>
<td>3,390</td>
<td>3,199</td>
<td>3,570</td>
</tr>
<tr>
<td>Return on equity (before taxes)</td>
<td>%</td>
<td>52.5</td>
<td>56.2</td>
<td>37.5</td>
<td>53.0</td>
<td>45.3</td>
<td>40.1</td>
<td>43.8</td>
<td>46.9</td>
<td>28.8</td>
<td>67.3</td>
</tr>
<tr>
<td>Cost-income ratio</td>
<td>%</td>
<td>65.3</td>
<td>66.5</td>
<td>66.9</td>
<td>61.9</td>
<td>74.2</td>
<td>75.9</td>
<td>76.5</td>
<td>78.1</td>
<td>85.7</td>
<td>72.2</td>
</tr>
<tr>
<td>Assets under management including subsidiaries</td>
<td>€ billion</td>
<td>15.5</td>
<td>19.1</td>
<td>20.3</td>
<td>21.9</td>
<td>25.5</td>
<td>26.0</td>
<td>28.2</td>
<td>30.1</td>
<td>36.1</td>
<td>40.1</td>
</tr>
<tr>
<td>Employees including subsidiaries</td>
<td></td>
<td>658</td>
<td>763</td>
<td>837</td>
<td>894</td>
<td>977</td>
<td>1,110</td>
<td>1,116</td>
<td>1,147</td>
<td>1,250</td>
<td>1,331</td>
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</table>
CONTENTS

Foreword 4

Executives 6

The year 2015 8

Report of the Managing Partners 12
  Operations and underlying conditions 12
    Profile 12
    Structure 13
    Overall economic development 15
    Awards 17
  Financial performance 18
    Earnings 18
    Financial and assets position 21
  Performance of the business divisions 24
    Private Banking 24
    Investment Banking 28
    Asset Management 38
    Corporate Banking 42
    Cross-divisional services 45
  Employees 47
  Risk report 48
  Outlook 52

Annual financial statements 56
  Balance sheet 58
  Income statement 60
  Selected notes to the financial statements 62

Auditors’ report 77

Locations 79

EXTRA
  Berenberg at the centre of international finance: FRANKFURT
Dear clients and business associates,

We closed 2015 with a net profit for the year of €104 million, up from €40 million. This result shows how a bank with a solid business model can enjoy success even in difficult market conditions. Over the last 20 years, Berenberg has evolved from a bank focusing on lending activities in northern Germany into an international advisory firm centring on securities operations. To achieve this we have expanded our core competencies, enabling us to act as a responsible and competent partner to our clients – private individuals, institutional investors and enterprises.

We have made our operations more international in outlook with a view to reducing our dependence on the trends in individual markets. After setting up our branch office in London, which now employs 250 people, we are seeking to expand our services in the United States. The first step was taken in September 2015 when we established a trading desk in New York, enabling us to trade US equities directly. We are currently building up an equity research capacity to expand our coverage of US stocks, and we also want to participate in IPOs and capital increases in the US over the next few years – services for which we are already market leader in the German-speaking region for the second consecutive year*.

* By number of transactions, according to Bloomberg and Dealogic
We have more than tripled our gross earnings since 2005; they increased again by more than one-third in the reporting period, from €309 million to €423 million. This is impressive evidence of how the scope of our institution’s activities has expanded hugely. This trend holds throughout the divisions: Private Banking, Asset Management, Corporate Banking, and specifically Investment Banking, which succeeded in boosting its earnings by nearly 50% in 2015. Our clients are the focal point of all our business divisions and primarily we provide services to them. This orientation is also reflected in the ratio of net commission to current net interest income which, at 88 to 12, demonstrates a higher proportion of services than almost any other bank.

Assets under management also enjoyed healthy growth, increasing by 11% to €40.1 billion. We offer our Private Banking clients an all-round service by acting as a long-term partner for all issues relating to their wealth. Consequently, we also continue to provide investment advice alongside wealth management offerings, despite constantly rising compliance costs.

To accommodate our growth and the policy of offering our clients a personal service, we have again significantly strengthened our workforce. At the end of 2015, 1,331 people worked for Berenberg, 81 more than just 12 months previously. This will empower us to maintain our role as a responsible and reliable partner for our clients into the future. We would like to thank you for the trust you have placed in us and look forward to serving you in the months and years ahead.

Dr Hans-Walter Peters
(Spokesman)

Hendrik Riehmer
EXECUTIVES

Managing Partners

Dr Hans-Walter Peters (Spokesman)

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 von Berenberg-Gossler
Hamburg

Helge F. Kolaschnik
Kolaschnik Partner Rechtsanwälte PartGmbB, Hamburg

Pierre-Yves de Laminne de Bex
Member of the Board of Directors, Compagnie du Bois Sauvage S. A., Brussels

Joshua Ruch
Chairman and Chief Executive Officer, Vaal, Inc., New York

Dr Hans-Rüdiger Schewe
President, Fürstenbergische Gesamtverwaltung, Donaueschingen

Andreas von Specht
Managing Partner, AvS – International Trusted Advisors GmbH, Frankfurt
Managing Directors

Lars Andersen
Tobias Bittrich
Dr Jan Böhm
Gunnar Cohrs
Oliver Diehl
Lars Fuhrken
Michael Gillessen
Erhard Gold
Jürgen Hauser
Dr Robert Hengel
Oliver Holtz
Laura Janssens
Carsten Kinder
Axel Klappstein
Silke Krüger
Dr Alexander von Kuhlberg

Christian Kühn
Dieter Lügering
David Mortlock
Dennis Paschke
Dr Peter Raskin
Sascha Scheer
Dr Manfred Schlumberger
Dr Holger Schmieding
Lars Schwartau
Uwe Schwedewsky
Tindaro Siragusano
Johannes Sommer
Volker Steinberg
Karsten Wehmeier
Dirk Wehmöhner
Hans Wöll

As at 1 January 2016
THE YEAR 2015

The financial year was marked by numerous activities that served to deepen our ties with clients and other stakeholders. Corporate social responsibility has always been an important part of our corporate philosophy, and continues to be a priority for our owners and employees.

25th anniversary of the Berenberg Bank Foundation
For 25 years now, the Berenberg Bank Foundation has been promoting young cultural talent in northern Germany. It was set up to celebrate our firm’s 400th birthday, since when it has supported more than a hundred young artists with a total of over €850,000. The anniversary was celebrated in the Hamburg Mozart Hall with 250 invited guests together with the winners of this year’s and earlier Foundation prizes. Saxophonist Asya Fateyeva (l.) received the Berenberg Culture Prize from Dr Hans-Walter Peters and Hamburg’s Senator for Culture, Professor Barbara Kisseler (r.).

Investor conferences
With more than 265 people representing over 140 companies and in excess of 400 clients, the 13th European Investor Conference in Pennyhill Park near London was our biggest event of this type to date. Some 140 DAX, MDAX, SDAX and TecDAX firms presented their corporate strategies at the fourth Berenberg and Goldman Sachs German Corporate Conference in Munich. And our premiere in the United States was also a complete success, with nearly 100 firms and more than 230 clients attending the three-day conference, staged near New York.

Duel of the tennis legends
For the fifth time our Stuttgart branch sponsored the 38th Porsche Tennis Grand Prix. Eight of the world’s top ten women players competed for the $731,000 purse. The highlight of the tournament was a match between eight-time Grand Slam champion Andre Agassi (2nd from left) and Austrian legend Thomas Muster (2nd from right). Agassi emerged the clear victor. Berenberg branch manager Oliver Holtz (left) and organiser Charly Steeb (right) offered congratulations.

Polo countrywide
Berenberg added the best known polo tournament in Germany to its fixture list in 2015. The Berenberg German Polo Masters attracted several thousand visitors to Keitum in August. This means that, together with tournaments in Hamburg, Düsseldorf and Donaueschingen, Berenberg has a presence on the polo fields from one end of the country to the other. Berenberg Spokesman Dr Hans-Walter Peters had this to say about the Bank’s broad commitment to the sport: »As a long-standing partner of polo, we also consider it important to promote up-and-coming players.«
Over the mountains in classic cars
In 2015, Berenberg was a sponsor of the Kitzbüheler Alpenrallye for the first time. The »1990 Berenberg Classic Team«, comprising ten cars, joined 170 other classic motors on the starting line for the 28th edition of this traditional event. The 600 km course covered mountain roads in Tyrol, the Salzburger Land and Bavaria. Besides the Alpenrallye, Berenberg has also been a partner of the Schloss Bensberg Classics, one of the most prestigious classic car events in Germany, from the outset.

Golf stars play for a good cause
Berenberg staged the Berenberg Gary Player Invitational not once but twice in 2015. Top players like Tom Watson, Pádraig Harrington, Rickie Fowler, Jason Dufner and Tom Lehman gathered at the golf clubs in Wentworth (near London) and GlenArbor (near New York) to play for a good cause. The events collected a total of $300,000 for children in need. Berenberg is reinforcing its golfing activities in 2016, adding two further top golfers in the form of Martin Kaymer and Colin Montgomerie to its list of brand ambassadors, alongside Gary Player and Branden Grace.

Award-winning Private Banking
Berenberg achieved the top score in the report »Die Elite der Vermögensverwalter« (Handelsblatt) for the seventh time, enabling it to defend its leading position in the ranking. Dr Hans-Walter Peters, Dr Peter Raskin and Karsten Wehmeier received the »summa cum laude« accolade from Franz Josef Pschierer (l.), State Secretary in the Bavarian Ministry of Economic Affairs, and Elite Report editor-in-chief Hans-Kaspar von Schönfels (r.). In addition, we were named »Best Private Bank in Germany« for the fifth time in a row at the Global Private Banking Awards in Singapore.

BerenbergKids plays Santa Claus
Football shirts, books and Lego are right at the top of children’s wish lists. For 120 children attending an all-day school in Hamburg, those wishes came true as Berenberg employees provided the gifts for the children, to be received from Santa Claus in person. Colleagues in Düsseldorf and Frankfurt also did something special for disadvantaged children, with a child poverty charity receiving gifts on the Rhine and the residential community of a youth support group enjoying some pre-Christmas cheer in Frankfurt.
400 CELEBRATE OUR 425TH BIRTHDAY

Berenberg celebrated its 425th birthday in the suitably decorated setting of the Großmarkthalle in Hamburg, a former warehouse. Four hundred guests gathered to congratulate Germany’s oldest private bank.

In his guest speech, the Mayor of Hamburg, Olaf Scholz, emphasised how 425 years was a historical period that people normally talked about in connection with cities and cultural traditions, not companies. «This alone indicates to us that we’re dealing with something quite out of the ordinary here.»

In his role as President of the Association of German Banks and Co-Chief Executive of Deutsche Bank, Jürgen Fitschen underlined the importance of responsibility...
in the banking system and highlighted the cooperative spirit between a major bank and a private bank in joint projects. Dr Andreas Dombret, Germany’s top banking supervisor, also spoke about responsible behaviour in the financial sector. »Berenberg is characterised by something that these days can be considered a rarity. Since it was established, the Bank has been run by managing partners who are liable ‘down to their last trouser button’, to quote the Bank’s Spokesman, Mr Peters.« Other guest speakers Alexander Otto and Dr Andreas Jacobs also spoke about the importance of a banking relationship for SMEs and the partnership between private bank and family entrepreneur.
Operations and underlying conditions

Profile

For over 425 years, Berenberg, with its commitment to assisting its clients, has been guided by accountability. From its very beginnings, the Bank has been run by personally liable managing partners, and this principle continues to be the cornerstone of a relationship of trust with our clients. If you are personally liable, you will not allow yourself to be steered by short-term advantage and emotions, but will act responsibly.

Our solid reliability is also reflected in the stability of our leadership. Since 1590, Berenberg has had only 38 managing partners, and today’s partners have been with Berenberg for 20 years or longer.

What counts for us is long-term success alongside our clients. As we help them to expand on their successful investments, achieve their goals and meet their challenges, we always do so with insight, as expert advisors and long-standing service providers. We address all areas in which we feel confident that we can offer our clients exceptional value.

From our Hamburg headquarters, we have established a notable presence in the financial centres of Frankfurt, London, New York and Zurich in recent years. Today, we have over 1,300 employees in 19 locations across Europe, the United States and Asia. With the expansion of our Private Banking, Investment Banking, Asset Management and Corporate Banking business divisions, we are on a secure footing for future growth, making us a dependable partner for our clients. We analyse the economy and financial markets across all sectors and geographic boundaries and apply our vision.

In-depth expertise and experience are necessary to make sound decisions, so we have built one of Europe’s largest equity research teams and a highly regarded macroeconomics team. We are also currently adding to our top-class group of investment strategists and portfolio managers.
All this has made Berenberg more than just a bank. As an advisor and trusted partner, we address client needs with responsibility, insight, vision and expertise. Or, in brief, accountability is our guiding principle.

Structure

Berenberg offers its clients individual services in four areas:

**Private Banking:** Providing advice to high-net-worth individuals is a complex and responsible challenge that we accept with proven ability and an award-winning advisory approach. To this end, we have set up special centres of competence for family entrepreneurs, key clients/family offices, maritime, senior executives, professional athletes, foundations and high-net-worth individuals. 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 in the segments of Equities, Corporate Finance and Financial Markets. Our research covers almost 600 European companies, 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, which we implement in asset management accounts as well as retail and special funds. The client base consists primarily of international institutional investors such as pension funds, insurers, industrial enterprises, banks and foundations.

**Corporate Banking:** We advise companies, financial investors and single family offices in transactions and day-to-day activities. We maintain specific expertise in specialist segments such as shipping and infrastructure & energy.
Our head office is located in Hamburg. In Germany, we have branch offices in Bielefeld, Braunschweig, Bremen, Düsseldorf, Frankfurt, Munich and Stuttgart. Outside Germany, we are represented by branch offices in London, Luxembourg, Paris and Vienna, a representative office in Shanghai and an office in Zurich. Our subsidiaries and their branches are located in Hamburg, Boston, Chicago, Geneva, New York, San Francisco and Zurich.
Overall economic development

The global economy continued its modest expansion in 2015. As in the two previous years, global economic output increased by nearly 2.5%. However, as before, there were major regional differences. While growth in the United States, Germany and the UK remained stable, the decline in commodity prices plunged producer countries into a crisis, made worse by the fact that they had not used their high earnings from previous years to establish modern industrial structures.

Following a weak start to 2015, the US economy accelerated during the course of the year to such an extent that the Federal Reserve was able to raise its benchmark rate in December 2015 for the first time in almost ten years. Even if the hike of 0.25 percentage points is likely to have no major consequences for the economy, the move by the Federal Reserve was an important signal. At this stage the United States, at least, has digested the aftermath of the financial crisis so well that the central bank felt able to start raising rates again. Since American households and companies reduced their debt burden over recent years and improved their balance sheets, they were able to expand their spending tangibly during the course of 2015. Following growth of almost 2.5% in 2015, a similar pace of expansion looks likely for 2016.

