BERENBERG

PARTNERSHIP SINCE 1590

2016

Report on the 427th Financial Year

Berenberg was established in 1590, and today we are one of Europe's leading privately owned banks, focusing on four business divisions: Wealth Management, Asset Management, Investment Banking and Corporate Banking. The Hamburg-based bank is run by managing partners and has a strong presence in the international financial centres of Frankfurt, London, New York and Zurich. More than 1,500 employees carry the Bank's long tradition of success into the future.

Report
on the 427th Financial Year

Key performance indicators

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net profit for the year	€ million	61	47	65	62	56	60	66	40	104	161
Total assets	€ million	3,621	4,279	3,389	3,242	3,953	4,279	4,525	4,514	4,738	4,716
Business volume	€ million	3,829	4,450	3,552	3,357	4,062	4,383	4,623	4,586	4,801	4,790
Equity	€ million	155	177	212	213	217	221	223	219	234	265
Receivables from clients/loans	€ million	629	663	573	559	531	794	642	750	1,013	934
Liabilities to clients/deposits	€ million	2,983	3,236	2,456	2,326	2,874	3,083	3,390	3,199	3,570	3,721
Return on equity (before taxes)	%	56.2	37.5	53.0	45.3	40.1	43.8	46.9	28.8	67.3	95.8
Cost-income ratio	%	66.5	66.9	61.9	74.2	75.9	76.5	78.1	85.7	72.2	63.9
Assets under management including subsidiaries	€ billion	19.1	20.3	21.9	25.5	26.0	28.2	30.1	36.1	40.1	40.7
Employees including subsidiaries		763	837	894	977	1,110	1,116	1,147	1,250	1,331	1,506

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The Managing Partners (from left to right): Dr Hans-Walter Peters and Hendrik Riehmer

Dear clients and business associates,

Markets were characterised by high levels of uncertainty in 2016: participants were very cautious, particularly before and after the Brexit vote, the US elections and the referendum in Italy. This had an impact on trading and capital market activities. Against this backdrop, the Bank achieved a strong operating result. Together with the sale of interests in Universal-Investment and the distribution of reserves from subsidiaries to further enhance equity, this led to a record profit of €161 million (prior year: €104 million).

As positive as that is, the fact that we continued to invest heavily in the quality of our services and our expertise is an even more powerful statement. We hired 175 new employees, reaching a headcount of more than 1,500 at the end of 2016.

In 2017, we will continue to expand our position as an advisor for complex assets, strengthening our Wealth Management and Asset Management. To carry out that task, at the beginning of the year we recruited Henning Gebhardt (Head of Wealth and Asset Management), who brings over 20 years of experience at the Deutsche Bank Group. Together with David Mortlock (Investment and Corporate Banking) and Christian Kühn (Bank Management), he is a member of the new Extended

Management Board. This leadership structure puts us in a strong position for the future. We intend to grow our business further and in particular to substantially increase assets under management from today's figure of almost €41 billion.

We gained market share in equity brokerage, with revenues up by 6% in a market that was contracting overall. Our new trading desk in New York got off to a great start, and we want to grow further at this location. At year-end 2016, our London branch employed more than 300 people, and we look with confidence to the future despite Brexit: unlike many competitors that do not have headquarters in continental Europe, we will not have to make any organisational changes.

With the Berenberg Alternative Assets Fund, we created for the first time a credit fund that, among other things, invests in shipping loans and finances the low-risk parts of transactions. In both Shipping and Structured Finance, we were able to attract institutional investors for substantial investments in performing loans. We see strong international growth opportunities in this area. Another credit fund will offer green bonds for renewable energy sources.

Thanks to our continuously expanding activities, we have increased the Bank's equity base from €234 million to €265 million. The Group's tier 1 capital ratio stands at 13.0% (12.4%). This gives us a very healthy level of capitalisation and, together with our regional diversification and broad business base, puts us in an excellent position. This means that we will continue to stand by your side as a responsible and reliable partner. We would like to thank you for the trust you have placed in us and look forward to serving you in the months and years ahead.

Dr Hans-Walter Peters

(Spokesman)

Hendrik Riehmer

EXECUTIVES

Managing Partners

Dr Hans-Walter Peters (Spokesman)

Hendrik Riehmer

Advisory Board

Professor Dr Harald Wiedmann, Chairman
Former Chairman of the Management Board, KPMG Deutsche Treuhand-Gesellschaft AG, and former President, Deutscher Standardisierungsrat, Berlin

John von Berenberg-Consbruch
Berlin

Helge F. Kolaschnik
Kolaschnik Partner Rechtsanwälte PartGmbB, Hamburg

Pierre-Yves de Laminne de Bex
Member of the Board of Directors, Compagnie du Bois Sauvage S. A., Brussels

Joshua Ruch
Chairman and Chief Executive Officer, Vaal, Inc., New York

Dr Hans-Rüdiger Schewe
President, Fürstlich Fürstenbergische Gesamtverwaltung, Donaueschingen

Andreas von Specht
Managing Partner, AvS – International Trusted Advisors GmbH, Frankfurt

Extended Management Board

Henning Gebhardt
Christian Kühn
David Mortlock

Managing Directors

Lars Andersen
Tobias Bittrich
Dr Jan Böhm
Gunnar Cohrs
Oliver Diehl
Lars Fuhrken
Michael Gillessen
Jürgen Hauser
Dr Robert Hengl
Oliver Holtz
Ludger Hoppe
Laura Janssens
Carsten Kinder
Axel Klappstein
Silke Krüger
Dr Alexander von Kuhlberg
Dieter Lügering
Dennis Paschke
Dr Holger Schmieding
Lars Schwartau
Uwe Schwedewsky
Johannes Sommer
Karsten Wehmeier
Dirk Wehmhöner
Hans Wöll
Ken Zipse

As at 1 April 2017

2016 IN REVIEW

January

Porsche European Open

Berenberg reinforces its golf activities, adding two more top golfers in the persons of **Martin Kaymer** and Colin Montgomerie to its roster of brand ambassadors, alongside Gary Player and Branden Grace.

Numerous participants attend the **16th Berenberg Asset Management Conference** in Frankfurt to learn about new investment trends, approaches to dealing with potential capital market risks and strategies for a challenging capital market environment.

The new **Berenberg-1590-Aktien Mittelstand** fund gives investors the opportunity to invest in smaller and medium-sized businesses.

February

Bertold Fabricius

Theatre director Luise Kautz receives the **Berenberg Culture Prize**. For more than 25 years the »Berenberg Bank Foundation of 1990« has been supporting young talent in the area of culture in North Germany.

Berenberg has a new **Thematics Research team** with a focus on interdisciplinary topics such as disruptive technologies, demographics and corporate governance principles.

120 guests attend our **Berenberg Women Only** event in Hamburg. The idea behind this series of events is to enter into dialogue with women who are breaking new ground and are passionate about their profession.

March

Berenberg Art Consult invites its clients to **TEFAF**, one of the world's leading art fairs for Old Masters and antiques in Maastricht. Our experts advise and support clients in their art transactions, prepare expert appraisals and assist them in building up their collections.

April

The **Berenberg Academy** celebrates its fifth anniversary. To prepare entrepreneurs' children for their future roles at the company, the Academy teaches the fundamentals such as wealth accumulation and corporate succession.

At the Porsche Tennis Grand Prix in Stuttgart the **Berenberg Classics** are held for the sixth time, with players Michael Stich and Michael Chang.

Dr Hans-Walter Peters takes office as **President of the Association of German Banks (Bundesverband deutscher Banken).**

May

73 European companies and 170 institutional investors convene at our second **US investor conference** in Tarrytown near New York City.

June

Berenberg London invites clients to its fifth annual **football tournament** at Chelsea FC's Stamford Bridge stadium. Eight teams battle it out. Former Arsenal player Emmanuel Eboué awards the trophy to the winning team, France.

Berenberg opens a **branch in Münster** to provide even better local support to existing clients and to attract new ones in the Münsterland and East Westphalia regions.

Karsten Wehmeier

On the day after the Brexit referendum, Berenberg is **on air with the BBC** from 6am to 6pm. The station reports live from the sales trading floor on the fourth floor of our London office and interviews experts on unfolding market developments.

Berenberg sponsors the **Kitzbüheler Alpenrallye** for the third time. The largest team, the »1590 Berenberg Classic Team« with 13 cars, is made up of clients and friends of the Bank.

July

Black Knight

Twelve Major winners come together at the Berenberg Gary Player Invitational at Wentworth golf club for the largest-ever **Major selfie**.

Eight teams »serve« for charity at the **BerenbergKids Beach Volleyball Cup** in Hamburg. The employees had already raised a total of €37,000 for disadvantaged children.

Karsten Wehmeier

Berenberg sponsors the **Schloss Bensberg Classics** event, where the motto is »Very Important Cars Only«.

August

More than $100,000 is raised at our **Berenberg Gary Player Invitational** charity tournament near New York City. Top golfers like Tom Watson and Pádraig Harrington prove popular with the crowds, as does the »Black Tie Shootout« before the gala auction.

Holger Widera

Berenberg hosts the second **Berenberg German Polo Masters** on Sylt. The tournament is one of the largest and best-known polo events in Europe, attracting several thousand visitors to the island.

September

Berenberg and Bankhaus Lampe sell their jointly held **Universal-Investment** fund subsidiary to UK financial investor Montagu Private Equity.

Berenberg opens a **representative office in Geneva** to expand its asset management activities in Switzerland, France and the Benelux countries.

Katja Riemann

Anniversary in Stuttgart: The office celebrates its 10^{th} anniversary. Actress Katja Riemann, pianist Sebastian Knauer and 100 guests extend their congratulations.

For the third time, the Hamburg Institute of International Economics (HWWI) and Berenberg analysed the 30 largest cities in Germany with a view to their cultural life. Stuttgart again secures first place in the **HWWI/Berenberg cultural city ranking.**

At the fifth **Berenberg Goldman Sachs investor conference** in Munich, 134 of the most important German listed companies discuss their strategy, current trends and challenges in a series of presentations and more than 1,250 one-on-one sessions.

Berenberg acquires the **Opera Offices Neo** building in Hamburg for a special AIF (Alternative Investment Fund).

October

At the eighth **Global Private Banking Awards**, organised by the Financial Times in conjunction with its trade magazines »The Banker« and »Professional Wealth Management«, Berenberg is named »Best Private Bank in Germany« for the sixth time, defending its title in the national ranking.

picture alliance/ZUMAPRESS

Berenberg adds the highly talented German golfer **Bernhard Langer** to its brand ambassador programme. Later in the year Langer wins the US Champions Tour for the fourth time in succession.

