BERENBERG

PARTNERSHIP SINCE 1590

2023

Report on the 434th Financial Year

Berenberg was established in 1590. Today we are one of Europe's leading privately owned banks, focusing on the business divisions Investment Bank, Wealth and Asset Management, and Corporate Banking. The Hamburg-based bank is run by managing partners and has a strong presence in the financial centres of Frankfurt, London and New York.

Report
on the 434th Financial Year

Key Performance Indicators

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net profit for the year	€ million	40	104	161	90	23	61	108	170	55	55
Net commission income	€ million	244	321	254	343	279	356	416	573	360	289
Total assets	€ million	4,514	4,738	4,716	4,741	4,693	5,059	4,654	6,376	7,725	6,664
Equity	€ million	219	234	265	296	293	288	296	341	342	343
Receivables from clients/loans	€ million	750	1,013	934	929	1,097	1,175	1,048	1,075	1,321	1,124
Liabilities to clients/deposits	€ million	3,199	3,570	3,721	3,736	3,924	4,263	3,835	5,480	6,925	5,914
Return on equity (before taxes)	%	28.8	67.3	95.8	43.0	9.8	28.5	52.0	82.7	28.7	29.3
Cost-income ratio	%	85.7	72.2	63.9	72.7	88.9	79.9	70.9	65.8	79.0	80.7
Assets under management	€ billion	32.9	35.7	36.3	37.0	36.7	40.7	41.3	44.8	38.5	37.7
Employees[1)]		1,159	1,236	1,407	1,474	1,640	1,474	1,573	1,708	1,579	1,536

1) Berenberg Group

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The Managing Partners (from left to right): Christian Kühn, Hendrik Riehmer and David Mortlock

Dear clients and business associates,

The conflicts in Ukraine and the Middle East plunged the markets into uncertainty in 2023. Central banks devoted their efforts to combatting unusually high levels of inflation: they increased their base rates in multiple stages, which ultimately called time on the zero-interest period. This led market participants to err on the side of caution and generated a challenging financing environment for transactions on the financial and capital markets.

Nevertheless, Berenberg succeeded in generating net profit for the year of €55.4 million, roughly the same as in the previous year. From an operational perspective, however, our performance has actually improved somewhat, as there were no special effects in 2023.

Our return on equity of 29.3% once again puts us squarely above the industry average of approximately 5%. This demonstrates the reliability of our client-focused business model, with our *Investment Bank*, *Wealth and Asset Management*, and *Corporate Banking* divisions, in various market situations and illustrates that it can offer good returns in the long run. In addition, our swift action paid off when it became clear that the markets of relevance to us were going to transition into a quieter period. Consistent cost management and a cautious approach are core tenets of our corporate policy.

The *Investment Bank* was able to further shore up its strong position in the European market. Berenberg was involved in 35 transactions, obtaining €4.5 billion for companies. We were able to expand our market leadership in the German-speaking region. Client-driven equity trading also remained high with a trading volume of €131 billion.

Our *Wealth and Asset Management* division was also faced with challenging markets. Our clients have faith in our long-term approach. As a result, our asset base has largely remained stable, enabling us to continue our growth trajectory. We continue to see a high level of demand for advice on complex assets, too, and hope to expand our quality leadership in the German market.

Our *Corporate Banking* division once again had an exceptionally successful year. As interest rates increased in 2023, we were once again able to generate significant earnings from passive transactions after a long time, driven by the operational shipping business, in particular, with high deposits in US dollars. However, our business model, shaped by growing loan funds, takes centre stage. More than €1 billion of loans were issued under these funds in 2023 for corporate acquisitions, the financing of wind farms, solar farms and digital infrastructure, and shipping and real estate financing. This field of business makes a major contribution towards the energy transition and continues to attract the interest of additional client groups.

As a responsible, reliable partner, we will remain by your side. Thank you for placing your trust in us: we look forward to continuing our collaboration with you!

Hendrik Riehmer   David Mortlock   Christian Kühn

EXECUTIVES

Managing Partners

Hendrik Riehmer

David Mortlock

Christian Kühn

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Former Managing Partner and Spokesman of
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Kolaschnik Partner Rechtsanwälte PartGmbB, Hamburg

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Dr Holger Schmieding
Dr Christian Schumacher
Lars Schwartau
Uwe Schwedewsky
Philipp Wiechmann
Ken Zipse

As at: 1 January 2024

January

The **Berenberg European Micro Cap** takes first place at the 2023 FundAwards and the **Berenberg EM Bonds R** comes in third place. The FundAwards are bestowed by the editors of €URO, €URO AM SONNTAG and BÖRSE-ONLINE to honour the best funds in Germany for 2023, with a reporting date of 31 December 2022.

As usual, Berenberg also starts 2023 with numerous **kick-off events**; attendance is once again very good. More than 550 clients take up this opportunity to visit our various locations, to seek out information and to enter into dialogue with us.

February

Despite the challenging market environment, Berenberg is able to record a pleasing operating result, closing the 2022 financial year with a **net profit for the year** of €55.1 million.

March

The **Berenberg Bank Foundation** bestows its cultural award on the »Trio E.T.A.« at Hamburg's Elbphilharmonie. The award is endowed with €12,000 and is given out annually to up-and-coming artists studying or working in Hamburg. Scholarships are received by the vocal ensemble »Vocoder«, the guitarist Milad Darvish Ghane and the artist Marie Pietsch.

Daniel Reinhardt

At the three-day **Berenberg UK Corporate Conference** in Watford, north-west of London, 163 clients meet with 225 representatives from 102 companies. In total, 600 meetings and conversations are conducted and five keynote speeches are given.

April

At the start of April, Berenberg releases the 150th episode of its weekly podcast »**Schmiedings Blick**«. By year-end, we have recorded 185 episodes. Carried by the ongoing positive feedback from our clients, we will continue with the podcast in 2024.

Berenberg launches a new bond maturity fund with an investment horizon running until mid-2028. The **Berenberg Euro Target 2028** pairs the disbursement profile of a bond with the diversification benefits of an investment fund. Pictured: Felix Stern, portfolio manager.

Berenberg

The specialist real estate fund **Berenberg Real Estate Berlin** purchases »Moabit Office« in Berlin-Mitte, which covers around 4,500 m². The fund has a volume of approximately €350 million, primarily invested in office space.

May

ENERPARC AG receives unitranche financing from the **Berenberg Green Energy Debt Funds**, managed by Berenberg, for the construction and operation phases of six solar projects in Germany with total capacity of 69 MWp.

iStock

At the **Berenberg European Conference** in Manhattan, 307 investors meet 191 representatives from almost 100 companies over the two-day event.

June

Laura Janssens is appointed as **Head of the Investment Bank division** at Berenberg. This includes the European Markets, European Investment Banking and European Equities business units, all headquartered in London.

Berenberg

The 2nd two-day **Berenberg UK Discovery Conference** once again brings together 40 investors and companies from various industries at Coworth Park in Ascot.

The **Berenberg Green Energy Debt Fund IV** for renewable energies reaches its second closing and brings eight new investors into the fund. The fund finances renewable energy projects in EU and OECD countries.

The 8th **Berenberg Pan-European Discovery Conference** is held in Faro, Portugal, this year. The event with its breathtaking views over the cliffs of the Algarve attracts 47 company representatives and 32 investors, who take part in 259 meetings.

Berenberg

Berenberg takes part in the annual **J.P. Morgan Corporate Challenge** at three locations. Our London team races 5.6 kilometers around Battersea Park, while the Berenberg Capital Markets team runs 3.5 miles around New York's Central Park. This is the largest corporate run in the world. The Frankfurt team (pictured) runs its 5.6 kilometres through the city centre of the Main metropolis.

Berenberg

August

Berenberg Shipping successfully brokers institutional capital for a co-investment in four new chemicals tankers from a German shipping company. The first two new vessels are delivered from the shipyard in August and November.

The **Berenberg German Polo Masters** on Sylt island are held for the 24th time. In a gripping final, the Augsburg Airways team sees off the Berenberg team with a »Golden Goal« in the fifth allotment of extra time. The tournament is one of the major events on the island and in European polo.

Rolf Simon

September

Berenberg enters the world of European **CO2 emissions trading**. This offering is primarily focused on shipping clients: from 2024 onwards, they will gradually be able to engage in the trade in EUAs (European Union Allowances), which they can procure via Berenberg.

At the 12th **German Corporate Conference**, arranged by Berenberg and Goldman Sachs, 425 investors, 271 institutions and around 400 company representatives come together and participate in 1,248 meetings over three days.

Berenberg once again brings together business leaders and a collection of legendary professional golfers on the men's and women's tours at GlenArbor Golf Club for the **Berenberg Invitational** to raise vital funds for the event's beneficiaries, the University of Nebraska Medical Center and Nebraska Medicine, and their research on pancreatic cancer. This year $550,000 are raised. The total amount donated over three tournaments grows to $2.05 million.

Berenberg

October

Berenberg becomes a member of the **European Energy Exchange EEX** in Leipzig. This gives the Bank a trading and clearing licence, so it can now purchase EU emissions certificates (EUAs) traded via the energy exchange in Leipzig.

November

Berenberg receives the **FNG seal** for 2024, awarded by the FORUM NACHHALTIGE GELDANLAGE (Sustainable Investment Forum) for ten of its mutual funds. The seal is regarded as the most important quality standard for sustainable investment funds in German-speaking countries. Pictured: Till Schultis and Katharina Raatz at the ceremony.

Die Profifotografen

For the 20th year in a row, the Elite Asset Managers report »**Elite der Vermögensverwalter**« of HANDELSBLATT, a German financial daily, awards Berenberg its highest rating of *Summa cum laude*.

The fund ratings agency SCOPE names Berenberg »**Best Asset Manager**« in the *Innovation* category at the 2024 SCOPE Alternative Investment Awards. Pictured: Philipp Wünschmann, Head of Shipping, at the ceremony.

SCOPE

Berenberg enters into a strategic collaboration with researchers from the **University of Copenhagen** to refine the existing approach to strategic asset allocation and asset liability management in terms of content and technology.

With the **Berenberg Guardian**, Berenberg launches an absolute-return fund which aims for a negative correlation to falling equity markets. Ulrich Urbahn, Philipp Löhrhoff and Ludwig Kemper are jointly responsible for the fund.

December

For the 21st time, Berenberg hosts the **Berenberg European Conference** at Pennyhill Park in the UK. Across the four days of the conference, 356 company representatives interact with almost 400 investors and take part in an impressive 1,146 meetings, 48 fireside chats and four keynote sessions.

The renowned business magazine CAPITAL FINANCE INTERNATIONAL (CFI) based in London gives Berenberg's Investment Consulting team the award of »**Best Strategic Asset Allocation Team Germany 2023**«. Pictured: Michael Kreibich, Head of Investment Consulting.

Berenberg

Berenberg obtains the office building »ZIGZAG«, located in Mainz, for its **Berenberg Immobilienspezialfonds**, an open real estate special fund with a focus on German property. This six-storey newly constructed office building offers around 4,600 m² of space and is located at Mainz' Zollhafen.

Berenberg brings the **Berenberg Better Health Fund**, which focuses on the healthcare sector, to the market. Managed by Kay Eichhorn-Schott (pictured), this equity fund invests in 35 to 50 individual titles from the sectors of pharma, medical technology, life science and healthcare services.

Berenberg

Business Fundamentals

Profile

For more than 430 years, Berenberg has been committed to being accountable to its clients. From its earliest beginnings, the Bank has been run by personally liable managing partners, and this principle continues to be the cornerstone of our client relationships, which are based on trust. We are not guided by quick successes and emotions, but act *responsibly* in a rational manner.

Our solid reliability is also reflected in the stability of our leadership. Since 1590, Berenberg has had only 40 managing partners, and today's partners have been with Berenberg for many years.

What counts for us is achieving long-term success alongside our clients. As we help them to grow their wealth, 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 where 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 and New York in recent years. Today, we have 1,536 employees at 18 locations across Europe and the US. With the expansion of our Investment Bank, Wealth and Asset Management, and Corporate Banking business divisions, we are on a secure footing for further market 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 up one of Europe's largest equity research teams, established a highly regarded macroeconomics team, and set up a first-rate group of investment strategists and portfolio managers.

All of 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. In brief, *accountability is our guiding principle*.

Core Business Divisions

Berenberg offers its clients individual services in the following business divisions:

Investment Bank
The broad-based Investment Bank division focuses on service and advisory operations in equities, investment banking and financial markets. At year-end 2023, our Equtiy Research team covered 767 pan-European stocks. In addition, we support IPOs, capital increases and secondary placements. Trading transactions are conducted on a client-induced basis with equities, securities, financial instruments and foreign exchange; proprietary trading only takes place in individual cases in connection with client transactions.

Wealth and Asset Management
Wealth and Asset Management combines advisory services for high-net-worth individuals with launching and managing in-house funds. Portfolio management is a complex and responsible challenge that we meet in *Wealth Management* with our specialist expertise and multi-award-winning advisory approach. We are home to specialist competence teams designed to satisfy the particular needs of entrepreneurs, foundations and family offices. Alongside personal advisory, professional portfolio management is another one of our core services.

Our *Asset Management* offering includes multi-award-winning funds in various asset classes, global asset management strategies, opportunistic approaches and professional risk management strategies. We provide institutional investors with in-house, bespoke solutions. The investment strategies developed for our clients stand for high product quality, dynamism and promising performance. Sustainability aspects are taken into account in our investment processes.

Corporate Banking
We advise and assist companies, institutional investors, financial investors and single family offices in transactions and day-to-day business. We maintain specific expertise in specialist segments such as structured finance, infrastructure and energy,

shipping, and real estate. In recent years, we have also built specialist expertise in credit fund solutions for institutional investors.

The head office of Berenberg and its German subsidiaries is in Hamburg. In Germany, we have branch offices in Berlin, Bremen, Braunschweig, Düsseldorf, Frankfurt, Munich, Münster, Nuremberg and Stuttgart. Outside Germany, we are represented by branch offices in London, Paris and Stockholm, as well as representative offices in Geneva and Zurich. In the US, Berenberg is represented by subsidiaries in New York and offices in Boston and San Francisco.

Locations

Macroeconomic Environment

The global economy fared better than expected in the 2023 reporting year, despite sky-rocketing energy prices in 2022, and US and European central banks slamming on the monetary policy brakes. The US did not slip into a mini recession, as many had feared. Europe survived the winter much better than almost any observer could have forecast in autumn 2022 at the peak of the energy crisis. Even China apparently managed to achieve reasonably respectable growth, by its standards, after the abrupt cessation of its zero-Covid policy in late 2022. It is worth noting, though, that China's official figures are to be viewed with some caution.

The US economy was even able to expand by 2.4% in the year under review, following growth of 1.9% in 2022. Fiscal policy is the key to understanding how the US economy proved so robust: while interest-dependent housing construction has fallen by more than 20% since the end of 2021, Presidents Trump and Biden had distributed generous stimulus cheques during the pandemic. In 2023, many consumers spent those portions of the stimulus cheques they had initially saved, boosting consumption levels and more than offsetting the recession in the construction industry. Despite higher financing costs, corporate investments within the US continued to grow apace until mid-2023, partly due to a fiscal policy of tax incentives for green investments and many other kinds of investment. As companies had not built up excess capacity during the pandemic, they also did not need to balance out previous over-investment with a period of lower investment during this interest rate cycle.

The explosive growth of energy and electricity prices in autumn 2022, and the other consequences of Russia's war against Ukraine, weighed heavily on the European economy during the year under review. Following an expansion of 3.4% in 2022, the eurozone attained growth of just 0.5% in the reporting year. However, the eurozone still performed better than many had expected, as the situation in the gas and electricity markets had eased slightly in the first months of 2023. The fall in gas consumption, for example in Germany by over 17% compared to the average for 2018 to 2021, played a major role in this, as did extensive state subsidies for households and companies. Although Europe did not enter into a recession in the winter months, it did not bounce back in the following summer, either. Instead, the eurozone's economic output fell slightly in the second half of 2023, primarily due to inventory corrections in the manufacturing industry. Due to their negative experiences during the pandemic, many companies overshot inventory targets in the winter of 2022/23. Weaker demand, both domestically and from abroad, led many companies to draw down their inventory from May onwards. This kind of inventory adjustment inevitably hits the economy particularly hard: companies produce less than they sell and, in turn, order less from their own suppliers than they need for their production (which, at any rate, is at lower levels).

A 0.2% drop in calendar-adjusted economic output for 2023, after 1.9% growth in the previous year, left Germany among the worst-performing countries in the eurozone. Weak global trade and the abrupt halt to imports of Russian natural gas hit Germany harder than many other countries.

Looking to 2024, there are growing signs that Europe's economy could soon have bottomed out. It appears that the striking inventory corrections of 2023 are almost over. As inflation falls and the labour market remains stable, consumers' purchasing power is recovering from the blows it suffered at the hands of inflation in 2022 – laying sound foundations for a fresh upswing in the domestic economy as 2024 progresses.