China, meanwhile, is taking steps to achieve a soft landing. Efforts to shift to a more sustainable growth model are starting to yield results, with the services sector gaining in importance at the expense of an industrial sector that is all too hungry for commodities. However, the change is not taking place smoothly. At times, China’s attempt to loosen its control over currency and stock markets has resulted in turmoil throughout the global financial markets.

In Japan, low oil prices and a weak currency have served to boost the economy somewhat, although genuine structural reforms are still in short supply. Consequently, growth remained below 1% yet again in 2015.

The recovery in Europe continued through 2015. Within this framework, some of the troubled countries on the eurozone’s periphery were able to reap more rewards from the tough austerity and reform programmes they implemented in 2010 to 2013. Spain and Ireland joined the pack of countries driving economic growth in Europe. And even Italy initiated a turnaround in its economy and its labour market with the
labour market reforms it enacted in January 2015. France, on the other hand, has failed to follow suit due to a lack of adequate reforms.

Germany continued its robust recovery, seeing its economic output grow by 1.7% thanks to its structurally sustainable policies. The main factors contributing to this were private consumption and capital spending on equipment by industry. Despite a rise in state spending, a healthy surplus was achieved in the government budget on the back of surging tax receipts and a robust labour market.

All in all, we are cautiously optimistic looking ahead to 2016. Low oil prices are boosting the purchasing power of consumers in the western world and many emerging markets. This is having the same effect as a stimulus programme that does not have to be financed with debt. Nonetheless, there is still the danger that political risks, including possible tensions in Europe, could dampen the mood in industry for a while and hence the willingness of firms to invest. Both the sustained influx of refugees and the planned British referendum on a possible exit from the European Union are presenting Europe with major challenges.

The outlook for the finance industry remains mixed. For one thing, the economy is making it easier for many banks to strengthen their profitability. At the same time, those banks that traditionally generated most of their earnings in interest-related operations must open up new lines of business in the face of persistently low interest rates.
Awards

The quality of our services was once again acknowledged with a series of awards in 2015. The report DIE ELITE DER VERMÖGENSVERWALTHER (The Asset Managers Elite) produced in cooperation with Handelsblatt noted that: "This is a vital institution that has helped to write economic and wealth history for 425 years. It remains spritely with a constant commitment to demanding clients. Its stability and exemplary client focus are helped by the well-applied, clear advisory system which explicitly elaborates the parameters of high-net-worth individuals, thus securing a binding orientation for the support process."

- **GLOBAL PRIVATE BANKING AWARDS 2015**
  - Best Private Bank in Germany

- **EUROMONEY AWARDS FOR EXCELLENCE 2015**
  - Best Equity House in Germany

- **DIE ELITE DER VERMÖGENSVERWALTHER 2016 (HANDELSBLATT)**
  - Summa cum laude (with top score)

- **THOMSON REUTERS EXTEL SURVEY**
  - Third place – European Economics – Overall
  - First place – European Economics – Analysts: Dr Holger Schmieding
  - Second place – Pan-European Small- and Mid-Cap Sales
  - Second place – Equity Research: Medical Technology
Financial performance

Earnings

Net profit for the year

The results for the reporting period broke all records. Net profit for the year totalled €103.6 million, far exceeding the €40.4 million generated in 2014. The transition, completed over the past few years, from a northern German private bank into an international advisory firm has paid off. The business model, centred on the four service-oriented business divisions, is working. It proved possible to not only greatly increase gross earnings during the reporting period but also further invest in the expansion of the value chain out of ongoing commercial operations. In this context, investments were made in our monitoring functions and IT as well as the service-oriented business divisions.

In the Report of the Managing Partners for 2014, the Bank forecast a moderate increase in the net profit for the year in 2015. The extremely successful performance in 2015 is built around the firm positioning of our divisions in their respective market segments. Furthermore, the institution benefited from the fact that individual capital market transactions planned for 2014 were postponed to 2015 on account of the weakness in capital markets at that time.

The return on equity, calculated as the ratio of profit before tax to equity at the start of the year, amounted to 67.3% after 28.8% in the previous year. The cost-income ratio improved from 85.7% to 72.2% despite the investments made. The ratio of current net interest income (excluding income from participating interests/affiliated companies) to net commission income was 12:88 (10:92), which underlines the significance of commission-earning operations for the Bank’s business model.

Net commission income

Net commission income increased year-on-year to reach a new record total in 2015. In what remains a very volatile market environment, securities operations dominated net commission income, which increased by a very healthy 31.7% to €321.3 million compared with €243.9 million in the previous year. This development reflects the
Bank’s strong positioning in the services segment that plays an important role in its business model.

Our strategy of broad-based securities operations with the three divisions of Private Banking, Investment Banking and Asset Management again proved its worth during the reporting period. Commission income also exceeded interest income in the Corporate Banking division. Alongside the experience we have accrued in servicing our German and international shipping clients, we were also increasingly able to generate commission income from structured finance operations.

Assets under management performed well, rising from €36.1 billion to €40.1 billion. With 20 capital market transactions carried out in the German-speaking region, Berenberg again secured top spot in terms of the number of transactions. Notably, Berenberg started operating a trading desk in New York in September 2015 with a view to extending its value chain.

**Net interest income**

Net interest income rose from €38.0 million to €56.2 million. Despite this healthy development, net interest income was again impacted by historically low interest rates in 2015. Maintaining a prudent lending policy, the increase in net interest income results in part from the securities in the liquidity reserve. This conservatively structured portfolio contains securities with relatively high coupons that are trading at a premium. The short residual maturities give rise to write-downs which, in turn, have a positive impact on net interest income.

As in the previous year, a distribution from the current profits of subsidiaries was received during the reporting period.

**Net trading income**

The net income from trading activities improved by 74.8% to €36.0 million (€20.6 million).

Since our operations are primarily service-oriented, we have only allocated very manageable limits to the trading activities in the equities, bonds and foreign currencies segments. FX trading dominates the net trading income, yielding a particularly healthy result in 2015. As in the previous year, a sum of €0.2 million (€2.3 million) was
allocated to a statutory reserve in accordance with Section 340g HGB in conjunction with Section 340e (4) HGB. This amount is drawn from net trading income to act as additional economic capital in the future. The full allocation has now been made to this reserve in accordance with the provisions of commercial law.

**General administrative expenses, depreciation of tangible fixed assets and amortisation of intangible assets**

In response to the overall positive development of earnings and the market opportunities presented to us, we decided to invest heavily to reinforce and expand our successful business model during the reporting period. At the same time, the efficiency of existing processes was reviewed.

The number of employees rose again year-on-year in 2015. Selective further investments were made in highly qualified personnel and existing structures were optimised at the same time. Moreover, the variable elements of remuneration expanded in line with the solid earnings performance in 2015. Personnel expenses rose to €186.1 million (€155.3 million) as a result.

Investments in modern IT, the implementation of new regulatory requirements and the strengthening of our locations led to an increase in non-payroll costs and depreciation charges on tangible fixed assets. Together with the higher personnel expenses, this development led to an increase of 16.1% to €299.3 million (€257.8 million) in general administrative expenses including depreciation of tangible fixed assets and amortisation of intangible assets.

**Risk provisions**

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

Capital base and principles
The Bank’s common equity tier 1 capital was boosted further during the reporting period and amounted to €204.5 million at year-end (€181.1 million). In addition, there is supplementary capital in the form of subordinated liabilities in the nominal amount of €45.0 million (€45.0 million). The amount eligible to be included in the core capital as a result of the remaining maturities of the subordinated loans was €29.0 million (€37.8 million). Consequently, the Bank’s liable equity base following adoption of the annual financial statements amounted to €233.5 million (€218.9 million). The Bank already applies the new European capital regulations in full and does not make use of the permitted alleviating transition arrangements.

The Bank’s total capital ratio in accordance with the Capital Requirements Regulation (CRR) and the German Solvency Regulation amounted to 11.9% (14.1%) at year-end, while the common equity tier 1 capital ratio was 10.2% (11.6%). At the reporting date, the Berenberg Group (group of consolidated companies for regulatory purposes) had a total capital ratio of 13.8% (15.2%) and a common equity tier 1 capital ratio of 12.4% (13.2%). The capital increase has not yet been included when determining the regulatory capital ratios. This level of equity funding places us comfortably above the statutory requirements.

Our ratio in accordance with the German Liquidity Regulation also vastly exceeded the industry average, at an annual average of 3.2 and 3.3 (3.1) at year-end, and is well above the requirements of the German Federal Financial Supervisory Authority (BaFin). And at 1.4, our total for the new European liquidity coverage ratio (LCR) is also well above the minimum level for regulatory purposes.

Funding and securities in the liquidity reserve
Berenberg can meet all its funding needs from customer deposits, while regularly generating a high liquidity surplus. The Treasury business unit invests the majority of this surplus in top-rated bonds with the goal of minimising possible credit risks.
At year-end, the portfolio consisted of bonds and other fixed-income securities with a volume of €2,559.4 million (€2,411.5 million). This portfolio is dominated by securities issued by German public issuers (55.3%) and securities with a German state or public guarantee (20.7%).

The remaining maturity of these holdings averaged 1.7 years at year-end, meaning that the change risk inherent in the portfolio is limited. The interest rate risk is generally restricted to the 3- or 6-month Euribor. The vast majority is deposited at 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 carrying amount of €82.5 million (€83.6 million) are held in investment funds as part of the liquidity reserve. Here, we pursue risk-reduced investment strategies on international equity indexes and active (but still short) duration management on the bond side.

Finally, excess liquidity of €387.9 million was invested in promissory note loans (German public issuers and German development banks) with durations of up to two years.

**Total assets and business volume**

Total assets increased during the reporting period from €4,514.0 million to €4,738.3 million, essentially due to inflows of new client money. This caused liabilities to customers to rise to €3,570.2 million (€3,199.3 million). Client deposits accounted for 75.3% (70.9%) of total assets.

Receivables from banks consist mainly of client trust funds held by our Swiss banking subsidiary. Their total declined by €214.3 million to €682.7 million.

Receivables from banks rose to €735.6 million (€602.7 million). The increase is attributable to the investment of €190.6 million in promissory note loans issued by German development banks. The majority of the surplus liquidity was again invested in bonds issued by German public issuers instead of receivables from banks.

Receivables from customers increased by €749.6 million to €1,013.4 million. Part of the liquidity reserve of €197.3 million was invested in promissory note loans issued by German states.
The expanded business volume rose from €4,586.2 million to €4,801.1 million, in line with the growth in total assets.

Credit volume
The expanded credit volume increased to €1,076.2 million (€821.8 million). It consisted of receivables from customers of €1,013.4 million (€749.6 million) and contingent receivables of €62.8 million (€72.2 million) from guarantees and other indemnities.

Overall statement on the results of operations, net assets and financial position
Earnings continued to develop favourably and a record profit was generated. The core capital resources were once again expanded and the net assets are in good shape. Solvency was guaranteed at all times and the liquidity position is extremely comfortable.
Performance of the business divisions

Private Banking

The year began with a hammer blow in the financial markets when the Swiss National Bank (SNB) made the surprising decision in January to abandon the floor of 1.20 EUR/CHF that had been in place for three years. This added a further challenge to an already difficult market environment for the domestic and international investment advisory and wealth management business with very high-net-worth individuals: (1) Regulatory pressure is rising in all three countries (Germany, Switzerland and the UK). (2) Interest rates are low or even negative. (3) European stock markets in particular are taking a roller-coaster ride. (4) New competitors are forcing their way into the market. (5) At the same time, the world in which our clients live and work is becoming more international, making their financial needs all the more complex.

Berenberg Private Banking responded to this by restructuring itself in 2014. The related strategic decisions were consistently implemented and translated into concrete measures during the reporting period. Today, private banking advice relates to far more than just the issues of concern to our clients. It is also embedded in a structure that accommodates the individual and generally highly complex character of these issues. This gives rise to a private banking offer that thinks in larger dimensions rather than restricting itself – in exactly the same way as our clients.

Cross-regional and international integration

Berenberg today offers private banking services from a total of 11 offices in Germany, Switzerland and the UK. Over the years, our advisors at each of these locations have built up personal relationships founded on trust. At the same time, we are sensing how our clients are progressively operating more on a cross-regional level in parallel and creating international networks. This goes hand-in-hand with the desire for wealth advice that takes account of this cosmopolitan world. In response to this, we maintain and foster international links between our advisors. Most of our staff departments now have an international character.
Holistic view
Our advisors consider themselves the point of contact for any questions and issues that may have a direct or indirect impact on the wealth of our sophisticated clients. This means that our advisory offer extends well beyond simple investment. Developments from the business/professional environment are considered just as closely as family circumstances, leisure interests and voluntary work.

In this context, the advisors have access to seven Berenberg centres of competence set up across regional lines that have started their advisory work following a period of build-up and analysis. They each concentrate on the broad needs of one specific client group. »The Foundations and Non-Profit« centre of competence, for instance, analyses special strategies to enable foundations to carry out their mission in times of historically low interest rates. The »Senior Executives« centre of competence is dedicated to the special compliance duties of senior managers, among other things. The unit devoted to professional athletes, in turn, looks at issues such as the consequences of signing a contract abroad, and pension and withdrawal planning.

Choice of two service models
For Berenberg, the concept of a broad private banking offer suitable for a complex clientele includes an ongoing commitment to the free choice of service model. Despite constantly rising regulatory requirements, investment advice continues to be just as much a key part of our service offer as wealth management. This means that, at Berenberg, our clients can choose between two high-quality solutions for their wealth management. They can either delegate the realisation of their investment goals to the professional portfolio managers in our Portfolio Management department or take the decisions regarding their investments personally in a dialogue with their advisor and on the basis of thorough assessments and analysis.
Access to absolute expertise

Whereas ever more market participants have now completely ceased offering investment advice, Berenberg has boosted the quality of the individual investment recommendations provided by its international »Investment Advisory« department. The unit has been integrated into the Private Banking division and placed under single global management. It has been tasked with proactively supporting the advisors in their day-to-day work across all asset classes, taking into account the, in places, differing regulatory requirements in the individual countries and monitoring the portfolios centrally. This enables us to provide optimum advice that is tailored to the needs of our clients. Close cooperation with the Bank’s equity and bond research functions enables the analysts’ know-how to be employed better and geared to the respective individual requirements of our high-net-worth clients.

