



Berenberg grows in UK investment banking and expands its Munich location

- Net profit for the year remains stable at EUR 55 million
- Diversified business model sustains good returns
- Strong market positioning across all business units offers further scope for growth

Hamburg. In the second year of historically low activity on the capital markets, the private bank Berenberg has again managed to keep its net profit for the year stable at EUR 55.4 million (previous year: 55.1 million). While the market environment has worsened compared to the previous year, operational business has experienced an uptick. Return on equity was 29.3%, substantially higher than the German industry average of approximately 5%. Berenberg believes there are good prospects for growth in the key investment banking market of the United Kingdom and is investing there. Its Munich location is to be expanded from 10 to 40 employees and will serve as a strong pillar in southern Germany.

“Once again, Berenberg has demonstrated that its diversified business model, encompassing the business units of Investment Bank, Wealth and Asset Management and Corporate Banking, functions reliably in various different market situations and sustainably generates returns substantially above the industry average,” said Hendrik Riehmer, Managing Partner of the bank founded in 1590, as he summarises the 2023 fiscal year. Alongside the expansion of investment banking in the United Kingdom, the Munich branch is to grow from 10 to 40 employees, who will advise a strong private client base, along with institutional

investors and corporate clients. Certain areas within portfolio management, financing specialists from various sectors, such as structured finance or infrastructure & energy, and investment bankers, will also be based in Munich.

Investment Bank

“We see a significant opportunity in UK investment banking particularly given industry consolidation is now taking hold. With our clearly differentiated investment banking platform versus UK brokers, we have grown to almost 70 corporate broking clients and continue to invest in the UK which is becoming a key pillar of our broader investment bank,” said David Mortlock, Managing Partner. In corporate broking, Berenberg offers long-term advice and assistance to companies with an average market capitalisation of GBP 800 million. Since the start of the Covid-19 pandemic in early 2020, the bank has more than doubled the number of specialists for the UK market alone from 30 to over 60 and hired further senior advisers and a new head of M&A in 2023.

“Capital markets activity remains at multi-decade lows brought about by an unpredictable macroeconomic environment, elevated inflation and interest rates, as well as significant geopolitical uncertainty. Despite continued fee pressure, our income in research advisory and in high-touch trading, where we are top ten ranked in both, demonstrates that we were able to defend our strong position,” explains Mortlock. “In 2023, many of our clients returned to doing business in person, which enabled us to have more face-to-face discussions and on-site meetings between analysts and companies. Our service-heavy activities and business benefit from this. In 2023, Berenberg hosted more than 20 conferences and organised more than 20,000 meetings between investors and company management.

As of the end of 2023, Berenberg’s 86 analysts (previous year: 90) covered 767 European stocks, while its 50-strong sales team advised more than 950 institutional clients in all the key financial centres in Europe and the USA. Despite much quieter trading volumes across Europe, equity turnover remained healthy in 2023, at more than EUR 130 billion (previous year: 145 billion). Given the challenges on equity capital markets since 2022, Berenberg was able to complete 35 capital markets transactions raising over EUR 4.5 billion for its corporate clients. Berenberg was able to expand its leading position in the German-

speaking region, with the first major IPO of the year (IONOS) as joint global coordinator, with the first major European capital increase (Hypoport) as sole global coordinator and bookrunner, and with Germany's second largest capital increase (ABB for Talanx) as sole global coordinator and bookrunner.

Wealth Management

Wealth Management focuses on complex tasks and providing holistic support to ultra-high-net-worth private investors, family entrepreneurs, decision-makers, foundations and other charitable organisations. Its core service is discretionary asset management, in which clients can choose from a variety of strategies that reflect various risk-reward profiles. In addition to discretionary asset management, which is increasingly in demand, Berenberg continues to offer investment advisory, which is more complex in terms of regulation. In investment advisory, the client makes the investment decisions after discussing them with an advisor.

“Alongside liquid portfolio management and the selection of illiquid alternatives, our structure enables us to offer other services,” stated Riehmer. “For instance, this includes strategic asset allocation in line with the latest scientific findings. This enables both institutional clients and private investors to identify optimizations and make more sound decisions.” The opening of new locations in Nuremberg (December 2023) and Hanover (mid-2024) and the new staff at the Munich location represent growth in the private client area and ensure customer-centricity across eleven regions of Germany.

Asset Management

Asset Management encompasses the two core areas of equity funds and multi-asset funds. The former focuses on quality growth approaches and small/micro caps. While European shares tended to drift sideways in 2023, US megacaps, in particular, were boosted by the hype surrounding artificial intelligence (AI). Expectations of higher interest rates led growth stocks to perform negatively in 2023, which also impacted the performance of our equity funds. However, the stock markets started to pick up in November, as US economic data weakened and inflation data cooled, leading to lower interest rates.

Multi-asset management includes discretionary multi-asset and fixed-income strategies, as well as risk-focused multi-asset solutions for institutional investors.

The Innovation & Data team have been exploring the latest technological trends and digitalisation since 2019. For instance, this interdisciplinary team has developed a proprietary approach, based on big data and AI, for FX forecasting. All told, these approaches have already attained a volume of EUR 3 billion. The technology has been available to broad swathes of investors in the BERENBERG SENTIMENT FUND since October 2022. “This illustrates how we’re integrating innovation into our portfolio of funds,” explains Riehmer. The fund programme was expanded further in 2023 with the new BERENBERG EMERGING ASIA FOCUS FUND, the BERENBERG BETTER HEALTH FUND and, for market-neutral strategies, the BERENBERG GUARDIAN. “The product range is now perfectly aligned: we want to grow further in 2024,” states Riehmer.