The US economy appears to have had a soft landing. So far, the economy has survived the shock of the striking uptick in financing costs relatively unscathed, thanks to ongoing expansive fiscal policy and the fact that many companies' and households' financial cushions remain well-padded. While current data suggest that growth will slow noticeably in the first half of 2024, the data do not indicate a hard adjustment recession.

Inflationary pressures on both sides of the Atlantic have substantially abated, in the wake of the US Federal Reserve and the European Central Bank hiking up their base rates in 2023. It is likely that they will be able to start easing their monetary policy somewhat in 2024. Paired with the fact that energy prices are rather lower than they were, this could contribute to improving the economic environment in the second half of 2024.

Since central banks abandoned their zero-interest rate policies in 2022, many European banks that traditionally generate their earnings primarily from rate-linked business could see a return to normal. But in view of rapid technological change, these banks, along with the financial sector as a whole, must continue to aggressively seek out new business opportunities.

Awards

In 2023, we again received a large number of prestigious awards. The following overview shows a selection of these. All these awards are confirmation of our approach and the quality of our services. At the same time, we take them as an incentive to continue resolutely along the path we have chosen.

- TOP TEN INVESTMENT FUNDS IN GERMANY (CAPITAL-FONDS-KOMPASS)
  – Top score of five stars

- DIE ELITE DER VERMÖGENSVERWALTER (HANDELSBLATT)
  – Summa cum laude with top score

- DEUTSCHER FONDSPREIS 2023 (FONDS PROFESSIONELL)
  – Outstanding for the Berenberg European Micro Cap R

- ÖSTERREICHISCHER FONDSPREIS (FONDS PROFESSIONELL)
  – Outstanding for the Berenberg European Micro Cap R

- SCOPE ALTERNATIVE INVESTMENT AWARDS 2024
  – Best Asset Manager in the category Innovation

- SCOPE INVESTMENT AWARDS 2023
  – Best Asset Manager in the category Special Provider Austria

- THE BEST ASSET MANAGERS (WIRTSCHAFTSWOCHE)
  – Award for the Berenberg Multi Asset Defensive

- FNG-SEAL 2024 FOR SUSTAINABLE INVESTMENT FUNDS (GERMAN-SPEAKING REGION)
  – For ten Berenberg Funds

- TELOS CLIENT SATISFACTION SURVEY
  – First place for overall performance

The Bank's Financial Performance

Earnings

Net Profit for the Year

Once again, the market environment proved particularly challenging for Berenberg in 2023 and exerted a not-inconsiderable influence on the Bank's business activities. The war in Ukraine continued and was joined by the conflict in the Middle East in early October. This led – at least, sporadically – to heightened uncertainty on the markets. In addition, 2023 also saw central banks focus on fighting unusually high inflation. It had been at these levels since the previous year, largely due to the energy pricing crisis and secondary effects. Base rates have been raised on multiple occasions since then, calling time on the zero-interest period. In turn, this once again led market participants to err on the side of caution and generated a challenging financing environment for transactions on the financial and capital markets.

Nevertheless, Berenberg managed to close the year with a net profit of €55.4 million (2022: €55.1 million), which was largely generated from the operating business. Compared to the previous year, which was characterised also by special effects, this represents a slight increase. The restraint shown by stakeholders on the financial and capital markets, as reflected in a drop in commission income, was largely offset by the rise in net interest income, due to changes in interest rates, and once again is testament to the Bank's diversified business model.

Return on equity and capital did not change significantly compared to the previous year. The return on equity amounted to 29.3% (28.7%) and the return on capital, calculated as the ratio of the net profit for the year to total assets, totalled 0.8% (0.7%). Return on equity remained at an above-average level, compared to the rest of the sector, and return on capital developed sideways compared to the previous year due to the stabile net profit for the year with a lower balance sheet total. Berenberg continues to pursue a cautious investment policy and has invested large parts of the liquidity surplus resulting from high client deposits at the central bank for a longer period of time.

Already in 2022, Berenberg's business was heavily affected by the end of the zero-interest period in the financial and capital markets. In light of this and because the Bank traditionally plans and acts cautiously anyway, it adopted a cautious stance in its outlook for 2023. Given the overarching conditions, Berenberg took a highly prudent approach and kept a close eye on the cost base. This once again paid off and enabled us to respond to the changed market conditions and quickly make the necessary adjustments. While commission income failed to meet expectations due to the overall environment, interest income developed better than anticipated. On the cost side, expenses were brought forward in 2023 with an eye on the 2024 financial year and investments were made in a leaner structure. Overall, the Bank was therefore able to achieve a net profit for the year which, although lower than planned, was slightly higher than in the previous year.

Financial Performance Indicators

Due to the effects described above, the cost-income ratio (CIR; the ratio of total costs to gross income) reached 80.7%, yet again an increase on the previous year's figure of 79.0%. This is above the expected value of 77.3% due to the deviation from plan described above.

Net interest income continued to show an upward trend, especially due to the deposit business, while net commission income once again declined due to capital market factors. Consequently, the ratio of net interest income to total net interest and net commission income (excluding income from participating interests/affiliated companies) was 37:63 (22:78). Even though the uptick in net interest income once again impressively highlights the diversification of the business model and, in turn, naturally off-sets the more volatile business with capital market transactions, the ratio of net interest income to total net interest and net commission income again underlines the importance of the commission business for our service-focused business model. This is also emphasised by the fact that the deposit business in Wealth Management and Corporate Banking complements and therefore supports the commission-bearing core services.

Consequently, we remain convinced of the Bank's long-term orientation towards business areas with a strong focus on net commission income.

Net Commission Income

Services to our clients, which are reflected in net commission income, are provided in particular through administration and brokerage activities in the securities business, as well as through complex consulting services to corporate clients. The commission income and expenses are appropriately allocated to the individual profit centres using the »cost plus« and »net profit split« methods (OECD pricing methods) respectively.

Due to the effects described above, net commission income as a whole fell to €289.0 million in 2023 compared to the previous year (€359.9 million).

The market environment was especially challenging, and, as a result of this, the volume of securities transactions, and by extension, the income generated, fell. Beyond this, the ECM business experienced a market-driven drop due to the overarching conditions highlighted above.

While in 2022, commission on loans had developed pleasingly (€40.6 million), at €31.8 million in 2023 it fell short of both the previous year's value and the very ambitious anticipated value (€37.8 million) due to the changed interest-rate situation. Given the interest rate trends in 2023, though, this development was not unexpected and was offset within Corporate Banking by the increases in interest income from transactions with corporate clients. In our view, the debt funds business will continue to be successful and would benefit from a potential renewed turnaround in interest rates as inflation fall.

Client-induced foreign exchange transactions continued to develop pleasingly for Berenberg in the 2023 financial year, unlike the overarching commission business. Under commercial law, the results are not shown in the commission result but in the other operating result due to the so-called special coverage.

The other sources of commission income (foreign business and other types of commission) developed in various ways. While foreign business was below the previous year's level, other commissions were flat with 2022.

The Berenberg Group's assets under management (AuM) amounted to €37.7 billion (€38.5 billion) and have remained stable, given the challenging market trends in 2023 and the associated drop in AuM. The moderate decline is largely due to the dissolution of the Wealth and Asset Management business unit in the UK at the end of 2022. However, we succeeded in arranging for a substantial proportion of the assets previously managed in London to be managed by Berenberg's Germany-based business units.

Current framework conditions and, in turn, cautious client behaviour made it altogether more challenging to acquire new client assets in Wealth and Asset Management.

Even if the ratio of commission income to interest income once again shifted in favour of interest income over the past year, Berenberg continues to see itself as a service-focused bank, concentrating on commission-earning transactions supplemented by traditional banking services.

Net Interest Income

Net interest income, including current income from shares and other variable-yield securities, was €166.7 million in 2023, which exceeds both the previous year's value (€99.5 million) and also our somewhat cautious forecast.

Central banks in the US and Europe significantly increased their base rates in 2023, in an attempt to combat inflation. At the same time, the returns on fixed-income securities and the rates on the swap markets also increased. Under these conditions, Berenberg once again achieved an increase in interest income overall.

As our asset structure is largely determined by client deposits, we assume that we will continue to benefit from increased interest rates, although the interest rate level should now at least stabilise.

At Berenberg, we assess net interest income together with the items in the income statement in which write-downs and write-ups of securities are recorded. Securities in the liquidity reserve are currently creating a temporary need for write-downs due to increased yields caused by the changed interest rate environment and the valuation according to the strict lower of cost or market principle. However, this will be reversed following the repayment at nominal value upon maturity.

The security holdings in the Bank's own trading account will continue to be managed in line with a highly conservative strategy. Once purchased, top-rated securities with a short to medium term remaining are, as a matter of principle, held until maturity.

Certain fixed-income securities in the interest book form part of permanent assets, with the goal of stabilising returns and reducing the risk posed to the fixed assets by changes in interest rates. They are assessed as fixed assets.

Net Trading Income

Net income from trading activities dropped by €3.6 million to €8.7 million in 2023 (€12.3 million). In 2022, the buffer listed in a special item compliant with Section 340g of the HGB (German Commercial Code) in conjunction with Section 340e (4) of the HGB was reduced by €5.0 million and allocated to profit reserves as part of the appropriation of net profit for the year. In 2023, there was no similar change corresponding to the one in 2022.

As our business activities are primarily service-orientated, trading activities on our own behalf in the equities, bonds and foreign exchange segments are, in principle, very limited. Such trades solely occur as a supplement to our core business in client trading. Due to the current market environment, the Bank is taking a very cautious approach to proprietary trading and is adhering to tighter value-at-risk limits.

As before, there are still only a small number of trading portfolios on the balance sheet. Proprietary trades in non-linear products (such as FX options) are no longer carried out, as a matter of principle. The reserve required by law in accordance with Section 340g of the HGB in conjunction with Section 340e (4) of the HGB is overendowed.

Net trading income is dominated by trading income from bond and foreign exchange trading. However, the results of these two asset classes are not exclusively reflected in the net income from trading transactions, but are also recognised in other items of the income statement in accordance with commercial law regulations.

Other Operating Income

In the year under review, other operating income dropped from €21.3 million to €19.1 million. A substantial proportion of the other operating income resulted from income from specially hedged transactions (including income from foreign currency option transactions) amounting to €16.3 million (€16.0 million) arising from our operating foreign exchange business. Further notable proportions resulted from the dissolution of provisions.

General Administrative Expenses, Depreciation of Tangible Fixed Assets and Amortisation of Intangible Assets

The number of employees as at the reporting date was 1,536, which is 2.7% less than in the previous year. For some time, the market environment has led us to err on the side of caution. In *Investment Banking*, Berenberg responded to the current market phase with a further structural adjustment. However, the Bank continues to consider itself to be in a strong position if the market environment normalises, particularly given ongoing consolidation in the sector.

Attracting top-quality personnel is a crucial goal of our HR policy – not only in our market units, but also in our staff and service divisions.

Personnel expenses totalled €231.7 million in the reporting period, a 2.6% fall on the previous year's figure and the forecast value. This was primarily due to the adjustment of the variable remuneration to the Bank's earnings, as well as personnel adjustments in *Investment Banking*.

At €150.1 million, *non-personnel operating costs* were around 5.9% higher than the previous year's figure (€141.7 million), but 5.5% below the Bank's projection. The Bank deliberately made tightly managed investments in internal IT systems to further optimise its processes and stringently implement regulatory requirements. In addition, there were notably high expenses in conjunction with the creation of the Bank's new building in Hamburg, which could not be counted towards its assets. In addition, there were further inflation-related price increases at external service providers.

Overall, *general administrative expenses*, including depreciation of tangible fixed assets and amortisation of intangible assets, as well as other taxes, amounted to €390.3 million in the reporting year (€389.3 million), around 3.6% under the planned figure.

Risk Provisions

Sufficient valuation allowances and provisioning funds were allocated for lending operations, within the framework of the Bank's risk provisioning. All identifiable credit risks were taken into account in full through the application of a conservative valuation method. Once again, no net additions to specific valuation allowances were required in the lending business. Due to the persistently uncertain market environment, we consider the increase in the general valuation allowance at the end of the year to be appropriate.

The result from the liquidity reserve (as part of the valuation result) must largely be viewed in conjunction with net interest income. Our liquidity reserve contains debt securities and bonds which are trading at a premium and thereby create a corresponding ongoing need for write-downs. Securities in the liquidity reserve are currently creating a temporary need for write-downs due to increased yields caused by the changed interest rate environment and the valuation according to the strict lower of cost or market principle. However, this will be reversed following the shortening of the maturities and the repayment at nominal value upon maturity.

Taxes on Income

»Taxes on income« are made up of trade tax from the headquarters in Hamburg and the German branches, as well as taxes on income and earnings of our foreign branches in Paris, Zurich, Geneva and Stockholm. In 2023, this item amounted to €19.3 million, compared to €18.0 million in the previous year. The increase compared to 2022 is mainly due to the higher income, but is significantly below the expected value.

Financial Position

Capital Base and Ratios

The Bank's own funds amounted to €343.3 million in 2023 (€341.6 million); this figure is almost unchanged compared to the previous year. The main component of the Bank's equity is Common Equity Tier 1 (CET1) capital, which amounted to €263.3 million (€261.6 million). Subordinated loans are fully counted as Additional Tier 1 (AT1) capital in the amount of €40.0 million and as Tier 2 capital also in the amount of €40.0 million; these figures have not changed since the previous year.

The *total capital ratio* in accordance with the Capital Requirements Regulation (CRR), as well as with the German Solvency Regulation (SolvV), amounted to 15.0% (15.7%), the core capital ratio adjusted to 13.3% (13.9%) and the CET1 capital ratio was 11.5% (12.0%). With near-stable own funds, the risk assets have increased slightly overall.

The risk capital requirement for traditional credit risks is slightly higher than in the previous year due to the reporting date; however, a planned syndication in credit funds will reduce this again in the near future. The capital commitment for market risks from shares, bonds (debt securities) and currency positions also increased slightly as at the reporting date. Besides this, and as in the previous year, there has been an increased risk assumption for operational risks. At Berenberg, equity backing for operational risks is calculated using the basic indicator approach. It is based on the average gross income for the past three years. As these were significantly higher in 2022 than in 2019, which was removed from the calculation, the capital requirements therefore increased proportionally.

Berenberg sets great store by ensuring that its regulatory capital ratios are sound. In this vein, several equity capital raises have been undertaken in recent years. As before, the ratios are at a good level, and, once again, they substantially exceed the minimum regulatory requirements. The capital base therefore continues to provide sufficient scope for entrepreneurial growth.

The *Liquidity Coverage Ratio* (LCR), which is the ratio of the portfolio of first-class liquid assets to net outflows in the coming month and is intended to assess the short-term liquidity risk of credit institutions for regulatory purposes, was roughly 1.8 in 2023 (1.6), approximately 82.6% above the regulatory minimum.

The *Net Stable Funding Ratio* (NSFR, the structural liquidity ratio) is the ratio of available stable funding to required stable funding and is intended to optimise the structural liquidity of credit institutions with a time horizon of one year, for regulatory purposes. The NSFR was around 2.5 as at the end of the year (2.2), substantially surpassing the regulatory minimum. From a regulatory perspective, Berenberg is therefore not exposed to any short-term or structural liquidity risks.

The *leverage ratio*, which is the ratio of regulatory AT1 capital to the Bank's total non-risk-weighted financial commitment, was 4.3 (3.7), above the minimum level of 3.0 required for regulatory purposes. This change in the ratio is largely due to client-driven reductions in deposits, which also contributed to lower total assets compared to the previous year.

The economic approach is described in detail in the Risk Report section.

Funding, Securities in the Liquidity Reserve and Securities Treated as Fixed Assets

Berenberg can meet all its funding needs entirely from client deposits, and was liquid at all times in the year under review. There were no open liquidity positions in the financial year 2023. Due to the short-term structure of our business, liquidity risks are less of a concern. As the year went on, Berenberg continued to have a large portfolio of client deposits, which once again led to clear excess liquidity. The Treasury business unit primarily invests this in short-duration, top-rated bonds, minimising potential credit risks. A large portion of the liquidity is deposited at Deutsche Bundesbank. As a result, this means that an unexpected short-term liquidity requirement can be covered by the European Central Bank's refinancing framework.

As at the end of the reporting year, securities treated as fixed assets amounted to €884.4 million (€790.1 million). Maturing securities – with a redemption gain of around €1.1 million – were replaced by newly acquired titles, and new investments were made in this asset class. Titles are measured at cost, provided there was no permanent reduction in value. The bonds ensure hidden reserves on the liability side and generate interest income on an ongoing basis.

