



Berenberg records best operating result in Bank's history

- Net profit for the year up 78.7% to €108.2 million
- Return on equity reaches 52.0%
- Impressive outperformance by wealth and asset management strategies and mutual funds
- 67 capital market transactions, providing companies with €14.8 billion in capital
- Equity trading exceeds volume of €100 billion

Hamburg. Even in 2020, a year dominated by the coronavirus crisis, Berenberg has shown that the Bank is well equipped for all market phases thanks to its high-performing business model. Net profit for the year rose by 78.7% to €108.2 million (previous year: €60.5 million). Berenberg had already grown earnings by 160% in the previous year. Adjusted for extraordinary effects, the Bank's operating profit is now also the highest it has ever recorded.

“Even in this difficult environment caused by the coronavirus pandemic, we have demonstrated the robustness of our business model”, says Managing Partner Hendrik Riehmer. “I'm proud of the way our business responded to the huge change in working practices. In some of our offices we've had up to 95% of our staff working from home. Our investor conferences and roadshows moved online, and everything worked well.”

“Our Investment Bank division is in an excellent position. In addition to a record number of 67 capital market transactions (IPOs and capital increases), which provided companies with a total of €14.8 billion in capital, the Bank also had a record year in terms of trading volumes and we continue to grow market share in research”. This is how Managing Partner David Mortlock explains the

main driver behind the outstanding result. “I'm particularly excited about progress we're making in the UK and US”, Mortlock added. “There were also other factors that led to our recording the highest ever commission income. These included the expansion of our range of funds and our portfolio management in Wealth and Asset Management, which are more than impressive in terms of both performance and increasing volumes, and our extensive range of credit funds”, says Hendrik Riehmer.

Net commission income rose from €355.5 million to €415.6 million in the reporting year (up 16.9%). **Net interest income**, which is less relevant for earnings, dropped from €63.4 million to €55.8 million (down 12.0%). This was due in the main to the general level of interest rates and the cut in interest rates in the US. **Net income from trading activities** decreased by 56.8% to €6.8 million (€15.7 million), reflecting the Bank's prudent approach to uncertain market environments. The **other operating result** rose from -€2.2 million to €17.7 million and primarily contains the scheduled sale of shares in the former Berenberg Bank (Schweiz) AG, the sale of the business with external asset managers, as well as pension provisions.

Berenberg continued to invest in enhancing the business model. The Group's **headcount** rose from 1,474 to 1,573 as a result (up 6.7%). “There were especially significant investments in IT, while costs for travel and marketing naturally dropped off considerably”, says Managing Partner Christian Kühn. While **personnel expenses** increased from €212.9 million to €226.5 million (up 6.4%), **non-personnel costs** decreased from €124.3 million to €115.5 million (down 7.1%). “We invest in people, know-how and digitalisation. On the cost side, we are benefiting from narrowing the focus of our business model in recent years”, adds Kühn.

Return on equity rose from 28.5% to 52.0%, while the **cost-income ratio** also improved from 79.9% to 70.9%. The ratio of current net interest income to net commission income is 12:88 (15:85), which underlines the significance of commission-earning operations. At an excellent figure of 13.5% (12.4%), the **tier 1 capital ratio** is the second-best in the Bank's history and testifies to its solid position. The **total capital ratio** climbed from 14.4% to 15.7%. The Bank's **equity** amounted to €295.5 million after the annual financial statements

were approved (€287.5 million).

Net new assets in Wealth and asset management amounted to 3.4 billion Euro. **Assets under management** in the Berenberg Group edged up from €40.7 billion to €41.3 billion (up 1.5%) despite the assets lost through the sale of parts of the business. **Total assets** declined from €5.1 billion to €4.7 billion.

The Bank took advantage of the repeatedly strong financial performance and has already recognised all of the provisions required by 2022 under the new rules for general valuation allowances (BFA 7). “We did not need to record any specific valuation allowances in our credit business in the reporting year. When considered alongside the high amount added to the general valuation allowances at an early stage, this reflects our prudent and conservative governance approach,” says Christian Kühn.

Wealth Management

Berenberg’s Wealth Management is focused on complex tasks for high net worth individuals, family entrepreneurs, decision-makers as well as foundations and other charitable organisations. Its core service is portfolio management, where clients can choose from a large number of strategies that cater for the different risk/return profiles. “In 2020, all of our wealth management strategies outperformed the market,” says Hendrik Riehmer. “In investment advisory, where clients take decisions in tandem with an advisor, we established an Investment Consulting function in order to offer our clients a unique service in terms of service level, investment quality and long-term results”. In Private Equity (PE), a fully digital offering was created where investments can be made in selected PE funds from a figure of just €200,000. “We see individualised and personal advice as absolutely essential for complex assets. However, this advice is increasingly being complemented by modern digital solutions such as the Berenberg Wealth Management Portal. Clients can use this app any time not only to get an overview of how their assets are developing, but also to look at various evaluations.”