Berenberg welcomes its **$1{,}500^{th}$ employee.**

Art in London: Berenberg Art Consult invites art fans to the **Frieze art fair**, one of the three most notable art fairs in the world.

29 university graduates chosen from 4,000 applicants commence Berenberg's **International Graduate Programme** in London. Over a period of 14 months, they will move through all of the Bank's business divisions.

November

Elite Report

No end to the accolades – for the eighth time, Berenberg gets **top marks in the report »Die Elite der Vermögensverwalter«** (Handelsblatt).

December

Hamburg's **Elbphilharmonie** is completed. Officially opened in January 2017, this unique concert hall offers visitors a diverse concert programme and auditory experience. Berenberg is one of its sponsors.

»Forecaster of the year«: Predicting economic developments in a turbulent year like 2016 was no easy task. No German economist does it better than our Chief Economist, Dr Holger Schmieding.

The Cologne public prosecutor's office discontinues the investigation into Berenberg initiated after publication of the **Panama Papers**: the »suspicion of facilitating tax evasion ... was completely ruled out«.

More than 170 companies and 398 investors attend the **14th Berenberg European Conference** in Pennyhill Park near London, making it the largest event of its kind so far.

Chris Renton

Berenberg responds to its robust growth by establishing a new **leadership structure**. David Mortlock (Head of Investment and Corporate Banking), Christian Kühn (Bank Management) and Henning Gebhardt (Wealth and Asset Management) are appointed to the Extended Management Board.

We are strengthening our focus on complex assets in response to tightening regulatory requirements for investment advisory services (MiFID II). We have reconfigured our **Bremen** and **Braunschweig** branches as advisory teams, and **Bielefeld** is managed by the Münster branch.

Anna-Lena Schnoor

The **BerenbergKids Christmas campaign** puts a smile on children's faces. 162 children at an all-day school in Hamburg see their Christmas wishes come true. Berenberg staff donates gifts for the children, to be distributed by Santa Claus in person.

Operations and underlying conditions

Profile

For over 425 years, Berenberg has been committed to accountability to its clients. From its very beginnings, the Bank has been run by personally liable managing partners, and this principle continues to be the cornerstone of a relationship based on trust. If you are personally liable, you will not allow yourself to be steered by short-term success and emotions, but will act *responsibly*.

Our solid reliability is also reflected in the stability of our leadership: since 1590, Berenberg has had only 38 managing partners, and today's partners have – without exception – been with Berenberg for 20 years or longer.

What counts for us is long-term success alongside our clients. As we help them to expand on their investments, 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, New York and Zurich in recent years. Today we have over 1,500 employees at 16 locations across Europe and the United States. With the expansion of our Wealth Management, Asset Management, Investment Banking and Corporate Banking business divisions, we are on a secure footing for future 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 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. Or, in brief, *accountability is our guiding principle.*

Structure

Berenberg offers its clients individual services in four areas:

Wealth and Asset Management central business unit

Wealth Management: Providing advice to high-net-worth individuals is a complex and responsible challenge that we accept with our special expertise and award-winning advisory approach. To this end, we are constantly refining our special Berenberg centres of competence for entrepreneurs, foundations and family offices. In addition, we are reinforcing professional portfolio management as one of our core services.

Asset Management: Our clients' investment goals are varied and specific. We work to meet these individual needs in the best way possible. Experienced portfolio strategists and investment experts develop actionable strategies, which we execute in special mandates and retail funds. Our investment expertise includes discretionary and quantitative investments as well as professional risk management strategies.

Investment and Corporate Banking central business unit

Investment Banking: The broad-based Investment Banking division focuses on service and client operations in the segments of Equities, Corporate Finance and Financial Markets. At year-end, our Research team regularly analysed more than 630 shares, and continues to expand its coverage. In addition, we support IPOs, capital increases and special transactions, and provide advice on mergers and acquisitions.

Corporate Banking: We assist and advise companies, financial investors and single family offices on transactions and day-to-day activities. We maintain specific expertise in specialist segments such as infrastructure & energy, shipping, and real estate.

Berenberg's head office is in Hamburg. In Germany, we have branch offices in Düsseldorf, Frankfurt, Münster, Munich and Stuttgart. Outside Germany, we are represented by branch offices in London, Luxembourg, Paris and Vienna, as well as representative offices in Geneva and Zurich. Our subsidiaries and their branch offices are located in Hamburg, Boston, Chicago, Geneva, New York, San Francisco and Zurich.

Locations

Overall economic development

The global economy continued its modest upswing in 2016. However, at 2.2%, growth in global economic output remained slightly below the increase of just under 2.5% achieved in the previous three years. While growth remained stable in Europe, the US economy made a weak start to 2016. The oil price decline put pressure on demand at times as companies quickly cut back their investments in the energy sector, while a large number of US consumers set aside the money they saved on gasoline or heating bills, rather than immediately spending it.

During the course of 2016, however, the US economy picked up sufficiently so that the US Federal Reserve was able to nudge up its benchmark rate in December. This confirmed the turnaround in interest rates already signalled by the US monetary authorities in December 2015.

At the beginning of the reporting year, the collapse in commodity prices triggered a severe crisis for those commodity producers that had failed to use their high earnings from previous years to establish modern industrial structures. Over the course of the year, however, major emerging markets such as Brazil passed the trough in this adjustment crisis.

China managed to avoid a hard landing once again in 2016. Helped by a major programme of even more government infrastructure investment, the country hit its growth target of 6.7%. In doing so, however, China again neglected the task of modernising its structures and reducing excess capacity specifically in its large state-owned enterprises. The growing scepticism of many Chinese regarding the current growth model is reflected in the capital flight that contributed to a decline in the currency reserves from $4 trillion in mid-2014 to $3 trillion at the end of 2016. This means that China is slowly losing the financial leeway necessary for future stimulus packages.

In Japan, low oil prices initially gave the economy a modest impetus, but due to the lack of true structural reforms, growth contracted to less than 1% when oil prices started to rise again.

Europe continued the moderate upswing at a pace similar to that of the two previous years. Some of the reform countries at the periphery of the eurozone were able to reap further rewards from the tough austerity and reform programmes they had implemented in 2010 to 2013. Spain, Ireland and Cyprus have become the leaders in economic growth in Europe. While Italy was able to step up the pace of economic expansion in 2016, thanks to the labour reforms enacted in January 2015 despite increasing political uncertainty, France has not yet followed suit due to a lack of adequate reforms.

Germany continued its robust recovery, seeing its economic output grow by 1.9%. In addition to private consumption and capital expenditure, this development was driven by additional government spending on refugees and asylum seekers. Despite this rise in spending, Germany enjoyed a healthy government surplus, primarily on the back of surging tax receipts and a robust labour market.

All in all, we are looking ahead to 2017 with a degree of confidence. In the US, the major corporation tax reform that the Republican-dominated Congress intends to pass in 2017 could provide additional impetus to capital spending. This would also benefit German providers of capital goods. Political risks have recently increased, however. The rhetoric of the new US president indicates a risk that he may disrupt world trade through protectionist interventions. Europe also faces great challenges as the negotiations on the UK's withdrawal from the European Union start and the political situation in important countries such as France and Italy remains somewhat unsettled.

»Germany enjoyed a healthy government surplus, primarily on the back of surging tax receipts and a robust labour market.«

As in recent years, the outlook for the finance industry remains mixed. The economic situation is making it easier for many banks to strengthen their profitability. At the same time, banks that traditionally generated most of their earnings in interest-related operations must find new business models in the face of persistently low interest rates.

Awards

The quality of our services was again acknowledged with a series of awards in 2016. The report DIE ELITE DER VERMÖGENSVERWALTER (The Asset Managers Elite), produced in cooperation with Handelsblatt, noted that: *»Berenberg is not resting on its laurels, but is reviewing and reinventing itself on an ongoing basis so as to be able to meet its clients' primary requirement: capital preservation. To this end, it is intensifying its drive to attract the very best specialists. Berenberg is keeping up with changing conditions in the market and is able to build on positive, clearly conservative portfolio management«.*

- GLOBAL PRIVATE BANKING AWARDS 2016
  – Best Private Bank in Germany

- DIE ELITE DER VERMÖGENSVERWALTER 2017 (HANDELSBLATT)
  – Summa cum laude (with top score)

- FUCHSBRIEFE PRIVATE BANKING 2017
  – Second place in Germany (mark »very good«)

- TELOS INVESTOR SCREENING 2016
  – First place in the category »smaller asset managers«

- EXTEL SURVEY 2016
  – Third place in Pan-European Small- and Mid-Cap Research

Financial performance

Earnings

Net profit for the year

The results for the reporting period once again broke all records. Net profit for the year totalled €161.5 million, far exceeding the €103.6 million generated in 2015. The sale of our stake in Universal-Investment Gesellschaft mbH made a positive contribution to this result. In addition, revenue reserves from subsidiaries were distributed at the beginning of the year with the aim of strengthening the Bank's capital base. This amount was added in full to the Bank's revenue reserves. The transition, completed in past years, from a northern German private bank to an international advisory firm has continued to pay off. The business model, centred on the four service-oriented business divisions, is working. Despite low interest rates and a challenging market environment, gross earnings from operating activities once again reached a healthy level. It was once again possible to invest the proceeds from ongoing commercial operations into the expansion of the value chain, with investments being made in our monitoring functions and IT as well as the service-oriented business divisions.

In the Report of the Managing Partners for 2015, the Bank forecast a moderate decrease in net profit for 2016. Due to the non-recurring items described, this forecast was significantly exceeded.

The return on equity, calculated as the ratio of profit before tax to equity at the start of the year, amounted to 95.8% after 67.3% in the previous year. The cost-income ratio improved from 72.2% to 63.9% despite the investments made. The ratio of current net interest income (excluding income from participating interests/affiliated companies) to net commission income was 14:86 (12:88), underlining the significance of commission-earning operations for the Bank's business model.

Net commission income

Net commission income again reached a healthy level in 2016. In a highly volatile market environment, however, this item, which was dominated by securities transactions, fell to €253.6 million from €321.3 million in 2015. While we did manage to gain market share in the reporting period, on the whole we were also affected by weak market conditions for capital increases and IPOs. We saw a similar development in 2014, when various transactions were postponed, with the corresponding income subsequently showing up in 2015. Given the order situation in this area, we are therefore confident for 2017. As the entire Investment Banking value chain is now also established in New York, we see further earnings opportunities in this area. We have also been able to tap into further sources of earnings by realigning the Wealth and Asset Management central business unit. Commission income exceeded interest income in the Corporate Banking division. Alongside the experience we have built up over many years in servicing our German and international shipping clients, we were also increasingly able to generate transaction-based commission income from structured finance operations. Assets under management rose from €40.1 billion to €40.7 billion.