The portfolio consisted of bonds (debt securities) and other fixed-income securities amounting to €2,478.5 million (€2,470.4 million). This is dominated by securities of German public-sector issuers at 44.9% (45.9%) and securities guaranteed by Germany or a German federal state (54.9%; previous year: 51.7%). German Pfandbriefs and Scandinavian covered bonds were no longer included in the year-end balance (previous year: 1.8%).

The remaining maturity for these holdings averaged 1.9 years in 2023 (1.3 years), and consequently, the spread change risk inherent in the portfolio is limited. The interest rate risk is mostly limited to the three-month or six-month Euribor.

Assets Position

Total Assets and Business Volume

In the year under review, *total assets* decreased by approximately €1.1 billion from €7,725.1 million to €6,664.1 million. This was primarily due to the reduction in client liabilities due on demand (for example in Shipping). In addition, client liabilities due on demand were restructured as short-term client liabilities (up to three months). Client deposits were predominantly invested in balances with central banks on a daily basis.

We continue our approach of not actively procuring client liabilities; instead, they arise from our operational business (for example from Wealth and Asset Management, and from Shipping) and from individual temporary mandates (for example for capital increases supported by our ECM team). Client deposits make up 88.7% of the total assets (89.6%). A large portion of the liquidity surplus, specifically €2,237.4 million (€3,143.1 million) is held as credit in our Bundesbank account. The trading volume on the interbank market is held in diversified investments at selected low-risk borrowers.

Receivables from banks increased significantly by 29.7% to €556.8 million (€429.2 million), contingent on the reporting date. The receivables include receivables due on demand in the amount of €228.3 million; this figure can, therefore, vary greatly at short notice. Other receivables include the investment of part of the liquidity surplus in promissory note loans issued by German development banks of approximately €278.2 million (€316.1 million). The remaining majority of the liquidity surplus was invested in German public-sector issuers' low-risk bonds (debt securities) or held as deposits with central banks.

As at the reporting date, *receivables from clients* amounted to €1,123.7 million. This means that, compared to the level at the end of the previous year of €1,321.4 million, we have seen an exceptionally large drop of 15.0% due to low interest rates. These receivables are mainly with domestic clients in euros and are largely due on demand. Part of these receivables were invested in German, and largely public-sector, borrowers (promissory note loans) and amounted to €124.1 million (€208.8 million). Short-term fluctuations can result from the warehousing of loans that are transferred to our loan funds at a later date, which reduces the loan volume again.

The Bank's lending business continues to be characterised by a cautious lending policy. As before, we are not aiming to expand the volume of lending. Unlike generating commission on loans, the awarding of long-term loans is not the Bank's primary goal: rather, it is the result of cross-selling.

The holdings encompassed bonds (debt securities) and other fixed-income securities as well as shares and other variable-yield securities amounting to €2,554.8 million in 2023 (€2,653.2 million), a significant drop of 3.7%. In general, the Bank's surplus liabilities are invested in debt securities. They thus fluctuate with the client liabilities that are essential for the liabilities side and can change correspondingly to a significant extent.

The entire portfolio of shares and other variable-yield securities amounting to €76.2 million (€182.8 million) is listed on the stock exchange. The significant drop compared to the previous year is largely the result of client-induced business.

At €12.1 million, the on-balance-sheet *trading portfolio* was about 3.5% below the previous year's level of €12.5 million. The trading portfolio is naturally subject to substantial volatilities, and the extent of its decrease is greatly dependent on the reporting date.

The *liabilities to banks* in the amount of €175.4 million (€215.3 million) are 100.0% (97.0%) payable on demand and can, therefore, vary greatly at short notice.

Liabilities to clients totalling €5,913.6 million in 2023 (€6,924.6 million) are largely due on demand, at €3,870.0 million (€5,364.2 million). Those with an agreed notice period amount to €2,043.6 million (€1,560.3 million), but are largely of a short-term nature.

Particularly in the years of low interest rates and during crisis years in the capital markets, our clients kept their deposits stable and in some cases invested additional liquidity with Berenberg. As the low interest period came to an end, though, clients took a more active approach to their investments and, in turn, started reducing their high levels of liquidity. The continued high level of deposits due on demand in our portfolio is linked to operating business, particularly of our Shipping and Wealth Management business units. While in Shipping these deposits are attributable to our clients' cash management, in Wealth Management they can be attributed to our portfolio management and investment advisory. In any case, the drop is partly due to the fact that zero-interest deposits – both in EUR and USD – are now being managed more strictly by clients and, by extension, are being drawn down.

Due in particular to the continued good development of the Shipping business unit, €3,214.5 million of the client liabilities are denominated in USD (€3,537.7 million). The proportion of USD deposits in the total holdings has therefore remained stable, representing 54.4% (51.5%) of the total portfolio.

The resulting foreign currency exposure is hedged by our Foreign Exchange Trading using the construct of special hedging under commercial law to minimise FX risks.

Other assets increased by €13.8 million or 34.3% to reach €54.1 million. They mainly consist of the adjustment item for foreign currency conversions and rental deposits paid.

Other liabilities increased by 0.5% to €54.8 million (€54.5 million). They primarily consist of liabilities to creditors, tax authorities and personnel, accruals for derivative transactions and option premiums recognised as liabilities.

The expanded business volume, defined as the total assets and contingent receivables from guarantees and other indemnities, fell considerably from €7,760.0 million to €6,716.4 million in 2023, in line with the drop in total assets.

Irrevocable lending commitments amounted to €276.1 million (€316.2 million). They decreased significantly by 12.7% compared to the previous year, in line with client receivables.

Credit Volume

Expanded credit volume dropped substantially to €1,176.0 million in 2023 (€1,356.4 million). It consisted of receivables from clients of €1,123.7 million (€1,321.4 million) and of a markedly increased sum of contingent receivables from guarantees and other indemnities of €52.3 million (€34.9 million).

Overall Statement

Despite the persistently very challenging market environment in 2023, the Bank's earnings stabilised at a slightly higher level overall than in 2022. This confirms the resilience of the Bank's business model. The reduction in commission income from the securities business in Investment Bank and in Wealth and Asset Management was largely offset by an increase in net interest income. Overall, the net profit for the year was stable and the return on equity remained good compared to the industry as a whole.

The Bank's equity capital continued to remain adequate over the past financial year and, as a result, is still well above regulatory requirements. The assets and financial situation have stayed positive, solvency was ensured at all times in the period under review, and the liquidity situation, pursuant to the requirements of the banking supervisory authorities, continues to be comfortable.

As an internationally-focused bank with a service-orientated business model subject to ongoing adjustments to align it with market requirements, Berenberg believes itself to be in a strong position to remain successful in the market in the future.

Supplementary Report

No events of particular significance to the economic situation of the Bank occurred between the end of the 2023 financial year and the preparation of the annual financial statements.

Sustainability Report

In addition to our annual report, we also publish a separate condensed sustainability report which includes our non-financial statement. It is located on our website: www.berenberg.de/en/csr-report2023.

Investment Bank

The *Investment Bank* division offers a wide range of banking and advisory services across equities, investment banking and financial markets.

Equities

Having successfully navigated the dual challenges of MiFID II and Brexit, as well as the difficulties of Covid-19, and having produced the strongest performance in our history in 2021, 2023 presented its own new challenges for the financial services sector. These affected *Investment Banking* in particular, with multi-decade lows in capital markets activity brought about by a volatile and unpredictable macroeconomic environment, record levels of inflation, as well as significant geopolitical uncertainty.

The introduction of MiFID II in January 2018 continues to have a material impact on the industry and on the way we do business and receive payments for our services. While processes have now stabilised, the economic climate has led to continued pressure on our asset management clients, which has kept the number of brokers they work with and the overall payments for research constrained.

Nevertheless, against this backdrop, our revenues for research advisory and high-touch trading maintained a position of strength from a market share perspective, while the low-touch trading team has continued to grow its footprint, remaining an important addition to our execution capabilities.

In 2023, many of our clients returned to a predominantly office-based pattern of work, which led to a change in analyst and corporate meetings from virtual to in-person across Europe and the US. This has helped to reconnect and build stronger relationships with our client base, allowing us to better navigate the challenges we face and maintain a high level of performance.

Equity Research and Sales

At the end of December 2023, the *Equity Research* team covered 767 pan-European stocks. We ended the year with 85 analysts in London, four in Frankfurt and two in Zurich. More than half the coverage is of German companies (144) and UK-listed stocks (262).

Our Sales team of 40 generalists and nine specialists serviced in excess of 950 clients across all major financial hubs in Europe and the US. The Research and Sales teams continued to support our colleagues in Investment Banking on equity capital markets transactions.

The arrival of MiFID II in 2018 had significant implications for the way our buy-side clients interact with both us and our sell-side competitors. Disruption among the sell-side brokers accelerated in the reporting year with consolidation and closures again reducing the number of sell-side relationships. Our clients continue to closely monitor the level of services they consume, but with increasing pressures on their budgets as they navigate the tougher economic environment. Thanks to the quality of our research and sales efforts, we continue to maintain relationships with over 95% of our clients. Our team had more than 10,000 meetings with investors in 2023.

Facilitating interaction between our buy-side clients and the companies we cover remains a key priority for the team. In 2023, we focused on a return to in-person conferences and interactions and organised over 20,000 meetings between investors and the management teams of companies. We hosted over 20 conferences, with only a few in virtual format. Our 21st Berenberg European Conference at Pennyhill Park in Surrey in the UK was attended by 356 corporate representatives and 390 institutional clients from the US and Europe.

Equity Trading

Equity turnover remained on a high level in 2023, amounting to €131 billion, outperforming market volume trends. The number of shares covered as a systematic internaliser increased at a steady level.

Equity Trading (EU and UK)

Berenberg is the top ranked market maker now on the Retail Service Provider (RSP) network, dedicated to providing liquidity in all market conditions to the client base. Currently more than 400 single stocks are being quoted, we cover 62 corporate clients, with access to every major broker on RSP.

Revenues in the European risk arbitrage franchise fell by only 9.5% in 2023 despite a 50% fall in European M&A volumes. The strong relative performance is evidenced by the team's number one high-touch market share this year (versus second in 2022) which puts the team in an excellent position to capitalise on an expected increase in M&A volumes going into 2024.

Berenberg electronic trading was nominated for seven of nine awards at the 2023 Algorithmic Trading Awards, the largest algorithmic survey, winning in the category »Best User Experience«. Overall, volumes were only down by 5% YoY compared to 2022, outperforming the market relative by 15 to 20%.

In 2023, IB Technology continued its build-out of the Berenberg electronic trading platform, which helped Berenberg to not only win further clients and business but also be nominated for – and win industry awards for – our algorithmic trading product. Significant upgrades fed into enhanced features and contributed strongly to execution performance improvements.

The Bank's infrastructure overhaul continued in 2023. A bulk of investments has fed into improving the Bank's cybersecurity and operational resiliency footprint. Operational and security monitoring improvements have come on the agenda and will be an important focus area going forward. Ongoing contributions improving our equity sales, research, CRM and conference management systems are again rounding up the picture.

Equity Trading (US)

In our sixth year at 1251 Avenue of the Americas in mid-town Manhattan, we further increased our US and Canadian equity trading for US, Canadian and European clients. We continue to see increased order flow, which has grown our liquidity pool leading to more block transactions. We also continued to increase the breadth of relationships on our Trading and Sales Trading team. Our Execution team is second to none, averaging over 20 years of experience per member. This high-quality team allows us to leverage our skills and relationships to optimise our products across a continuously growing institutional account base. Our team provides liquidity and premium execution in North America, European local markets, as well as in dual-listed securities and American Depositary Shares. We continue to see growth in our market-leading risk-arbitrage trading in both domestic and cross-border transactions. Our multi-market cross-border expertise provides a significant edge for our clients.

Building on our theme of providing cross-border access and liquidity, our electronic trading offering in US and Canadian stocks has been enhanced for both our North American and European clients. Our US offering mirrors our award-winning European product. We offer low-touch and portfolio trading in the EMEA and North America regions, giving our clients multiple venues to access our services. We continue to focus on the development of our Genesis algorithmic trading platform, significantly increasing our market coverage, expanding our automated trading with algorithms and developing our data science platform. On the product side, a major focus is placed on client requirements and capacity expansions for continued growth.

Investment Banking

Equity Capital Markets (ECM)

2023 did not provide much relief for the equity capital markets after a challenging 2022. Despite volatility falling to subdued levels last witnessed prior to Covid-19, tighter monetary conditions put pressure on the capital raising environment. Central banks pushed rates to heights not seen since 2007 in an effort to collar inflation, pushing equity risk premiums higher and driving capital flows out of equities into bond and money market products.

Despite the backdrop, Berenberg executed 35 equity and equity-related transactions raising approximately €4.5 billion in total throughout the year, further solidifying our role as a trusted advisor for companies, financial sponsors and founders, with the most notable transactions highlighted in the following.

In the DACH region (Germany, Austria, Switzerland), we continued to strengthen our leading position through a joint global coordinator role on the first sizeable European IPO of the year with IONOS (€447 million), as sole global coordinator and sole bookrunner on the first sizeable European capital increase of 2023 with Hypoport (€50 million), and as sole global coordinator and sole bookrunner on what became Germany's second-biggest capital increase via ABB of the year for Talanx (€400 million). The unique transaction structure in Germany consisted of a €300 million primary component and a €100 million secondary placing. Furthermore, following its IPO the year before, we advised 468 SPAC II on its successful business combination with Marley Spoon. We also increased our strength in the DACH private capital markets, with Enpal's Series D growth funding round led by TPG Rise Climate, as well as a handful of pre-IPO secondary placings, amounting in aggregate to a volume of about €594 million. Notably, we were also involved in the latest equity financing round of private Swiss company Skycell (CHF 50 million).

In the UK, our network of 63 corporate broking clients with an average market capitalisation of circa £827 million has led to ten transactions and advisory mandates amounting to a total transaction volume of £534 million. We were involved in capital increases for Corre Energy (€9 million), ASOS (£75 million), Midwich Group (£50 million), JTC (£62 million), Sirius Real Estate (£145 million), tinyBuild (£9 million), and two capital raisings for Yellow Cake (£62 million and £103 million). Berenberg also completed a secondary placement for Northzone Ventures in Trustpilot (£13 million), and moved Ceres Power to the Main Market. Furthermore, we have continued to expand our UK M&A capabilities by acting as financial advisor for ETC Holdings in its recommended cash acquisition of Shanta Gold (valuing the entire issued and to-be-issued share capital at £142 million).

As for the Benelux countries and France, we solidified our position as a strong player in the Belgian real estate sector through the rights issues of Care Property Invest (€111 million) and Aedifica (€380 million). Additionally, we acted as an ECM advisor on Belgian company Solvay's spin-off into two independent publicly listed companies, Solvay and Syensqo. We also closed several private placements in the region, advising Belgian Biobest on two funding rounds to raise circa €500 million, as well as Dutch EIT InnoEnergy on a funding round of €140 million. We further demonstrated our cross-border capabilities by serving as financial advisor to Amsterdam-listed Majorel during its acquisition by the French CAC 40 company Teleperformance.

In the Nordic capital markets, we advised Swedish private equity Priveq Investment on its sale of 4C Group shares through a secondary placing (SEK115 million) and in southern Europe, we were able to leverage our expertise in the luxury yacht manufacturing industry serving as joint bookrunner during Ferretti Group's European listing on Euronext Milan (€292 million).

In the US, we continued advising corporate clients within our key verticals with an aggregate deal value of $1.2 billion. In public markets, we served as sales agents on the at-the-market offerings for MicroStrategy ($750 million) and NETSTREIT ($300 million) while also supporting Innoviz Technologies ($65 million) on its upsized follow-on offering as a joint bookrunner. Furthermore, Berenberg continued advising clients who were looking to private capital.

It is positive to see that the economic data is starting to show signs of a pathway back to a normalised backdrop for equity capital markets. While we expect the first half of 2024 to remain challenging, a few IPOs could test the market. However, we do not expect to see an opportunity for IPOs to return in full until later in 2024. Corporates will continue to require capital to execute on opportunities in their respective industries, or to refinance to shield themselves from a higher-for-longer rate environment. We expect ECM volumes to increase throughout 2024 and into 2025.

Financial Markets

Fixed Income Research

Our *Fixed Income Research* team is able to change course at very short notice – a characteristic that once again paid off in the year under review. The persistent, swift interest rate changes in Europe, the US and other currency regions meant that its thematic focuses needed to be recalibrated. Over the past fiscal year, the Research team therefore moved away from the specialist, niche topics it had concentrated on during the period of low interest rates, and returned to looking at the universe of top-rated liquid benchmark bonds. We were again able to generate a sizeable amount of interest in our publications courtesy of the various communication channels deployed by our Research team. The introduction of a new, more user-friendly research portal paved the way for this success, as did the expansion of our social media strategy via our LinkedIn focus page »Berenberg Financial Markets«, which the team runs in collaboration with colleagues in FX & Rates. In 2024, our research colleagues will also turn their focus to the CO_2 market, as we started offering our clients the option of trading in CO_2 certificates (EU allowances) in October 2023.