In terms of holistic advice, our centres of competence provide the necessary depth alongside the broad coverage of their respective topics. Each centre of competence maintains a close-knit network of proven experts in the subject area of specific relevance for its target group. This approach allows us to create an advisory offer that brings the best experts together to find a solution to a specific need. We are well aware that these topics are subject to constant change as a result of amendments to the statute books and other outside influences. In response, we exploit our network of experts in part to provide regular training courses for our advisors. This enables us to meet our aspiration of not just delivering solutions for our clients but also to observe developments of importance to them and raise key questions in good time.
Constant growth

Our structural enhancements to create a broad-based, top-quality international private banking offer yielded many positive effects in 2015. Despite what is still a highly demanding environment, we grew rapidly whilst keeping our cost base stable. We enjoyed strong growth in the assets entrusted to us in all three countries (Germany, Switzerland and the UK). Additional assets and recommendations from existing clients together with new clients provided for a healthy increase in assets under management. In addition, we are winning ever more tenders and were again named one of the best wealth managers at the end of 2015 by the Elite Report, rated »summa cum laude«.

Portfolio Management

We pursue the goal of protecting and increasing the wealth of our clients in real terms over the long run. This may take various forms, depending on the type of mandate, as we make a distinction between benchmark-oriented, dynamic and total-return-oriented mandates.

We aspire to fully satisfy the expectations of our clients with regard to performance, process and product quality, and transparency.

Our central investment philosophy is based on a largely anticyclical, fundamentally discretionary approach that looks to secure an optimum distribution of assets across several classes of investment.

It starts with the continuous, in-depth analysis of all the major financial and capital markets. The bank-wide opinion of Berenberg is then formulated by the framework-setting Investment Committee led by the Chief Investment Officer. Investment strategists and portfolio managers from various regions under the Chief Investment Officer subsequently define the tactical and strategic allocation in the various client mandates.

In Portfolio Management, where the main focus is on managing risks and evaluating opportunities, the investment decisions that have been made are translated into specific structures in line with the respective mandate type. The management services provided by Portfolio Management encompass both the careful, objective selection of attractive investments in accordance with the best-select method, as well
as constant monitoring. The focus of our Portfolio Management department is on fungible investment classes such as equities, bonds and liquid alternative investments.

Above all, we strive to create efficient portfolio structures in line with individual investment and risk guidelines and ensure tactical management is in accordance with the market situation. Both portfolio management, which is required to adhere to individual investment guidelines, and risk management are supported by state-of-the-art software and professional analysis tools.

Investment Banking

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

Equities

Equity Research

We continued to expand our research team, which now numbers almost 90 analysts, and added metals and mining as a new sub-sector in the year under review. The analyst teams are divided into nine sectors, with 28 sub-sectors. This enables us to cover all relevant corporations – from small caps to large caps – in the respective sectors. In 2015, our analysts initiated coverage on 125 companies, increasingly also on US stocks. We plan to cover around 200 US bellwethers by the end of 2016. This will differentiate us further from our competitors, as no other research house has joined-up coverage out of London.

In addition, we are establishing a new »Thematics Research team« which will focus on big themes like demographic shifts, disruptive technologies and corporate governance. It will be cross-sector, incorporating the views and expertise of sector analysts, and further underlines our quality-driven research approach. We are moreover extending our research coverage to eastern Europe with a particular focus on Poland. We plan to cover the sectors of strategy, TMT, energy, consumer and banks with a total of five analysts.
We are also successful stockpickers. Three years ago we introduced the ATLAS concept, standing for Alpha, Thought Leadership, Access and Service, to reflect the services we offer. Since then we have presented our best buy and sell ideas in our Alpha notes, with considerable success. Since the notes were introduced, the selected equities have outperformed the market by double-digit margins in both absolute and relative terms.

Selected by the US finance portal Trefis as the only European research house to enter an agreement with, we started a modelling cooperation with the company. As a result, interactive models have been launched across most of our sectors. Trefis standardises our models for clients, which allows for easy discussion on sensitivities and further strengthens our client relationships.

Following on from the product offensive in 2013, a new design template for our research in 2014 and Trefis in 2015, we will significantly improve the functionality of our research website in 2016 – and constantly pursue our goal to be recognised as the highest-quality »equities« house in Europe with the best service offering.

The number of client meetings held by our analysts amounted to around 9,000 in 2015. Our senior analysts each held an average of 250 meetings every year in 13 European countries as well as in the US and Canada.

All in all, we have succeeded in establishing ourselves as a top 10 European equities research house with our clients in just a few years.

**Equity Institutional Sales**

The Berenberg global sales team, leveraging our equity research and economics expertise, worked with our institutional clients to help them navigate many market challenges. The result was a further deepening of relationships, a further step-up in market share and another year of strong secondary commission growth.

We ended the year with a global sales team of 53 people. All are passionate about equities; all serve their clients to the highest professional standards; all act with the utmost integrity. We continue to believe that a blend of generalist and sector-specialist sales is the right mix, adding an extra depth of knowledge to the sales desk and broadening our client relationships even further. Our pursuit of both experienced
talent as well as tenacious younger talent adds an extra level of energy and drive to the team.

In total we service over 700 clients, covering all investment styles and across all the major financial hubs in the United Kingdom, Ireland, Europe and the United States. We have continued to climb up the rankings in client broker votes, helping drive impressive double-digit percentage growth in secondary commissions.

We also had another strong year in our corporate business. We worked on multiple IPOs, capital increases and rights issues, in both the UK and continental Europe, including as joint global coordinator and joint bookrunner for Hapag-Lloyd in Germany.

Looking ahead, European equities will remain attractive. Whilst we are proud of what we have achieved, there is still material scope for us to secure more market share and be even more active on the corporate side. The opportunity outside Europe is also exciting, as we broaden our US equities coverage. The strong service and value we provide to our clients make us well-armed to deal with emerging regulation in Europe.
Equity Trading

The strong commission growth trend continued on the execution side in 2015 across all European countries. We gained further market share in UK stocks, and set up our first UK trading desk in early 2016, in London, staffed by two experienced traders, strengthening our trading presence in London.

The major focus on the trading side in 2015 was on getting our US equity trading desk up and running in New York. After we were granted FINRA (US regulator) approval in June 2015 we launched the trading desk in September 2015, and have executed a respectable level of US business for major US institutions as well as European clients. This good start on the trading side leads us to expect further growth in 2016.

We expanded our sales trading force with an additional sales trader in Paris, for our French-speaking clients, as well as another addition to our sales trading team in London. We also expanded our coverage breadth by hiring a sales trader to cover eastern Europe (CEE); execution for countries like Poland is done out of Hamburg from our main trading desk. Another new hire on our desk in London focuses on M&A transactions (so-called Risk-Arb), as we look to grow that client area as well.

We have over 20 traders in the three trading hubs of New York, London and Hamburg, giving us a US and pan-European execution platform.

Corporate Finance

We grouped together the Equity Capital Markets, Debt Capital Markets and M&A Advisory departments in the Corporate Finance segment during 2015 to better integrate our competencies in capital markets, financing solutions, and mergers and acquisitions.
Equity Capital Markets

Our Equity Capital Markets (ECM) unit supports IPOs, capital increases and secondary placings, and advises on public acquisitions.

With 27 successful transactions, the total was increased again in 2015 compared with the previous years (2014: 24; 2013: 22). The aggregate issue volume rose to around €8.5 billion, of which the ten IPOs we supported accounted for some €5.5 billion alone. Outstanding transactions included the CHF 2.3 billion IPO of the Swiss telecom operator Sunrise, the €1.2 billion IPO of Deutsche Pfandbriefbank (pbb) and the long-awaited stock market debut of Hapag-Lloyd. Furthermore, we helped the leasing provider Sixt Leasing, the e-commerce firm windeln.de and the cable operator Tele Columbus to go public in Germany. In the UK, Berenberg accompanied the well-known furniture store DFS to the trading floor, and in the Netherlands, Berenberg was involved in the €535 million IPO of Intertrust.

We advised companies from a wide range of industries and European countries on capital increases. In Germany, for instance, Berenberg helped Rocket Internet with its €589 million capital increase; in Belgium, Berenberg worked with the real estate specialist Cofinimmo; and in Luxembourg, we served Aroundtown as sole global coordinator in its €320 million capital increase. We also served the building equipment group AFG in Switzerland and the property firm Market Tech in the UK.

In addition, we supported the secondary placing of several major blocks of shares, each worth more than €100 million. During the reporting period, this included shares issued by zooplus, Leifheit, and Wüstenrot & Württembergische.

As was already the case in 2014, this success is also reflected in the rankings. According to data providers Dealogic and Bloomberg, Berenberg occupies first place in the German-speaking region, measured by the number of transactions, for the second consecutive year.

Besides reinforcing our leading market position in the German-speaking region, we also expanded our advisory activity at our office in London. First corporate broking mandates, such as Telit Communications, LivaNova and Staffline, underscore our successful entry into a segment that is earmarked for further growth over the next few years.

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**The most deals**

<table>
<thead>
<tr>
<th>No. of deals</th>
<th>Lead bank</th>
<th>No. of transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Berenberg</td>
<td>20</td>
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<tr>
<td>17</td>
<td>Deutsche Bank</td>
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<tr>
<td>15</td>
<td>Credit Suisse</td>
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<td>14</td>
<td>Commerzbank Group</td>
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<tr>
<td>13</td>
<td>UBS</td>
<td>13</td>
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<td>13</td>
<td>Goldman Sachs</td>
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<tr>
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<td>Bank of America Merrill Lynch</td>
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<td>JPMorgan</td>
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<td>10</td>
<td>Morgan Stanley</td>
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</tr>
<tr>
<td>8</td>
<td>Citi</td>
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<td>8</td>
<td>Baader Bank AG</td>
<td>8</td>
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</tbody>
</table>

Transactions with a minimum volume of €10 million
Source: Dealogic, Bloomberg
Debt Capital Markets

Our DCM team helps enterprises to issue corporate bonds, convertible bonds, covered bonds and promissory notes. With 31 primary market transactions successfully concluded and a volume of around €1.6 billion, we again expanded our strong position in 2015. The initial placing of a €450 million pre-IPO convertible bond for Aroundtown is worth highlighting. In addition, we succeeded in placing several promissory notes, a GBP 113 million convertible bond for Market Tech and a €166 million convertible bond for Aurelius with our investors. Finally, we successfully rounded off the reporting period with the issue of a further convertible bond of €300 million for Aroundtown. Berenberg acted as lead manager for all these issues.

Besides companies, we also enjoyed great success accompanying semi-government issuers and issuers from the finance sector on the issuance of interest-bearing securities. In particular, this included the €250 million issue for Investitionsbank Berlin, a floating rate €100 million bond for Czech Export Bank and a €60 million bond for the Province of Lower Austria.

M&A Advisory

The M&A market proved to be relatively stable and lively in 2015. This development can largely be attributed to the activities of US firms and private equity investors. Alongside continuing consolidation and balancing processes, favourable financing conditions were again key. From our point of view, the reporting period was dominated by a number of high-calibre transactions in the public M&A segment. In this context, we successfully conducted transactions with a total volume in excess of €3.6 billion, reinforcing our position as one of the leading M&A advisors for public transactions in the German-speaking region. Among others, we advised the MDAX-listed engineering firm DMG Mori Seiki on its acquisition by its Japanese partner firm and the office property manager DO Deutsche Office on its acquisition by its competitor, alstria.
Financial Markets

Fixed Income Research
Fixed Income Research expanded its market position by systematically concentrating on special and niche topics. We registered rising interest in our publications across all distribution channels during the reporting period. We pressed ahead with the strategic realignment of the corporate bond research activities to cover convertible bonds and bonds from the high-yield universe that was commenced in 2014. This unit was moved to the London office under the policy to give our institution a more international outlook.

Fixed Income Sales Trading
Alongside ongoing geopolitical risks and constantly falling commodity prices, the 2015 financial year was largely shaped by central bank policies. At the start of the year, the Swiss central bank sparked uncertainty and large price swings in the capital markets by abandoning its floor against the euro. Massive purchases of securities by the European Central Bank and a later-than-expected rise in the benchmark rate in the United States helped to keep yields on 10-year German government bonds well below the 1.0% level through to year-end 2015. Reduced secondary market liquidity and a contraction of the investable bond universe as a result of ECB policy represented further challenges from investors’ viewpoint. Despite this difficult environment, we systematically expanded our activities on the primary market side in particular, including in France, Belgium and eastern Europe, and in corporate promissory note loans and convertible bonds in particular. This enabled us to achieve stable results again in 2015.
Forex Trading

The constant speculation about interest rate hikes and cuts gave rise to high volatility and, at times, irrational price movements in 2015, especially in emerging-market currencies. Right at the start of the year, the currency market received a hammer blow when the floor on the Swiss franc/euro exchange rate was abandoned. Amid all this turmoil, Berenberg Forex Trading managed to achieve a record profit, primarily on the back of its policy of prudence. There was strong demand for our services from our clients, resulting in a year-on-year increase of over 30% in daily trading volume.

Our clients include high-net-worth individuals, institutional investors and corporate clients. We offer them a consistently good service around the clock with our 24-hour telephone trading desk operating out of Hamburg. In addition, our clients have the opportunity to use diverse electronic trading platforms. Noteworthy in this regard are the Berenberg Electronic Trading Platform, our function as market maker on the 360T trading platform and the new pricing options on Bloomberg. It again proved possible to enhance the availability and pricing quality in electronic trading during the reporting period.