Net interest income

Net interest income rose from €56.2 million to €165.4 million. In addition to the distribution of profits from subsidiaries, net interest income also includes the described transfer of revenue reserves from subsidiaries to strengthen the Bank's revenue reserves.

In addition, net interest income was once again affected by historically low interest rates in 2016. With our prudent lending policy, net interest income is generated in particular from securities in the liquidity reserve. This conservatively structured portfolio contains securities with relatively high coupons that are trading at a premium. The short residual maturities give rise in turn to write-downs on bonds.

Net trading income

The net income from trading activities dropped by 4.9% to €34.3 million (€36.0 million).

Since our operations are primarily service-oriented, we have only allocated very manageable limits to the trading activities in the equities, bonds and foreign currencies segments. FX trading dominates net trading income, yielding a healthy result again in 2016. This year, no new allocation was made to the statutory reserve in accordance with Section 340g HGB in conjunction with Section 340e (4) HGB, as the full allocation has now been made to this reserve in accordance with the provisions of commercial law.

Other operating income

The other operating result stems mainly from the proceeds of the sale of our stake in Universal-Investment.

General administrative expenses, depreciation of tangible fixed assets and amortisation of intangible assets

In response to the overall positive development of earnings and the future market opportunities presented to us, we decided to invest heavily to reinforce and expand our successful business model during the reporting period. At the same time, we reviewed the efficiency of existing processes.

The number of employees rose again year on year in 2016. Selective further investments were made in highly qualified personnel, and existing structures were optimised at the same time. Personnel expenses rose marginally to €190.5 million (€186.1 million) as a result.

Investments in modern IT, the implementation of new regulatory requirements and the strengthening of our locations led to an increase in non-payroll costs and depreciation charges on tangible fixed assets. Together with the higher personnel expenses, this development led to an increase of 7.9% to €323.1 million (€299.3 million) in general administrative expenses including depreciation of tangible fixed assets and amortisation of intangible assets.

Risk provisions

Within the framework of risk provisioning, sufficient funds have been allocated to valuation allowances and provisions for lending operations. All identifiable risks have been fully taken into account using prudent valuation methods.

Taxes on income

The taxes-on-income item stems from the earnings of the domestic branches and is calculated based on the earnings that also include earnings components on which no taxes are incurred.

Financial and assets position

Capital base and principles

The Bank's common equity tier 1 capital was boosted further during the reporting period and amounted to €245.1 million at year-end (€204.5 million). In addition, there is supplementary capital in the form of subordinated liabilities in the nominal amount of €45.0 million (€45.0 million). The amount eligible to be included in the core capital as a result of the remaining maturities of the subordinated loans was €20.0 million (€29.0 million). Consequently, the Bank's equity base following adoption of the annual financial statements amounted to €265.1 million (€233.5 million).

The Bank's total capital ratio in accordance with the Capital Requirements Regulation (CRR) and the German Solvency Regulation amounted to 14.5% (11.9%) at year-end, while the common equity tier 1 capital ratio was 13.4% (10.2%). At the reporting date, the Berenberg Group (group of consolidated companies for regulatory purposes) had a total capital ratio of 13.9% (13.8%) and a common equity tier 1 capital ratio of 13.0% (12.4%). This level of equity funding places us comfortably above the statutory requirements.

At an annual average of 3.4 and 3.5 (3.3) at year-end, our ratio in accordance with the German Liquidity Regulation is well above the requirements of the German Federal Financial Supervisory Authority (BaFin); and at 1.3, our total for the new European liquidity coverage ratio (LCR) is also well above the minimum level for regulatory purposes.

Funding and securities in the liquidity reserve

Berenberg can meet all its funding needs from client deposits, while regularly generating a high liquidity surplus. The Treasury business unit invests the majority of this surplus in top-rated bonds with the goal of minimising possible credit risks.

At year-end 2016, the portfolio consisted of bonds and other fixed-income securities with a volume of €2,205.6 million (€2,559.4 million). This portfolio is dominated by securities issued by German public issuers (55.3%) and securities with a German state or public guarantee (22.0%).

The remaining maturity of these holdings averaged 1.9 years at year-end 2016, meaning that the spread change risk inherent in the portfolio is limited. The interest rate risk is generally restricted to the three- or six-month Euribor. The vast majority is deposited with Deutsche Bundesbank, which ensures the availability of a high refinancing facility with the European Central Bank in the event of an unexpected short-term liquidity requirement.

Alongside this, shares with a carrying amount of €82.7 million (€82.5 million) are held in investment funds as part of the liquidity reserve. In this context, we pursue risk-reduced investment strategies on international equity indexes and active (but still short) duration management on the bond side.

Finally, excess liquidity of €459.4 million was invested in promissory note loans (particularly German public issuers and German development banks as well as German Pfandbriefs).

Total assets and business volume

Total assets in the reporting period remained at a similar level to the previous year. They amounted to €4,716.3 million (€4,738.3 million) and are again characterised by a high level of client liabilities of €3,720.7 million (€ 3,570.2 million). Client deposits accounted for 78.9% (75.3%) of total assets.

Liabilities to banks consist mainly of client trust funds held by our Swiss banking subsidiary. Their total declined by €243.6 million to €439.0 million.

Receivables from banks fell to €671.6 million (€735.6 million). This includes the investment of €274.3 million in promissory note loans issued by German development banks and in German-registered Pfandbriefs. The majority of the surplus liquidity was again invested in bonds issued by German public issuers instead of receivables from banks.

Receivables from customers decreased from €1,013.4 million to €933.6 million. Part of the liquidity reserve of €185.1 million was invested in promissory note loans issued by German states.

The expanded business volume fell slightly from €4,801.1 million to €4,790.4 million.

Credit volume

The expanded credit volume decreased to €1,007.8 million (€1,076.2 million). It consisted of receivables from customers of €933.6 million (€1,013.4 million) and contingent receivables of €74.2 million (€62.8 million) from guarantees and other indemnities.

Overall statement on the results of operations, net assets and financial position

Earnings developed very favourably and a record profit was generated once again. The sale of our stake in Universal-Investment and the distribution of revenue reserves of subsidiaries contributed to this development. The core capital resources were expanded further and net assets are in good shape. Solvency was guaranteed at all times, and the liquidity position is extremely comfortable.

Wealth and Asset Management central business unit

The gradual merging of our Wealth Management and Asset Management business divisions is intended to further boost our position as a prominent provider of investment solutions. Our Wealth Management clients will benefit from the realignment of our Asset Management activities just as much as those investors who subscribe to Berenberg fund solutions.

Wealth Management

The world of banking has been in transition for several years now – retail banking in particular is seeing major upheavals. Three further drivers behind this development emerged over the course of the year in addition to the ongoing phase of low interest rates.

- Increasing numbers of new regulatory requirements, first and foremost the European Markets in Financial Instruments Directive MiFID II, are tying up resources, particularly in IT and client care. This is driving up the cost of high-quality and individual advisory services.
- Young start-up companies, known as FinTechs, are developing a wide range of digital services. Without a doubt they are providing the industry with a boost to innovation. But banks and clients alike currently still find it difficult to identify which services provide long-term added value in the field of personal finance, where security and trust have top priority.
- Brexit vote, US elections, Italian referendum, populism and terror – 2016 was a year of political surprise and uncertainty prevailing in society. This was reflected in how the stock exchanges developed over the year. Once again, promising investment decisions required in-depth specialist expertise, level-headedness and rapid implementation.

In this highly challenging market environment, Berenberg's actions at both the strategic and the operational level are characterised by the same aspiration as our handling of the client assets entrusted to our care: we analyse the impact of these developments at an early stage, identify potential risks and opportunities, and decisively take suitable action. In this respect, we took many far-reaching strategic decisions for Wealth Management in 2016, with the aim of reconciling three fundamental objectives over the long term:

1. maintain and refine our high-quality and exclusive offering of investment advisory and portfolio management services ...
2. ... while meeting regulatory requirements, including those not yet in effect, at an early stage ...
3. ... and keeping a cap on costs in areas that do not create explicit added value for our clients.

Portfolio management as a core service

This means that, at Berenberg, our clients can choose between two high-quality solutions for their wealth management.

With *investment advisory*, they make their final investment decisions personally in consultation with their advisor and on the basis of thorough assessments and analyses.

With *portfolio management*, they delegate the achievement of their investment goals to our Portfolio Management professionals.

In principle, we maintain both options, but given the regulatory requirements governing investment advisory, it is becoming increasingly complex and tedious for clients and advisors alike to prepare and implement decisions on an individual basis. Therefore, we are investing heavily in our portfolio management activity. By doing so, we are working to refine a high-quality core service for our demanding clientele that is unique on the market in terms of performance, process and product quality, as well as transparency.

Concentrating on our core target groups

Our Wealth Management business model offers customised solutions to clients with sophisticated asset structures and special investment requirements. This approach constitutes a clear commitment to individuality. We concentrate on very high-net-worth individuals, family entrepreneurs and business-minded decision makers, as well as foundations and other charitable organisations, and focus our energy on the needs of these core target groups.

In doing so, we define our role as providers of comprehensive services to organisations or private individuals and their relatives in all areas that have a direct or indirect influence on their assets. This means that we are not only a central catalyst for (liquid) wealth management. The three Berenberg centres of competence – »entrepreneurs«, »foundations« and »family offices« – help advisors to deal with all specific issues and challenges. Each centre of competence has a close-knit network of proven experts on topics of special importance to their target groups. This is why the offering of advisory services for special situations was created in 2016. Such special situations include surplus liquidity following the sale of a business alongside other challenges such as working to achieve a foundation's mission in a low-interest-rate environment.

More than just wealth management

This report presents each individual business division separately, but our clients rightly experience our Bank as a single entity. A high-net-worth individual expects more than just wealth management from the advisory services provided by a bank that operates successfully in several fields. Our advisors are tasked with fulfilling these expectations, and have the entire range of services offered on the »Berenberg platform« at their disposal to achieve this aim. This understanding was the driving force behind our move to achieve an even greater degree of internal cooperation.

As a door-opener, Wealth Management provides a gateway to special expertise and exclusive solutions from the Asset Management, Investment Banking and Corporate Banking segments as well as the staff departments. Examples include the following:

- Even closer cooperation with the Bank's equity and bond research functions allows us to incorporate the analysts' expertise directly into our investment discussions and portfolio management strategies. We have been especially successful in combining our own entrepreneurial roots and a research focus on »mid-cap securities« in our SME strategy and our SME fund.
- Ad-hoc web conferences and detailed analyses by our macroeconomic specialists help our clients to assess the impact of specific events such as the Brexit vote on their securities portfolios.
- In cooperation with the Infrastructure & Energy department in Corporate Banking, we develop ways for our clients to invest in renewable energies.