Fixed Income Sales Trading

The *Fixed Income Sales Trading* business unit also enjoyed a successful fiscal year. The substantial uptick in the bond market's attractiveness – compared to other asset classes – in 2023 played into the hands of both the Sales team and the Trading team at our Hamburg location, above all. Already in the previous year, investment-grade corporate bonds and covered bonds had experienced a return to popularity among clients. Thanks to the continued turnaround in interest rates, institutional investors' demand for public-sector securities grew markedly in 2023. Alongside these developments, our specialists in high-yield and convertible bonds at our Frankfurt location once again demonstrated their expertise in the field of »distressed markets«, doing so within a challenging overarching market landscape characterised by liquidity shortages and caution on the part of investors. This gave rise to a number of opportunities, for instance in the field of real estate bonds for investors, with greater appetite for risk.

FX & Rates Trading

The FX markets were shaped by geopolitical escalations and economic developments in 2023. The ongoing war in Ukraine, the conflict between Armenia and Azerbaijan regarding the Nagorno-Karabakh region and the escalation between Israel and Hamas once again illustrated the darker side of geopolitics. In turn, the US dollar served as a safe haven time and again over the course of the year. The situation was exacerbated by the policy of aggressive interest rate hikes pursued by the US Federal Reserve in its efforts to curb inflation. The European Central Bank took a much more cautious approach in this respect, increasing base rates more defensively.

Interest rates now appear to have peaked on both sides of the Atlantic, but the motto »high(er) for longer« represents a change of monetary strategy in this regard that could see interest rates remain high for a prolonged period of time. A recession was also forecast for America and Europe at the start of the year under review. However, the European and US economies proved to be more resilient as 2023 went on. The US labour market, in particular, turned out to be highly robust and cushioned the landing for the country's economy. We shall see in 2024 whether high interest rates, trends in interest rate differences between currency regions and potential interest rate cuts will lead to further turbulence in the FX markets.

»The last few years were shaped by hefty price rises and price dynamics. This makes it even more important to come up with efficient solutions in good time in collaboration with a trusted, experienced banking partner.«
Arne Christian Rahner, Head of Financial Markets

FX & Rates Advisory

Against the backdrop of these uncertain, volatile times, our clients were keen to take action – and we remained by their side to support them through the challenges that this presented day-to-day. The pairing of our outstanding service and in-depth discussions led to a successful fiscal year for our *FX & Rates Advisory* team. In addition, we were able to further grow our range of digital services and substantially expand the client base using our in-house electronic FX trading platform FXnow. Our daily and weekly currency publications serve to underscore our expertise.

In 2023, we also entered the European CO_2 emissions trading market with great success. This market will grow in relevance over the next few years, particularly for our shipping clients. Our accounts service for CO_2 certificates (EU allowances) is a further example of our client-focused endeavours. These activities will all continue in 2024, and we will keep advising and supporting our clients to overcome the challenges they face in the FX, rates and CO_2 markets.

Closed Transactions

Public Takeover ETC Holdings Recommended cash acquisition of SHANTA GOLD Financial Advisor	**Capital Increase** Jubilee Metals Group GBP 13m Joint Global Coordinator/ Joint Bookrunner	**Spin-Off** SOLVAY SYENSQO ECM Advisor	**Capital Increase** Sirius real estate GBP 145m Joint Global Coordinator/ Joint Bookrunner	**Secondary Placing** (private)[1] Enpal. EUR 129m Financial Advisor
Growth Funding (private) SKYCELL CHF 50m Financial Advisor	**At-the-Market** NETSTREIT USD 300m Sales Agent	**Secondary Placing** Trustpilot GBP 13m Sole Global Coordinator/ Sole Bookrunner	**Capital Increase** YELLOW CAKE PLC GBP 103m Joint Global Coordinator/ Joint Bookrunner	**Capital Increase & Secondary Placing** talanx. EUR 400m Sole Global Coordinator/ Sole Bookrunner
De-SPAC TRANSITION arverne GROUP Financial Advisor	**Growth Funding** (private) rejuveron USD 75m Financial Advisor	**Growth Funding** (private) biobest SUSTAINABLE CROP MANAGEMENT c. EUR 400m Financial Advisor	**Growth Funding** (private) eit InnoEnergy EUR 140m Financial Advisor	**Public Takeover** majorel being publicly taken over by Teleperformance Financial Advisor
Capital Increase INNOVIZ TECHNOLOGIES USD 65m Joint Bookrunner	**At-the-Market** MicroStrategy USD 750m Sales Agent	**De-SPAC** 468 SPAC II MARLEY SPOON Financial Advisor	**Rights Issue** aedifica EUR 380m Joint Bookrunner	**IPO** FERRETTIGROUP EUR 292m Joint Bookrunner

1) Three transactions aggregated

Capital Increase

JTC

GBP 62m

Joint Global Coordinator/
Joint Bookrunner

Capital Increase

Midwich Group Plc

GBP 50m

Joint Global Coordinator/
Joint Bookrunner

Capital Increase

asos

GBP 75m

Joint Bookrunner

Secondary Placing

FASTNED

600,000 DRs

Sole Global Coordinator/
Sole Bookrunner

Growth Funding
(private)

biobest
SUSTAINABLE CROP MANAGEMENT

EUR 99m

Financial Advisor

Capital Increase

corre.energy

EUR 9m

Joint Global Coordinator/
Joint Bookrunner

Secondary Placing

4C STRATEGIES

SEK 115m

Joint Bookrunner

Capital Increase

92 U
YELLOW CAKE PLC

GBP 62m

Joint Global Coordinator/
Joint Bookrunner

IPO

IONOS

EUR 447m

Joint Global Coordinator/
Joint Bookrunner

Rights Issue

care property invest

EUR 111m

Joint Bookrunner

Capital Increase

HYPOPORT

EUR 50m

Sole Global Coordinator/
Sole Bookrunner

Growth Funding
(private)

Enpal.

EUR 215m

Financial Advisor

Capital Increase

tinyBuild

GBP 9m

Sole Global Coordinator/
Sole Bookrunner

Selected Structured Finance Transactions 2023

ARDIAN Super Senior Financing GBA LABORGRUPPE Super Senior Arranger	STRIKWERDA INVESTMENTS Super Senior Financing Your. Online Super Senior Arranger	STRIKWERDA INVESTMENTS Super Senior Financing tsh_ BRIGHT MINDS THINK ALIKE Super Senior Arranger	KEENSIGHT CAPITAL Senior Financing Quanos Mandated Lead Arranger	CASTIK CAPITAL Super Senior Financing ADDSECURE Super Senior Arranger
MAGUAR Super Senior Financing HR WORKS Super Senior Arranger	Bregal Unternehmerkapital Senior Financing eGroup Mandated Lead Arranger	Ara Partners JUNCTION CAPITAL PARTNERS Senior Financing PURAGLOBE Mandated Lead Arranger	**Tier 1 Sponsor** HoldCo Financing **Leading gym company** Mandated Lead Arranger	EQUISTONE Senior Financing P/A Mandated Lead Arranger
Oakley Capital Senior Financing Schülerhilfe! Das Original. Seit 1974. Mandated Lead Arranger	Hg Super Senior Financing GOSSLER, GOBERT & WOLTERS GRUPPE seit 1758 Mandated Lead Arranger	Bregal Unternehmerkapital Super Senior Financing MEDIA Central Super Senior Arranger	APHEON Super Senior Financing opseo Ganzheitliche Intensivpflege Super Senior Arranger	KEENSIGHT CAPITAL Senior Financing aconso People-Based HR Mandated Lead Arranger
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Wealth and Asset Management

Our *Wealth and Asset Management* business unit sets great store by personalised advice, active investment solutions and accountability. This means that we act as a trustworthy partner to our clients and provide comprehensive, bespoke assistance to suit their needs. After all, we can only be successful if our clients are satisfied with us over the long term. Our discretionary and quantitative investment solutions are based on the expertise of our renowned specialists. We draw on transparent and verifiable investment processes, ceaselessly striving for the long-term positive performance of the assets entrusted to us, whether in portfolio management, investment advisory or in our funds and institutional mandates. As a bank with a history spanning more than 430 years and currently undergoing dynamic growth, accountability is an important principle for us. This is why, alongside our dedication to social issues, we attach great importance to applying ESG criteria in investment processes. High-net-worth individuals and institutional investors equally appreciate this approach. We are pursuing a clear growth course, further expanding our sales activities regionally and with respect to other investor groups. We are also launching new products to meet client demand.

Wealth Management

At the end of 2022, we expected that 2023 would be better, but not easier. With hindsight, this has proved to be a correct assessment. Like the years before it, this reporting year was once again shaped by unique challenges. This is despite the fact that, one year after the start of Russia's invasion of Ukraine, the war is having less of an impact on the markets than it did in the previous year. The number of flashpoints was not getting any smaller in 2023, high levels of inflation remained and, within the course of just one year, interest rates increased to an extent and at a speed rarely seen before. This all left forecasts highly uncertain, which, in turn, led many of our clients to seek additional advice with respect to strategic asset allocation.

Interest on standard bonds returned after many years of zero-interest rate policies by central banks, which had a fundamental impact on asset allocation decisions. Many market participants believe that the cycle of increasing interest rates came to an end in 2023 – which now begs the question: what is the correct strategy? If interest rates fall again, this will give rise to opportunities to make gains on bonds and interest coupons (which are currently looking attractive) and, at the same time, it opens up scope for share prices.

In our view, our approach is very promising for a new turning-point on the interest rate market with expected interest rate cuts. Share prices, for example, already made great gains towards the end of the year under review. For the coming years, there are opportunities particularly for those companies that are on a strong footing. We seek to identify companies that fall into this category using our structural approach. In doing so, we focus our share analysis on companies that generally have very low levels of debt and are in a structural growth trend. This can lead to above-average investment results for our investors.

Strategic Challenges

Changing trends in the capital markets made a particular impact during 2023. They included, for instance, the temporary belief that interest rates would remain at high levels for prolonged periods of time – referred to as »higher for longer«. Artificial intelligence (AI) also attracted a swift yet short-lived hype over the course of the year, which caused some shares to skyrocket. This made index levels appear high, but price trends were very varied under the surface. Accordingly, our primary task lay in standing by our clients as uniquely qualified advisors in times of enormous uncertainty.

The ongoing march of *digitalisation* continues to require us to remain constantly active. We, too, have started to explore the use of AI, directed by our Innovation & Data team. However, we are proceeding with great care and caution here, as this work involves highly sensitive data. This technology is of great interest in terms of process optimisation and support. That said, it remains a means to an end – namely to support and improve the advisory experience and the performance of our investment solutions.

Challenging mandates and the development of solutions for *complex tasks* remain our core business. Our activities in this respect are underpinned by our highly qualified, expert staff.

Discretionary Asset Management as a Core Service

Our clients can choose between two high-quality solutions for their investments. In *portfolio management*, our clients delegate the achievement of their investment goals to our portfolio management professionals. They can choose from a variety of different strategies to suit their personal risk/return profile.

In *investment advisory*, our clients make their investment decisions themselves, in consultation with their advisor and on the basis of thorough assessments and analyses. We have invested further in this area, setting up our Professional Client Advisory unit to provide professional clients with a service that is unique in terms of its service level, the quality of its investments and its long-term results. Services of this nature are very rare indeed.

Concentrating on our Core Target Groups and Core Competencies

In Wealth Management, we provide customised solutions to clients with sophisticated asset structures and special investment requirements, concentrating on very high-net-worth individuals, family entrepreneurs and business-minded decision-makers, as well as foundations and other charitable organisations. Our approach provides holistic support to an organisation or private individual and their dependents in every area that has a direct or indirect influence on their asset situation. In this vein, we have successfully refined our Berenberg competence team model for three groups of investors. This enables us to support *foundations* and *charitable organisations*, *entrepreneurial families* and *young entrepreneurs* with successfully overcoming their individual challenges and to establish ourselves as a long-term strategic partner for them.

For us, *concentrating on core competencies* means offering complementary services alongside liquid portfolio management and the selection of illiquid alternatives. Particularly in the case of complex wealth portfolios, we create specific added value for our clients through our cross-bank multi-deposit controlling. This goes hand-in-hand with our advisory service which has recently won an award for its quality. Institutional investors are familiar with the service, but it can also offer added value for high-net-worth private individuals. Specifically, this encompasses advising on and creating a strategic asset allocation (SAA) using the latest scientific findings. On this basis, we identify targeted approaches to adding value for our clients and assist them with making sound decisions.

Asset Management

Berenberg Asset Management operates in two core areas. Firstly, *Berenberg Equity Funds* stands for fundamental equity expertise at a level rarely found in Germany. It focuses on quality growth approaches and small-/micro-caps. Secondly, *Berenberg Multi Asset* offers asset management strategies encompassing global investments, as well as funds with a European focus. These include very flexible solutions, as well as defensive and offensive multi-asset strategies. This is complemented by a strong offering in the fixed-income segment. Our capital market communication, highly regarded by our clients, underscores our expertise in this discipline. We set ourselves apart through well-founded assessments of the capital markets, which we apply in a decisive manner – also anti-cyclically and away from benchmarks. Our *Berenberg Institutional Consulting* business provides institutional clients with targeted advice on their global asset allocation and, as a strategic partner, we offer them bespoke solutions for the complex requirements of strategic asset allocation. In collaboration with our partners, we also offer them access to overlay management solutions. Berenberg is also using its *Innovation & Data* team to research and develop a proprietary investment approach, based on big data and artificial intelligence, to generate trading signals. This team additionally drives forward technological innovations for our investment process.

In Wealth and Asset Management, the *ESG Office* (ESG: environmental, social, governance) and the *ESG Committee* are responsible for developing, implementing and reviewing our ESG strategy. As a signatory to the United Nations-backed Principles for Responsible Investment (UN PRI), we remain committed to our responsibilities in terms of sustainability. Our investment funds are awarded top ratings in external analyses, such as the FNG seal by the Forum Nachhaltige Geldanlagen (FNG), the sustainable investment forum for Germany, Austria, Liechtenstein and Switzerland. We see the integration of ESG principles as a valuable component of our investment decisions because it enables us to more comprehensively manage fundamental portfolio risks and identify opportunities.

Equity Funds

After the challenges of 2022, the stock markets had a relatively positive start to 2023. However, there were clear differences within the various regions. While European shares tended to drift sideways, US mega-caps, in particular, were boosted by the hype surrounding AI in the first half of the year. In the third quarter, the ongoing positive surprise of the US economy's performance in conjunction with a hawkish meeting of the Federal Reserve led to the expectation of higher interest rates for longer, which had a negative impact on growth shares. Our equity funds' performance also suffered within this environment. However, the stock markets started to pick up again in November 2023, as US economic data weakened and inflation data cooled, leading to lower interest rates.

December 2023 saw us launch the BERENBERG BETTER HEALTH FUND, our 14th mutual fund. The fund invests in companies that make a contribution to substantially improving human health, extending life expectancy and/or reducing healthcare costs. Demographics and social change due to an increasingly ageing population and the uptick in prosperity, especially in developing countries, underpin the long-term attractiveness of the healthcare sector.

The BERENBERG EMERGING ASIA FOCUS FUND, set up in December 2022, also benefited from these trends. The fund has experienced positive growth to date – both in relative and absolute terms – and is in the upper segment of its peer group. In general, the entire Berenberg investment platform benefited from the enhanced expertise in Asian investments.

Once again, Berenberg received the FNG seal for 2024 for seven of its equity funds. The BERENBERG SUSTAINABLE WORLD EQUITIES FUND was awarded the highest rating of three stars.

Multi Asset and Fixed Income

The *Multi Asset* business unit encompasses discretionary multi-asset and fixed-income strategies, along with risk-focused multi-asset solutions for institutional investors. Within discretionary multi-asset portfolio management, we are responsible for asset management strategies and specialised approaches for institutional investors, as well as for six mutual funds ranging from defensive to offensive, including those with a dedicated ESG or distribution focus.

We set up a new absolute return fund, our sixth fund, in November 2023. The BERENBERG GUARDIAN aims to generate positive performance, particularly in negative periods on the stock market. We are seeing increasing correlation between various asset classes, which reduces scope for portfolio diversification to minimise risks. As a result, new hedging approaches are required in this market environment – and we hope that the BERENBERG GUARDIAN provides one such solution.

In 2023, the performance of our multi-asset strategies failed to meet expectations. In our view, this was mainly due to an overly defensive positioning in the first half of the year, a lack of diversification between the asset classes that had been invested in, and the share selection with a focus on quality and growth stocks. Our strategies are broadly diversified within the framework of their true multi-asset approach. However, just a small number of market segments made gains until the fourth quarter of 2023, driven by a handful of individual titles. A lack of market breadth was a key characteristic of 2023. Diversification only paid off towards the end of the year, which also led to the strategies' recovery. Counter to expectations, the valuation adjustment on our preferred quality and growth stocks since the start of the cycle of rising interest rates in 2022 continued until October of 2023. However, we believe that our selection style will pay off once again as interest rates stabilise.