The growth in our currency activity is also reflected in the development of the workforce. We now employ 11 people in Hamburg and one in Zurich in this activity.
Transactions concluded

<table>
<thead>
<tr>
<th>IPO</th>
<th>IPO</th>
<th>Rights Issue</th>
<th>&lt;10% Capital Increase</th>
<th>IPO</th>
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<tr>
<td>CHF 2.3bn</td>
<td>EUR 1.2bn</td>
<td>EUR 907m</td>
<td>EUR 589m</td>
<td>EUR 535m</td>
<td>EUR 510m</td>
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<td>Joint Bookrunner</td>
<td>Lead Manager</td>
<td>Joint Global Coordinator and Joint Bookrunner</td>
<td>Co-Lead Manager</td>
<td>Joint Bookrunner</td>
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<th>Convertible (pre-IPO)</th>
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<th>Capital Increase</th>
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<td>AROUND TOWN</td>
<td>EUR 450m</td>
<td>EUR 320m</td>
<td>GBP 237m</td>
<td>EUR 300m</td>
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<td>Co-Lead Manager</td>
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<td>Co-Lead Manager</td>
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<th>Convertible</th>
<th>Rights Issue</th>
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<tr>
<td>EUR 265m</td>
<td>EUR 239m</td>
<td>EUR 207m</td>
<td>EUR 151m</td>
<td>EUR 124m</td>
<td>EUR 117m</td>
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<td>Joint Global Coordinator and Joint Bookrunner</td>
<td>Joint Global Coordinator and Joint Bookrunner</td>
<td>Joint Bookrunner</td>
<td>Sole Global Coordinator and Sole Bookrunner</td>
<td>Sole Global Coordinator and Sole Bookrunner</td>
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<th>&lt;10% Capital Increase</th>
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<th>Secondary Placing</th>
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<td>EUR 151m</td>
<td>EUR 124m</td>
<td>EUR 117m</td>
<td>EUR 113m</td>
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<td>Joint Bookrunner</td>
<td>Joint Global Coordinator and Joint Bookrunner</td>
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<td>IPO</td>
<td>Secondary Placing</td>
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<td>Mortage Bond PP</td>
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<td>Deutsche Office by alstria office REIT-AG EUR 1.8bn Advisor to Target Company</td>
<td>EUR 60m 2.10% 2015–2035</td>
<td>Sole Lead</td>
<td>Sole Lead</td>
<td>EUR 50m 1.11% 2015–2025</td>
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<td>Floating Rate Notes</td>
<td>Bond</td>
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<td>CZECH EXPORT BANK</td>
<td>EUR 100m 2015–2023</td>
<td>EUR 250m 0.00% 2015–2017</td>
<td>EUR 25m 1.11% 2015–2034</td>
<td>EUR 20m 1.50% 2015–2045</td>
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<td>bibliotheca</td>
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<td>Super Senior Term and RCF Financing the acquisition of EMP Merchandising Super Senior RCF supporting Bibliotheca's acquisition of 3M's Library Systems business</td>
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<tr>
<td>Sole Lead Arranger and Underwriter</td>
<td>Mandated Lead Arranger</td>
<td>Sole Lead Arranger and Underwriter</td>
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</table>
Asset Management

The Asset Management division adopts an active, quantitative investment style. In this context, our products and strategies are the biggest key to success. Transparency, objectivity and method shape all that we think and do – considerations that institutional investors worldwide are taking ever more seriously when selecting their asset manager.

Internationalisation strategy

Our Asset Management division provides international investment solutions from a total of five sales locations today. Alongside the market presence and account management we possess in the German-speaking market, we have made targeted additions to the workforce performing our activities in Switzerland. This enables us to serve institutional investors in the region covering Germany, Austria and Switzerland on an individual and country-specific basis, going forward.

Our global acquisition activities focused on the US market, which contains plenty of potential and new challenges in terms of investment and risk management topics. The successful market entry in North America marks one of our key milestones in 2015. We succeeded in hiring a highly experienced CEO for Berenberg Asset Management LLC with a strong background in currency management. The head office of our US subsidiary was relocated from New York to Chicago and the local sales unit reinforced, meaning that we now have a strong team in place to address institutional US investors. In addition, we have already conducted more than 200 meetings and acquisition conversations with major institutional investors on the East and West Coasts. Targeted communications have been employed to increase awareness of our brand. We presented the Bank at numerous key international conferences with a view to raising our profile.

The decision to start marketing our services in Australia as well represents a further milestone. The fifth continent is a highly promising sales market for risk
management and currency hedging strategies. We presented our service offer at two roadshows with over 30 institutional investors, including three of the biggest Australian pension funds.

For around five years now, the Asset Management division has been operating successfully in London, from where we serve institutional investors in the UK and Scandinavia. We have noted increased demand from institutional investors for our competence in the field of currency management (currency overlay), in particular.

All in all, we succeeded in boosting our global footprint, enabling us to serve institutional investors throughout the world with a range of offerings provided by our local teams. The internationalisation strategy we are applying is also reflected in the distribution of assets under management: the proportion of foreign moneys has risen sharply, from 20% to 45%, over the last five years. Pension funds represent the largest client group, followed by insurers, family offices, industrial enterprises and financial service providers.

Alongside our highly individual, personalised approach, we also seek a dialogue with our clients at various exhibitions and congresses. Among other things, we had our usual presence at the Institutional Money Congress in Frankfurt as an exhibitor and held a workshop on currency overlay at the Finance Symposium, the prestigious industry conference for financial managers and corporate treasurers.

Markets and strategies
2015 was a year that saw massive swings in the capital markets. In particular, speculation about an interest rate rise by the US Federal Reserve concerned the capital markets from the start of the year. China’s weakening economy is weighed down stock markets and raised fears of a cooling global economy. The European equity markets recorded their steepest declines for more than four years in the months of August and September.

The major fluctuations in exchange rates boosted demand for currency overlay solutions from investors with global investments and firms with international activities. This entails a strategy that efficiently hedges the currency risk in the portfolio.
We again expanded our position in active currency management and are now one of the five biggest providers globally. Especially when the currency market is subject to considerable volatility, dynamic risk management strategies like those marketed by Berenberg can add considerable value compared with static hedging. To cite one example, active management of the hedge ratio allowed us to benefit from the appreciation of the US dollar and thus generate, overall, a very healthy currency result for our clients.

A thoroughly impressive performance was also achieved by our active, option-based strategy. The Berenberg Dynamic Volatility Premium strategy leverages the volatility on the capital markets with a view to generating earnings regardless of the current bond and equity market trends, which makes it particularly attractive in difficult market phases. In this context, the systematic approach ensures that investors can count on consistent, attractive earnings over the long term. In an eventful reporting period, we succeeded in achieving an admirable performance with this strategy.

Our value-protection concept was successfully placed with a prestigious German investor in 2015. This is suitable for investors such as foundations that are seeking a stable target return while, at the same time, securing a value floor. Equity investors had to face numerous challenges in their investment decisions following on from the euphoric mood at the start of the year. In this market environment, Berenberg European Equity Selection again demonstrated how a systematic, rules-based investment approach can generate plenty of value added in a market that are permanently reflected in our indicators instead of reacting to shock headlines that roil the stock market. This strategy enabled us to achieve very pleasing results.

On the bonds side, the trend for falling yields continued at first. In the second half of the year, however, the perception of imminent interest rate rises led to much greater volatility. With an average yield of over 6%, emerging market bonds denominated in hard currency were one of the most attractive bond segments.
Developments in the national economies and capital markets in the emerging market regions varied greatly. To manage these country-specific risks, the strategy of the Berenberg Emerging Markets Bond Selection combines the country selection process with constant risk monitoring of the portfolio, thus offering our clients a highly promising alternative investment to traditional asset classes.

All in all, we succeeded in expanding the assets under our management in the turbulent market environment, closing the year with an increase of 6%. In this context, the moneys flowed mainly into special funds and mandates. This enables us to report some very strong figures: at the end of 2015, we managed assets totalling €17.1 billion for institutional investors in around 100 mandates worldwide.
Corporate Banking

Alongside traditional corporate client operations, this division encompasses infrastructure and energy, shipping and real estate activities together with the specialists in the Payment Services and Structured Finance departments. In this latter unit, we have leveraged novel super-senior structures to gain a market-leading role supporting loan funds. Close collaboration with the Investment Banking division, especially with regard to IPOs, was a key feature in 2015. Again, we achieved a pleasing risk result. And expanding our cooperation with BayernLB will open up more opportunities for both the Corporate Banking division and the Bank as a whole.

Corporate Clients

In our operations involving corporate clients, we target companies capable of tapping the capital markets and SMEs in the German-speaking region. Initial steps in this direction have also been taken in other parts of Europe, focusing mainly on the capital markets side. We expanded our activities in this segment by concentrating primarily on the fields of interest and currency management, transactions and portfolio management. Credit is only extended as part of client relationships where we are developing business in other areas of the Bank. We enhanced our payment systems during the reporting period and are now set to market our services more actively to new client groups, including online dealers.

Structured Finance

Our specialists are active in transaction financing and financial advisory, cooperating closely with financial investors and supporting companies and entrepreneurs in complex deals frequently involving equity-based financing.

Higher debt levels and loans with little creditor protection (covenant-lite loans) have started to appear in Europe in the field of acquisition finance. In addition, loan funds have become more established as an alternative source of finance alongside banks. In continuing to apply our conservative risk policy, we have stepped up collaboration with loan funds, co-financing low-risk portions in lucrative transactions’
super-senior structures. To cite one example, we helped bibliotheca, a portfolio company of the financial investor One Equity Partners, to acquire the library business of the 3M Group in such a construction.

To progress the successful transaction financing business, we succeeded in hiring highly motivated staff for the expansion of our Structured Finance office in Frankfurt. The physical proximity to our clients and financing partners will help us to generate lucrative transaction and advisory activities going forward.

Infrastructure & Energy

We set up the Infrastructure & Energy department at the end of 2014 to advise project sellers, investors and banks on all transaction-, financing- and project-related questions in this dynamic, national and international market environment. The formation of consortia securing equity and debt finance for energy and infrastructure projects with institutional and strategic investors and banks was very important in the reporting period, as an advisory mandate for a major European project and further mandates for medium-sized asset-based projects with European relevance had been acquired. In this context, we provided in-depth support to project sellers in particular including negotiations with general contractors, suppliers and other project participants, and advice on the development of the projects to make them attractive to investors and capable of attracting bank finance.

Alongside marketing projects to major institutional and strategic investors, the goal is to increasingly generate smaller and mid-sized projects for high-net-worth individuals and family offices. In addition, the task of providing advice on M&A and capital market transactions to companies from the infrastructure and energy sector is set to gain importance. To achieve this, we aim to expand the cooperation with other units in the Bank, especially in the Corporate Finance unit, that was successfully initiated in 2015.

We continue to view energy and infrastructure investment as an attractive and expanding market at both the European and international level.
Shipping
Our Shipping department enjoyed a very good year in 2015, with the new lending business and our transaction business involving payments and foreign exchange performing well. Furthermore, we assisted Hapag-Lloyd in what was one of the biggest IPOs in the global shipping industry.

Nonetheless, the markets remain difficult as a result of slower growth in places like China; the exception is the tanker market, which proved robust on account of the constantly falling oil prices. There was a further fall, significant in places, in rates and market values in the main segments of container shipping and for bulk carriers in the second half of the year following on from what had been a more positive trend in container shipping in the first half of 2015.

Alongside our traditional shipping business, we are systematically expanding our structuring competence, partly in connection with the capital markets. At the same time, however, we will pay close attention to risk management should there be a further deterioration in the markets.

Real Estate
Despite the strong demand and short supply in almost all segments of the real estate market, we succeeded in realising lucrative business providing advice and finance to selected project developers and builders on the back of our network and the long-standing client relationships we have. The close collaboration with the Berenberg Real Estate Office has also continued to run well, enabling us to offer our private and corporate clients optimal solutions for their real estate activities.
Cross-divisional services

Real Estate Office
We expanded the Berenberg Real Estate Office further in 2015, taking on more personnel in various areas. Besides providing all-round advice on the economics of all aspects of real estate as a capital investment, the Real Estate Office concentrates on discreet transaction processes for buyers and sellers alike. The range of services offered also includes value-based asset management, which is particularly important across the real estate cycle. Numerous mandates were carried out in both areas.

At the beginning of 2015, we successfully placed the special alternative investment fund (AIF) »Opera Offices NEO« with our private clients, featuring a new-build commercial block in central Hamburg.

We set up the open-ended special AIF »Berenberg Real Estate Hamburg« with targeted gross fund assets of €350 million as a further exclusive participation option for institutional clients. The investment focus is the greater Hamburg area. The former Spiegel tower known as »Height 1« in central Hamburg was acquired as an initial investment and contributed to the fund. It has been rented long-term to a prestigious provider of tax, audit and legal advisory services. The Dorint Hotel at the Hamburg-Eppendorf University Medical Centre (UKE) was acquired as a second investment.

Banks Cooperation
We expanded our activities with other banks in 2015. There was an increase in the number of cooperation partners, the scope of the wealth managed for the clients of our cooperation partners, and the number of clients.

This represents another successful chapter in the over ten-year history of this unit. We cooperate with a series of regional banks in Germany, Austria and Switzerland. In Germany, we concentrate exclusively on savings banks. Our external asset management solutions form the heart of this cooperation arrangement.

The complexity of the capital markets together with the persistently challenging interest rate environment led to greater interest in highly individualised client solutions and investment concepts during the reporting period. In this context, we devised solutions for both high-net-worth individuals and the company assets of the firms served by our cooperation partners.
External Asset Management Office

With over 100 cooperation partners served, many more client accounts for asset managers and a significantly higher number of private label funds, the concept underpinning the External Asset Management Office is bearing fruit. The success factors include the high execution quality of trading orders, the business advice approach and the all-round service. This eases the workload of the asset managers, who can now concentrate more fully on their core business. An important element ensuring client satisfaction is the way we professionally implement innovative and also market-neutral investment strategies in the fund structure. Thus, the volume of one of our private label funds has grown to around €100 million in less than two years. Our cooperation with the press, web conferences and target-group-specific events have also contributed to this success story.

Art Consult

Demand for Berenberg’s art consulting services increased in 2015. In one particular case, our experts successfully sold a large legacy of pictures and drawings representing classical modernism. With our assistance, new clients have acquired significant works of art, in some cases for high prices. What is known as a collateral event emerged from the cooperation of an entrepreneur with an artist in a public museum as part of the Venice Biennale. There were new advisory mandates to strategically restructure existing collections and prepare valuations of thematic collections for subsequent disposal. As in previous years, we made it possible for numerous clients to visit international exhibitions. In 2015, Maastricht, Hong Kong, Cologne, Basel and London were on the agenda. A senior consultant will be added to the team in 2016 in response to these positive developments. «Art as an emotional asset» is the slogan for the wide range of international art services we offer.
Employees

Whereas the number of people working in the banking industry has been falling constantly, Berenberg has recorded a rising headcount for 17 years now. Once again, in 2015 there was an increase of 6.5% in the number of employees in the Berenberg Group to a total of 1,331 (2014: 1,250), of whom 1,201 (1,133) work in the Bank.

We expect the headcount to increase again in 2016. In this setting, the greater demand for skilled staff is set against an evolving labour market environment. The cost of hiring is increasing due not only to demographic changes but also to a supposed loss of attractiveness suffered by the banking industry in the applicant market. In response to this, we have adjusted our internal structures by creating the role of specialist recruiter. We have also expanded our programme to recruit high potential individuals, with 27 trainees starting the newly devised, internationally oriented trainee programme at our office in London in October 2015. In addition, a further 34 employees are taking other training programmes (dual-track courses, bank and IT apprenticeships). Furthermore, we give undergraduates the chance to get to know our institution better by providing internships and student placements.

Our HR development function ensures that our people are capable of dealing with the constantly increasing requirements in both professional and personal terms. We achieve this by means of in-house courses and continuing professional development for individuals. Alongside the Berenberg Leadership Programme, we have devised what is called Berenberg Management Training, a further toolkit to provide our managers with the best possible support for their work.

The dedication, hard work and loyalty of our employees form the basis of our commercial success and our excellent reputation. For this we are extremely grateful.