Successfully setting the course

Despite the very challenging market environment prevailing in 2016, we once again achieved growth in our core target groups. We have increased our spending on strategic decision-making and investments, mindful of the fact that they will have a positive effect on our cost base over the medium term. We consider additional investments by existing clients, or the recruitment of new clients who opt for Berenberg upon recommendation or as a result of tendering, to be proof of the client focus of our work and the ongoing refinement and improvement of our services.

Asset Management

Our Asset Management division offers professional investment solutions to private and institutional investors. To meet this wide range of investment goals, we develop discretionary as well as quantitative investment strategies for equities, bonds and multi-asset concepts. In addition, Asset Management is one of the leading providers of overlay management solutions and has sustainable expertise in the area of liquid alternatives.

Business performance

We are relying on an international presence for the long term and were able to maintain our successful expansion course on the basis of further mandate agreements. Europe and especially Germany remain our most important markets. We have been in Austria since 2013 and in the UK, from where we also serve clients in Scandinavia, since 2011. Institutional investors in Switzerland, France, Belgium and Luxembourg will be served from Geneva in future. In order to continue growing in these key markets, two overlay management experts with international experience have joined our staff. International cooperation has also been intensified by all teams. The overlay management expertise was brought together and deployed to refine our investment processes, and to meet the special demands and expectations of institutional investors.

During the reporting year, we successfully completed several due diligence processes. Before institutional investors make an investment decision, they perform thorough checks on their asset manager. This enables them to gain an insight into the company and its processes. The result exerts a significant influence on the investment decision. Our transparent investment processes, expertise and professional risk management system have enabled us to convince investors operating at the global level of the benefits of our services and to win them as clients.

The persistence of the low-interest-rate environment meant that it remained difficult to generate risk-free yields. This makes active currency management an ever more decisive factor. Consequently, our expertise in the field of currency overlay was in especially great demand and, buoyed by the successful acquisition of new clients, led to mandates from a number of prominent institutional investors based in Germany. This in turn enabled us to compensate for the cash outflow caused by a change in a key client's strategy, to keep assets under management at a constant high level, and to further expand our position among the leading active currency managers worldwide.

Markets and strategies

Strong nerves and flexibility were attributes needed by market participants – investors and asset managers alike. The investment climate in the capital markets was dominated by political and economic risks: the unexpected British vote to leave the EU, the historically low interest rates in the euro area, the interest rate policy of the US Federal Reserve and most recently the election of Donald Trump as US president and the Italian referendum on constitutional amendments.

Our investment strategies and risk management approach allowed us to successfully adapt to the circumstances prevailing in the market environment and help our clients to achieve their investment objectives.

The sources of political and economic uncertainty led to a series of temporary price declines in European stock markets. European shares are attractive nevertheless. In this market environment, our BERENBERG EUROPEAN EQUITY SELECTION fund demonstrated how active management and a systematic, rule-based investment approach can achieve added value, specifically in the turbulent market phases prevailing throughout the third quarter.

Short-term bond portfolios presented an attractive alternative to classic money market investments in the ongoing low-interest environment. The volume of our BERENBERG EURO ENHANCED LIQUIDITY retail fund rose by more than 20% to €344 million. This fund invests primarily in short-term and euro-denominated bonds and investment-grade money market instruments. Despite its conservative investment approach, the fund achieved a steady, positive performance of more than 2.22%, significantly more than the benchmark consisting of 50% Eonia and 50% iBoxx Euro Overall 1–3 years.

In the search for alternative sources of return, emerging markets appeared even more clearly on institutional investors' screens. Our BERENBERG EMERGING MARKETS BOND SELECTION retail fund benefited mostly from the cash inflow into this investment class, growing by more than 26% in volume. Developments in emerging markets are far from homogeneous, however, and are subject to great fluctuations. In order to achieve a sustainable positive performance, the strategy combines the country selection and allocation process with ongoing risk management.

Our BERENBERG DYMACS VOLATILITY PREMIUM fund once again demonstrated how volatility can be successfully used to provide an alternative source of income. This fund leverages the volatility risk premium by systematically deploying an option-based strategy, and has returned a positive performance for the seventh consecutive year since its launch. It is particularly suitable for risk-conscious investors seeking an investment offering an attractive risk/return profile and independent returns constituting an alternative to traditional investment classes. At the end of the year, the fund volume totalled more than €160 million.

In the area of overlay management, we have further professionalised our strategic approaches through intense research activity and have responded to the needs of our institutional clients, specifically in the field of currency management. This allows us to offer differentiated and customised risk management approaches, including not only passive, rule-based currency management but also a model-based system.

Client satisfaction

We seek constant dialogue and a productive exchange of ideas with our clients and investors. With this in mind, we attend industry events and are regular exhibitors at the Institutional Money Congress in Frankfurt. In addition, we send out invitations to events that we hold ourselves. The 16th *Berenberg Asset Management Conference* is an established all-day event and was held on 19 January 2016; it was attended by institutional investors seeking information on current capital market topics. The new *Berenberg* BRAIN/FOOD series of events offered investors a format based on one theme, two speakers, short presentations, good discussions and a business lunch. Meanwhile, our second *Investment Symposium* provided a platform for dialogue aimed at ecclesiastical institutions.

Investment and Corporate Banking central business unit

Our Investment Banking and Corporate Banking business divisions safeguard businesses' access to capital – ensuring their stability and providing growth opportunities. From IPOs and bonds right through to structured financing options or advice on M&A activities, we offer a range of support services. Institutional investors also benefit from our research and capital market expertise.

Investment Banking

Our Investment Banking division offers a broad range of banking and advisory services. It is divided into three segments: Equities, Corporate Finance and Financial Markets.

Equities

Equity Research

2016 was another year of growth in Research. At year-end, we had more than 100 analysts covering over 630 shares – an increase of 26% compared with the previous year. We held over 10,000 meetings with investors over the reporting year, and arranged over 16,000 meetings between our investor clients and corporates. We also hosted 23 conferences (up from 13 in 2015), including our biggest-ever annual *Berenberg European Conference* in December 2016. This was held once again at Pennyhill Park in Surrey (a short distance from London), with 330 representatives from 172 companies in attendance as well as 398 investors.

»2016 was another year of growth in Research. At year-end, we had more than 100 analysts covering over 630 shares – an increase of 26% compared with the previous year.«

There are three areas of growth in 2016 that we would particularly highlight: We have more than doubled the number of UK-listed companies that we cover to 159 over the last two years. We still see significant opportunities to expand our coverage further, especially in the small- and mid-cap space. We doubled our UK mid-cap team from five to ten analysts to better exploit this growth potential.

In the US market, we cover around 80 shares from our London office. We have now established a research team in New York, which is expected to assume coverage of another 100 US shares in 2017.

The third area of growth relates to our Thematics team, which we established in early 2016. The team's research on disruptive technologies, long-term macro themes and management behaviour has generated huge investor interest. We have hosted two themed conferences, the first on battery technology, and the second on the impact of demographic trends.

The expertise and quality of our people is key to our reputation for excellent research. We have been able to hire and retain some of the City of London's best analysts by offering them the flexibility necessary to write long-term, thought-provoking research on the industries they cover, away from the conflicting goals that often exist at our competitors among the large investment banks. We also have a comprehensive training programme that is key to attracting junior talent including professionals from other industries that are looking for a career change.

Equity research faces fundamental change with the implementation of the EU directive MiFID II as of January 2018. In fact, we would argue that the industry is already feeling the impact today. Although MiFID II presents some challenges for sell-side research, on balance we expect it to be positive for Berenberg, given our focus on quality and the relevance of the research we produce.

Equity Institutional Sales

2016 saw further expansion in the Berenberg global sales team, which ended the year with 61 members. The team now services close to 750 institutional clients, across all investment styles and all the major financial hubs in the UK, continental Europe and the US. In concert with our equity research and economist colleagues, the team worked tirelessly to help investors navigate the sizeable market challenges that 2016 presented.

The team shares a number of key attributes: all are passionate about equities; all service their clients to the highest professional standards; and all act with the utmost integrity and reliability. The desk is structured as a combination of generalist and sector-specialist sales, which deepens the overall knowledge of the desk. We actively hire both experienced staff and goal-oriented junior talent, which gives the desk an added level of energy and drive.

In 2016, we gained considerable market share versus our competitors. This helped us deliver another year of trading commission growth, which contrasted markedly with a number of our peers who saw a contraction in comparable commissions.

Geopolitical events and the resulting shift in confidence caused a market-wide pullback in the primary market, which also affected our business with corporate clients. Nevertheless, we were involved in a number of successful IPOs, capital increases and rights issues (see pages 40–41).

Despite our pride in what we have achieved to date, we still see substantial scope to broaden our client coverage further, continue to secure more market share and be even more active on the primary/corporate side. Furthermore, thanks to our service focus and the value added by our Research team, we remain well prepared to deal with emerging regulatory change.

Equity Trading

In the reporting year we further expanded our trading team across the globe, hiring eight sales traders and traders for our offices in Hamburg, London and New York. This allowed us to further improve the quality of our services for German, Benelux, UK and US clients on the trading side. 2016 also saw our Eastern Europe (CEE) and Risk-Arb (M&A transactions) teams fully up and running in our London office. Both teams contributed to our growth as we gained further market share across European equities. Of particular note was our market share gain in UK-traded stocks out of London, where we now have three dedicated UK traders. Commissions in UK stocks alone were up by around 30% in 2016 compared with 2015. The US trading desk in New York was another focal point of our activities. With a successful team of five traders and sales traders, we had better-than-expected US business.

Around 140 major US and European institutional clients traded US equities through our subsidiary Berenberg Capital Markets LLC in New York, irrespective of the client's domicile and status (mutual or hedge funds). The US trading desk executes US and Canadian stock transactions, while also enabling us to trade and convert ADRs (American depository receipts).

All told, including our electronic trading desk in Hamburg, we have a team of 30 traders and sales traders with a balanced mix of experienced seniors and juniors. We intend to further expand our market share in 2017 (which is up by around 10% to date). We should be able to achieve this target even in a challenging environment (with the market volume for European shares down by around 7%), despite the tighter regulations expected.