»In 2023, we successfully launched two exciting new fund concepts in the Multi Asset and Fixed Income area, both of which provide a targeted response to the current market environment.«

Professor Dr Bernd Meyer,
Chief Strategist and Head of Multi Asset

Our multi-asset funds' MORNINGSTAR ratings remain in the three- to five-star range. The BERENBERG SUSTAINABLE MULTI ASSET DYNAMIC impact fund once again received five stars from FNG, the best rating.

The *Multi Asset Solutions* team provides professional solutions for the challenges faced by institutional clients. The team comprises specialists in risk-focused and derivative strategies concentrating on value protection or the hedging of (extreme) risks in all asset classes. In November 2022, we launched the BERENBERG MANAGED VOLATILITY EQUITY FUND, a strategy with hedged shares for the pension market in the UK. The first year of this approach was very pleasing. Despite constant hedging within the portfolio, the strategy was able to keep pace with the performance of the underlying share universe and the fund attained ongoing inflows, already in year one. This approach is currently garnering a great deal of interest in Germany and Continental Europe, especially against the backdrop of the changed market environment.

In the *Fixed Income* department, the product range of eight funds in the categories of liquidity solutions, the eurozone and the emerging markets, including dedicated ESG funds for the eurozone and the emerging markets, also contributed to the platform's success in 2023. The fund was largely able to display a positive alpha, even within the challenging market environment for bonds, and the fixed-income funds also continued to hold MORNINGSTAR ratings in the three- to five-star range. We successfully launched the BERENBERG EURO TARGET 2028, a maturity fund, in April of the year under review and obtained numerous maturity mandates both for retail and institutional clients. We now manage around €100 million in line with this approach. Furthermore, the BERENBERG SUSTAINABLE EURO BONDS impact fund once again received the highest possible rating from FNG, with three stars.

With the rise in yields and the widening of risk premiums our clients are becoming increasingly interested in bond-based strategies with high current yields. As a result, we want to keep investing in the asset class and position ourselves strategically.

Innovation & Data

The *Innovation & Data* team within the Wealth and Asset Management central business unit was established in late 2019 to embrace the latest technological trends and our industry's ongoing digitalisation. Within this interdisciplinary team comprising data scientists, natural scientists, software developers, portfolio managers and traders, conventional investment experts work hand-in-hand with experts in AI technology. Our goal is to use cutting-edge technologies to analyse the exponentially growing global data universe, extract valuable insights from it and provide the best possible cross-platform support for investment processes using technology and data analysis.

The team has developed a proprietary approach, based on big data and AI, for FX forecasting. This technology is offered to institutional clients as part of a strategic collaboration with one of the world's leading FX platforms.

The big data and AI-driven mandates have already reached a volume of over €3 billion in assets. The BERENBERG SENTIMENT FUND was already launched in October 2022 with the aim of enabling other groups of investors to access this successful technology. Every month, several hundred million unstructured messages are analysed fully automatically and in real time for the fund. This generates trading signals for various asset classes, which are then implemented within the fund.

Beyond this, the team is also exploring various ways to use artificial general intelligence. This technology could, for example, support our discretionary portfolio managers with the research process.

Strong Market Position

We have succeeded in building a strong position in the market courtesy of our clear and attractive product range. In addition, we have once again stepped up our sales activities and public relations work. Our multi-asset publication series such as HORIZONS and MONITOR are very popular, while our investment experts are respected interview partners to the specialist, trade and daily press. They also present their approaches and opinions at a large number of industry conferences where they engage in direct dialogue with clients and prospective clients. We once more increased the number of staff in asset management and at our wealth management locations.

With our strong international presence, our sales strategies are perfectly tailored to our various target markets. Apart from Germany, Austria and Switzerland (the DACH region), in Europe these markets primarily include France, the UK, Italy and Spain.

Outside Europe, we entered into a distribution partnership in Chile and Peru in 2019, which has been bearing fruit in the pension fund market there since the start of this collaboration. In Mexico, we were also able to gain our first large pension fund as a client. We continue to work with other institutions as part of our individual portfolio management and portfolio management funds. Our range of high-quality solutions makes us a strong partner for savings banks and other banks.

Corporate Banking

High interest rates in the eurozone and dollar zone played a key role in 2023. This marked the first time in a while that we as the principal bank and transaction bank of many national and international clients regained the opportunity to generate returns from passive transactions. However, a business model shaped by growing credit funds remains at the forefront of our approach. In the reporting year, we were able to issue more than €1 billion in loans for transactions including corporate acquisitions, the financing of wind and solar farms, shipping financing and real estate financing.

The European rating agency Scope honoured us in November 2023 with another award: this time, as the »Best Asset Manager« in the field of Innovation at the Scope Alternative Investment Awards 2024.

Alongside firming up our unique market positioning for super senior financing in the field of *Structured Finance*, we also achieved high growth in *Infrastructure & Energy*. Senior and subordinated financing for wind farms, solar parks and energy storage facilities grew substantially. This asset class is also becoming increasingly attractive for investors in the segment of cooperative banks and savings banks. Swift, professional handling of complex financing structures facilitate appealing returns in this area, while also making a major contribution to the energy transition.

The substantial price corrections on the *real estate market* enable us to collaborate with investors to make attractive investments in real estate financing. All told, clients on the lending and deposit-taking side have adjusted to this new situation. However, interest rate trends will continue to affect the further development of the real estate sector for a while yet.

In *Shipping*, very high freight and charter rates, especially in the container ship segment, have returned to pre-pandemic levels. In addition, compliance with the extensive sanctions imposed as a result of the war between Russia and Ukraine is also associated with operational restrictions and expenses when working with banks.

Our aim is to provide our clients with cutting-edge services. As a result, we have substantially expanded our digital onboarding process, including for complex corporate structures, and continue to add further features to our portal for corporate clients.

The EUA trade (CO_2 certificates) will be of major significance in this respect going forward. Our efforts to play a leading role in this area are currently being received extremely well, especially in the shipping sector. However, we believe that this will rapidly gain importance far beyond this in the client/bank relationship in general.

Structured Finance

The year 2023 was both successful and challenging for the *Structured Finance* business unit. The hike in interest rates had a negative impact on the M&A market and on companies' ability to cover payments on debt in general. In this respect, however, our »golden rules« for selecting low-risk loans paid off. When paired with conservative loan structures, such as our super senior financing, this means our credit portfolio remains highly resilient. In addition, we were able to originate transactions from our existing portfolio to continue closing very attractive new deals and decouple from the M&A market, which was heavily restricted in the first three quarters of the year. Examples of such transactions are our continued support of the acquisition-based growth of the GGW Group of financial investor HG Capital, or a new transaction with Bregal to finance the takeover of Netrics AG, a Swiss provider of clouds and modern workplaces. With a total of 23 transactions in 2023, our business model shows that even in challenging market phases, we get the money entrusted to us by investors invested quickly. Our successful track record and outstanding market positioning for super senior financing will also continue to play a key role in our fundraising activities. In the year under review, we converted all our funds to comply with Article 8 of the Disclosure Regulation, which is a further plus-point in our discussions with investors. In this respect, we are seeing liquidity return to the market and sentiment brightening for our asset classes.

»Corporate direct lending funds have established themselves as a source of financing for M&A transactions. They will continue to grow their market share, compared to traditional forms of financing, in 2024.«
Lars Hagemann, Head of Structured Finance

Infrastructure & Energy

The *Infrastructure & Energy* segment continued its run of success in 2023. Despite the challenging fundraising environment, commitments were obtained from renowned new institutional and private investors off the back of the highly successful investment strategy. The credit funds' strategy of offering short-term bridge financing played a key role in this regard. In the year under review, extensive funds from planned financing repayments were successfully reinvested in full. The increase in interest rates led to higher interest rates on financing and, in turn, substantially boosted returns on the funds we manage, as well. Despite global supply chain issues and volatility in the electricity markets, all the financing granted performed well. In 2023, renewable energies, in particular, were also at the forefront of public and political discourse. Alongside the original goal of halting climate change, issues relating to security policy are also becoming increasingly important. The growing relevance of this burgeoning sector is reflected in the sizeable upswing in financing enquiries. Despite the increase in interest rates, our funds serve as a flexible, broad financing platform for an increasing number of sponsors and project developers. In addition to the opportunity to make sustainable investments, investors in our funds can also benefit from outstanding access to an array of experienced project developers and asset managers.

As a consequence of this healthy growth and the positive outlook for the next few years, Berenberg has set up an additional fund, focusing on financing renewable energy projects. The BERENBERG GREEN ENERGY DEBT FUND IV completed its second closing in June 2023. A final closing is projected for 2024. The fund family now comprises six funds, four of which provide senior and subordinated financing to renewable energy projects in the construction stage and/or operational stage, as well as in the late development stage. As expected, the latter is proving to be an important factor in establishing and expanding client relationships.

Consideration is also being given to setting up a tailored green energy debt fund, pursuant to Article 9 of the Disclosure Regulation, for a German institutional investor in 2024. It is also pleasing to see that we have experienced strong growth in our core European markets and that we have been able to expand our financing business with both existing clients and a number of new clients.

Shipping

The shipping industry has entered a new cycle in the wake of two exceptionally good years, historically speaking. Companies in the sector are now acting from a position of strength, having substantially reduced the debt on their existing fleets: they are on a very sound footing in terms of liquidity. Freight and charter rates in the container shipping segment plummeted over the course of the year, while rates in bulk carriage increased only moderately. Nevertheless, many shipping clients have scope to explore the main issue relating to the industry's future: rebuilding existing vessels and constructing new vessels with the aim of creating a carbon-neutral commercial fleet. The sector, organised under the banner of the International Maritime Organisation (IMO), has agreed to meet this goal by 2050, and the EU is playing a pioneering role in this transition. Among other developments, the sector is gradually being integrated into the established trade in CO_2 pollution rights (»EU ETS«) from 2024 onwards. The drive technologies and alternative fuels, such as methanol and ammonia, required for carbon-neutrality have come on leaps and bounds in the interim. However, there is still insufficient capacity and a lack of landside infrastructure. All told, the sector has a lengthy, 10- to 15-year process of transformation ahead of it: the fleets in service will have to become cleaner and more efficient, and ships with new drives will need to be ordered and financed. As a result, shipping is playing a key role in the energy transition and in the trend towards greater supply chain resilience.

In 2023, debt reduction was accompanied by cautious investment behaviour due to pre-existing technological and regulatory uncertainties. This led to a tangible drop in demand for shipping financing in the year under review. However, the forecast looks fundamentally bright for investors and banks owing to the substantial need for capital over the upcoming decade. This appraisal is also based on the fact that the sector will tend to benefit from an increase in geopolitical risks, the consequences of which include longer global transport routes for agricultural commodities and oil (products). The tanker segment, in particular, experienced a protracted boom in the reporting year, which is not unlikely to continue in 2024.

The business model we pursue in our *Shipping* business unit has evolved over many decades and showed pleasing development in 2023, too. As a focused provider of banking services for international payment transactions, modern cash management solutions and foreign exchange, and with its strong industry expertise and extensive transaction experience, our Shipping team was again able to benefit from the pleasing performance of the sector. Many shipping clients, for instance, used their positive profit and liquidity situation to engage in investments. At the same time, the growing opportunity for trading in and granting CO_2 pollution rights (EU allowances) laid the groundwork for a further increase in new clients. We have developed into a leading asset manager for private shipping debt – as recognised this year with the renowned Scope award for innovation – and are keen to continue on this track. The substantial need for financing in the coming years, which cannot be satisfied by banks alone, leads us to believe that this strategy will remain promising. In this respect, we will continue to rely on a conservative profile with solid performance, generating returns that appeal to our investors in a changed interest rate environment.

Real Estate

25% of all German companies belong to the real estate business. Due to its sensitivity to interest rates, real estate was particularly hard-hit by sky-rocketing interest rates since the first half of 2022. The real estate market is characterised by its heterogeneity, illiquidity, large-volume assets, high ancillary costs for purchases, lengthy wait-times for permits and asset creation, and mediocre levels of transparency. This means that values do not adjust to current interest rates in real time. In recent years, construction rates experienced inflation at a rate almost twice that of the cost of living, while energy-related requirements also increased. Previously, construction projects were primarily financed on the basis of variable interest rates. These determinants make many new construction projects unprofitable.

Despite this environment, or precisely because of it, we serve as a reliable partner for our clients, offering them assistance and support with investing in real estate or financing construction projects.

In the *Real Estate Finance* business unit, we act as an investment manager for institutional capital. Our aim is to use PRIVATE REAL ESTATE DEBT FUNDS to enable professional and semi-professional investors to access the market for structured real estate financing. We continue to focus on financing with top-flight collateralisation and a conservative loan-to-value ratio, with the potential to generate above-average returns. This strategy has paid off, especially given the current challenges in the real estate investment market. We are aiming to add further financing with an attractive risk/return profile, in conjunction with private debt funds managed by Berenberg.

Central Policy and Business Units

We can only succeed in providing the best possible service for our clients if the required infrastructure of the staff divisions is optimally aligned to this objective. In addition, the implementation of constantly changing regulatory requirements ties up a great deal of resources. At the same time, the market environment is characterised by increasing digitalisation and automation. For this reason, we have brought together, in a partner division, the functions which are particularly important for ensuring optimal process chains and guaranteeing central risk management.

Our IT, for which the *Global Technology* unit at Berenberg is responsible, plays an important role in the provision of our services. We have made a conscious decision to develop important components ourselves, using standard solutions where this makes sense for efficiency reasons. In doing so, we always keep an eye on our value chain and consider which solution enables the optimal alignment to the needs of our clients. In the case of in-house developments, we consistently use agile working methods. This allows us to achieve a high degree of flexibility and boost the productivity and innovative capacity of the unit. In addition, we are focusing on greater modularisation of our IT architecture. Alongside the implementation of regulatory requirements, our development work is particularly dominated by digitalisation and automation projects. In order to provide our business segments with stable and secure IT services, we own our IT centre infrastructure. For a future-proof alignment of operations, scalable solutions, such as cloud computing, are to be increasingly combined with our own systems in the future. The increasingly international nature of our business is accompanied by a global IT approach. In our IT management, we place a special focus on the areas of governance and the regulatory framework. *Central projects* of the Bank are also coordinated by a separate department created for this purpose. An *Information Security* unit operating independently of IT ensures the necessary system protection. The *Global Operations* unit is a central control point for all matters relating to our various locations.

Rendering securities services for our clients necessitates an efficient securities handling system. Our *Transaction Services* unit can provide our market units with settlement processes which are precisely tailored to their specific needs. We have made a conscious decision not to outsource this to a third-party provider, but to provide this important service in-house. In addition to high quality and stability of our handling processes, we pay particular attention to improving efficiency. We are focusing on increasing automation in order to both reduce the susceptibility to errors and to provide our front office segments with a platform for further growth and the progressive internationalisation of our business.

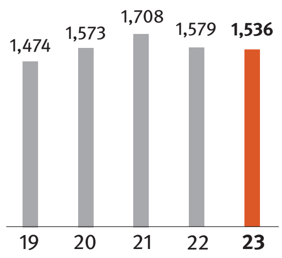
Group Compliance ensures compliance with all regulatory requirements which relate to the securities business, adherence to rules of conduct and the avoidance of conflicts of interest. In addition, the Group Compliance unit is also responsible for money laundering prevention, it is the central body for combating crimes with an economic background, and it is responsible for the MaRisk compliance function and complaints management.

The *Tax* unit ensures compliance with all tax regulations and coordinates the accounting of our subsidiaries. The *Risk Controlling* unit is responsible for analysis and management of risks associated with the banking business, irrespective of the market segment. For many years now, we have paid particular attention to ensuring that key risk indicators are not viewed in isolation from other business developments. For this reason, *Controlling*, *Accounting* and *Financial Reporting* are also integrated into this area and continuously provide the responsible staff and the management with all information relevant in this context.

Additional central staff functions are combined in *Client Services & Credit Risk Management*. Credit Risk Management monitors credit risks and ensures the market-independent view of the credit business as required by MaRisk. The *Client Administration* unit, which is also assigned to this division, ensures the proper management of all of the Bank's relationships with clients. Finally, the *Payment Services* unit, also part of this division, ensures the smooth processing of payments from both client business and the Bank based on a new, state-of-the-art payment transaction system. With regard to foreign payment transactions, our system is increasingly developing into a competitive advantage.

Employees

Employees[1] on 31 December
Global Berenberg Group



As of 31 December 2023, we had 1,536 employees globally. This figure is almost the same as in the previous year (1,579). Hamburg is the largest location, with 824 employees, followed by London (392), Frankfurt (169) and New York (64).