Corporate Banking

Berenberg’s Corporate Banking arm serves mid-sized companies and, in addition to traditional corporate banking, encompasses shipping and real estate, infrastructure and energy, as well as the special field structured finance.

As interest rates increased in 2023, this marked the first time that the Bank was once again able to generate significant earnings from deposit business, driven by the operational shipping business, in particular, with high deposits in US dollars.

However, a business model shaped by growing private debt funds remains at the forefront. In 2023, more than a billion euros in loans were issued for corporate acquisitions, the financing of wind and solar farms, digital infrastructure, shipping financing and real estate financing. Senior secured and subordinated financing for wind and solar farms, and energy storage systems, grew substantially. “This asset class makes a major contribution to the energy transition. It is attracting the interest of other client groups, such as savings banks and cooperative institutes – so we expect growth to continue,” said Riehmer. “In addition, we are seeing high demand for loans in the transaction business. If the banking sector’s lending activities were to decline, our strategy relating to credit funds would prove to be particularly attractive,” he continues. The business with private debt funds also enables Berenberg to offer its corporate clients access to financing and a wide range of services without expanding its own credit exposure.

Corporate Banking was once again singled out by ratings agency Scope as the best asset manager in the innovation field and was honoured with the Scope Alternative Investment Award 2024. In the year under review, Berenberg added digital onboarding for complex corporate structures and expanded the company's client portal, for instance. Berenberg is also keen to play a leading role in the trade of EUAs (CO₂ certificates).

Financial results

The **net commission income** dropped from EUR 359.9 million to EUR 289.0 million (-19.7%) due to a general sense of caution on the financial and capital markets. After central banks hiked interest rates in 2023 to assist with combating inflation, largely deposit-driven **net interest income** surged from EUR 99.5 million to EUR 166.7 million (+67.6%). The **trading profit** fell by -29.6%, from EUR 12.3 million to EUR 8.7 million.

To address the weak market environment, Berenberg reduced costs back in 2022 and adjusted its employee headcount to business volumes, particularly in investment banking and at its US subsidiary. The **number of employees** at the group remained near-unchanged in 2023, at 1,536 (1,579; -2.7%). Its biggest locations are Hamburg (824), London (392), Frankfurt (169) and New York (65). **Staff costs** are 2.6% less than the previous year, at EUR 231.7 million (237.9 million). Given inflation, **material costs** increased by a moderate 5.9% to reach EUR 150.1 million (previous year: 141.7 million). "We have deliberately made tightly managed investments in internal IT systems to further optimise the Bank's processes and stringently implement regulatory requirements. Furthermore, there were notably high expenses in conjunction with the move to our new Hamburg headquarters, which could not be counted towards the assets. This will be finished on schedule by the end of 2024. In addition, there were further inflation-related price increases at external service providers," explains Christian Kühn, Managing Partner.

The **cost-income ratio** grew from 79.0% to 80.7%. The **current net interest income to net commission income** rose again from 22:78 to 37:63, due to rising interest rates and declining commission income. In this regard, it is im-

portant to bear in mind that the deposit business is closely linked to the service-focused commission business in the Wealth Management and Corporate Banking business units. As before, this emphasises the substantial importance of the service-focused business model. **The bank's total capital** was almost unchanged at EUR 343.3 million (versus EUR 341.6 million the previous year). The **T1-ratio** came to 13.3% (down from 13.9%), and the **total capital ratio** came to 15.0% (down from 15.7%). Both are comfortably above the regulatory requirements.

Despite the dissolution of the Wealth and Asset Management unit in London in late 2022, the **assets under management** remained almost the same, at EUR 37.7 billion (compared to EUR 38.5 billion in the previous year; -2.1%).

The **total assets** dropped substantially – from EUR 7.7 billion to 6.7 billion – and therefore returned to the level that was usual in previous years. In particular, this is due to the restructuring of client liabilities due on demand into other forms. Client deposits make up 88.7% of the total assets (previous year: 89.6%). A large proportion of the liquidity surplus is held as credit in our Bundesbank account.

“The past few years have seen us continuously adapt our business model to the requirements at hand and expand Berenberg into an internationally focused advisory firm. We are well-positioned to cope with challenges such as increasing regulatory requirements and digitalisation,” said Kühn. “We will use the accelerating consolidation to obtain further market share. We see our Bank's development from a long-term perspective, which stands us in good stead and enables us to endure isolated periods of market-related slowdown,” added Riehermer.

Business figures Bank		2023	2022
Gross profit	€ million	486.7	495.9
Net commission income	€ million	289.0	359.9
Net interest income	€ million	166.7	99.5
Trading profit	€ million	8.7	12.3
Administrative expenses	€ million	390.3	389.3
thereof personnel expenses	€ million	231.7	237.9
Net profit for the year	€ million	55.4	55.1
Equity	€ million	343.3	341.6
Tier 1 capital ratio	in %	13.3	13.9
Return on equity before tax	in %	29.3	28.7
Cost-income ratio	in %	80.7	79.0
Total assets	€ billion	6.7	7.7
Assets under management	€ billion	37.7	38.5
Employees (Berenberg Group)		1,536	1,579

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About Berenberg

Berenberg was founded in 1590 and is today one of Europe's leading private banks with its Wealth and Asset Management, Investment Bank and Corporate Banking divisions. The Hamburg-based bank is managed by personally liable partners and has a strong presence in the financial centres of Frankfurt, London and New York.

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