Corporate Finance

The most transactions

Equity Capital Markets 2016 in the German-speaking region

Number of deals	Lead bank
13	Berenberg
12	Credit Suisse
11	UBS
11	JPMorgan
8	Goldman Sachs
7	Deutsche Bank
7	Citi
6	Kempen & Co
6	Morgan Stanley
5	Barclays
5	Bank of America Merrill Lynch

Transactions with a minimum volume of €10 million
Source: Bloomberg

Equity Capital Markets (ECM)

Despite a challenging market environment for issuance in Europe, contracting by some 40% compared with the previous year, 24 ECM transactions were successfully closed (2015: 28). The transaction volume increased to around €9.4 billion (2015: €8.5 billion), of which some €6.7 billion was attributable solely to the six IPOs that we supported. Our IPO market share in the German-speaking region reached a record high of 97% in 2016 (calculated on the basis of transaction volume). We also managed to further expand our operations in other European markets. The largest transaction we supported was the IPO of RWE's subsidiary, Innogy, valued at €4.6 billion, the largest German flotation since 2000. In Germany, we similarly provided support for the IPOs of Senvion (a manufacturer of wind turbines), Shop Apotheke Europe (an e-commerce business) and va-Q-tec (a high-tech enterprise). In addition, we assisted with the listing of the ASR insurance company in the Netherlands and VAT in Switzerland.

In the field of capital increases, we advised businesses from various industries and European countries. Rights issue capital increases with a total value in excess of €500 million were placed in Germany on behalf of SGL Carbon, Hamborner REIT, Vossloh and MPC Capital. From among the capital increases ranging under 10%, special mention should be made of the €296 million issue for Eurofins, the leading international laboratories group. Furthermore, we once again successfully placed shares in real estate company Aroundtown, amounting to €267 million.

We additionally supported the secondary placement of several share packages with a total value of more than some €400 million. In the reporting year, these transactions included shares in alstria office REIT, TAG Immobilien and Berentzen in Germany as well as share packages in Plus500, DFS and On The Beach in the UK.

While reinforcing our leading market positions in the German-speaking region, we continued to expand the advisory activity at our office in London. All in all, we acquired six new corporate broking mandates, including Plus500, Pendragon, Scapa and XLMedia.

Debt Capital Markets (DCM)

Our DCM team advises and supports issuers on how to structure and place corporate bonds, convertibles and promissory notes. In this context, clients benefit from our extensive transaction experience and comprehensive advisory approach. With 12 primary market transactions successfully closed and a volume in excess of €3 billion, we again expanded our strong position in 2016. It is worth highlighting the international character of our clientele in the reporting year. In addition to convertible issues on behalf of Grand City Properties from Luxembourg and Austrian BUWOG Group, we successfully placed a €250 million convertible on behalf of Indra Sistemas of Spain and a €125 million convertible on behalf of Belgian Greenyard group. We also once again provided support for INTRALOT in Greece, in connection with the placement of a €250 million bond. On top of this, we were highly successful in placing with our investors two promissory note loans (Feintool and HELMA Eigenheimbau) and other bonds on behalf of prominent European issuers such as Aroundtown, Sixt, Otto Group and CA Immobilien Anlagen.

M&A Advisory

The M&A market remained relatively stable and lively in 2016. This development can largely be attributed to the activities of US firms and private equity investors, as well as increasingly to the activities of investors from China. Alongside continuing consolidation and balancing processes, favourable financing conditions were again key. From our point of view, the reporting period was dominated by a number of high-calibre transactions in the public M&A segment. We successfully conducted transactions with a total volume in excess of €5.0 billion, reinforcing our position as one of the leading M&A advisors for public transactions in the German-speaking region. Among others, we supported Knorr-Bremse in its ongoing acquisition of Haldex and KUKA in the context of its acquisition by the Chinese investor Midea Group.

Financial Markets

Fixed Income Research

The systematic focus of our Fixed Income Research on special and niche themes paid off once again in 2016. Thus, for example, our studies and presentations on the increasingly important subject of bank regulation and our weekly German-language publication »Freitags-Auslese« helped us to further expand our market presence. Participating for the first time in »The Cover Awards« – a worldwide survey of investors and issuers – our Fixed Income Research team reached a top five position in the field of covered bond research.

Fixed Income Sales Trading

The financial year 2016 was strongly affected by the actions of the European Central Bank. In addition, the markets were dominated by dramatic political events such as the Brexit vote and the US presidential elections. The expansion of the securities purchase programme and extension of the investment universe led to another significant decline in yields in all investment classes, narrowing issue spreads and a further deterioration in secondary market liquidity. German 10-year government bond yields became negative for the first time.

This trend was not reversed until commodity prices stabilised and then rose over the course of the year in conjunction with a rise in US interest rates.

We nevertheless generated a stable profit through consistent exploitation of all the Bank's trading capacities and our excellent access to institutional investors and issuers. We strengthened and expanded our position in the high-yield universe and in convertibles.

Forex Trading

It was a relatively quiet year for the G10 currencies – apart from the two events already mentioned, the Brexit vote and the surprising outcome of the US elections. With regard to emerging-market currencies, special mention should be made of the sharp devaluation of the Turkish lira caused by political events in that country.

Both areas of Forex Trading were able to participate to a large extent in these extreme events: sales by making product suggestions for our clients; and proprietary trading by taking prudent but resolute action. This enabled Forex Trading to generate a very satisfactory profit despite a slight decline in trading volumes.

Our clientele includes corporate clients, institutional investors, banks and high-net-worth individuals. We offer them end-to-end telephone service around the clock from our head office in Hamburg. In addition, there are many ways of obtaining our prices through electronic channels, such as the Berenberg Electronic Trading Platform, our function as market maker on the 360T multi-bank trading platform, and extended trading options on Bloomberg. Pricing quality, especially the spread, improved once again.

In order to maintain quality and to prepare for the generation shift, the number of employees at our Hamburg and Zurich offices has risen to a total of 13.

Closed Transactions

Equity Capital Markets

IPO
innogy
EUR 4.6bn
Co-Lead Manager

IPO
ASR nederland
EUR 1.1bn
Co-Lead Manager

IPO
VAT
CHF 621m
Co-Lead Manager

Capital Increase
eurofins
EUR 296m
Global Coordinator

Private Placement
SENVION wind energy solutions
EUR 271m
Joint Bookrunner

Capital Increase
AROUNDTOWN PROPERTY HOLDINGS PLC
EUR 267m
Global Coordinator

Rights Issue
SGL GROUP THE CARBON COMPANY
EUR 180m
Joint Bookrunner

Rights Issue
hamborner REIT
EUR 167m
Global Coordinator

Rights Issue
vossloh
EUR 127m
Global Coordinator

Secondary Placing of
Plus500
GBP 101m
Global Coordinator

IPO
SHOP APOTHEKE EUROPE
EUR 115m
Global Coordinator

IPO
va-Q-tec
EUR 83m
Global Coordinator

Secondary Placing of
alstria office REIT
for
Oaktree
EUR 74m
Global Coordinator

Secondary Placing of
dfs
for
Advent International
GBP 62m
Lead Manager

Secondary Placing of Treasury Shares
TAG Immobilien AG
EUR 58m
Global Coordinator

Pre-Placement and Rights Issue
MPC
EUR 37m
Global Coordinator

Secondary Placing of
on the Beach.co.uk
for
Inflexion Private Equity
GBP 22m
Joint Bookrunner

Secondary Placing of
Berentzen
for
AURELIUS
EUR 13m
Global Coordinator

Debt Capital Markets/Equity-linked

Bond Senior Unsecured AROUNDTOWN PROPERTY HOLDINGS PLC EUR 600m 1.500% 05/2022 Senior Co-Lead Manager	**Bond Senior Unsecured** AROUNDTOWN PROPERTY HOLDINGS PLC EUR 500m 1.500% 05/2024 Senior Co-Lead Manager	**Convertible** GRAND CITY Properties S.A. EUR 450m 0.250%/45.0% 03/2022 Global Coordinator	**Convertible** BUWOG group EUR 300m 0.000%/35.0% 09/2021 Co-Lead Manager	**Bond Senior Unsecured** SIXT SE EUR 250m 1.125% 11/2022 Co-Lead Manager	**Bond Senior Unsecured** intralot EUR 250m 6.750% 09/2021 Joint Bookrunner
Convertible indra EUR 250m 1.250%/25.0% 10/2023 Co-Lead Manager	**Bond Senior Unsecured** otto group EUR 250m 2.500% 06/2023 Co-Lead Manager	**Bond Senior Unsecured** CA IMMO URBAN BENCHMARKS EUR 150m 2.750% 02/2023 Co-Manager	**Convertible** GREENYARD EUR 125m 3.750%/25% 12/2021 Global Coordinator	**Promissory Note PP** FEINTOOL EXPANDING HORIZONS EUR 65m Joint Lead Manager	**Promissory Note PP** HELMA Eigenheimbau AG EUR 26m Co-Manager

M&A Advisory

Public Takeover of Haldex by KNORR-BREMSE – pending – Advisor to Knorr-Bremse	**Public Takeover of** KUKA by Midea Group EUR 4.574m Advisor to KUKA	**Public Takeover of** DMG MORI AKTIENGESELLSCHAFT by DMG Mori Co., Ltd. EUR 1.159m Advisor to DMG Mori Co., Ltd.	**Sale of Minority Shares in Aevi International GmbH by** WINCOR NIXDORF to HPE Growth Capital Advisor to Wincor Nixdorf

Structured Finance

Refinancing BIEN ZENKER DAS HAUS HANSE HAUS Genau mein Zuhause. Senior Refinancing of Fertighaus-Gruppe Arranger	**Acquisition Financing** SF-FILTER Super-Senior Term Financing and RCF Sole Lead Arranger (Super-Senior Facilities)	**Acquisition Financing** ihse. KVM & Beyond Senior Financing of the IHSE Group Mandated Lead Arranger and Underwriter	**Financial Advisory** qsil Financial advisor in the course of the group's refinancing via debt funds and assessment of mezzanine alternatives Sole Financial Advisor	**Financial Advisory** PURAGLOBE Financial advisor in respect of debt financing to support the group's growth Sole Financial Advisor

Corporate Banking

Alongside traditional corporate client operations, this division is characterised by specific expertise and transaction services, particularly in the infrastructure and energy, shipping and real estate industries. This is supplemented by our specialists in the Payment Services and Structured Finance departments.

We have acquired institutional investors both for our special financing arrangements and for our shipping loans; they invest in loans channelled through us. For investors, this constitutes an opportunity to generate interesting returns, while allowing us to contribute our expertise in the area of financial arrangements, including off-balance-sheet. This means that asset management for loans is growing in importance, offering us a way to expand our service activities.

Furthermore, we were able to perform additional transactions in cooperation with our partner BayernLB. As well as an increase in business volume, we once again achieved a good risk result.

Corporate Clients

Our corporate client business is centred on companies capable of tapping the capital markets and SMEs throughout the German-speaking region. With our focus on interest rate, currency and investment management, as well as payment services and transactions, we have also established a good position in other parts of Europe. In this context, our client relationships do not centre on lending, an area that is only relevant for clients with whom we have developed business in other parts of the Bank: we are increasingly concentrating on deepening business relationships with our Investment Banking and Structured Finance divisions in the corporate client business.