We reviewed our *employee benefits* in Germany in 2023, among other things taking the high inflation levels into account. As a result, employer subsidies for restaurant cheques, local public transport and team events were increased and an inflation compensation payment made. We have decided to set up an in-house restaurant at our new office building in Hamburg; we will likely move into these premises in early 2025. A key aim for us in this respect will be to provide a reliable, high-quality food service.

In terms of *Health & Safety*, we continued in 2023 to offer the benefits provided previously, such as flu vaccinations, vision tests and company sports groups. In addition, we also ran a health week in Germany and offered a health check in London. Moreover, we started to provide all our employees in Germany with fruit in the office in 2023 and facilitate a Manager Medical Check-Up for all executive staff. Furthermore, we ran two blood donation drives at our premises in collaboration with the German Red Cross.

In the area of *Learning & Development*, we designed and organised in-house team workshops and trained new managers in 2023 via our in-house Berenberg Manager Programme, and also continued to provide courses via our learning & development calendar, as well as individual qualification measures.

We strengthened our recruitment activities and employer marketing in 2023 to secure our workforce in the long term. Alongside the relaunch of our careers website, we forged new links with A-level schools, professional schools, universities and job fairs, where colleagues from specialist areas gave talks and shared case studies to offer insight into our sector and encourage people starting their careers to become interested in Berenberg at an early stage. In 2024, we will focus on expanding our social media activities, especially on LinkedIn.

Apprentices and university graduates will be of central importance to us in 2024 and beyond, given the shortage of skilled workers: this is necessary so we

[1] Total head count without interns and working students

can continue to fill vacancies in support service groups, business units and IT. In 2023, 47 junior talents (apprentices in global technology, students on dual degrees, graduates) started with us. Inspired by our annual Future Day in Hamburg, we ran our first Bring Your Kids to Work Day in London so our employees' children aged 16 and up could gain an insight into Berenberg and careers at our Bank.

While we at Berenberg prefer our staff to work in the office, remote work in *Global Technology* remains necessary due to the Group's IT requirements and the market environment. We have concluded an agreement with the works council on this. Employees outside IT can enjoy greater flexibility, too: they receive a set amount of remote working days for particular (emergency) situations and additional days of leave. The latter regulation applies until the end of 2024.

We are continuing to forge ahead with digitalisation in *Human Resources*, as can be seen in the IT system improvements we have been making and the introduction of DocuSign for contract signing, for instance. In early 2024, we will roll out a digital onboarding tool for our new colleagues to optimise the process and time between signing the contract and their first day of work. It is important to us that our new employees remain in contact with us after they have signed their contract and that their start and induction at Berenberg are structured and welcoming.

We would like to thank our employees very much for their continuous commitment and for their willingness to perform in these challenging times. We also thank the members of the works council, the representative of severely disabled employees, and the youth and trainee representatives, who again contributed to a trusting and constructive cooperation in 2023.

Risk Report

We continued to pursue our cautious, defensive *risk strategy* in the reporting period. Our conscious focus on lower-risk, service-orientated business areas, once again paid off against the backdrop of ongoing uncertainty and, at times, challenging market conditions. Our risk culture still revolves around an unchanged and extremely conservative risk appetite; this risk appetite is reviewed and confirmed by management on an annual basis as part of the strategy and planning process. Typical risks of the banking business are taken to an appropriate extent, which safeguards the Bank's long-term ability to continue its business activities. This risk philosophy forms the basis of our company-wide, comprehensive risk management and includes the setting of risk limits for precise execution. Our branches' risk management is handled centrally at our head office in Hamburg.

The Bank enjoyed a very comfortable *liquidity situation* throughout 2023. Its high liquidity level encompassed a diversified array of client deposits and remained stable. We hold our structural excess liabilities in a highly liquid portfolio dominated by securities of German public-sector issuers with short remaining maturities and as credit in our Bundesbank account. We were not affected by the crisis that afflicted certain US banks in quarter one, caused by high deposit outflows paired with interest rate trends. Berenberg has a fundamentally different structure from these crisis-hit US banks.

Given the strategic concentration on *service-orientated fields of business*, our risk management is characterised by the use of contemporary risk measurement methods and monitoring processes tailored to our Bank's structure. Within this framework, the key risk types of counterparty risks, market price risks, operational risks and liquidity risks are analysed at regular intervals using a comprehensive risk inventory. Reputational, event and participation risks are evaluated as part of the management of operational risks. Potential declines in earnings are also taken into account in various ways, including by considering adverse scenarios, and indirectly by taking a conservative approach to planning and defining the risk cover funds available in terms of *risk-bearing capacity* (the INTERNAL CAPITAL adequacy assessment process or ICAAP). Our management-orientated implementation of regulatory requirements regarding ICAAP proved effective in the year under review and is being fine-tuned on an ongoing basis. Focal areas in 2023 included ESG aspects (sustainability, climate-related stress tests) and, in particular, refinements to our validation-based risk model. Our standard processes for risk control bring together capital planning, profit and loss planning, and risk-bearing capacity, as well as an approach which considers a normative perspective and an economic perspective in unison. This enables us to safeguard the two strategic goals associated with this: »the institution's continued existence« and »protection of creditors«. Both perspectives are based on the fundamental principle of calculating risk-bearing capacity, which involves comparing the risks that have been detected with the risk cover available.

The *normative perspective* is based on regulatory requirements, especially with regard to the institution's equity capital. Various different scenarios are analysed as part of our three-year integrated capital planning. On the one hand, we always look at the baseline scenario, which considers business developments in normal economic framework conditions. On the other hand, we examine an adverse scenario which assumes a severe economic downturn lasting much longer than a year. This scenario is based on extensive macroeconomic and institution-specific assumptions. It is not just simulated for individual parameters in isolation. Instead, the adverse scenario constitutes an integrated stress test, with an impact on all relevant parameters, as defined by the minimum requirements for risk management (MaRisk). The scenario also comprises management control measures to counteract any crisis that develops. The results obtained clearly show again that the Bank could comfortably navigate even extreme scenarios with its own assets and earnings power. Current decisions by the banking supervisory authorities regarding changes in capital requirements will, if necessary, be analysed to assess their impact on the Bank's capital situation, before being integrated into forecasts. The regulatory capital ratios are complied with to a comfortable extent.

In the case of the *economic perspective*, the risk coverage potential is calculated at close to present value. This calculation is based on the capital indicators in the balance sheet according to the HGB (German Commercial Code), supplemented by hidden reserves and/or losses. Under our very conservative approach, budgeted profits are not credited. We quantify the potential losses of the business divisions for the aforementioned risk types on the basis of the value-at-risk (VaR) principle. VaR thereby represents the upper loss ceiling for a given probability level. Risk is quantified at a high confidence level of 99.9% and with a risk horizon of one year, using established present value model calculations. The VaR procedures reflect the potential losses on the basis of normal market conditions. These methods of evaluating the risk position are supplemented by suitable historical and hypothetical *stress tests*, with the aim of examining the risk situation from a more extreme angle. The regular reconciliation of risk and risk cover is based on these two different views of the Bank's overall risk position. The covering amounts for the various categories are aggregated conservatively, thereby deliberately ignoring diversification effects that mitigate risk across the various risk types. Monthly and quarterly analyses, carried out in parallel, enable us to compare the results of various stress scenarios specific to risk types, as well as the results of general stress scenarios, with the available economic risk cover. The results of these analyses should not exceed the risk capital. We also perform ad hoc stress tests, as required, to evaluate crisis situations as they arise. As an inverse stress test, we calculate combined scenarios which would tie up all of the available economic capital if they were to occur. In the year under review, the economic capital available to the Bank was far from fully tied up by its business divisions, with a mid-range risk utilisation of around 55%. This highlights the commercial prudence built into the Bank's risk management process, which, in turn, 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 Bank's overarching management only permits its business divisions to take on risks when it is commensurate with the potential rewards.

Executive Management holds supreme responsibility for risk management and defines the overarching conditions for managing the various types of risk. In organisational terms, the *Risk Controlling* unit acts independently of the various market units, in accordance with the MaRisk for banks and financial services institutions. It works closely with other organisational units to ensure that a steady stream of information is passed to the Bank's Executive Management and

Advisory Board in a timely fashion. Risk Controlling is responsible for developing and overseeing the systems used in overall bank and risk management. The Risk Controlling business unit also encompasses the functions of controlling, accounting and reporting, as well as the data protection and information security management units. The targeted linking of business performance figures from Controlling and the results under commercial law from Accounting with economic and normative risk metrics enables us to generate a comprehensive, overarching perspective of the Bank when appraising risk so we can report on this to executive management. The business unit carries out a comprehensive risk inventory at regular intervals and compares the extent of the various risk types with the available risk cover. As part of the risk management process, we ensure that risk is not excessively concentrated, either within or across risk classes, in line with our strategy.

In its risk management, Berenberg employs the traditional model of three lines of defence. In the *first line of defence*, members of operational management in the Bank's various units act as the risk owners, with responsibility and accountability for assessing, managing and mitigating risk. This includes implementing and monitoring organisational hedging measures, as well as the control activities embedded within the processes. Within the scope of the *second line of defence*, the Risk Controlling and Compliance units facilitate and monitor the implementation of effective risk management and ensure independent risk reporting to the Bank's Executive Management. The *third line of defence* comprises the Bank's independent *Internal Audit* department, which employs a risk-orientated approach to evaluate how effectively the Bank is controlling its risks and how well the first and second lines of defence are performing their tasks.

The ongoing war against Ukraine led to continued political and economic uncertainty in the reporting year, which also sparked substantial movement in the financial and capital markets. The overarching economic environment worsened substantially after the outbreak of the war, but has now largely stabilised. Given the Bank's strategic area of business, it has not been directly affected by existing risk positions to a notable extent. The extensive sanctions are, of course, being taken into account systematically (primarily concerning payment transactions and compliance). Our cautious position in respect of market price risk means that the substantial movements in the market have only had a very limited impact on the Bank. For credit risks, similarly, there was no apparent need beyond the existing stress tests; our Credit Risk Management team is keeping a close eye on developments. At present, this primarily affects real-estate-related activity, which only represents a small portion of our client loan portfolio. There are no exposures vis-à-vis the SIGNA group (René Benko). Operational risks have not increased to an unusual extent in the period under review. The position of the Bank with regard to ICAAP is very robust, in both normative and economic terms.

The crisis experienced by some US banks in quarter one due to the combination of interest rate trends and substantial deposit outflows has luckily not spread. This development is being closely monitored. However, we are structured differently from the banks in question: although we also fund ourselves via client deposits, we only need a small portion of these deposits for funding due to our business model (among other things due to our limited credit volume). Alongside this, we do not engage in lengthy maturity transformations, unlike many other banks. The high risk posed by interest changes for the US banks in question was also due to the fact that their portfolios include bonds with long terms (often ten years). By contrast, our average fixed interest rate runs for less than a year.

The existing, comfortable risk-covering asset buffers (normative and economic) are still sufficient at the time of writing to cover the potential effects of a crisis on the Bank. Stress tests implemented to date therefore address the existing scenario, but can be expanded and adapted to new developments as and when required.

Credit Risk Management, a back-office department which is organisationally independent of the client service departments, monitors the *counterparty risks* which are entered into on the basis of a suitable limit system. The management of default risks at the overall portfolio level is supported by targeted analyses by Risk Controlling. *Market price risks* arise not only from short-term positions in the trading book but also from strategic positions in the liquidity reserve; they are closely monitored by Risk Controlling. *Interest rate risks* in the banking book (IRRBB) represent a further addition to the risk profile. Risk Controlling also quantifies *operational risks* by utilising advanced methodological procedures. The level of these risks is limited by stringent processes, the appropriate qualifications of our staff and a comprehensive set of rules, including contingency planning. The *Treasury* division, together with *Money Market Trading*, is responsible for managing *liquidity risks*. Risk Controlling is systematically integrated into the monitoring process and validates the results at regular intervals.

An overarching calculation is executed on a monthly basis to track the profit and loss of the business divisions, taking into account the risks assumed. This also includes an analysis of volatile return components and possible changes in returns resulting from these components. Daily reports on the most important items on the income statement and scenario planning serve as an early warning system. In line with the strategy, targeted diversification is executed across business areas and markets. Risk Controlling provides management with reports that enable them to analyse the results and risks at various aggregation levels. The Bank's *Internal Audit* department regularly examines the organisational precautions for managing, monitoring and controlling the various categories of risk, based on the parameters specified in the Audit Manual. Risk Controlling and Credit Risk Management (non-market) regularly provide information to the *Risk Monitoring Committee* set up by the Bank's Advisory Board, which holds three scheduled meetings each year and also meets ad hoc as required. The principles of our risk management are recorded in a written risk strategy, which is available to all members of staff.

The complete report for the year can be accessed on our website: www.berenberg.de/en/riskreport.

Forecasts and Opportunities for 2024

The manifold crises and uncertainties have not just impacted 2023: they will continue to shape the capital markets and, in turn, our business in various ways going forward. High inflation and swift interest rate hikes, plus doubts regarding state finances in Germany and cloudy economy prospects, are further factors to consider. Elevated interest rates, along with our highly stable level of client deposits, enabled us to generate strong interest income in 2023. As the period of interest rate hikes appears to have slowly reached its peak, we are once again assuming that interest income will drop in 2024. The various crises hampered Berenberg's crucial capital markets business in 2023, too, and we err on the side of caution in our plans for 2024. We made preparations for this scenario early in 2022 and adjusted our cost basis for 2022 and 2023. An optimised position has enabled us to reduce our cost basis, while also ensuring that we can perform well when the markets pick up again.

As we have seen in the past, our mid-sized Bank with its lean management structure, decisive Managing Partners and solid capital base can act much quicker than, say, larger banks. We are also much more diversified than smaller market participants, whose activities are often limited to just one single area. This diversification has led to clear benefits. For example, over the past few years we have been able to continuously adapt our business model to align with the requirements at hand and expand Berenberg into an internationally focused advisory firm. This puts us in a good position to face up to the challenges of tightening regulatory requirements and digitalisation, both in terms of processes and client interfaces.

Beyond Hamburg, we have also established a foothold in the major financial centres of London, New York and Frankfurt. With 392 employees (as at the end of 2023), London is our second-largest location. We had taken steps to deal with the impact of Brexit, and in 2023, received regulatory authorisation from the UK Financial Conduct Authority (FCA) for our subsidiary. We are convinced that London will continue to remain a very important financial centre and we consider ourselves to be well-positioned with our branch there. As a company with its head office within the EU, we also fulfil all the requirements to be able to continue offering our services in the business area we focus on. Our subsidiary in New York serves as a distribution platform for our established European equity product.

Our goal of acquiring further market share in all relevant fields of business remains in sight: we believe that we stand a good chance in this respect, as we will benefit from the fact that our competitors are also suffering from the unfavourable market climate. We will use the accelerating consolidation to obtain further market share. We consider our Bank's development using a long-term perspective, which stands us in good stead and enables us to endure isolated periods of market-related slowdown. Our core markets remain Germany, the UK, Continental Europe and the US. We want to be the preferred partner for our existing clients and assist them in the long run, while also using our expertise and unique service quality to attract new clients. We plan to retain our proven, diversified business model focused on the areas of *Investment Bank*, *Wealth and Asset Management* and *Corporate Banking*. We want to further increase our market share in the area of securities trading. We have already held a leading position in our domestic capital markets for a long time; our aim is to replicate this in other markets, too. In Wealth Management, we focus on providing services for sophisticated asset structures. This division dovetails closely with Asset Management, enabling us to provide our clients with an even broader range of excellent products. We will continue to expand our product portfolio as before, with a particular emphasis on sustainable investments. Our experts' renowned skills and various awards ensure a high level of market visibility. Within Corporate Banking, we intend to use innovative products to further consolidate and expand our sound market position. The debt funds launched and managed in Corporate Banking perform particularly well.

As diverse as these divisions are, they all share an ambition to provide our clients with high-quality independent advice, the best possible service and excellent execution. We will continue to focus on our service offering moving forward and pursue this with a very conservative risk management approach. Berenberg will concentrate on its existing business divisions, and exploit opportunities that promote the continuous development of our business activities. We will continue to apply our strategy of organic growth so we can devote our full attention to our clients' needs. In addition to expanding our market units, we will also adapt our internal structures on an ongoing basis. We place particular emphasis on our in-house IT: it has state-of-the-art equipment and the necessary flexibility of modern organisational structures. In early 2025, we will move into a new building at our head office in Hamburg for all the employees active at this location (824 as at the end of 2023). The new building aspires to the DGNB Certificate in Gold and will meet the corresponding sustainability requirements. We will also migrate to new, ultra-modern data centres. Furthermore, our compliance with regulatory requirements is important to us. To this end, we invest accordingly in suitable systems and processes, as well as in the effectiveness of our regulatory functions. These primarily include *Group Compliance*, *Internal Audit* and *Risk Controlling*. Similarly, we will implement all sustainability-related regulatory requirements on a product and company level. At the reporting date, we were not aware of any specific risks that go beyond the risks handled as part of our risk management process and that could have a major impact on the Bank's future business performance.

