



Berenberg increases market share despite declining earnings

- Equity Capital Markets transaction volume rose from €8.6 billion to €16.7 billion
- Revenues from equities trading increased by 25%
- Stock market slump caused a significant fall in earnings

Hamburg. Berenberg succeeded in winning market shares once again in 2018 but ended the financial year with a significant fall in net profit for the year to €23 million (previous year: €90 million).

“The year 2018 was the most difficult trading year for a decade. There were ups and downs alike”, said Dr Hans-Walter Peters, Spokesman of the Managing Partners of Berenberg. “We succeeded in further expanding our market position in important business divisions and have won market shares. On account of the turbulent market situation at the end of the year, however, we were not able to follow on from the extraordinarily good results seen in the previous years. As an owner-managed bank, we always give priority to the long-term development of the business. We are in an excellent position and have a very good business model that is rewarded by clients. For us, this is more important than the earnings generated in a given year.”

Berenberg had to accumulate substantial resources for the implementation of regulatory measures (essentially MiFID II) that were reduced again once the associated activities had come to a successful conclusion at the end of 2018. The bank has separated from around 150 employees, especially in the IT and Investment Banking divisions, and gave rise to a restructuring cost of in the double digit millions. With a view to reducing the regulatory complexity, the Bank disposed of more than 80% of the shares in Berenberg Bank (Schweiz)

AG at the end of 2018 and will close the branch in Vienna at the beginning of 2019 as implementation of MiFID II means that it is no longer viable to operate the fixed income business located there.

The Group's **headcount** increased from 1,474 to 1,640 (without Berenberg Bank (Schweiz) AG in each case). "In particular, being present in the international financial centres of Frankfurt (121 employees), London (398) and New York (68) is important for our business", explained Hendrik Riehmer, Managing Partner. "We do not see Brexit as having great impact on our business."

After **net commission income** had increased by more than one third from €254 million to €343 million in 2017, it decreased by 19% to €279 million in 2018. The main reason for this was the market situation towards the end of the year. On account of the European Central Bank's negative interest policy, **net interest income** fell from €67 million to €53 million, and **trading profit** fell from €21 million to €19 million.

In particular on the back of business expansion, investment in IT and the restructuring costs of a figure in the double digit millions, **administrative expenses** rose from €348 million to €372 million, of which €226 million (€211 million) were personnel expenses.

Assets under management remained nearly constant by €36.7 billion (€37.0 billion) despite market turbulence (Berenberg-Group without Berenberg Bank (Schweiz) AG).

The **net profit for the year** fell from €90 million to €23 million.

The **tier 1 capital ratio** stands at a good 13.2% (14.1%). "This gives us a very strong level of capitalisation and, together with our regional diversification and broad business base, puts us in an excellent position", said Dr Peters in conclusion. In addition, the Bank has set aside reserves for 2019.

Wealth and Asset Management

“Over the course of 2018, we continued to invest in our Wealth and Asset Management business”, said Dr Peters. “Expansion of the fund business continued. In this context, we saw significant demand for our expertise in the small and micro-cap segment in particular.” Alongside the equities funds that have started well, further multi-asset funds and funds in the area of sustainable investments were launched towards the end of the year.

“We recognised at an early stage that MiFID II would herald a shift from investment advice to asset management and have adapted accordingly”, Peters explained. In the meantime, Berenberg’s Wealth Management clients primarily make use of asset management services, which have been significantly expanded in scope. Following the introduction of MiFID II, investment advisory services and the transaction volume generated in that area fell by around 50%. “This is an example of how setting the wrong regulatory priorities patronises clients and interferes in the relationship based on trust between the client and the bank”, said Dr Peters. There was great demand for supplementary investment solutions such as investments in real estate or digital infrastructure. “In a market environment characterised by standardised products, we want to offer our clients individual advice and access to special investment opportunities”, Dr Peters explained. Specifically, demanding clients with sophisticated requirements value and appreciate our offerings, allowing Berenberg to grow among the core target groups in 2018.

Investment Banking

Berenberg once again successfully confirmed its leading position in IPOs and capital raisings in the German-speaking region (see table). The Bank succeeded in reinforcing its market position in the UK ECM business and provided advice on transactions in the US for the first time. Despite the very volatile capital market environment, the Bank provided assistance in 48 transactions (previous year: 51). Transaction volumes almost doubled from €8.6 billion to €16.7 billion. For the first time in 2018, Berenberg was one of the top ten investment banks by ECM transaction volumes in Europe. The business expanded significantly once again also in equity trading revenues – returning an increase of 25%.

Number of ECM transactions 2018 in D-A-CH

1.	Berenberg	23
2.	Credit Suisse	17
3.	UBS	17
4.	J.P. Morgan	14
5.	Deutsche Bank	13
6.	Goldman Sachs	13
7.	Citi	12
8.	Morgan Stanley	12

Source: Bloomberg

“Firstly, MiFID II has triggered a selection process among research providers from which Berenberg has benefited with its high-end research covering a wide range of topics. This enabled us to maintain relationships with 95% of our clients. Secondly, there has been a significant fall in client payments received for investment banking services industry-wide due to the regulations, a development which also impacted our Bank”, Riehmer continued.

“We are very satisfied with our performance in the European markets, but growth constitutes a great challenge on account of our strong market position”, Riehmer explained. “We see the opportunities for growth primarily in the UK and the US.”

Today, 87 analysts in London cover 761 companies while their 12 counterparts in New York cover 95 companies. This means that the number of companies analysed by us has increased by 70% over the last three years. Berenberg currently writes research on more than 150 US stocks and intends to double this figure over the next two years having a focus on under-covered mid-caps.

Corporate Banking

In recent years, Corporate Banking has established itself as an asset manager for illiquid alternative assets alongside its services for demanding corporate clients. Berenberg provides services relating to credit exposure from the transaction business, primarily for institutional investors but also for high net worth families. This means that the bank is a good and reliable partner for parties looking for loans and is able to offer investors access to transactions with a good risk-return profile. In 2018, for example, the Bank drew up a structured finance loan fund with a volume of €350 million under the umbrella of the Berenberg Alternative Assets Fund, launched the Berenberg Digital Infrastructure Debt Fund, its third infrastructure fund, and set up the first ever institutional finance solution for rail passenger transport in Germany on behalf of two major German insurers.

Preliminary Key Figures Bank		2018	2017
Net commission income	€ m	279	343
Net interest income	€ m	53	67
Trading profit	€ m	19	21
Other operating result	€ m	67	47
Administrative expenses	€ m	372	348
thereof personnel expenses	€ m	226	211
Net profit for the year	€ m	23	90
Equity	€ m	293	296
Tier 1 capital ratio	in %	13.2	14.1
Return on equity before taxes	in %	9.8	43.0
Cost-income ratio	in %	88.9	72.7
Total assets	€ b	4.7	4.7
Assets under management*	€ b	36.7	37.0
Employees*		1,640	1,474

* Berenberg-Group without Berenberg Bank (Schweiz) AG

The annual report will be published on 29 April 2019.

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About Berenberg

Founded in 1590, Berenberg is one of Europe's leading privately owned banks today with its Wealth and Asset Management, Investment Banking and Corporate Banking divisions. Headquartered in Hamburg and led by managing partners, Berenberg maintains a strong presence in the financial centres of Frankfurt, London and New York.

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