»Our corporate client business is centred on companies capable of tapping the capital markets and SMEs throughout the German-speaking region.«

Structured Finance

Our specialists are active in transaction financing and financial advisory, cooperating closely with financial investors and accompanying companies and entrepreneurs in complex deals that frequently involve equity-based financing. We also act as asset manager for institutional investors through the Luxembourg-based alternative investment fund (AIF) BERENBERG ALTERNATIVE ASSETS FUND, which we launched in 2016.

The trend, which emerged in 2015, towards higher leverage and loans with less protection for creditors (covenant-lite loans) also continued in the field of acquisition financing in Europe in 2016. Furthermore, private debt funds became established as an alternative to traditional bank financing. In keeping with our conservative risk policy, in 2016 we focused on our financing advisory services and cooperation with private debt funds. The super-senior credit fund that we launched, and for which we provide advisory services, put us in a position to co-finance low-risk portions of interesting transactions and to expand these activities again in 2017. For example, we supported the Italian financial investor Ambienta in its acquisition of Swiss SF-Filter Group with a structure of this kind. All in all, we can look back on a very successful year, with five advisory mandates (for example, at PURAGLOBE and QSIL) and 12 transaction financing deals.

Infrastructure & Energy

The Infrastructure & Energy department was formed at the end of 2014, and expanded once more in 2016 in order to meet rising demand for investment opportunities in this area. We offer investors the option of investing in equity, mezzanine or debt capital, and ensure access to projects through our large national and international network of clients and our structuring expertise in all transaction, financing and project-related issues. We have provided advisory services for project developers with a focus on solar and wind energy and assumed the acquisition of debt and equity on their behalf.

For example, we were able to assign a major Scandinavian wind farm project, for which we provide advisory services, exclusively to an investor, and we won capital acquisition mandates for two solar farm portfolios, one Japanese and one Franco-German.

In the field of infrastructure we placed a special focus in the reporting year on financing advisory and capital acquisition for the procurement of railway vehicles, and a mandate for a leading German telecommunications provider relating to the buildout of its fibre-optic network.

Shipping

Our shipping activities grew substantially during the reporting year. At the beginning of 2016, our attention was mainly focused on the still tight market situation caused by the continued fall in vessel values, especially in the container area. Over the course of the year, we managed for the first time to attract institutional investors for investments in ship loans and to present ourselves as providers of performing shipping loan portfolios. This means that we now have new business options, not only in our commercial banking business with shipping clients but also with shipping-related investors.

As several major banks made further cutbacks to their shipping activities in 2016, some good opportunities for growth are available to us. We have been able to acquire high-profile clients from around the world with our services.

The combination of purchases of shipping loan portfolios and the related asset management enables us to act on a broader and more international scale.

Real Estate

The continuing high demand combined with low supply in virtually all segments of the real estate market meant that prices rose further during the reporting year. Nevertheless, thanks to our network and long-standing client relationships, we managed to do some lucrative business in 2016, providing advice and financing to selected project developers and builders.

Close and effective collaboration with the Real Estate division enables us to offer our private and corporate clients optimal solutions for their real estate activities.

Cross-divisional services

Real Estate

We expanded the Real Estate division further in 2016, taking on more personnel in various areas. Besides providing all-round advice on the economics of all aspects of real estate as a capital investment, we structure discrete transaction processes for buyers and sellers. Berenberg also offers value-based asset management services, which are particularly important across the real estate cycle. Numerous mandates were carried out in both areas in 2016.

As an exclusive investment opportunity for institutional clients, the placement of our open-ended special AIF (alternative investment fund) BERENBERG REAL ESTATE HAMBURG was oversubscribed. In the course of 2016, the »Tower« office building located in Hammerbrookstrasse in the southern part of Hamburg city centre and the European headquarters of the Japanese electronics group Casio were acquired.

The Real Estate division extended its series of regional focus funds by setting up a further open-ended special AIF, BERENBERG REAL ESTATE BERLIN, with targeted gross assets of €350 million for institutional clients. The investment focus is the greater Berlin and Potsdam area. The initial investment comprised the acquisition of the »Wilhelm-Galerie« in central Potsdam, which went to the fund. Both funds will expand their investment activities in 2017.

Banks Cooperation

The challenging capital market environment led to a shift in the demand situation at our cooperation partners, around 100 savings banks (»Sparkassen«) and some other banks in Germany, Austria and Switzerland.

Specifically, the introduction of negative interest rates at some of our cooperation partners caused a significant rise in demand for investment solutions for corporate clients. The solutions we offer in this context range from defensive bond funds to sophisticated structures within the scope of »special funds« that we present to clients in conjunction with our cooperation partners.

Furthermore, we intensified our cooperation in our partners' proprietary investments, and were able to place the first solutions from the Real Estate and Corporate Banking business units. On top of this, we established initial contacts with banks in the Netherlands, Denmark and Sweden to drive forward the regional diversification of our cooperation with banks.

External Asset Management Office

The private label fund business was our biggest growth driver in 2016. The number of these special funds, for which we provide custodian services, has more than trebled over the last three years. Various success factors played a supporting role in this: the strict focus of all activities on independent asset managers; the excellent quality of execution on trading orders; and the combination of business advice and operational services.

We made an impact in 2016 by building bridges between fund initiators and fund decision makers with our »speed dating« format. This involves offering a 30-minute time slot at a large event as an opportunity for not just one, but four fund initiators to present themselves briefly. While the presenters have to restrict themselves to the essentials, for the audience it is a very efficient use of time.

Art Consult

2016 was a time of great change for Berenberg Art Consult. The arrival of a new senior consultant enabled us to considerably expand our advisory services offering. The department now offers a rapid but sound orientation in contemporary art and the growing online trade. We regularly comment on the overall art market and particular developments in articles published on Berenberg's website and elsewhere. As in previous years, the acquisition of outstanding works at high prices was facilitated for a large number of clients. In addition, we organised exclusive visits to trade shows for clients in Maastricht, Cologne, Hong Kong, Basel and London. On behalf of a particularly large client, we held a symposium in the south of France on the relationship between text and image in Islamic art. The plan for 2017 is to extend the offering of customised advisory services to new clients. Art is still not only the most attractive form of investment but also one that will, in our estimation, remain stable over the coming years.

Bank Management central business unit

We can only succeed in providing the best possible service to our clients in the central areas of Wealth and Asset Management as well as Investment and Corporate Banking if the infrastructure required by the staff areas is optimally aligned to this objective. In addition, implementation of regulatory changes ties up a great deal of resources and the market environment is increasingly characterised by digitalisation and automation. For this reason, we have brought together the IT (information technology), Transaction Services and Risk Controlling units, that are especially important in this context, into the Bank Management central business unit, in order to harness their combined forces.

Our *IT* plays an important role in the rendering of our services. We made a conscious decision to develop important components ourselves in order to be able to respond in the best possible way to our clients' needs. In this respect, we rely on state-of-the-art development techniques and, in 2016, we began to consistently transform the segment to accommodate agile working. With this refinement, we intend to achieve an even greater degree of flexibility, lastingly boost the unit's productivity and innovativeness and ensure rapid deployment of newly developed functions. For this purpose, we are building on a more modular and flexible approach to our IT architecture. In combination with the possibility of achieving continuous delivery and integration, this will bring about a highly flexible and scalable basis that will enable a rapid response to new business requirements and facilitate partner integration. Alongside implementation of regulatory requirements, the current focus of our development work is predominantly on digitalisation and automation projects. We continue to base our ability to provide our business segments with stable and reliable IT services on an infrastructure involving our own IT centres. In order to achieve a sustainable operating framework, our plans are to make greater use of scalable solutions (cloud computing) in future in combination with our own systems. The increasingly international nature of our business is supported by a consistently global IT approach. Within the scope of our IT management, we place a special focus on the segment of governance and regulatory framework. Consistent alignment of our IT to agile working in combination with our very high level of expertise as operator and developer of our own systems allows us to integrate the stringent regulatory requirements into the systems and business processes with no delay. An IT security unit operating independently of IT ensures the necessary system protection.

The rendering of securities services for our clients necessitates a powerful securities handling system. From our *Transaction Services* department, we offer our front office segments handling processes tailored closely to their specific needs. We have made a conscious decision in this respect not to outsource handling. This is another field in which we identify the advantages of being able to respond to individual clients needs in a flexible manner. We pay attention that our handling procedures are not only robust and of the highest quality but also as efficient as possible. In this segment, again, we rely on increasing automation; firstly, in order to reduce susceptibility to error and, secondly, to be able to provide our front office segments with a platform for further growth and the progressing internationalisation of our business.

The *Risk Controlling* unit guarantees analysis and management of the risks associated with the banking business that are independent of the market segments (please also refer to the Risk Report on page 49 et seq.). For many years now, we have made sure that we do not consider the key risk indicators in isolation from how our business is otherwise developing. For this reason, Controlling has similarly been integrated into this unit to provide the Bank and management with all relevant information required in this context. Furthermore, the Risk Controlling unit coordinates implementation of the large number of new regulatory requirements by launching the corresponding projects. A stand-alone department of the unit provides a policy manual that is consistent with the regulatory requirements. The process descriptions contained in this manual are used to identify starting points for potential process improvements within the Bank.

Risk report

We continued to apply our cautious risk strategy in the reporting period. This deliberate focus on less risky, service-oriented business divisions once again proved its value. Our risk culture is marked by an extremely conservative risk appetite and is defined by management once a year as part of the strategy planning process. Risks are assumed only to an extent that ensures the Bank's ability to continue as a going concern at all times. This approach forms the basis for our risk management, including the setting of risk limits.

The Bank's liquidity situation was very comfortable throughout 2016, and unchanged compared with the previous year. We invest our deposit surplus in a securities portfolio dominated by paper from German public-sector issuers with short remaining maturities. At no time has the Bank conducted proprietary investments in securitised credit structures or similar.

Our risk management process is characterised by its strategic focus on service-based business divisions, combined with the use of modern risk measurement methods ideally suited to our corporate structure.

The main risk types that we analyse in our risk management processes are counterparty, market price, operational and liquidity risks. Reputational risks are evaluated as part of the management of operational risk and additionally covered by economic capital regarding the risk of earnings collapsing. Also, the risk of earnings collapsing is determined. Our approach to managing the risk of earnings collapsing is intended to prevent losses from the possible weakening of individual earnings components that prove volatile over the course of time.

The potential losses of the various business divisions are quantified for the above risk types on the basis of the value-at-risk (VaR) principle. VaR represents a loss threshold for a given probability level. The VaR procedures reflect only the potential losses on the basis of relatively normal market movements. To gain a second perspective on the risk situation, we have been supplementing risk evaluations with an analysis of historical and hypothetical stress scenarios for several years now.