Asset Management

The success of the realignment of Asset Management initiated three years ago is demonstrated impressively by the performance of the mutual funds. Of the 21 Berenberg funds, 17 currently have a 4 or 5-star rating from Morningstar thanks to their strong performance. “In 2020, the funds in our equities platform far outperformed their respective benchmarks once again, and each ranked amongst the top spots compared to competitors. We have been winning over clients and market observers alike with our fundamental stockpicking approach”, explains Hendrik Riehmer. In Equities, the Bank now has first-in-class products in the areas Germany, Europe, Global, Small and Medium Cap and ESG. Average performance in 2020 was 23.8%, which constitutes an outperformance of 18.5%. Multi-Asset Investors were focused on aggressive and sustainable strategies. The Bank is one of the first currency managers worldwide to use alternative data to generate excess returns in Currency Overlay. It is innovations like these that have allowed Berenberg to copperfasten its position as one of the world’s largest active currency managers.

Investment Bank

“The expansion of our Investment Bank division is continuing with great success”, says David Mortlock. A number of milestones were achieved in 2020, which saw the number of covered companies rise from 890 to 1,100. The hiring of additional Senior Analysts contributed to this development. As of the end of the year, there were 89 analysts in London covering 842 companies, with 27 analysts in New York looking at 258 companies. A Research Team comprising around 15 members will be established in Frankfurt this year and will be specially dedicated to German Small and Mid Caps. The Sales Team is one of the best-performing in Europe. It is made up of 53 generalists and eleven specialists who provide assistance to the 950 institutional clients in Europe and the US. “Communication between the stakeholders is particularly important in times of uncertainty”, explains David Mortlock. “This is why we organised more than 30,000 virtual meetings in 2020 between investors and the management of the companies we analyse. There was also major interest in our 30 investor conferences, all of which took place online because of the pandemic.”

Clients produced a new record in equity trading. The numerous activities in March/April and November in particular led to record sales, which exceeded the €100 billion mark for the first time.

There was also a significant jump in Equity Capital Markets. The Bank accompanied a total of 67 transactions (38) with an issue volume of €14.8 billion (€4.4 billion), helping companies to borrow amounts of capital never seen before. A total of eleven IPOs, 44 accelerated bookbuilds and six new convertible bonds were organised. Berenberg reinforced its leading market position in the German-speaking countries. It expanded its presence in France and the Benelux countries as well as entering the Scandinavian and southern European markets. In the UK, Berenberg is now the corporate broker for a total of 40 companies. The Bank's performance in the US is particularly pleasing. It assisted twelve transactions there, including the IPO for CureVac as well as the issue of subscription rights for BioNTech. Both of those companies are pioneers in the research to find a COVID-19 vaccine.

Corporate Banking

Corporate Banking assists SMEs as well as companies geared to the capital market. Alongside the traditional corporate client business, it encompasses the areas of Shipping and Real Estate, Infrastructure & Energy as well as the special area of Structured Finance. There is a special focus on issuing credit funds. This allows Berenberg to offer third-party investors such as institutional investors and large single-family offices the opportunity to invest in credit together with the Bank. The focus here is on structured finance, ship loans and projects from the fields of energy and infrastructure. "In the Private Debt asset class, we are one of the fastest-growing asset managers in Europe. We can offer our clients strong returns in an environment characterised by low interest rates", explains Hendrik Riehmer. The volume of illiquid alternative assets grew to €4 billion. No fewer than three of those funds offer possibilities to fund projects in the field of renewable energies. Alongside the core markets like Germany, Japan and Australia, 2020 marked our entry into two additional markets – namely the US and Finland. In the Infrastructure segment, fibre-optic projects are also financed for private investors as fund subscribers. In Structured Finance, Berenberg has

established a leading role in the financing of corporate acquisitions with its credit funds. Clients are benefiting from many years of expertise in international shipping through the shipping loan fund, which has been in place for four years now. The fund provides financing for 130 ships and has not suffered any disruption thanks to its conservative approach.

Preliminary Key Figures Bank		2020	2019
Net commission income	€ million	416	356
Net interest income	€ million	56	63
Trading profit	€ million	7	16
Other operating result	€ million	18	-2
Administrative expenses	€ million	352	346
thereof personnel expenses	€ million	226	213
Net profit for the year	€ million	108	61
Equity	€ million	296	288
Tier 1 capital ratio	%	13.5	12.4
Return on equity before taxes	%	52.0	28.5
Cost-income ratio	%	70.9	79.9
Total assets	€ billion	4.7	5.1
Assets under management*	€ billion	41.3	40.7
Employees*		1,573	1,474

* = Berenberg Group

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About Berenberg

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