We would also like to expressly thank the members of the Works Council and the representatives of the young workers and apprentices for their purposeful collaboration and active involvement in many areas. All staffing and social issues were discussed and implemented in a constructive atmosphere.
Risk report

We continued to apply our conservative risk strategy in the reporting period. This deliberate focus on less risky, service-oriented business divisions once again proved its value. The Bank’s liquidity situation was very good throughout 2015. Our deposit surplus goes into a securities portfolio dominated by paper issued by German public-sector issuers with short remaining maturities. At no time has the Bank conducted proprietary investments in securitised credit structures or similar investments.

Our risk management process is characterised by its strategic focus on service-based business divisions, combined with the use of modern risk measurement methods ideally suited to our corporate structure.

The main risk types we analyse in our risk management process are counterparty, market price, operational and liquidity risk. Reputation risks are evaluated as part of the management of operational risk. We also analyse the risk of earnings collapsing. Our approach to managing earnings risk is intended to prevent losses 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 above risk types on the basis of the value-at-risk (VaR) principle. VaR represents a loss threshold for a given probability level. The value-at-risk procedures reflect only the potential losses on the basis of relatively normal market movements. To gain a second perspective on the risk situation, we have been supplementing risk evaluations with an analysis of historical and hypothetical stress scenarios for several years now.

Our regular comparisons between risk and economic capital are 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 keeping with the concept of a going concern, it should be possible to cope with unexpected losses without having to fall back on external capital-raising measures. Consequently, the economic capital is essentially formed from the easily liquidated reserves available to the Bank. First, these reserves are
compared with the value-at-risk with a confidence level of 99%. In 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 in this analysis 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 thus assured. Possible diversification effects across the various risk types are ignored by aggregating the covering amounts for the various categories of risk.

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

Each quarter, further stress tests are added to the calculation of risk-bearing capacity. We also perform ad-hoc stress tests as and when required. As an inverse stress test, we define additional scenarios which would tie up all of the available economic capital if they were to occur.

Management has overall responsibility for the risk management process and defines the general conditions for managing the various risk types. A central Risk Controlling unit acts independently of the various front offices in organisational terms, as required by the Minimum Requirements for Risk Management (MaRisk) for banks and financial service institutions. This unit works closely with the Finance unit to ensure 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 and risk management. Risk Controlling 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 either within or across the risk classes.
Berenberg employs the classic model with three lines of defence. In the first line of defence, the operational managers in the institution’s various units are risk owners with responsibility and accountability for assessing, managing and mitigating risk. This includes the implementation and monitoring of organisational hedging operations and control activities anchored in the processes.

In the second line of defence, the Risk Controlling and Compliance units facilitate and monitor the implementation of effective risk management by the other units and ensure independent risk reporting within the institution.

The third line of defence consists of the independent Internal Audit department employing a risk-oriented approach to evaluate how effectively the institution assesses its risks and how well the first and second lines of defence perform their tasks.

A back office unit that is organisationally independent from the front office units employs a wide-ranging limit structure to monitor exposure to counterparty risk. An extensive range of controlling analyses supports 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 liquidity reserve, and is monitored by Risk Controlling.

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

Treasury is responsible for the management of liquidity risk, together with the Money Market department. Risk Controlling is included in monitoring.

A monthly full calculation is used to track the profit and loss of the business divisions, taking into account the risks assumed. Collapsing earnings in the profit centres are also analysed as a key risk in this context. The Risk Controlling unit makes available to both Management and the individual relationship managers an efficient management information system that lets them analyse the risk-adjusted earnings and risk variables at every aggregation level, from the Bank as a whole all the way down to the individual client.

The Bank’s Auditing unit regularly examines the organisational precautions for managing, monitoring and controlling the various categories of risk, based on the parameters specified in the Audit Manual.
Credit Risk Management and Risk Controlling regularly provide information to the Risk Monitoring Committee set up by the Bank’s Advisory Board, which meets three times a year.

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

The complete risk report can be accessed at www.berenberg.de/en/riskreport.
Outlook

Banks, once again, find themselves in a difficult operating environment in 2016, with increasing regulatory requirements coinciding with historically low interest rates.

Berenberg has used the years since the start of the financial crisis well, achieving impressive results with its successful business model and advisory services geared to client needs. We intend to continue expanding our business with this approach in 2016 and to continue growing in Germany, Europe and the United States. We will work to remain a preferred partner for existing clients, and are confident that we are in an excellent position to gain new clients and expand our market share.

We will continue to apply our proven, diversified business model with the Private Banking, Investment Banking, Asset Management and Corporate Banking divisions. We have given ourselves a forward-looking structure in Private Banking and believe the broad range of advisory services we offer promises good growth prospects. We similarly project further growth in securities trading and the associated commission income, and also in income from capital market activities. The newly acquired mandates in the Asset Management and Corporate Banking divisions will in all probability continue leading to a satisfying business performance.

As diverse as the divisions are, they are all united by our determination to provide our clients with top-quality, objective advice, the best possible service and excellent execution. Our focus will remain on offering services and not assuming risk ourselves. Berenberg will concentrate on the four existing business divisions and exploit the opportunities that promote the continuous development of our business activities. We will continue to apply our strategy of organic growth with a view to concentrating fully on the needs of our clients.

Besides expanding our front office units, we will also constantly adapt our internal structures. In this context, we will be looking closely at risk control and compliance as well as HR development and marketing. The approximately 190 people working in our in-house IT department ensure that we will remain particularly flexible, enabling us to implement both client wishes and regulatory requirements quickly.

No specific risks were known at the reporting date that could have a major impact on the future business performance of the Bank.

»As diverse as the divisions are, they are all united by our determination to provide our clients with top-quality, objective advice, the best possible service and excellent execution.«
We are convinced that we have a good position in the market and believe it is possible that the hard work of our dedicated and skilled workforce will enable us to generate good earnings again in 2016. Following on from the record year in 2015, our ever-cautious business plan calls conservatively for slightly lower net income for the year in 2016.

**Private Banking**
Navigating through economic developments and lively capital markets will be a challenging task again in 2016. At the same time, the goal will be to meet the multifaceted needs of a demanding clientele across all dimensions. We expect that some market participants will pare back activities heavily affected by regulatory initiatives like investment advisory or even withdraw completely from our target markets. We, on the other hand, believe we have an outstanding springboard with our broad-based, top-quality private banking offer. Again in 2016, we intend to implement appropriate measures – such as further investment in advisory quality – in line with our growth plan. To meet the multifaceted needs of our national and international clients in terms of investment advice, we intend to systematically enhance our investment advisory offer. An IT-based concept providing proactive support for our advisors in their day-to-day activities is being rolled out. We will also look to expand our offices and open a Private Banking branch in Münster with six new employees in mid-2016. It is part of our DNA that we observe all market trends and analyse the success of the steps we take so that we can adopt dynamic countermeasures if necessary – in line with the title of the company history published to celebrate the 425th anniversary: »Change is the only constant«.

**Investment Banking**
We believe we have a good set-up in Investment Banking and take an extremely positive view of our prospects for 2016. In the Equities segment, we have a smooth-running, established value chain for our service-oriented business model. We again succeeded in sharply increasing our earnings and expanding our market share during the reporting period. Furthermore, our research and sales expertise, which is regularly acknowledged in independent market analyses, made it possible for us to reinforce our strong market position supporting IPOs, capital increases and M&A
transactions. With our branch office in London as the hub and the various local offices, we can continue to act as a reliable partner for our clients going forward. In 2015, we successfully expanded our office in New York, enabling us to also offer our clients the services of our American equities trading function. We entered into a strategic partnership with BayernLB at the beginning of 2015. The combination of particular expertise in investment banking provided by Berenberg and financial strength contributed by BayernLB represent what we believe is a very good starting point for expanding activities. We expect the well-positioned Fixed Income and Forex Trading units to continue providing satisfying contributions to the net income of the business division; as such, they round out the range of services we offer in Investment Banking.

**Asset Management**

From the economic viewpoint, the political situation in Europe, the EU referendum in the UK, the presidential elections in the United States and uncertainties regarding China’s economic development could breed lasting turmoil in the capital markets in 2016. And these are only some of the potential flashpoints known at this time. Our quantitative risk management strategies enable us to face up to these challenges with confidence.

We will continue down the strategic path that has been taken and press ahead with our global sales activities. We are optimistic that the internationalisation strategy will help us permanently increase our assets under management and boost our earnings. At the same time, we will systematically pursue the goal of turning our market position into being the world’s leading provider in the field of active currency management and becoming Europe’s leading asset manager for active, option-based strategies.
Corporate Banking
All the departments within the Corporate Banking division are geared for growth. We intend to greatly strengthen the Shipping and Infrastructure & Energy departments, in particular. The outlook for earnings continues to look bright in the niches we serve, although we will pay close attention to risk management in the shipping segment, in particular, against the backdrop of the difficult markets. The proportion of international clients, which is already very high, is likely to go on rising, as in addition to the Shipping and Structured Finance units the corporate client activity is increasingly acquiring international clients as well.

Within the framework of acquisition financing, we have for some time now been collaborating closely with international loan funds, which represent serious competition for banks in the leveraged buyout market. Looking forward, we see ourselves encouraged to support alternative financing partners with our structuring skills and capital market expertise in large-volume transactions and to employ our own loan book less.
## Balance sheet as at 31 December 2015

### Assets

<table>
<thead>
<tr>
<th></th>
<th>€</th>
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<tbody>
<tr>
<td><strong>Cash reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand</td>
<td>1,917,520</td>
<td>1,145,318</td>
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<tr>
<td>Balances with central banks</td>
<td>20,843,710</td>
<td>60,544,131</td>
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<tr>
<td><strong>Total</strong></td>
<td>22,761,230</td>
<td>61,689,449</td>
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### Receivables from banks

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<thead>
<tr>
<th></th>
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</tr>
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<tbody>
<tr>
<td>Payable on demand</td>
<td>417,079,936</td>
<td>484,969,406</td>
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<tr>
<td>Other receivables</td>
<td>318,492,311</td>
<td>117,703,684</td>
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<tr>
<td><strong>Total</strong></td>
<td>735,572,247</td>
<td>602,673,090</td>
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### Receivables from customers

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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>1,013,408,258</td>
<td>749,602,952</td>
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### Bonds and other fixed-income securities

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<tr>
<th></th>
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<tbody>
<tr>
<td>Bonds and debentures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– of public-sector issuers</td>
<td>1,755,059,258</td>
<td>1,870,905,350</td>
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<tr>
<td>– of other issuers</td>
<td>804,370,278</td>
<td>540,571,285</td>
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<tr>
<td><strong>Total</strong></td>
<td>2,559,429,536</td>
<td>2,411,476,635</td>
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### Shares and other variable-yield securities

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<th></th>
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<th></th>
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<tbody>
<tr>
<td><strong>Total</strong></td>
<td>231,739,808</td>
<td>157,677,956</td>
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### Trading portfolio

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</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>31,454,752</td>
<td>373,896,481</td>
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### Participating interests

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<tbody>
<tr>
<td><strong>Total</strong></td>
<td>8,911,601</td>
<td>8,929,270</td>
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### Shares in affiliated companies

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<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>14,840,872</td>
<td>6,293,481</td>
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### Trust assets

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</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>6,743,966</td>
<td>13,524,848</td>
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### Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>€</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased franchises, industrial property rights and similar rights, and licences to such rights</td>
<td>3,780,362</td>
<td>4,028,451</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20,816,909</td>
<td>22,432,961</td>
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</table>

### Other assets

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>84,435,726</td>
<td>99,290,241</td>
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</table>

### Prepaid expenses

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>3,354,463</td>
<td>675,449</td>
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### Excess of plan assets over pension liabilities

<table>
<thead>
<tr>
<th></th>
<th>€</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>1,062,584</td>
<td>1,767,219</td>
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</table>

### Total assets

<table>
<thead>
<tr>
<th></th>
<th>€</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>4,738,312,314</td>
<td>4,513,958,483</td>
</tr>
</tbody>
</table>

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1) thereof: with Deutsche Bundesbank €20,838,613
2) thereof: municipal loans €197,270,022
3) thereof: eligible as collateral with Deutsche Bundesbank €1,735,226,887
4) thereof: eligible as collateral with Deutsche Bundesbank €799,286,498
5) thereof: in banks €164
6) thereof: in banks €2,540,872
7) thereof: trustee loans €9
## Equity and liabilities

<table>
<thead>
<tr>
<th></th>
<th>€</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>2015</strong></td>
<td><strong>2014</strong></td>
</tr>
<tr>
<td><strong>Liabilities to banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable on demand</td>
<td>525,759,819</td>
<td>681,277,219</td>
</tr>
<tr>
<td>With agreed term or notice period</td>
<td>156,904,840</td>
<td>215,738,809</td>
</tr>
<tr>
<td></td>
<td><strong>682,664,659</strong></td>
<td><strong>897,016,028</strong></td>
</tr>
<tr>
<td><strong>Liabilities to customers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings deposits</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>– with agreed notice period of three months</td>
<td>397,798</td>
<td>406,377</td>
</tr>
<tr>
<td>– with agreed notice period of more than three months</td>
<td>35,634</td>
<td>37,635</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>– payable on demand</td>
<td>3,276,925,986</td>
<td>2,821,801,602</td>
</tr>
<tr>
<td>– with agreed term or notice period</td>
<td>292,821,899</td>
<td>377,058,856</td>
</tr>
<tr>
<td></td>
<td><strong>3,570,181,317</strong></td>
<td><strong>3,199,304,470</strong></td>
</tr>
<tr>
<td><strong>Trading portfolio</strong></td>
<td>68,720</td>
<td>1,685,741</td>
</tr>
<tr>
<td><strong>Trust liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,743,966</td>
<td>13,524,848</td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>33,168,736</td>
<td>41,904,549</td>
</tr>
<tr>
<td><strong>Deferred income</strong></td>
<td>35,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions for pensions and similar obligations</td>
<td>24,260,014</td>
<td>21,728,103</td>
</tr>
<tr>
<td>Provisions for taxes</td>
<td>11,066,380</td>
<td>5,195,730</td>
</tr>
<tr>
<td>Other provisions</td>
<td>73,685,364</td>
<td>60,519,307</td>
</tr>
<tr>
<td></td>
<td><strong>109,011,758</strong></td>
<td><strong>87,443,140</strong></td>
</tr>
<tr>
<td><strong>Subordinated liabilities</strong></td>
<td>45,000,000</td>
<td>45,000,000</td>
</tr>
<tr>
<td><strong>Fund for general banking risks</strong></td>
<td>15,800,000</td>
<td>15,650,000</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscribed capital</td>
<td>150,000,000</td>
<td>150,000,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>22,000,000</td>
<td>22,000,000</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>103,638,158</td>
<td>40,429,707</td>
</tr>
<tr>
<td></td>
<td><strong>275,638,158</strong></td>
<td><strong>212,429,707</strong></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>4,738,312,314</strong></td>
<td><strong>4,513,958,483</strong></td>
</tr>
<tr>
<td><strong>Contingent liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities under sureties and guarantee agreements</td>
<td>62,788,477</td>
<td>72,225,787</td>
</tr>
<tr>
<td><strong>Other commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Irrevocable loan commitments</td>
<td>114,589,296</td>
<td>90,842,523</td>
</tr>
</tbody>
</table>