Our regular comparisons between risk and risk cover are based on these two different methods of assessing the risk position. The economic capital considered as part of our risk management process is separated from regulatory capital or equity capital. In keeping with the concept of a going concern, it should be possible to cope with unexpected losses without having to fall back on external capital-raising measures. Consequently, the economic capital essentially consists of the easily liquidated reserves available to the Bank. First, these reserves are compared with the VaR with a confidence level of 99% (primary control group). In addition, we continue to perform stress-testing based on a more extreme VaR quantile of 99.9%. The economic capital to be set against risk is supplemented in this analysis by unused portions of regulatory capital not tied up by risk-weighted assets. Within the scope of observations performed in parallel, the findings of the stress scenarios are compared with the existing economic capital. Possible diversification effects across the various risk types are ignored by aggregating the covering amounts for the various categories of risk.

Not all of the economic capital available to the Bank in the past financial year was used by the business divisions, which highlights the particular caution built into the Bank's risk management process and reflects the appropriateness of the relationship between the opportunities arising from business activities and the risks assumed with regard to overall profit or loss. Optimisation of the risk/reward ratio is a key objective of our overall risk-adjusted bank management system. The business divisions take on risk only if it is commensurate with the potential rewards.

Each quarter, further stress tests are added to the calculation of risk-bearing capacity. We also perform ad-hoc stress tests as and when required. As an inverse stress test, we define additional scenarios that would tie up all of the available economic capital if they were to occur.

Management has overall responsibility for the risk management process and defines the general conditions for managing the various risk types. A central Risk Controlling unit acts independently of the various front offices in organisational terms, in accordance with the Minimum Requirements for Risk Management (MaRisk) for banks and financial service institutions. This unit works closely with the

Finance unit to ensure a constant flow of information to the Bank's Management and Advisory Board, and is responsible for developing and overseeing the systems used in overall bank and risk management. Risk Controlling carries out a risk inventory every month and compares the risk amounts of the various risk types with the available economic capital. As part of the risk management process, we ensure that excessive concentrations of risk do not exist, either within or across risk classes.

Berenberg employs the classic model with three lines of defence. In the first line of defence, the operational managers in the Bank's various units are risk owners with responsibility and accountability for assessing, managing and mitigating risk. This includes the implementation and monitoring of organisational hedging operations and control activities anchored in the processes.

In the second line of defence, the Risk Controlling and Compliance units facilitate and monitor the implementation of effective risk management by the other units and ensure independent risk reporting within the Bank.

The third line of defence consists of the independent Internal Audit department, which employs a risk-oriented approach to evaluate how effectively the Bank assesses its risks and how well the first and second lines of defence perform their tasks.

A back office unit organisationally independent of the front office employs a wide-ranging limit structure to monitor exposure to *counterparty risk*. An extensive range of controlling analyses supports the management of default risk at the overall portfolio level.

Market price risk arises from both short-term positions in the trading book and strategic positions in the liquidity reserve, and is monitored by Risk Controlling.

Risk Controlling also quantifies *operational risk*, the extent of which is limited by a comprehensive set of rules and contingency plans.

Treasury is responsible for the management of *liquidity risk*, together with the Money Market department. Risk Controlling is included in monitoring.

An overall calculation is performed on a monthly basis to track the profit and loss of the business divisions, taking into account the risks assumed. The *risk of earnings collapsing* in the profit centres is also analysed as a key risk in this context. The Risk

Controlling unit provides management with an efficient management information system that enables the recipients to analyse the risk-adjusted earnings and risk variables at every aggregation level, from the Bank as a whole all the way down to the individual client.

The Bank's Auditing unit 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 regularly provide information to the Risk Monitoring Committee set up by the Bank's Advisory Board, which holds three scheduled meetings each year.

The principles of our risk management strategy are recorded in a written risk strategy paper, which is available to all employees.

The complete risk report can be accessed at www.berenberg.de/en/riskreport.

Employees

Our Bank's headcount has been steadily growing for years now, and continued to do so in 2016. The rising number of employees also reflects the Bank's increasing internationalisation, as over the last five years we have grown by 81% outside Germany and 20% within Germany.

The scarcity of trained staff and the declining attractiveness of the banking industry as an employer represent great challenges for HR management. In response, we again significantly stepped up our programme to recruit high-potential young talent. By the end of 2016, a total of 91 young employees had joined the Bank's trainee programme (2015: 61).

Employees including subsidiaries

	31 Dec. 2012	31 Dec. 2016	increase in %
Germany	838	1,002	19.57%
other countries	278	504	81.29%
Total	**1,116**	**1,506**	**34.94%**

On top of this, we set great store by providing a high level of ongoing training for our employees. Specialist training on offer includes part-time study courses and certified training programmes for professions such as Chartered Financial Analyst (CFA). Our in-house training focuses in particular on the areas of leadership, communication and personality development.

Breakdown of trainee programmes

Apprenticeships (Bank and IT)	32
Dual-track studies (HSBA)	10
International trainee programme	49
Total	**91**

Addressing the current challenges in a complex and difficult environment is only possible with a highly motivated and well-qualified workforce, who demonstrate a high degree of commitment, flexibility and willingness to embrace change. We would like to express our heartfelt thanks for this.

We also extend our gratitude to the members of the Works Council for their constructive cooperation in an atmosphere of trust.

Outlook

Banks continue to face a difficult environment. Not only must they cope with tightening regulatory requirements and historically low or even negative interest rates, but they also face the additional challenges of digitalisation.

Berenberg will continue to make every effort to address challenges in a timely and proactive manner. As a medium-sized bank, we are well equipped in this respect. We are of sufficient size while maintaining the flexibility to react quickly. Therefore, we have repeatedly adjusted our business model to meet requirements and to expand Berenberg from a bank focusing on northern Germany into an advisory firm with international operations.

In addition to Hamburg, we have become established at the major financial hubs. At year-end, we had over 300 employees in London, where we expect Brexit to bring more advantages than disadvantages for our activities over the coming years: being a German bank, we will not have to relocate any business units in order to be able to continue doing business in the EU, in contrast to many non-European banks. The probable departure of some competitors even allows us to work on the assumption that it will become easier for us to hire highly qualified staff in London.

»Thanks to our advisory services aligned to client requirements, we have been able to acquire numerous new clients in recent years. Continuing this approach, we intend to further expand our business in 2017.«

We will further expand our New York operations and move into larger office space at the end of 2017. We will set up an equity research desk to cover US stocks and refine our equity trading activities at that location.

Thanks to our advisory services aligned to client requirements, we have been able to acquire numerous new clients in recent years. Continuing this approach, we intend to further expand our business in 2017 and continue to grow in our core markets of Germany, the UK, continental Europe and the US. We wish to remain the preferred partner for existing clients and consider ourselves to be in an excellent position to win new ones and expand our market share.

We will continue to apply our proven, diversified business model with our Wealth Management, Asset Management, Investment Banking and Corporate Banking business divisions. In Wealth Management we are concentrating on providing services for sophisticated asset structures, and plan to dovetail the division even more closely with Asset Management. In securities trading, we are planning to further increase our market share and transpose to other markets our top ranking in the capital market business of our home market. In Corporate Banking, we plan to develop new innovative products and tap new client groups.

As diverse as the divisions may be, they are all united by our determination to provide clients with top-quality, objective advice, the best possible service and excellent execution. Our focus will remain on offering services without assuming risk ourselves. Berenberg will concentrate on the four 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 with a view to concentrating fully on our clients' needs.

Besides expanding our front office units, we will also constantly adapt our internal structures. We will be focusing closely on our in-house IT, which runs state-of-the-art equipment and will deploy modern organisational structures to provide the necessary flexibility. Risk control and compliance as well as HR development and marketing are further areas where we are making investments. No specific risks were known at the reporting date that could have a major impact on the Bank's future business performance.

We are convinced that we have a good position in the market and that the hard work of our dedicated and skilled workforce will enable us to generate good earnings again in 2017. However on account of the aforementioned non-recurring items in 2016, we anticipate that the earnings recorded for 2017 will be noticeably lower than the earnings seen in 2016.

Wealth and Asset Management central business unit

Wealth Management: We believe that the organisational interlinking of Wealth Management, Asset Management and Portfolio Management will provide very positive stimuli for our business with high-net-worth individuals, entrepreneurs and charitable organisations. Investments in staff, technology and portfolio management processes will help us convince even more clients of the benefits of professional portfolio management. At the same time, we will drive cooperation with other divisions of the Bank. The »Berenberg platform«, with its innovative product and advisory solutions, will be made accessible for even more intense use by our Wealth Management clients. In the field of digitalisation, we will continue to closely analyse which innovations are likely to generate added value for our clients, whether directly or indirectly, and what positions and/or sources of income can be derived from these innovations and integrated into our business model.

Asset Management: Our quantitative investment strategies and overlay solutions make us well-positioned in Asset Management. Going forward we will continue to expand our discretionary investment strategy offerings. We are also proceeding with due deliberation on our internationalisation course. We will continue to steadily pursue the goal of expanding our market position in overlay management.

Investment and Corporate Banking central business unit

Investment Banking: 2017 is likely to be another challenging year for the investment banking industry, but we expect to continue to performing well against this difficult backdrop. The implementation of MiFID II in January 2018 will result in a fundamental shift in business models, and we are already seeing the initial effects of this change. We have prepared for this by ensuring that our Research department is resourced to produce high-quality content and that our global Sales teams can continue to provide excellent client service across a large and growing number of institutions. We have also made significant investments in sales trading and trading expertise. We expect to maintain our leading position in IPOs, capital increases and M&A transactions in the German-speaking region and make progress in other regions, notably the UK. We will continue to work closely with our partner BayernLB in this regard. In 2017 we expect to supplement our US-based sales and trading capabilities with our first US-based research coverage, and aim to cover a further 100 US shares from a team in

New York, in addition to the around 80 US shares that we currently cover from our London office. Our Fixed Income and Forex Trading units remain well positioned to continue making a profitable contribution to the division.

Corporate Banking: We expect to grow in all departments involved in Corporate Banking and are very optimistic about the future. Thanks to our expertise in lending we can offer our clients interesting investment options in the areas of Structured Finance, Infrastructure & Energy and Shipping. For example, company acquisitions are increasingly being financed by alternative lenders like private debt funds characterised by agility and flexibility even in complex acquisition scenarios. In light of this we expect, over the medium term, an increasing number of corporate transactions financed by credit funds. We have been following this trend for three years, leading to the launch in late 2016 of our own super-senior credit fund, which invests in corporate loans exclusively in association with private debt funds. This enables us to expand transaction volumes without deploying our own loan book. The same applies to the Shipping department. All in all, we see good prospects for growth in this field.