We are convinced that we hold an excellent position in the market, and that the hard work of our dedicated and skilled staff will once again enable us to generate solid earnings in 2024 (which we have initially projected with great caution), in spite of the current macroeconomic and geopolitical environment. This environment gives rise to both risks and opportunities for our Bank's business. To date, Berenberg has been able to manage the recent risks and has systematically made the most of the opportunities that have come to bear. Given the Bank's expertise, we have good reason to assume that we will continue on this path to success.

The high level of consolidation pressure in the financial sector will continue, regulation will not decrease, and institutions will further depend on investing in digitalised and efficient processes in order to remain profitable. We consider ourselves to be well prepared for this, thanks to our robust business model, and we want to use this phase to gain further market share. In doing so, we will pay particular attention to structuring our processes so they are as efficient and cost-effective as possible.

Due to the Bank's service- and client-orientated business model and the therefore comparatively short lead time for the commission income dominating the income statement, the Bank traditionally plans conservatively. A cautious forecast has been issued for 2024, assuming a drop in interest income but an overall increase in commission income. Operational administrative expenses will fall, but the upcoming year will be impacted by one-off costs as a result of the impending move.

Investment Bank

2023 was another difficult year for the capital markets. We anticipate that activity levels in 2024 will improve, but remain at lower levels than in the recent past. We expect our share of the research advisory wallet to remain in the top 10 in Europe. We are confident that we can maintain our strong position in the German-speaking region, and we intend to build on our successes in the UK and in Continental European markets. Moreover, we wish to participate in US ECM in our areas of strategic focus.

Our high-touch trading business remains best-in-class, particularly in Germany, the UK and special situations. Continued coverage expansion in low-touch trading following our recent investments in this area has resulted in a meaningful contribution to our growth, which we expect to continue in 2024. We also expect our fixed income and FX businesses to make a positive contribution to net income in 2024.

Wealth and Asset Management

The business unit's future-looking position reflects our aspiration to continue growing at a rate above the market average. Investments in personnel, processes and products towards quality leadership in the German wealth management market will help us to convince even more clients of the benefits of professional portfolio management, our broad range of investment funds and the advisory services performed by our *Professional Client Advisory* team. At the same time, we will strengthen our links with other business areas to make the Berenberg platform even more available to our wealth management clients in the form of innovative product and advisory solutions. In terms of digitalisation, 2024 will see us systematically continue the journey we started in 2023 and shift the digital support for the advisory process to an all-new platform for our clients' benefit.

In *Asset Management*, our 2024 plans revolve around maintaining our growth course from previous years in the wake of the challenging environment we experienced in the year under review. Here, too, we place particular emphasis on high-quality personnel, processes and technical infrastructure. The product range is now perfectly structured. With regard to shares, our portfolio has been rounded out by the BERENBERG EMERGING ASIA FOCUS FUND and the BERENBERG BETTER HEALTH FUND, while the BERENBERG GUARDIAN has supplemented our market-neutral strategies. We continue to invest in innovations within our investment process; this focuses on using AI-based research tools to enhance efficiency. We are in a very good position in terms of sales and want to boost market penetration in our existing markets.

Corporate Banking

The increase in interest rates played a substantial role in the exceptionally positive development of this business unit. We are continuing to see 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.

While many investors needed to change tack amidst the volatile interest landscape of 2022 and 2023, we are now seeing an increase in demand for illiquid investments. We anticipate that this will grow as interest rate fluctuations ease. We are also planning various ways to substantially expand our client base, and expect to see substantially more opportunities than risks in 2024.

ANNUAL FINANCIAL STATEMENTS
(EXCERPTS)

Balance Sheet as at 31 December 2023

Assets €		2023	2022
Cash reserve			
Cash on hand		2,010,489	1,645,654
Balances with central banks	[1]	2,237,392,135	3,143,137,395
		2,239,402,624	3,144,783,049
Receivables from banks			
Payable on demand		228,285,019	113,147,872
Other receivables		328,560,177	316,072,837
		556,845,196	429,220,709
Receivables from clients	[2]	**1,123,695,253**	1,321,427,222
Bonds and other fixed-income securities			
Bonds and debentures			
– of public-sector issuers	[3]	1,113,086,647	1,140,657,791
– of other issuers	[4]	1,365,431,987	1,329,748,630
		2,478,518,634	2,470,406,421
Shares and other variable-yield securities		**76,233,339**	182,764,562
Trading portfolio		**12,086,106**	12,515,549
Participating interests		**313,048**	313,048
Shares in affiliated companies		**78,300,000**	78,300,000
Trust assets		**3,582,630**	3,428,860
Intangible assets			
Purchased franchises, industrial property rights and similar rights, and licences to such rights		**2,377,102**	3,535,784
Tangible fixed assets		**17,855,665**	18,660,856
Other assets		**54,073,133**	40,260,433
Prepaid expenses		**16,837,114**	10,637,709
Excess of plan assets over pension liabilities		**3,979,012**	8,849,928
Total assets		**6,664,098,856**	7,725,104,129

1) thereof: with Deutsche Bundesbank €2,237,392,135
2) thereof: municipal loans €124,054,647
3) thereof: eligible as collateral with Deutsche Bundesbank €1,100,024,121
4) thereof: eligible as collateral with Deutsche Bundesbank €1,283,722,364

Equity and liabilities

€		2023	2022
Liabilities to banks			
Payable on demand		175,423,308	208,912,862
With agreed term or notice period		0	6,369,450
		175,423,308	215,282,312
Liabilities to clients			
Other liabilities			
– payable on demand		3,869,997,506	5,364,217,450
– with agreed term or notice period		2,043,588,815	1,560,348,288
		5,913,586,321	6,924,565,738
Trading portfolio		**0**	0
Trust liabilities	1	**3,582,630**	3,428,860
Other liabilities		**54,772,194**	54,503,798
Deferred income		**1,075,285**	508,778
Provisions			
Provisions for pensions and similar obligations		35,212,578	34,631,426
Provisions for taxes		14,675,276	31,611,468
Other provisions		62,520,897	62,607,116
		112,408,751	128,850,009
Subordinated liabilities		**80,000,000**	80,000,000
Fund for general banking risks	2	**8,100,000**	8,100,000
Equity			
Subscribed capital		157,895,000	157,895,000
Capital reserve		7,446,832	7,446,832
Retained earnings		94,404,633	89,404,633
Net profit for the year		55,403,902	55,118,168
		315,150,367	309,864,633
Total equity and liabilities		**6,664,098,856**	7,725,104,129
Contingent liabilities			
Liabilities under sureties and guarantee agreements		**52,318,550**	34,935,048
Other commitments			
Irrevocable loan commitments		**276,141,256**	316,196,425

1) thereof: trust loans €0
2) thereof: special item compliant with Section 340g HGB in conjunction with Section 340e (4) HGB €8,100,000

Income Statement
for the Period from 1 January to 31 December 2023

Expenses €		2023	2022
Interest expenses	1	**147,304,500**	27,488,004
Commission expenses		**162,777,149**	111,125,605
General administration expenses			
Personnel expenses			
– Wages and salaries		198,828,062	203,196,195
– Social security charges and expenses for pensions and similar benefits	2	32,855,481	34,728,267
Other administrative expenses		150,060,590	141,748,351
		381,744,133	379,672,813
Depreciation of tangible fixed assets and amortisation of intangible assets		**7,900,286**	9,011,341
Other operating expenses	3	**3,245,544**	7,853,150
Write-downs of and valuation allowances on receivables and certain securities and additions to loan loss provisions		**19,518,763**	30,618,720
Write-downs of and valuation allowances on participating interests, on shares in affiliated companies and securities classified as fixed assets		**0**	0
Taxes on income		**19,349,227**	18,005,675
Other taxes where not shown under Other operating expenses		**626,705**	574,498
Net profit for the year		**55,403,902**	55,118,168
Total expenses		**797,870,209**	639,467,973

1) thereof: for negative interest €0
2) thereof: for pensions €8,603,413
3) thereof: for compoundings €1,195,498

Income

€		2023	2022
Interest income from			
– credit and money market activities	[1]	250,513,099	105,227,814
– fixed-income securities and debt register claims		59,938,597	18,266,041
		310,451,696	123,493,855
Current income from			
– shares and other variable-yield securities		3,511,905	3,444,137
– participating interests		0	0
		3,511,905	3,444,137
Commission income		**451,726,877**	471,016,641
Net income from trading portfolio		**8,695,164**	12,348,133
Income from write-ups of investments, shares in affiliated companies and securities presented as non-current assets		**1,097,324**	0
Other operating income		**22,387,243**	29,165,207
Total income		**797,870,209**	639,467,973

[1] thereof: for negative interest €0

Notes to the Financial Statements as at 31 December 2023 (Excerpts)

General Information

The annual financial statements for the year ended 31 December 2023 have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German accounting regulations for financial institutions. Figures for the previous year (2022) are shown in parentheses unless stated otherwise. For better clarity, zero lines are not shown in the balance sheet and income statement.

Accounting Policies

The existing accounting policies were largely applied without change in the reporting year. Changes compared to 2022 are shown in the corresponding accounting methods. Assets and liabilities denominated in foreign currency were converted into euros at the European Central Bank's reference rate prevailing at the balance sheet date, in accordance with Section 256a of the HGB in conjunction with Section of the 340h HGB. The cash reserve is recognised at nominal value.

Receivables from banks and clients were recognised at nominal value or at acquisition cost; accrued interest was taken into account in the corresponding balance sheet items. Premiums and discounts on loans and discounts on purchased receivables were recognised as assets or liabilities on an accrual basis and distributed pro rata over the term. Convertible loans and convertible bonds (convertibles) were not recognised separately on the balance sheet. While they are structured products, the derivatives embedded within them do not lead to a substantial increase in opportunities and risks. As a result, there is no requirement to recognise them separately. All identifiable credit and country risks in the receivables portfolio were taken into account by forming individual value adjustments and provisions. In principle, individual value adjustments were undertaken on the unsecured portion of the receivables. The appropriateness of this is checked on an annual basis by Credit Risk Management. The value adjustments were deducted from the receivables or recorded as provisions. Lump-sum value adjustments were undertaken to cover latent credit risks. The Bank calculates lump-sum value adjustments in accordance with the requirements of IDW RS BFA 7. In doing so, the Bank uses the valuation simplification principle set out under IDW RS BFA 7 para. 23 et seq. There is a lump-sum value adjustment of €6.6 million (5.9 million). The 12-month PD was determined using internal rating procedures for the client lending business. The overarching conditions for the method have not changed to a substantial extent. In particular, this relates to the credit risk strategy, the structure of the loan portfolio (terms, ratings etc.) and defaults. No changes were undertaken by management as there was no significant increase in risk beyond the findings of the model. Given the framework conditions in place, the assumption of balance can be upheld, as before.

As of the balance sheet date, securities with a book value of €884.4 million (308.3 million) were treated as fixed assets. No reclassifications were carried out in the fiscal year. Securities treated as fixed assets are measured at cost, provided there was no permanent reduction in value. The securities classified as investments are held, in principle, until they reach maturity. These are issuers with no identifiable risk of default and for whom there is no anticipation of an acute impairment of creditworthiness in the future, either.

Securities in the liquidity reserve are valued according to the strict lower of cost or market principle, or in accordance with valuation units. These valuation units are recognised in the balance sheet using the net hedge presentation method. The offsetting changes in value from the hedged risk (effective portion) are not recognised in the balance sheet. Any overall unrealised gain arising within the valuation unit was not taken into account. In contrast, if the ineffective portion of the changes in the values of the underlying transaction and the hedging transaction from the hedged risk demonstrates a loss, a corresponding provision for anticipated losses was created.

The Bank must provide the prospective proof of effectiveness. Mathematical effectiveness is assessed via a sensitivity analysis involving a comparison of the change in the values of the underlying transaction and the hedging transaction in the event that the general interest rate changes by one base point. For the purposes of this, at Berenberg, a hedging relationship is deemed to be effective if the ratio of the (opposite) changes in value is within the range of 80% to 125%. At Berenberg, everything is within this range. If a conscious decision is made only to hedge part of the volume or the term when the hedging relationship is formed, this is to be taken into account when assessing its effectiveness.

Securities borrowed or lent under securities lending transactions and the related retransfer liabilities or retransfer receivables are recognised in the balance sheet for securities that are lent, and are not recognised in the balance sheet for securities that are borrowed.

The financial instruments in the trading portfolio are valued mark-to-market less a risk discount. Convertible bonds are not traded on an active market. As a result, they are valued using a model that makes the following key assumptions:

- the call option is valued on the basis of the historical volatility of the underlying share;
- the bond spread is approximated on the basis of the historical acquisition cost and the development of a comparable index (iTraxx Crossover).

The risk discount is calculated 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 into the calculation with exponential weighting. The risk discount is calculated separately for each portfolio. The internal criteria for inclusion in the trading portfolio have not changed.

Participating interests and shares in affiliated companies are recognised at acquisition cost less unplanned depreciation.

Tangible fixed assets and purchased intangible assets are accounted for at their amortised cost. These were depreciated on a straight-line basis pro rata temporis over their normal useful life, which is based on the useful life for tax purposes. Assets with acquisition costs of up to €250 were fully depreciated in the year of acquisition. Low-value assets with acquisition costs of between €250 and €1,000 were grouped together in a collective item and depreciated on a straight-line basis. In the statement of changes in fixed assets, they are shown as additions and included with the amount of depreciation for the year 2023. The option to recognise internally generated intangible fixed assets as an asset was not exercised.

Other assets, including option transactions, were recognised at the lower of cost or fair value. Option premiums received and paid were generally only recognised in profit or loss when the option expired or was exercised.

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

Provisions are formed at the necessary settlement amount according to prudent commercial judgement.

Pension provisions were determined on the basis of the biometric calculation principles according to the 2018G version of the mortality tables by Heubeck-Richttafeln GmbH in the amount of the obligation according to the present value of acquisition (projected unit credit method). The underlying interest rate is 1.83% (1.79%). The option is exercised to use the average market interest rate of the past ten years determined and published by Deutsche Bundesbank, based on an assumed remaining term of 15 years. A salary increase of 2.5% (2.5%; with the exception of one commitment where salary increases are contractually excluded), a pension increase of 2.0% (2.0%) and standard industry fluctuation were used. Additions to pension provisions are reflected in other operating expenses and personnel expenses. Assets used to settle retirement benefit obligations were offset against the corresponding obligations. The difference between the valuation of pension provisions based on a flat market interest rate from the past ten financial years and the valuation of provisions based on a flat interest rate from the past seven financial years amounted to -€0.6 million (-€3.0 million) as of the balance sheet date.

The provisions recognised take into account all identifiable risks and contingent liabilities, including those arising from off-balance-sheet transactions, in accordance with the principles of prudent commercial judgement.

Provisions with a remaining term of more than one year were discounted at the average market interest rate for the past seven financial years corresponding to their remaining term (Section 253(2) sentence 1 of the HGB). The discounting was based on the interest rates in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV) as published monthly by Deutsche Bundesbank.

Equity items were recognised at nominal value (Section 272(1) of the HGB).

Gains from foreign exchange and securities transactions with clients are reported in net commission income. The price gains from client-induced trading transactions are also reflected in net commission income, due to their service-related character. As a result, securities transactions conducted on behalf of clients are carried under bonds and other fixed-income securities or under shares and other variable-yield securities, in deviation from the banking supervisory trading book. Drops in price from client-instigated trading activities are listed as commission expenses.

Derivatives were valued using valuation units.

For all transactions, the currency forwards were valued at the forward rate valid on the balance sheet date. The results in the respective currencies are offset against each other. Any remaining loss is to be presented under other liabilities. An adjustment item was formed for one remaining gain position from specially hedged transactions and reported under other assets on the assets side of the balance sheet.

The existence of special hedging within the meaning of Section 340h of the HGB can be considered fulfilled according to IDW RS BFA 4 if the currency risk is managed via a currency position and the individual items are transferred to a currency position. The transactions outside the trading portfolio are controlled in each currency.

In the income statement, income from currency conversion outside the trading portfolio, insofar as it concerns a special hedge within the meaning of Section 340h of the HGB, as well as income from liquidity management are shown netted in the items other operating income or other operating expenses.

Both expenses and income from currency conversion are considered to have been realised for specially hedged transactions.

Transactions rolled over on an old rate basis and hedging transactions for prematurely settled forward transactions are valued separately. Open positions (»chart«) are valued separately at mark-to-market at year-end. Furthermore, securities settlement results in foreign exchange positions for the period between the client being billed and the transaction being completed if the client is billed in euros but the transaction is completed in a foreign currency. These positions are also valued separately at the end of the year. Open foreign exchange options are valued using an option pricing model.

