



Berenberg grows net profit for the year by 160%

- Net commission income up 28% to historical high of €356 million
- Gross income at the Investment Bank division climbs 36.5% to €275 million
- Return on equity triples to 28.6%
- All multi-asset strategies and equity funds outperformed the market

Hamburg. Berenberg closed the year 2019 with net profit for the year from operations of €60.5 million (previous year: €23.3 million). Germany's oldest privately owned bank has thus surpassed the previous year's earnings by 160%.

“The new record level of net commission income as well as the year-on-year drop in administrative expenses show that the measures taken in 2018 to enhance efficiency have had the desired effect”, says Dr Hans-Walter Peters, Spokesman for Berenberg's Managing Partners. “In the past financial year we continued to invest in reinforcing our business model”, states Managing Partner Hendrik Riehmer. “We want to expand our business further. The Investment Bank's structure is firmly established, and our Corporate Banking has mastered the transition from a credit division to an advisory entity and a private debt provider. Now we will place special emphasis on expanding and growing our premium-quality Wealth and Asset Management units.”

In recent years, Berenberg withdrew from activities that were not part of its core functions. These included the Swiss banking subsidiary and the provision of assistance to independent asset managers. The Bank has also substantially curtailed its fixed income business, which was no longer viable after the new MiFID II rules were introduced. “As a result, we have reduced the complexity of our business model, giving us the opportunity to focus our management resources entirely on the four core business divisions. We intend to expand all four divisions further”, explains Peters. Berenberg adjusted its staff numbers to

changing market conditions at the end of 2018. This led to a reduction in the Group's **headcount** from 1,640 to 1,482. "We will increase the headcount again in the client-facing areas in particular", says Riehmer.

Return on equity tripled to 28.6% (9.8%). The **cost-income ratio** also improved from 88.9% to 79.9%. The ratio of current net interest income to net commission income was still 15:85, which underlines the significance of commission-earning operations for the Bank's business model.

At €355.5 million, **net commission income** in the reporting year was not only 28% higher than in the previous year (€279.0 million) but also reached a new historical high. Net commission income is determined by the securities business. **Net interest income** rose from €53.1 million to €63.4 million (+19.4%). **Net income from trading activities** dropped by 17.1% to €15.7 million (€18.9 million). **Assets under management** at the Berenberg Group rose from €36.7 billion to €40.7 billion (+10.9%).

Personnel expenses were down on the previous year to €212.9 million (€226.0 million). Intensive cost management meant that materials costs were also cut compared to the previous year. This allowed for a reduction of 7.0% in **general administrative expenses** to €345.8 million (€371.8 million).

Berenberg continued to invest in expanding the business model in 2019 and will continue on this trajectory. The Bank will also keep a close eye on the efficiency of the processes. More streamlined processes will be implemented in particular in those areas where processes can be automated, where there are no negative effects on the value chain and where the changes do not hamper fulfillment of regulatory requirements in any way.

The Bank took advantage of the strong earnings and has already recognised well in excess of 50% of the provisions required by 2022 under the new rules for general valuation allowances (BFA 7). "This is a reflection of our prudent and conservative governance", Peters explains.

The Bank's **equity** amounted to €287.5 million after the annual financial statements were approved (€292.6 million). This figure contains **common equity tier 1 capital** of €247.4 million (€248.4 million). In addition, there is supplementary capital in the form of subordinated liabilities in the nominal

amount of €60.0 million (€65.0 million).

The **total capital ratio** as set forth in the Capital Requirements Regulation (CRR) and the German Solvency Regulation amounted to 14.4% (15.6%) at year-end, while the **common equity tier 1 capital ratio** was 12.4% (13.2%). This level of equity funding places Berenberg comfortably above statutory requirements.

Total assets rose in the reporting year from €4,692.7 million to €5,059.0 million, mostly due to inflows of new client funds.

Wealth Management

2019 saw Berenberg return very satisfying investment results for its wealth management clients that were markedly better than the market average. This is true both for the multi-asset strategies, all of which outperformed the market, and for the excellent in-house fund solutions. Clients also displayed strong interest in side investments. These include direct corporate investments, private equity funds and areas such as digital infrastructure and real estate. There was also demand for solutions to invest liquidity in order to avoid deposit fees.