---

\( a) \) thereof: trust loans €0  
\( b) \) thereof: special item compliant with Section 340g HGB in conjunction with Section 340e (4) HGB €15,800,000
Income statement
for the period from 1 January to 31 December 2015

<table>
<thead>
<tr>
<th>Expenses</th>
<th>€</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expenses</td>
<td>28,214,549</td>
<td>43,714,820</td>
<td></td>
</tr>
<tr>
<td>Commission expenses</td>
<td>39,695,989</td>
<td>33,816,347</td>
<td></td>
</tr>
<tr>
<td>General administration expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Wages and salaries</td>
<td>162,962,474</td>
<td>135,428,803</td>
<td></td>
</tr>
<tr>
<td>– Social security charges and expenses</td>
<td>23,119,361</td>
<td>19,901,572</td>
<td></td>
</tr>
<tr>
<td>for pensions and similar benefits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>104,676,543</td>
<td>94,066,153</td>
<td></td>
</tr>
<tr>
<td>Depreciation of tangible fixed assets and</td>
<td>8,214,731</td>
<td>8,180,975</td>
<td></td>
</tr>
<tr>
<td>amortisation of intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>9,435,486</td>
<td>6,444,746</td>
<td></td>
</tr>
<tr>
<td>Taxes on income</td>
<td>12,117,862</td>
<td>5,610,944</td>
<td></td>
</tr>
<tr>
<td>Other taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>where not shown under other operating expenses</td>
<td>527,034</td>
<td>194,293</td>
<td></td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>103,638,158</td>
<td>40,429,707</td>
<td></td>
</tr>
<tr>
<td>Total expenses</td>
<td>492,402,187</td>
<td>387,788,360</td>
<td></td>
</tr>
</tbody>
</table>

1) thereof: for pensions €7,325,476
2) thereof: for compounding €1,644,816
## Income

<table>
<thead>
<tr>
<th></th>
<th>€</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td><strong>Interest income from</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– credit and money market activities</td>
<td>34,682,085</td>
<td>20,588,504</td>
</tr>
<tr>
<td>– fixed-income securities and debt register claims</td>
<td>37,676,127</td>
<td>49,923,243</td>
</tr>
<tr>
<td>Total</td>
<td>72,358,212</td>
<td>70,511,747</td>
</tr>
<tr>
<td><strong>Current income from</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– shares and other variable-yield securities</td>
<td>9,209</td>
<td>10,328</td>
</tr>
<tr>
<td>– participating interests</td>
<td>4,923,860</td>
<td>4,519,650</td>
</tr>
<tr>
<td>– shares in affiliated companies</td>
<td>7,165,232</td>
<td>6,638,453</td>
</tr>
<tr>
<td>Total</td>
<td>12,098,301</td>
<td>11,168,431</td>
</tr>
<tr>
<td><strong>Commission income</strong></td>
<td>360,959,436</td>
<td>277,730,235</td>
</tr>
<tr>
<td><strong>Net income from trading portfolio</strong></td>
<td>36,028,504</td>
<td>20,612,880</td>
</tr>
<tr>
<td><strong>Income from write-ups of receivables and certain securities and from the reversal of loan-loss provisions</strong></td>
<td>1,277,758</td>
<td>3,374,832</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>9,679,976</td>
<td>4,390,235</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>492,402,187</td>
<td>387,788,360</td>
</tr>
</tbody>
</table>

### Notes:

1. therefrom: additions to special item compliant with Section 340g HGB in conjunction with Section 340e (4) HGB €150,000
Selected notes to the financial statements as at 31 December 2015

General information

The annual financial statements for the year ended 31 December 2015 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 the previous year are shown in parentheses.

Accounting policies

The existing accounting policies were applied without change in the reporting period.

As a general rule, receivables from customers and banks were recognised at nominal value or cost, with accrued interest taken into account for corresponding balance sheet items. Deferred income items have been set up for discounts on loans and on purchased receivables.

All identifiable credit and country risks in the portfolio of receivables were taken into account through the recognition of specific valuation allowances and provisions. General valuation allowances have been set up to cover latent credit risk and general loan-loss allowances have been set up in Luxembourg for the same purpose. The value adjustments were deducted from the receivables or added to provisions.

We made use of the option to net expenses and income for the presentation of risk provisions in the income statement.

Securities in the liquidity reserve were measured strictly at the lower of cost or market. Borrowed securities from securities lending transactions and the associated retransfer obligations were reported in the balance sheet.

Financial instruments held for trading purposes are marked to market, less a risk discount. The risk discount is determined on the basis of the Bank’s internal management system using actuarial methods. 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 risk discount is calculated and disclosed separately for each portfolio. The risk premium is recognised up to the amount of the write-up.
Shares in affiliated companies and participating interests are recognised at cost. No impairments have been recognised.

Tangible fixed assets and purchased intangible assets are measured at cost, less scheduled depreciation and amortisation taken on a straight-line basis in line with the applicable tax regulations. Assets costing up to €150 are written off in full in the year of acquisition. Low-value assets costing between €150 and €1,000 are grouped together in a collective item and depreciated on a straight-line basis. They are shown in the statement of changes in fixed assets as additions and included in the amount disclosed for depreciation in the 2015 financial year.

Other assets, including option contracts, are recognised at the lower of cost or fair value. Generally, option premiums received and paid are not transferred to the income statement until the options expire or are exercised.

Liabilities are carried at the settlement amount plus accrued interest. Accrued interest on subordinated liabilities is reported under other liabilities.

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 prudent business judgement.

Provisions for pensions are 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 Professor Dr Klaus Heubeck. An interest rate of 3.89%, a rate of increase of 2.5% in future compensation, an increase in pension benefits of 1.8% and an industry-specific standard fluctuation are applied. Appropriations to pension provisions are presented in other operating expenses and personnel expenses. Assets used to settle pension obligations are netted against corresponding obligations.

Provisions with a remaining term of more than one year are discounted using the average market rate of the past seven years appropriate for their remaining maturity (Section 253(2) sentence 1, German Commercial Code (HGB)). As provided for in the Regulation on the Discounting of Provisions (RückAbzinsV), the interest rates used for discounting tally with the monthly interest rates published by Deutsche Bundesbank.
The equity items are recognised at par value (Section 272(1) HGB). Derivatives are measured using hedge accounting.

In accordance with Section 256a HGB, assets and liabilities denominated in foreign currency were translated into euros at the European Central Bank’s mean spot exchange rate prevailing at the balance sheet date.

Currency forwards are measured across the board using the forward rate applicable at the reporting date for all transactions. The results in the respective currencies are offset. A provision for anticipated losses on pending transactions would have to be set up to cover any remaining loss. An offsetting item was 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 customers are reported in net commission income. The price gains on customer-related trading activities are also reflected in net commission income. Consequently, deviating from the regulatory trading book, the securities transactions conducted on behalf of customers are reported under bonds and other fixed-income securities and under shares and other variable-income securities.

**Loss-free valuation of the interest book**

Provisions for anticipated losses on pending transactions are to be set up for any excess obligations arising from activities involving interest-bearing financial instruments in the banking book. All assets and liabilities that are not attributable to the trading book or which fall under equity or similar items (fund for general banking risks, subordinated loans) have been included in the banking book. When a possible excess obligation is determined, matching amounts or maturities are notionally closed at the reporting date. The funding structure is taken into account consistent with internal management in the process.

On account of the large excess deposits, there was no mismatch of amounts for which it would have been necessary to notionally close the items when calculating the excess obligations. There was no mismatch of amounts/maturities with respect to liquidity, even under very strict assumptions regarding the deposit base, underpinned by both a certain decline in the volume of deposits over time and extreme stress assumptions arising from high ad-hoc outflows of deposits.
When determining the excess obligations, provisions already recognised under other valuation rules (such as interest-related provisions for hedges as defined in Section 254 HGB) were included when measuring a possible provision for anticipated losses on pending transactions. The necessity of taking into account the risk costs likely to accrue and administration costs was determined by including them in the interest rate used to discount the cash flows as a markdown on the cash flow.

The banking book is measured at present value. No provisions for anticipated losses on pending transactions needed to be set up.

Notes to the balance sheet

**Receivables from/liabilities to customers/banks**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which with no fixed maturity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which with no fixed maturity</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* This relates primarily to the investment in promissory note loans issued by German public sector issuers and government guaranteed promissory note loans.
Loans with a maturity 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**

<table>
<thead>
<tr>
<th>Relationships</th>
<th>with affiliated companies</th>
<th>with companies in which a participating interest is held</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td>15,930</td>
<td>13,130</td>
</tr>
<tr>
<td>Customers</td>
<td>21,923</td>
<td>26,835</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td>568,965</td>
<td>812,950</td>
</tr>
<tr>
<td>Customers</td>
<td>13,018</td>
<td>19,648</td>
</tr>
</tbody>
</table>

**Bonds and other fixed-income securities**

<table>
<thead>
<tr>
<th>This item breaks down into securities of</th>
<th>public-sector issuers</th>
<th>other issuers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>€’000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1,755,060</td>
<td>804,370</td>
<td>2,559,430</td>
</tr>
<tr>
<td>of which due in 2016</td>
<td>555,710</td>
<td>267,294</td>
<td>823,004</td>
</tr>
<tr>
<td>2014</td>
<td>1,870,906</td>
<td>540,571</td>
<td>2,411,477</td>
</tr>
</tbody>
</table>

Debt securities from public sector issuers are primarily bonds issued by German states and/or with a guarantee at the federal/state level as well as European government bonds.
The following table shows the breakdown of bonds of other issuers:

<table>
<thead>
<tr>
<th>€’000</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>German Pfandbriefs</td>
<td>136,251</td>
<td>0</td>
</tr>
<tr>
<td>European covered bonds</td>
<td>120,232</td>
<td>0</td>
</tr>
<tr>
<td>Bonds with government guarantees</td>
<td>529,106</td>
<td>518,348</td>
</tr>
<tr>
<td>Other</td>
<td>18,781</td>
<td>22,223</td>
</tr>
<tr>
<td>Total</td>
<td>804,370</td>
<td>540,571</td>
</tr>
</tbody>
</table>

Bonds with government guarantees are issued by German development banks backed by Germany or German states.

The average remaining maturity of all bonds is 1.7 years. Interest rate risk is normally limited to the 3- or 6-month Euribor rate by investing in floaters or entering into hedges in the form of interest rate swaps (micro-hedges).

**Shares and other variable-yield securities**

This item contains shares in investment funds of €82.5 million (€83.6 million) used as investments as part of the liquidity reserve.

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

<table>
<thead>
<tr>
<th>€’000</th>
<th>Investment target</th>
<th>Fair value</th>
<th>Book value</th>
<th>Undisclosed reserves</th>
<th>Distribution 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BAI-Universal-Fonds</td>
<td>Equities</td>
<td>48,434</td>
<td>46,433</td>
<td>2,001</td>
</tr>
<tr>
<td></td>
<td>BIRD-Universal-Fonds</td>
<td>Bonds</td>
<td>41,440</td>
<td>35,000</td>
<td>6,440</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>89,874</strong></td>
<td><strong>81,433</strong></td>
<td><strong>8,441</strong></td>
</tr>
</tbody>
</table>

There are no restrictions on daily redemption rights.
Trading portfolio

€’000                       2015   2014

**Assets**
Bonds and other fixed-income securities   21,918  345,904
Shares and other variable-yield securities 9,460   27,988
Foreign currencies                       77     4
**Total**                                 31,455 373,896

**Liabilities**
Bonds and other fixed-income securities   0     1,686
Foreign currencies                       69     0
**Total**                                 69     1,686

The financial instruments held for trading are marked to market, less a risk discount. The total risk discount amounts to €1.1 million (€1.5 million).

**Marketable and listed securities**
As in the previous year, bonds and other fixed-income securities are publicly listed. Of the shares and other variable-yield securities, investment funds of €81.4 million (€81.6 million) included in the liquidity reserve are not marketable. All other equities are listed on a stock market. €2.5 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 €772.3 million (€977.0 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 essentially hedged by entering into 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

Trust assets and the corresponding trust liabilities do not relate to any trust loans (previous year: €3.3 million) under receivables from customers and include €6.7 million (€10.2 million) in other trust assets or trust liabilities (under liabilities to customers) held as security for the pension obligations of a third party.

Statement of changes in fixed assets

<table>
<thead>
<tr>
<th>€'000</th>
<th>Acquisition cost</th>
<th>Depreciation/amortisation</th>
<th>Residual book value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance 31/12/2014</td>
<td>Additions</td>
<td>Disposals</td>
</tr>
<tr>
<td>Participating interests</td>
<td>8,929</td>
<td>72</td>
<td>89</td>
</tr>
<tr>
<td>Shares in affiliated companies</td>
<td>6,293</td>
<td>8,700</td>
<td>152</td>
</tr>
<tr>
<td>Furniture and office equipment</td>
<td>61,654</td>
<td>4,510</td>
<td>11,908</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>19,374</td>
<td>2,090</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>96,250</td>
<td>15,372</td>
<td>12,149</td>
</tr>
</tbody>
</table>
Other assets
This item includes accrued interest and fees of €33.8 million (€32.2 million). An offsetting item comprising currency forwards and currency options entered into has been recognised in the amount of €14.1 million (€33.2 million) on the assets side of the balance sheet due to the special cover.

Excess of plan assets over pension liabilities

<table>
<thead>
<tr>
<th>€’000</th>
<th>Acquisition cost securities</th>
<th>Fair value</th>
<th>Amount payable provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for pensions and similar obligations</td>
<td>17,656</td>
<td>17,259</td>
<td>17,456</td>
</tr>
<tr>
<td>Other provisions (semi-retirement)</td>
<td>1,000</td>
<td>1,000</td>
<td>1,002</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>€’000</th>
<th>Other operating expenses</th>
<th>Interest income</th>
<th>Valuation at fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for pensions and similar obligations</td>
<td>644</td>
<td>701</td>
<td>0</td>
</tr>
<tr>
<td>Other provisions (semi-retirement)</td>
<td>55</td>
<td>49</td>
<td>0</td>
</tr>
</tbody>
</table>

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

In accordance with Section 246(2) sentence 2 HGB, the other operating expenses of €0.7 million (€0.8 million) arising from discounting have to be netted with the gains on the measurement of the plan assets. The criteria for netting interest expenses and interest income arising from fair value measurement were not met in the previous financial year.