Negative interest from asset transactions and positive interest from liability transactions were recognised as a reduction in interest income or interest expenses. The interest result from interest rate swaps is netted per swap and reported gross in the interest result as interest expense or interest income.

The option to offset expenses and income when reporting risk provisions in the income statement was exercised. Any compensation payments from the IBOR conversion were recognised as profit or loss in other operating expenses.

Loss-free Valuation of the Banking 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) 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 terms for this are based on the (risk-free) capital market interest plus a risk premium, which is aligned with the refinancing structure in the Bank's internal management. There are no plans to sell highly liquid securities.

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 and value adjustments already recognised under other valuation rules (such as interest-related provisions for hedges as defined in Section 254 of the HGB) were included when measuring a possible provision for anticipated losses on pending transactions. The necessity of taking into account the risk costs expected to be incurred and administration costs was determined 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 established as of the reporting date.

Notes to the Balance Sheet

Receivables from/Liabilities to Banks/Clients

Breakdown of maturity by remaining maturity €'000	up to 3 months		more than 3 months and up to 1 year		more than 1 year and up to 5 years		more than 5 years	
	2023	2022	2023	2022	2023	2022	2023	2022
Receivables								
from banks	46,168	0	182,113	36,135	100,279*	279,938*	0	0
from clients	589,822	628,494	49,380	106,401	433,199*	453,572*	51,294	132,960
of which with no fixed maturity	391,936	510,008						
Liabilities								
to banks	0	521	0	5,848	0	0	0	0
to clients	1,883,288	1,488,918	146,018	71,430	14,282	0	0	0
of which due in the subsequent year	1,883,288	1,488,918	146,018	71,430				
Savings deposits	0	0	0	0	0	0	0	0

* This includes the investment in promissory note loans issued by German public sector issuers and/or 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 swap or other interest rate hedge transactions (micro and/or portfolio hedges).

Disclosure of Relationships with Affiliated Companies and with Companies in which a Participating Interest is Held

Relationships €'000	with affiliated companies		with companies in which a participating interest is held	
	2023	2022	2023	2022
Receivables				
Clients[1]	108	56	0	0
Liabilities				
Clients	2,710	24,587	17,057	2,324

[1] In addition, there are irrevocable loan commitments towards affiliates amounting to €6.9 million.

Bonds and other Fixed-Income Securities

Broken down into securities, as follows €'000	**public sector issuers**	**other issuers**	**Total**
2023	1,113,087	1,365,432	2,478,519
Thereof:			
due in 2024	320,885	537,573	858,458
marketable	1,113,087	1,365,432	2,478,519
listed	1,113,087	1,365,432	2,478,519
2022	1,140,658	1,329,749	2,470,407

The debt securities from public issuers are primarily bonds issued by German federal states or with a guarantee at the federal and/or state level.

The debt securities from other issuers are broken down as follows

€'000	**2023**	**2022**
German Pfandbriefs	0	13,572
European covered bonds	0	30,644
Bonds with government guarantee	1,360,659	1,285,512
Other	4,773	21
Total	1,365,432	1,329,749

As a rule, bonds with government guarantees were issued by German development banks backed by Germany or German federal states.

The average remaining maturity of all bonds is 1.9 years (1.3). Interest rate risk is frequently limited to the change in the three- or six-month Euribor rate by investing in floaters or entering into hedges in the form of interest rate swaps (micro and/or portfolio hedges).

Bonds and other fixed-income securities classified as fixed assets include unplanned amortisation under Section 253(3) sentence 6 of the HGB in the amount of €4.5 million (€14.1 million), as, in our estimation, the reductions in value are fluctuations related to the market price and therefore not of a permanent nature. The fair value of these bonds is €430.5 million (€719.7 million) and the book values are €435,0 million (€733,8 million). Holdings not valued according to the strict lower of cost or market principle are held in a separate securities account. In addition, the portfolio contains securities with hidden reserves amounting to €8.0 million

(€0.2 million). Their fair value was €457.3 million (€56.5 million), while the book values are €449.3 million (€56.3 million).

Valuation Units

Fixed-income securities in the amount of €1,016.7 million (€746.0 million) were included in micro and/or portfolio 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.

Shares and other Variable-Yield Securities

€'000	2023	2022
Shares and other variable-yield securities	76,233	182,765
Thereof:		
investment funds	15,271	394
marketable	76,233	182,765
listed	**76,233**	**182,765**

This item includes investment funds units of €15.3 million (€0.4 million) used as investments as part of the liquidity reserve.

Marketable and Listed Securities

Of the participating interests, €0.3 million (€0.3 million) are marketable. The other participations and shares in affiliated companies are not marketable.

Trading Portfolio

€'000	2023	2022
Assets		
Debt securities (bonds) and other fixed-income securities	10,332	10,244
Shares and other variable-yield securities	1,755	2,272
Total	12,086	12,516
Liabilities		
Shares and other variable-yield securities	0	196
Total	0	196

The portfolio did not include original derivative financial instruments, receivables or liabilities, or other assets.

The financial instruments in the trading portfolio are valued mark-to-market less a risk discount. In total, there was a risk discount of €571,400 (€2,390,000).

Trust Business

€'000	2023	2022
Trust assets		
Receivables from clients	3,583	3,429
Total	3,583	3,429
Trust liabilities		
Liabilities to clients	3,583	3,429
Total	3,583	3,429

€3.5 million (€3.4 million) in trust assets and the corresponding trust liabilities relate to pension obligations of clients that are held in trust.

Statement of Changes in Fixed Assets

€'000	Historical acquisition cost					Cumulative depreciation, amortisation and write-downs				Residual book value	
	Balance 31/12/2022	Additions 2023	Reclassification 2023	Disposals 2023	Balance 31/12/2023	Balance 31/12/2022	Additions 2023	Disposals 2023	Balance 31/12/2023	2023	2022
Securities within fixed assets	790,059	214,341	0	120,012	884,388	0	0	0	0	884,388	790,059
Participating interests	313	0	0	0	313	0	0	0	0	313	313
Shares in affiliated companies	78,300	0	0	0	78,300	0	0	0	0	78,300	78,300
Intangible fixed assets	42,942	988	0	0	43,930	39,406	2,147	0	41,553	2,377	3,536
Tangible assets	84,809	5,010	0	608	89,211	66,148	5,752	545	71,355	17,856	18,661
Total	996,423	220,339	0	120,620	1,096,142	105,554	7,899	545	112,908	983,234	890,869

* This includes accrued interest in the amount of €12.3 million (€5.3 million).

The tangible assets exclusively include operational and business fixtures.

Other Assets

Other assets included receivables from closed forward exchange and currency option transactions, which, due to the special hedging, resulted in an asset-side adjustment item of €44.2 million (€21.4 million). Other entitlements included rental deposit payments in the amount of €1.7 million (€1.5 million) with a term of more than 1 year. There were only minimal receivables from subsidiaries (€0.0 million; previous year: €3.3 million). In addition, there were receivables in the form of compensation payments to former managing partners in the amount of €4.0 million (€4.4 million). There were tax refund claims in the amount of €0.3 million (€2.6 million).

Prepaid Expenses

Prepaid expenses only include prepayments for the subsequent periods.

Deferred Tax Assets

At the reporting date, there were temporary differences in the carrying amounts of individual items in the financial and tax accounts. Recognition and measurement differences giving rise to deferred tax assets and liabilities occurred in the following line items: receivables from clients, shares and other variable-yield securities, long-term participating interests and provisions.

Deferred taxes were calculated based on an average municipal trade tax multiplier of 16.16% (16.34%). The option to capitalise deferred tax assets set forth under Section 274(1) sentence 2 of the HGB has not been exercised.

As per Section 1 of the MinStG (German Act to ensure global Minimum Taxation for corporate groups), the Bank is not subject to a particular tax obligation.

Excess of Plan Assets over Pension Liabilities

Financial assets that are barred from access by all other creditors and serve exclusively to meet liabilities arising from retirement benefit obligations were measured at fair value and offset against provisions for pensions and similar obligations in accordance with Section 246(2) sentence 2 of the HGB. The corresponding expenses and income from compounding and from assets to be offset are treated accordingly. If the fair value of the assets (plan assets) exceeds the amount of the liabilities, the excess amount is to be shown separately in the balance sheet as excess of plan assets over pension liabilities.

€'000	Acquisition cost of securities		Fair value		Amount payable provisions	
	2023	2022	2023	2022	2023	2022
Provisions for pensions and similar obligations	27,047	32,798	27,047	32,798	24,091	24,848
Other provisions (semi-retirement)	3,062	3,028	3,062	3,027	2,039	2,127

€'000	Other operating expenses		Interest income		Fair value measurement	
	2023	2022	2023	2022	2023	2022
Provisions for pensions and similar obligations	514	606	0	0	0	0
Other provisions (semi-retirement)	46	42	0	0	0	0

In accordance with Section 246(2) sentence 2 of the HGB, the other operating expenses from compounding are to be offset against the gains from the valuation of the securities held as plan assets. Neither in the reporting year nor in the previous year were there any offsetting items relating to interest expenses and gains on the fair value measurement of securities.

Section 253(1) sentence 4 of the 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 in the amount of €2.0 million (€2.1 million) arising from employee working-time accounts, which would otherwise be presented under other liabilities, were netted with assets of the same amount, which would otherwise be presented under other assets.

In total, there was an excess of plan assets over pension liabilities in the amount of €4.0 million (€8.8 million); this excess is subject to a block on distribution.

Other Liabilities

This item mainly included trade payables in the amount of €8.3 million (€2.8 million) and liabilities to the tax authorities in the amount of €6.8 million (€4.9 million). As of the balance sheet date, there were pending losses for forward exchange transactions due to losses from closed positions and extensions based on the original price in the amount of €14.8 million (€15.5 million). From structured foreign exchange transactions, there were liabilities from option premiums in the amount of €17.0 million (€15.7 million).

Other Provisions

Other provisions are provisions from the ineffective part of the valuation units which amounted to €5.4 million (€9.5 million) and, primarily, personnel provisions which amounted to €38.6 million (€37.3 million).

Subordinated Liabilities

Interest of €3.9 million (€3.9 million) was included in expenses, of which €1.8 million (€1.8 million) was accrued and reported under other liabilities. The subordinated liabilities in the unchanged amount of €80.0 million break down as follows.

€'000	%	Due date
10,000	4.125	27/09/2032
7,000	4.125	27/09/2032
11,000	4.125	27/09/2032
1,000	4.125	27/09/2032
1,000	4.125	27/09/2032
10,000	4.125	27/09/2032
30,000	5.630	*
10,000	5.500	*
80,000		

The conditions comply with Article 63 of the CRR. There is no entitlement to early repayment.

Fund for General Banking Risks

The item fund for general banking risks in the amount of €8.1 million (€8.1 million) was established in accordance with Section 340e(4) of the HGB in conjunction with Section 340g of the HGB.

Additional Notes to the Balance Sheet

Various securities have been deposited with other banks as security deposits for Eurex and lending transactions. (A nominal €1.392,3 million [€1.044,7 million] of which €1.289,4 million are deposited with Deutsche Bundesbank.) There were no open-market transactions at year-end. The Bank has pledged securities held in the liquidity reserve and securities classified as fixed assets to Deutsche Bundesbank for refinancing purposes.

Assets in the amount of €965.2 million (€1,141.8 million) and liabilities in the amount of €3.310,5 million (€3,900.2 million) were denominated in foreign currency.

* The AT1 bonds do not have a maturity date because there is no right of termination on the part of the capital providers. For AT1 capital, the Bank has a right of termination.

Contingent Liabilities

Liabilities arising from sureties and guarantee agreements include bills of exchange guarantees in the amount of €34.8 million (€23.9 million) and letters of credit in the amount of €17.6 million (€11.0 million).

As part of the annual screening of the credit portfolio by the Bank's credit risk management, the guarantees and letters of credit that had been issued were also examined for possible default risks. In the past three business years, the share of average utilisation of guarantees was immaterial. Therefore, the likelihood of recourse is assessed as low. Cash collateral of €7.9 million (€6.1 million) was transferred to the Bank.

Other Commitments

Other commitments consisted exclusively of irrevocable loan commitments in the amount of €276.1 million (€316.2 million). This included four engagements over €10.0 million. In the past three business years, the share of average utilisation of guarantees was immaterial. Therefore, the likelihood of recourse is assessed as low.

Notes to the Income Statement

Negative Interest Expenses and Income

The interest expenses included offsets for negative interest of a minimal amount (€0.0 million; 2022: €4.5 million). Interest income included negative interest in the amount of €0.0 million (€9.3 million), which was correspondingly deducted from the interest income.

Breakdown of Income by Geographic Segment

Interest income, current income from shares and other variable-yield securities, net income from the trading portfolio, as well as income from participating interests and shares in affiliated companies, are generated exclusively in the domestic market. 86% (86%) of commission income is attributable to Germany and 14% (14%) to abroad, while other operating income breaks down into 90% (72%) generated in Germany and 10% (28%) generated abroad. The net income from the trading portfolio is solely generated in the domestic market.

Commission Income

We provided services to our clients, in particular, through administration and brokerage activities in the securities business, as well as through complex consulting services for corporate clients. Income of €287.0 million (€232.6 million) from client-induced securities transactions, €26.7 million (€30.9 million) from research activities, and €67.0 million (€119.9 million) from fund management was generated through the management and brokerage of securities transactions. From its lending business, the Bank earned commission of €33.0 million (€44.1 million).

Other Disclosures

Other Financial Commitments

For the next three financial years, there are annual financial obligations from rental, maintenance and other lease agreements amounting to €57.7 million (€52.5 million) annually, with a duration of three years.

Forward Transactions and Futures Contracts

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

- forward transactions in foreign currencies, in particular currency forwards, commitments arising from currency options, foreign exchange option rights;
- forward interest rate contracts, in particular forwards involving fixed-income securities, commitments arising from interest rate options, interest rate option rights, 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, option rights, commitments arising from index options and index option rights.

Client 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 and/or portfolio hedges).

Derivative financial instruments on the balance sheet date

€'000	Volume		Positive market values		Negative market values	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Remaining term of less than a year						
Forward exchange transactions	5,002,051	4,349,417	57,629	52,775	50,001	35,110
Forward exchange options	1,324,229	1,202,597	16,642	21,080	16,642	21,079
Swaps	128,100	624,598	3,689	9,588	0	2,892
Caps/floors	1,127,692	1,699,145	3,250	12,283	3,250	12,313
Sub total	**7,582,072**	**7,875,757**	**81,210**	**95,726**	**69,893**	**71,394**
Remaining term of 1 to 5 years						
Swaptions	0	400,000	0	6,717	0	6,717
Swaps	1,047,825	462,122	19,318	24,715	21,249	4,390
Forward exchange transactions	23,956	7,613	129	310	207	44
Forward exchange options	196,732	427	1,207	832	1,207	832
Caps/floors	3,642,382	2,292,336	18,697	30,036	18,699	30,036
Sub total	**4,910,894**	**3,162,498**	**39,350**	**62,610**	**41,362**	**42,019**
Total	**12,492,966**	**11,038,255**	**120,561**	**158,336**	**111,254**	**113,413**

Securities futures, securities options and other derivatives were solely traded in clients' interests on a commission basis. The Bank does not hold own positions in these derivatives.

The transactions listed above were almost exclusively entered into to hedge fluctuations in interest rates, exchange rates or market prices in trading activities.

The Bank determines the potential market risk for interest rate, equity and currency positions in the trading book in accordance with the CRR using the standard method. This resulted in a capital adequacy requirement of €15.8 million (€11.4 million). The commodity risks relate to the capital adequacy requirement for CO_2 certificates.

Breakdown of the capital adequacy requirement

Market risks	Capital adequacy requirement	
€'000	**2023**	**2022**
Standard method		
Net equity positions	12,864	10,171
Net interest positions	1,526	1,077
Overall currency position	1,410	141
Commodity positions	3	0
Total	15,803	11,389

Board of Management

The Board of Management comprised the following managing partners in 2023:

Hendrik Riehmer
David Mortlock
Christian Kühn

Shareholders

30.88%	Berenberg family
21.41%	PetRie Beteiligungsgesellschaft mbH (Dr Hans-Walter Peters [Managing Director] and Hendrik Riehmer) and Dr Hans-Walter Peters
7.81%	Hendrik Riehmer, David Mortlock, Christian Kühn and former managing partners
14.25%	Christian Erbprinz zu Fürstenberg
14.25%	Professor Dr Jan Philipp Reemtsma
11.40%	Compagnie du Bois Sauvage S.A.

Appropriation of Profit

The resulting net profit for the year of €55.4 million (€55.1 million) will be disbursed to the shareholders.

AUDITOR'S REPORT

The 2023 annual financial statements and management report have received the unqualified auditor's report by the independent auditor. This does not contain any indication in accordance with Section 322 (3) sentence 2 HGB. The complete annual financial statements, including the management report and audit certificate, are available electronically in the *Unternehmensregister* (German Business Register).

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