Berenberg focuses on advising clients with complex requirements. “By using the entire Berenberg platform, we can often offer added value that is not possible elsewhere. In addition to investment advisory, there is a trend in the mid-range segment in favour of portfolio management, which is tied to much fewer regulations for both the client and the Bank. We also expanded our client group of high net worth individuals, for whom we perform multi-deposit controlling and have selection processes carried out by specialised asset managers”, says Peters.

Asset Management

Asset management is chiefly concentrated on the very successful Berenberg equity funds, which performed well ahead of their benchmarks in 2019 and ranked among the top positions compared to competitors. Average performance

in 2019 was 38.1%, which constitutes outperformance of 10.2%. Having exceeded the one-billion euro mark in 2017, Berenberg Asset Management now has more than €2 billion in funds and mandates in the equities asset class. Institutional and private investors alike are showing increased interest in sustainable investment products. “As a stockpicker and an investor with a long-term gearing, we have demonstrated that it is possible to generate alpha while investing responsibly”, explains Riehmer. Multi-asset strategies likewise displayed above-average performance, with a further rise in assets under management in this area too. There were also significant inflows from dynamic currency overlays executed as part of special mandates for institutional investors. With a volume of €7.6 billion, Berenberg is one of the world’s largest market participants in this field.

Investment Bank

“After the strategic decisions we have taken over the last decade, we are very happy now in how we've positioned our investment bank”, explains Riehmer. Going forwards, the Bank will continue to invest where it sees opportunities, with a particular emphasis on the US.

With 114 analysts and 890 companies analysed, Berenberg is one of Europe’s largest providers of research products. Exceptional content is always the key focus as this enables Berenberg to offer its customers high quality advisory services. This has been reflected in the strong market share Berenberg have built in European equities even though significant reductions in research budgets and execution fees have been observed since MiFID II came into force. 2019 saw Berenberg host 31 investor conferences in Europe and the US and organise almost 20,000 meetings between investors and companies. In the Equity Capital Markets (ECM) business, Berenberg defended its position as the leading bank in the German-speaking region, improved to third place in the British AIM market, advised on several transactions in the France and Benelux regions and successfully completed further transactions in the US. In a weaker market environment, the bank completed 35 transactions with a transaction volume of €4.4 billion in 2019. Total revenues in the Investment Bank grew +36.5% in 2019 to €275.2 million.

Corporate Banking

Corporate Banking is characterised by a very strong transaction business, with institutional money invested primarily in the form of credit funds. Together with investors, Berenberg has received commitments in excess of €2.7 billion in over 60 transactions since 2016 and has already reinvested the majority of the funds. This makes Berenberg one of the most active and fastest-growing asset managers for private debt in Europe. In terms of green energy, the third credit fund to finance renewable energy projects was launched in 2019. In the field of infrastructure, there are two funds used for long-term funding of fibre-optic projects in 2019. Meanwhile, shipping loan funds nearly doubled their capital in 2019, with the number of commercial vessels financed by the funds climbing to 75. “Based on the increase in the number of attractive financing projects as well as increasing interest from investors in this asset class, we are expecting further growth”, says Riehmer. Berenberg is now also one of the top banks in terms of transaction numbers for purchase price financing for company acquisitions by private equity investors.

Preliminary Key Figures Bank		2019	2018
Net commission income	€ million	356	279
Net interest income	€ million	63	53
Trading profit	€ million	16	19
Other operating result	€ million	-2	67
Administrative expenses	€ million	346	372
thereof personnel expenses	€ million	213	226
Net profit for the year	€ million	61	23
Equity	€ million	288	293
Tier 1 capital ratio	%	12.4	13.2
Return on equity before taxes	%	28.6	9.8
Cost-income ratio	%	79.9	88.9
Total assets	€ billion	5.1	4.7
Assets under management*	€ billion	40.7	36.7
Employees*		1,482	1,640

*Berenberg Group

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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 Bank 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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