Section 253(1) sentence 4 HGB requires that such assets be measured at fair value. The assets in question comprise exchange-listed securities of public issuers, the market value of which results from the stock exchange price at the reporting date, as well as promissory note loans from public issuers.
Obligations of €1.2 million (€1.0 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.

In total, there is an excess of plan assets over pension liabilities of €1.1 million (€1.8 million).

**Other provisions**
This item mainly comprises provisions for personnel expenses.

**Subordinated liabilities**
Expenses include interest in the amount of €2.8 million, €2.2 million of which is accrued and shown under other liabilities. The following table shows the breakdown of the subordinated liabilities totalling €45.0 million:

<table>
<thead>
<tr>
<th>€'000</th>
<th>%</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000</td>
<td>6.55</td>
<td>01/06/2018</td>
</tr>
<tr>
<td>10,000</td>
<td>6.80</td>
<td>25/06/2018</td>
</tr>
<tr>
<td>5,000</td>
<td>6.25</td>
<td>07/01/2019</td>
</tr>
<tr>
<td>10,000</td>
<td>6.00</td>
<td>03/01/2020</td>
</tr>
<tr>
<td>10,000</td>
<td>6.00</td>
<td>30/01/2020</td>
</tr>
</tbody>
</table>

The terms correspond to Article 63 CRR. There is no right to demand early repayment.

**Special fund for general banking risks**
The line item special fund for general banking risks in the amount of €15.8 million (€15.7 million) was recognised in accordance with Section 340c(4) HGB in conjunction with Section 340g HGB. The allocation is included in net income from trading activities at €0.2 million (€2.3 million).
Other liabilities
This position essentially includes deferred interest payments for interest rate swaps and swaptions in the amount of €10.7 million (€22.5 million) and obligations to the local tax office in the amount of €4.9 million (€8.3 million). Impending losses for forward exchange deals were incurred as a result of losses from closed positions and extensions based on the original price in the amount of €4.8 million (€1.6 million).

Deferred taxes
At the reporting date, there were temporary differences in the carrying amounts of individual items in the commercial balance sheet and tax balance sheet. Recognition and measurement differences giving rise to deferred tax assets and liabilities occurred in the following line items: receivables from customers, shares and other variable-yield securities, participating interests and provisions. Deferred taxes were calculated based on an average municipal trade tax multiplier of 16.35%. The option to capitalise deferred tax assets set forth under Section 274(i) sentence 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 in the amount of €285.8 million (€248.6 million) and liabilities in the amount of €1,807.6 million (€1,780.6 million) are denominated in foreign currency.

Contingent liabilities
Liabilities arising from sureties and guarantees include bills of exchange guarantees in the amount of €46.2 million (€48.6 million) and documentary credits in the amount of €16.6 million (€23.6 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 enforced.

Other obligations
The other commitments consist exclusively of irrevocable loan commitments totalling €114.6 million (€90.8 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 the trading portfolio and other operating income shown in the income statement break down into 75% (74%) generated in Germany and 25% (26%) generated abroad.

Service activities
We provided services to our customers, particularly in the management and brokerage of securities transactions and in international documentary business. Income of €243.9 million (€174.3 million) from commission-earning business and €41.8 million (€38.2 million) from fund management was generated from management and brokerage of securities transactions.

Other operating income
This item mainly comprises cost reimbursements in the amount of €2.7 million (€2.8 million) from the provision of services and reversals of other provisions in the amount of €3.7 million (€1.3 million).

Other operating expenses
This item includes, among other things, interest expenses from the discounting of long-term provisions in the amount of €1.6 million (€1.7 million). It also includes additions to provisions of €3.8 million (€6.3 million).
Other disclosures

Other financial commitments
There is a proportionate contingent liability for the obligation to make additional payments incumbent upon the shareholders who are members of the Bundesverband deutscher Banken e.V.

For the next three financial years, there are financial commitments from rental, maintenance and other lease agreements in the annual amount of €33.1 million (€32.0 million).

Forward transactions and futures contracts
Forward transactions entered into during the course of the year can be divided into the following by their essential nature:

• Forward transactions in foreign currencies, in particular currency forwards, commitments arising from currency options, currency warrants and structured products (foreign currency transactions);
• Forward interest rate contracts, in particular forwards involving fixed-income securities, commitments arising from interest rate options, interest rate options, interest rate swaps, swaptions, caps and floors;
• Futures contracts relating to other price risks, in particular equity futures, index futures, commitments arising from equity options, equity options, commitments arising from index options and index warrants.

Customer transactions are generally hedged. As a result, the amount and timing of future cash flows is correspondingly balanced. 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:

<table>
<thead>
<tr>
<th>€'000</th>
<th>Volume</th>
<th>Positive market values</th>
<th>Negative market values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Foreign currency transactions</td>
<td>39,670,125</td>
<td>23,418,337</td>
<td>202,514</td>
</tr>
<tr>
<td>Swaps</td>
<td>1,119,786</td>
<td>1,590,682</td>
<td>1,621</td>
</tr>
<tr>
<td>Caps/floors</td>
<td>139,326</td>
<td>66,100</td>
<td>1,625</td>
</tr>
<tr>
<td>Securities futures</td>
<td>474,560</td>
<td>1,070,406</td>
<td>2,846</td>
</tr>
<tr>
<td>Securities options</td>
<td>426,952</td>
<td>545,254</td>
<td>12,627</td>
</tr>
<tr>
<td>Equity options</td>
<td>25,050</td>
<td>21,326</td>
<td>147</td>
</tr>
<tr>
<td>Bonds futures</td>
<td>170,867</td>
<td>1,099,745</td>
<td>2,530</td>
</tr>
<tr>
<td>Total</td>
<td><strong>42,026,666</strong></td>
<td><strong>27,721,850</strong></td>
<td><strong>223,910</strong></td>
</tr>
</tbody>
</table>

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 based on the standard method in accordance with the CRR. This gives rise to a capital adequacy requirement of €16.9 million (€16.0 million).

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

<table>
<thead>
<tr>
<th>Market risk</th>
<th>Capital adequacy requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>€'000</td>
<td>2015</td>
</tr>
<tr>
<td>Standard method</td>
<td></td>
</tr>
<tr>
<td>Net equity positions</td>
<td>16,257</td>
</tr>
<tr>
<td>Net interest positions</td>
<td>632</td>
</tr>
<tr>
<td>Total</td>
<td><strong>16,889</strong></td>
</tr>
</tbody>
</table>
Board of Management
The Board of Management comprised the following Managing Partners in 2015:

- Dr Hans-Walter Peters, Banker (Spokesman)
- Andreas Brodtmann, Banker (until 31 December 2015)
- Hendrik Riehmer, Banker

Andreas Brodtmann retired as a personally reliable partner with the expiration of 31 December 2015.

Shareholders
30.4% Berenberg family
26.1% PetRie Beteiligungsgesellschaft mbH
   (Dr Hans-Walter Peters [Managing Director] and Hendrik Riehmer)
   and Dr Hans-Walter Peters
1.5% Former managing partners
15.0% Christian Erbprinz zu Fürstenberg
15.0% Professor Dr Jan Philipp Reemtsma
12.0% Compagnie du Bois Sauvage S.A. As at: 1.1.2016

Remuneration and loans
We have opted not to disclose the remuneration of the active and former managing partners or the provisions set aside for these individuals, because we consider the requirements cited in Section 286(4) HGB to be fulfilled.

As in the previous year, no loans were granted to members of the Board of Management after taking account of the allocation of the profit available for distribution in 2015.

Appropriation of profit
The net profit for the year of €103.6 million is earmarked for distribution to the shareholders in the amount of €80.6 million and transfer to the revenue reserve in the amount of €23.0 million.
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 2015 to 31 December 2015. 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 have audited the Annual Financial Statements in accordance with Section 317 HGB (German Commercial Code) and the generally accepted German auditing principles for Annual Financial Statements adopted by the Institute of German Auditors (Institut der Wirtschaftsprüfer, IDW). These standards require that we plan and perform the audit in such a way that material inaccuracies and breaches 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 random test basis. This audit includes an assessment of the accounting principles used and significant estimates made by the company’s legal representatives, as well as an evaluation of the overall presentation of the financial statements and management report. We are of the opinion that our audit constitutes a sufficiently reliable basis for our opinion.

Our audit gave rise to no objections.

In our opinion, based on the findings of our audit, the annual financial statements comply with 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 an accurate view of the company’s position, opportunities and risks of future development.”

Hamburg, 21 March 2016

BDO AG
Wirtschaftsprüfungsgesellschaft

sgd. Dr Zemke    sgd. Butte
Auditor       Auditor
Staff

80

Issue volume with 27 transactions completed in 2015

€8.5 billion

Office established

1969

The »Alte Oper« opera house
Dear clients and business associates,

A lot of time has passed since the German Bundesbank stopped intervening on the currency markets and floated the Deutschmark back in 1969, the same year as the first moon landing. Berenberg also expanded its horizons and opened its first office outside Hamburg in Frankfurt, Germany’s leading financial hub. At first, the new office devoted most of its resources to the stock market and international securities transactions.

At the time, it was vital to have an office close to the stock market, and even today that proximity to the other actors on the financial markets and to our business partners remains crucial. Despite the many possibilities afforded by modern communication technologies, nothing can replace personal contact, so Berenberg has continued to expand its presence in other cities and countries. In Germany’s financial centres, our staff alone has grown almost six-fold since 2010.

Today, our Frankfurt office heads up our important equity capital markets business, and our Chief Investment Office there develops investment strategies for wealth management. The office also serves private clients in the area.

The city is continental Europe’s leading financial hub, and with the European Central Bank located in the city it has become even more important. In this part of our Annual Report, we would like to showcase our Frankfurt location. We are proud to be represented by this very capable office in the heart of the German financial industry.

Enjoy the read!

Best regards,

Dr Hans-Walter Peters
Spokesman of the Managing Partners
»Frankfurt is one of the world’s pre-eminent financial centres, and many German and international banks have offices here. This concentration is the basis for a unique network which conveniently places participants in close proximity to each other. With its rich tradition, modern services and long presence, Berenberg is a natural fit for Frankfurt, where tradition and modernity blend and where people of many different nationalities have lived and worked together for centuries.«

Peter Feldmann
Lord Mayor of the City of Frankfurt am Main

The »Römer« city hall
FRANKFURT: EUROPE’S REGULATORY CAPITAL

By Claus Döring, editor-in-chief of Börsen-Zeitung

»Mainhattan« – once meant as an insult, now an honour, this nickname for Frankfurt am Main says more than a thousand words. It refers to the Frankfurt skyline, without question one of the most impressive in Europe, and architecturally reminiscent of New York City in many ways. And the skyline will continue to change. More than half a dozen office and residential skyscrapers are planned or under construction, helping to make the city an even more attractive location – as well as keeping rents considerably lower than in other financial centres such as London or Paris. Since the word first came into use in the 1960s, »Mainhattan« has also stood for Frankfurt’s rise as »Bankfurt« to become the leading financial hub in continental Europe. The culmination thus far of this process was the placement of supervision of the 120 leading eurozone banking groups with the European Central Bank (ECB) in 2014. This means that not only is monetary policy for the single currency decided in Frankfurt, the city is also the capital of European financial and banking regulation. In addition, the European insurance regulatory body EIOPA and the European Systemic Risk Board (ESRB) have been located in Frankfurt since 2011. The Bundesbank has also traditionally acted in a bank supervisory capacity and works closely with the domestic financial supervisory authority BaFin, which likewise has an office in the city. The choice of Frankfurt as the first renminbi clearing house in the eurozone reflects the international character of the city as a financial centre.

The Bundesbank and later the ECB have been the catalysts for this development, attracting many domestic and foreign banks to the city, in turn drawing auditing and legal firms in their wake. The Frankfurt cityscape used to be dominated by a triumvirate of Deutsche Bank, Dresdner Bank and Commerzbank; this has given way to a multitude of additional institutions
and financial firms, and today Germany’s financial capital hosts over 190 banks and other financial institutions. Three-quarters of them are subsidiaries of foreign banks, along with 34 representative offices of foreign institutions.

Deutsche Börse, long a global player, is another institution without which Frankfurt would never have become the financial centre it is today. The city has embodied share trading in Germany since long before the first live TV broadcasts from the exchange floor; in fact, Frankfurt traders started setting prices back in 1585. Today, Deutsche Börse, itself listed since 2001, is one of the world’s leading stock exchanges. In 1997, it began using its XETRA electronic trading system, which has become one of the world’s largest trading systems and is used by some 4,000 traders in 18 countries. Deutsche Börse’s futures exchange Eurex is number one in Europe and number three globally. However, Frankfurt is only in eighth place for equities transactions due to the lack of an equities culture in Germany, the country’s redistribution-based pension system and the tendency of businesses to prefer credit for financing. Deutsche Börse has repeatedly tried to become a top player on the world stage through mergers with the London Stock Exchange (LSE) and the New
FRANKFURT – A FINANCIAL CENTRE

York Stock Exchange (NYSE Euronext). Political as well as anti-trust considerations have brought these ambitions to naught. In February 2016 the Deutsche Börse and LSE again presented a merger plan which would lead to a European super exchange headquartered jointly in London and Frankfurt. The outcome of this project is undecided at the time of publication of this magazine.

In addition to its good physical accessibility, Frankfurt is also a digital traffic hub. Two decades ago, the city made unused underground pipelines available to two private telecommunications companies, and today 4,000 kilometres of glass fibre infrastructure criss-cross Frankfurt. As a result, Frankfurt is now the world’s largest commercial internet hub, and 80% of German and 40% of European internet traffic pass through its network. This digital infrastructure ensures competitive communications and data flow for the financial industry now and into the future. It also provides a basis for the logistics industry, which is also important to the city, as well as its burgeoning creative industry.

Formerly, the city’s lack of a strong presence in higher education was considered a weakness, but that has changed. Today, the Goethe University with its House of Finance, the Frankfurt School of Finance & Management and many other local universities and institutions are embedded in what is one of the world’s densest financial sciences network, with many international links and cooperative arrangements. One area that remains underdeveloped is the start-up scene, specifically as regards fintech firms. With a funding programme and a fintech centre as a point of contact, the Hessian state government is working to promote the growth of new companies in the shadow of the bank skyscrapers, so that this financial centre can also become Germany’s fintech centre as well.
What sets Frankfurt am Main apart from other big cities in Germany? How ready is the city for the future? Is it economically competitive? The 2015 HWWI/Berenberg city ranking provides some answers. This study analyses and evaluates the location assets as well as the business and demographic dynamics of the 30 largest cities in Germany. Here are some of the key results for Frankfurt:

› Frankfurt is Germany’s most international city. No other city in the country welcomes so many foreign business travellers and tourists. No other city has such a high proportion of foreign students. At second place, Frankfurt is also right at the top of the rankings for foreign employees.

› Frankfurt is the most accessible German metropolitan area. From no other German city can the business traveller or tourist reach the other major European population centres faster.

› The demographic trends in Frankfurt are also very positive. Between 2011 and 2013, the population grew by 3.7% (2nd place in the rankings).

› No other German metropolitan area has as favourable an age structure as Frankfurt. The high levels of people of working age and younger add to the city’s competitiveness.

› Frankfurt is far ahead in terms of workforce education levels and innovation: 24% of employees have a university or college degree, while 39% work in knowledge-based industries.

› Frankfurt am Main is also an important source of employment for its surrounding region. It is the commuter capital of Germany, with a very high ratio of employed persons to the overall population.
<table>
<thead>
<tr>
<th>Category</th>
<th>Frankfurt</th>
<th>Munich</th>
<th>Berlin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of overnight stays by foreigners per capita</td>
<td>4.8</td>
<td>4.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Proportion of foreign students</td>
<td>17.3%</td>
<td>17.2%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Average travel time to major European capitals</td>
<td>186 Min.</td>
<td>189 Min.</td>
<td>196 Min.</td>
</tr>
<tr>
<td>Positive population growth (2011–2013)</td>
<td>4.2%</td>
<td>3.7%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Employed per 100 residents</td>
<td>93</td>
<td>84</td>
<td>81</td>
</tr>
</tbody>
</table>
»FRANKFURT HAS A SPECIAL SIGNIFICANCE FOR US«

Berenberg has had an office in Frankfurt since 1969. What started as a stock exchange office on the city’s Niedenau street has found a visible home at Bockenheimer Landstrasse 25 after four relocations (initially Goethestrasse, Untermainanlage, Bockenheimer Anlage). Today, Frankfurt is the oldest of the bank’s 18 locations outside Hamburg, and its 80 staff make it the fourth-largest after Hamburg (760), London (250) and Zurich (100).
The location in Germany’s most important financial centre has a special significance for us,« says Berenberg Spokesman Dr Hans-Walter Peters. The office’s capabilities have been greatly expanded, especially since 2010, and the headcount has grown almost six-fold. »We plan further growth, and we set the stage for that in 2012 with the move into our current building.«

The new building complex includes a neoclassical villa from 1913 as well as a new structure with an elongated building and a head-end building. The villa, with its impressive column portico, is one of the few remaining listed buildings near the »Alte Oper« opera house in central Frankfurt. It was originally built to house the offices of Beer & Sondheimer, a metals-trading firm. Before Berenberg moved in, the building was substantially restored and renovated in close consultation with the national heritage agency.

The Frankfurt office accommodates three main functions:

**Private Banking** serves high-net-worth individuals in the Rhine-Main area as well as other parts of Hesse, Rhineland-Palatinate and northern Bavaria.

**Corporate Finance** handles public offerings and capital increases (Equity Capital Markets), organises mergers and acquisitions (Mergers & Acquisitions) and arranges debt financing (Debt Capital Markets).

The 35-strong **Chief Investment Office** develops Berenberg’s capital markets opinion.
Are they all private individuals?

OLIVER HOLTZ // Many of them are, but some are also family groups comprising multiple individuals, as well as foundations, public institutions and some companies. Often a client will entrust us with their personal wealth management and then come to us for other services, which we provide in cooperation with other departments. Clients thus benefit from our bank’s comprehensive range of services.

Can you give examples?

OLIVER HOLTZ // A business owner for whose industrial enterprise our Asset Management provides currency hedging. Or our Corporate Banking division might organise structured financing. Art Consult helps build art collections. There are many possibilities.

There is no shortage of banks in Frankfurt. What advantages does an owner-operated private bank offer to clients?

OLIVER HOLTZ // We see ourselves as responsible advisors and service providers. We manage all the opportunities and risks that can affect the client’s wealth. This requires highly qualified advisors who think out of the box, ask the right questions with their clients and find the right answers through their network. Our centres of competence provide

PRIVATE BANKING

Oliver Holtz, Head of Private Banking, Frankfurt Branch

Mr Holtz, Berenberg has eight locations in Germany. What clients do you serve at the Frankfurt office?

OLIVER HOLTZ // Our clients are in the Rhine-Main area and the rest of Hesse, Rhineland-Palatinate and northern Bavaria.
deep expertise to address specific questions as may come from family entrepreneurs, executives, professional athletes, foundations and persons of independent means.

How important is investment advisory?

OLIVER HOLTZ // While other banks are shutting down their advisory businesses, Berenberg is paying close attention to the wishes and needs of its clients. They can choose to delegate the execution of their investment goals to our professional portfolio managers in our Portfolio Management department, or make their own investment decisions in a dialogue with their advisor and based on solid projections and analyses. Thanks to close cooperation with our securities research, the expertise of our 90 stock analysts is more efficiently deployed and tailored to the specific requirements of each of our private clients. In recent years, we’ve expanded our Chief Investment Office, which is responsible for investment strategies and wealth management. At the holistic consulting level, our centres of competence provide both breadth of coverage and the necessary depth of detail. Each centre of competence has a tight-knit network of experts on topics of special importance to their target groups. In challenging market environments like the present one, banks need to take care of their clients and provide the advice they are looking for.

Mr Holtz, you’ve been at Berenberg for 13 years and have headed the Frankfurt office together with Oliver Diehl since 2014. How would you say things have gone?

OLIVER HOLTZ // Even just a casual glance at the numbers shows that our approach has been very well received. Year after year, we’ve expanded our client base of high-net-worth private clients, entrepreneurs, foundations and institutional investors, and grown our assets under management. It’s a fact that times have not become easier for investors. And it’s exactly in this kind of challenging market environment that the traditional values of an owner-operated private bank are most in demand among our clients.

What values would those be?

OLIVER HOLTZ // First and foremost, that means acting responsibly in the interest of our clients. Individual advice, tailored services and close contact are other important aspects our clients appreciate.

CORPORATE FINANCE

Oliver Diehl, Head of Investment Banking, Frankfurt Branch

Mr Diehl, Berenberg has built up an outstanding market position in accompanying IPOs and capital increases over the last few years.

OLIVER DIELH // We closed 2015 in even better shape than 2014. Berenberg was especially successful with transactions in Germany, Austria and Switzerland. In total, we placed some €8.5 billion in Europe in 27 transactions, including ten IPOs. According to Bloomberg and Dealogic, this puts us in first place for number of transactions in the German-speaking countries for the
second year in a row. In terms of IPOs, we’re in second place by issue volume. We also carried out two IPOs in the UK, which is a very competitive market where we’re strengthening our position.

**What IPOs were you involved in last year?**

**OLIVER DIEHL** // Among the standout transactions were the CHF 2.3 billion IPO of Swiss telecom operator Sunrise, the €1.2 billion privatisation of Deutsche Pfandbriefbank (pbb) and the long-awaited flotation of Hapag-Lloyd. We also helped companies like Sixt Leasing and cable operator Tele Columbus to go public.

**What is the secret of Berenberg’s success?**

**OLIVER DIEHL** // Close cooperation across teams and with other departments of the bank, especially in Research, Sales and Trading. Add to that our lean structures which enable fast decisions, and access to small and medium-size institutional investors in Europe and the US. Big banks can’t give them the attention that we do.

**What role does the Frankfurt office play in this?**

**OLIVER DIEHL** // Frankfurt is the headquarters of our Corporate Finance unit. Here, we direct our investment advisory services for IPOs and capital increases, stock, convertible bond and promissory note issue transactions, and mergers and acquisitions. Frankfurt is also home to our equity sales activity for institutional investors in Germany.

**Your core business is in the German-speaking countries. Are there plans to expand your international presence?**

**OLIVER DIEHL** // Two-fifths of our ECM/DCM transactions in 2015 were in countries outside of the German-speaking region. We plan to become even more active on international markets, with a focus on the UK, but also on the Benelux countries, Scandinavia and, in selected cases, eastern Europe. And down the road we’re looking at accompanying IPOs in the United States as well.

**2015 was a very good year for IPOs. What do you think 2016 will be like?**

**OLIVER DIEHL** // Despite very volatile market conditions, interest in public offerings continues to be strong, and we project an interest rate environment that will continue to drive investment in equities. The ECB’s bond-purchasing programme plays a part in this. I think we will see about ten IPOs in Germany this year in the regulated market. Candidates for going public include young start-ups as well as subsidiaries that have been spun off from large corporations.
Dr Manfred Schlumberger, Chief Investment Officer

Dr Schlumberger, you’ve headed Berenberg’s Chief Investment Office since 2016. What prompted you to switch to Berenberg?

MANFRED SCHLUMBERGER // Primarily it was the prospect of working at a very dynamic and entrepreneurial bank. The second motivation was to help further develop Berenberg’s Portfolio Management. My goal is for Berenberg to be recognised for its expertise and performance not just in Germany but also in other countries.

Can you briefly describe what you do?

MANFRED SCHLUMBERGER // First and foremost, I serve as the chief investment strategist for the bank as a whole. My team and I monitor all the key financial and capital markets. In the Investment Committee, I translate the input from various sources into specific investment strategies. From there, we derive the tactical allocations for our various client mandates. The Chief Investment Officer heads a kind of think tank for capital market strategies, formulates the house opinion and executes it in portfolio management.

What is particularly important to you? What do you stand for, and what can we look forward to in terms of investment strategies from you?

MANFRED SCHLUMBERGER // Solid, long-term performance in portfolio management forms the foundation for good growth. The second key factor is communication and transparency. Clients need to understand what happens in terms of portfolio management strategies, how individual investment guidelines are executed, and whether the
risk parameters defined with them are being adhered to. I’m also very much in favour of intelligent diversification and systematic risk management. I pay special attention to ensuring that the investment process is geared to the client’s personal objectives.

Our central investment philosophy revolves around active control of the allocations in the individual asset classes, especially equities, bonds and cash, based on fundamental monetary and market psychology factors. Another focus on the bonds and equities side is the systematic selection of high-quality securities in Europe and the US. As a rule, we only execute investment ideas outside these regions via carefully analysed and selected funds. If we can’t find active fund products that meet our quality criteria, we turn to cost-effective passive fund solutions.
EUROPEAN CENTRAL BANK: GUARDIAN OF OUR CURRENCY

Dr Jörn Quitzau, Berenberg Senior Economist

The euro has not had an easy time of it over the last few years. The single currency was intended to give Europe more economic and political weight in a globalised era. At first, the euro met those expectations. Interest rates and inflation were low, the exchange rate was stable, economic growth was robust, and the euro quickly rose to become the world’s second most important reserve currency. But in autumn 2009, the Greek crisis changed everything overnight. The currency that had once been so solid became a problem, and many observers and commentators began to speak of its inevitable demise. But all dire predictions notwithstanding, the euro survived its crisis of confidence, and today it is again the world’s second most important reserve currency after the US dollar.

The fact that the euro held together was due in very large part to the efforts of the institution that is the guardian of the currency, the European Central Bank (ECB). The ECB proved able to function at a time when Europe’s politicians had been trying for years without success to restore market confidence in the future of the euro. The primary responsibility of the ECB is actually to keep consumer prices stable. But early in its existence, it was suddenly faced with a much greater challenge, which it proved equal to. That merits a look beyond the interest rate decisions that get most of the attention and behind the scenes of the central bank.

The ECB began operating in Frankfurt am Main in 1998. It had been by no means a foregone conclusion that Frankfurt would get the nod, as competition among cities was tough. «Frankfurt – the natural choice» was the city’s slogan during the campaign for the ECB headquarters. When Frankfurt was declared the winner in 1993, it was a milestone in its development as a financial centre. Many optimists predicted that Frankfurt would soon surge ahead of London, and without question the city has made very impressive progress. With its many new bank towers, Frankfurt is the only city in Germany with a skyline reminiscent of American cities and international financial centres. The presence of the European Central Bank is of great significance for Frankfurt’s position as an international banking centre and in the financial community network. However, Frankfurt has not been able to keep pace with the development of the City of London.

The decision in favour of Frankfurt sent the critical message that the European Central Bank would continue the money policy tradition of the German Bundesbank. This went a long way to dissipate the fears of many Germans that the single currency would soften due to the influence of the southern countries. In addition to the location, the choice of leadership underscored the ECB’s orientation towards stability. Its first president was Wim Duisenberg from the Netherlands, where he had been a supporter of German monetary policy as head of the Dutch central bank. The ECB’s first chief economist was long-time Bundesbank...
chief economist Otmar Issing, widely seen as the monetary policy conscience of Germany and guarantor of strict anti-inflationism. In 2006, he was succeeded by Jürgen Stark, who in turn passed the torch to the current chief economist Peter Praet from Belgium. From 2003 to 2011, the ECB president was Jean-Claude Trichet from France; since 2011, the bank has been led by Italy’s Mario Draghi.

The Executive Board of the ECB also has four other members. Together with the 19 presidents of the national central banks, it comprises the ECB Council, which makes monetary policy decisions. Since 1 January 2015, the 19 national central bank presidents have had only 15 votes rotated among them, meaning that four countries cannot vote at any given time. The ECB Council evaluates the economic and monetary environment and makes monetary policy decisions every six weeks by majority vote. Most decisions are reached by near-consensus or even unanimously. Typically the focus is on the base rate, but in exceptional circumstances the Council can also take unconventional measures. For example, the ECB is currently working to counteract deflationary tendencies with quantitative easing, which
includes, among other things, the purchase of government bonds. At the moment the base rate receives a lot less attention than the decisions on the quantitative easing framework.

The ECB has grown remarkably since it was founded, as the number of countries using the euro as their currency has expanded from 11 to 19. At the end of its founding year, 1998, the bank had 534 employees. Just three years later, Wim Duisenberg oversaw almost twice that many people, 1,043. By 2014, the headcount had risen by another 40% to 2,577. This growth had much to do with the preparations for the start of European bank supervision in November 2014, which gave the ECB a major new area of responsibility in the aftermath of the financial crisis.

The growth of the ECB also necessitated the relocation to larger offices, a move which was followed with great interest. Until November 2014, the bank had its offices at the edge of the Frankfurt banking district in the 148-m-high, 45-floor »Eurotower« with 50,000sqm of floor space. The new building is in Frankfurt’s Ostend, outside the banking district. It consists of a north tower (165m, 43 floors) connected by an atrium, as well as the Großmarkthalle building – site of a former wholesale market – and an entrance building. All told, the facility has gross floor space of around 110,000sqm and 4,300 tonnes of steel were used in its construction.

So the European Central Bank now has a huge building in keeping with its huge responsibilities. Yet even before it was finished, some felt the building would be too small. As impressive as the new headquarters undoubtedly are, no building can do justice to the economic importance of the ECB.

»It had been by no means a foregone conclusion that Frankfurt would get the nod, as competition among cities was tough. […] When Frankfurt was declared the winner in 1993, it was a milestone in its development as a financial centre.«