ANNUAL FINANCIAL STATEMENTS

Balance sheet as at 31 December 2016

Assets €		2016	2015
Cash reserve			
Cash on hand		1,916,557	1,917,520
Balances with central banks		196,915,780	20,843,710
	1)	**198,832,337**	22,761,230
Receivables from banks			
Payable on demand		368,187,194	417,079,936
Other receivables		303,406,712	318,492,311
		671,593,906	735,572,247
Receivables from customers	2)	**933,638,948**	1,013,408,258
Bonds and other fixed-income securities			
Bonds and debentures			
– of public-sector issuers	3)	1,325,904,907	1,755,059,258
– of other issuers	4)	879,657,448	804,370,278
		2,205,562,355	2,559,429,536
Shares and other variable-yield securities		**389,695,489**	231,739,808
Trading portfolio		**24,977,653**	31,454,752
Participating interests	5)	**3,482,191**	8,911,601
Shares in affiliated companies	6)	**22,540,872**	14,840,872
Trust assets		**4,514,484**	6,743,966
Intangible assets			
Purchased franchises, industrial property rights and similar rights, and licences to such rights		**4,860,964**	3,780,362
Tangible fixed assets		**19,723,086**	20,816,909
Other assets		**230,104,729**	84,435,726
Prepaid expenses		**5,533,251**	3,354,463
Excess of plan assets over pension liabilities		**1,248,725**	1,062,584
Total assets		**4,716,308,990**	4,738,312,314

1) thereof: with Deutsche Bundesbank €196,501,377
2) thereof: municipal loans €185,076,172
3) thereof: eligible as collateral with Deutsche Bundesbank €1,298,277,301
4) thereof: eligible as collateral with Deutsche Bundesbank €861,902,037
5) thereof: in banks €164
6) thereof: in banks €2,540,872

Equity and liabilities

€	2016	2015
Liabilities to banks		
Payable on demand	374,014,412	525,759,819
With agreed term or notice period	65,030,754	156,904,840
	439,045,166	682,664,659
Liabilities to customers		
Savings deposits		
– with agreed notice period of three months	348,591	397,798
– with agreed notice period of more than three months	23,483	35,634
Other liabilities		
– payable on demand	3,251,012,890	3,276,925,986
– with agreed term or notice period	469,276,759	292,821,899
	3,720,661,723	3,570,181,317
Trading portfolio	**15,874**	68,720
Trust liabilities	**4,514,484**	6,743,966
Other liabilities	**38,328,849**	33,168,736
Deferred income	**84,277**	35,000
Provisions		
Provisions for pensions and similar obligations	23,975,053	24,260,014
Provisions for taxes	1,232,309	11,066,380
Other provisions	71,159,548	73,685,364
	96,366,910	109,011,758
Subordinated liabilities	**45,000,000**	45,000,000
Fund for general banking risks [1]	**15,800,000**	15,800,000
Equity		
Subscribed capital	150,000,000	150,000,000
Retained earnings	86,704,633	22,000,000
Net profit/net accumulated losses for the year	119,787,074	103,638,158
	356,491,707	275,638,158
Total equity and liabilities	**4,716,308,990**	4,738,312,314
Contingent liabilities		
Liabilities under sureties and guarantee agreements	**74,148,826**	62,788,477
Other commitments		
Irrevocable loan commitments	**109,576,975**	114,589,296

[1] thereof: special item compliant with Section 340g HGB in conjunction with Section 340e (4) HGB €15,800,000

Income statement
for the period from 1 January to 31 December 2016

Expenses €		2016	2015
Interest expenses		**24,014,999**	28,214,549
Commission expenses		**39,958,011**	39,695,989
General administration expenses			
Personnel expenses			
– Wages and salaries		168,256,688	162,962,474
– Social security charges and expenses for pensions and similar benefits	1)	22,243,485	23,119,361
Other administrative expenses		123,268,655	104,476,543
		313,768,828	290,558,378
Depreciation of tangible fixed assets and amortisation of intangible assets		**9,074,024**	8,214,731
Other operating expenses	2)	**5,026,111**	9,435,486
Write-downs of and valuation allowances on receivables and certain securities and additions to loan loss provisions		**17,284,284**	0
Taxes on income		**3,254,529**	12,117,862
Other taxes where not shown under other operating expenses		**240,999**	527,034
Net profit for the year		**161,491,707**	103,638,158
Total expenses		**574,113,492**	492,402,187

[1] thereof: for pensions €4,917,036
[2] thereof: for compounding €1,648,535

Income

€	2016	2015
Interest income from		
– credit and money market activities	52,395,629	34,682,085
– fixed-income securities and debt register claims	29,621,394	37,676,127
	82,017,023	72,358,212
Current income from		
– shares and other variable-yield securities	7,437	9,209
– participating interests	3,857,423	4,923,860
– shares in affiliated companies	103,523,638	7,165,232
	107,388,498	12,098,301
Commission income	**293,588,151**	360,959,436
Net income from trading portfolio	**34,275,187**	36,028,504
Income from write-ups of receivables and certain securities and from the reversal of loan-loss provisions	**0**	1,277,758
Other operating income	**56,844,633**	9,679,976
Total income	**574,113,492**	492,402,187

	2016	2015
Appropriation of profit		
Net profit for the year	161,491,707	103,638,158
Appropriation to revenue reserves		
– to other revenue reserves	**41,704,633**	0
Net retained profits	**119,787,074**	103,638,158

Selected notes to the financial statements as at 31 December 2016

General information

The annual financial statements for the year ended 31 December 2016 have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the accounting regulations for banks. Unless stated otherwise, figures for the previous year are shown in parentheses.

Accounting policies

The existing accounting policies were applied without change in the reporting period.

As a general rule, receivables from customers and banks were recognised at nominal value or cost, with accrued interest taken into account for corresponding balance sheet items. Deferred income items have been set up for discounts on loans and on purchased receivables.

All identifiable credit and country risks in the portfolio of receivables were taken into account through the recognition of specific valuation allowances and provisions. General valuation allowances have been set up to cover latent credit risk and general loan-loss allowances have been set up in Luxembourg for the same purpose. The value adjustments were deducted from the receivables or added to provisions.

Securities in the liquidity reserve were measured strictly at the lower of cost or market or in consideration of valuation units.

Borrowed securities from securities lending transactions and the associated retransfer obligations were reported in the balance sheet.

Financial instruments held for trading purposes are marked to market, less a risk discount. The risk discount is determined 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 in the calculation with exponential weighting. The risk discount is calculated and disclosed separately for each portfolio. The risk premium is recognised up to the amount of the write-up.

Shares in affiliated companies and participating interests are recognised at cost. No impairments have been recognised.

Tangible fixed assets and purchased intangible assets were measured at cost, less scheduled depreciation and amortisation taken on a straight-line basis in line with the applicable tax regulations. Assets costing up to €150 are written off in full in the year of acquisition. Low-value assets costing between €150 and €1,000 are grouped together in a collective item and depreciated on a straight-line basis. They are shown in the statement of changes in fixed assets as additions and included in the amount disclosed for depreciation in the 2016 financial year.

Other assets, including option contracts, were recognised at the lower of cost or fair value. Generally, option premiums received and paid are not transferred to the income statement until the options expire or are exercised.

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

Provisions for pensions are calculated in the amount of the obligation at cash value on the basis of the biometric data included in the 2005G standard tables prepared by Professor Dr Klaus Heubeck. An interest rate of 4.01%, a rate of increase of 2.5% in future compensation, an increase in pension benefits of 1.8% and an industry-specific standard fluctuation are applied. Appropriations to pension provisions are presented in other operating expenses and personnel expenses. Assets used to settle pension obligations are netted against corresponding obligations. The difference between the amount of the pension provisions recognised based on a flat market rate from the past ten financial years and the amount of the provisions recognised based on a flat interest rate from the past seven financial years amounts to €4.6 million on the balance sheet date.

Provisions have been recognised taking account of all identifiable risks and uncertain obligations, including those arising from off-balance-sheet transactions, in accordance with the principles of prudent business judgement.

Provisions with a remaining term of more than one year are discounted using the average market rate of the past seven years appropriate for their remaining maturity

(Section 253(2) sentence 1, German Commercial Code (HGB)). As provided for in the Regulation on the Discounting of Provisions (RückAbzinsV), the interest rates used for discounting tally with the monthly interest rates published by Deutsche Bundesbank.

The equity items were recognised at par value (Section 272(1) HGB).

In accordance with Section 256a HGB, assets and liabilities denominated in foreign currency were translated into euros at the European Central Bank's mean spot exchange rate prevailing at the balance sheet date.

Gains on currency and securities transactions involving customers are reported in net commission income. The price gains on customer-related trading activities are also reflected in net commission income. Consequently, deviating from the regulatory trading book, the securities transactions conducted on behalf of clients are carried under bonds and other fixed-yield securities and under shares and other variable-yield securities.

Negative interest from lending operations and positive interest from deposit banking are recognised as a reduction of interest income and/or interest expenses.

We made use of the option to net expenses and income for the presentation of risk provisions in the income statement.

Derivatives are measured using hedge accounting.

Currency forwards are measured across the board using the forward rate applicable at the reporting date for all transactions. The results in the respective currencies are offset. Any remaining loss is to be presented under other liabilities. An offsetting item was set up on the assets side of the balance sheet under other assets for any remaining gain from specially covered transactions.

Loss-free valuation of the interest 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, subordinated loans) 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 funding structure is taken into account consistent with internal management in the process.

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 already recognised under other valuation rules (such as interest-related provisions for hedges as defined in Section 254 HGB) were included when measuring a possible provision for anticipated losses on pending transactions. The necessity of taking into account the risk costs likely to accrue and administration costs was determined by including them in the interest rate used to discount the cash flows 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 set up.

Notes to the balance sheet

Receivables from/liabilities to customers/banks

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	
	2016	2015	2016	2015	2016	2015	2016	2015
Receivables								
from banks	33,430	130,556	132,623*	86,057*	87,280*	101,879*	50,074*	0
from customers	472,147	536,779	160,644*	117,161	262,470*	315,707*	38,378	43,761
of which with no fixed maturity	422,625	473,510						
Liabilities								
to banks	64,732	96,863	299	60,042	0	0	0	0
to customers	410,613	247,165	34,863	43,663	23,800	1,993	0	0
Savings deposits	349	398	0	5	23	31	0	0

* This relates primarily to the investment in promissory note loans issued by German public sector issuers and 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 swaps or other interest rate hedges (micro-hedges).

Disclosure of relationships with affiliated companies, and companies in which a participating interest is held

Relationships €'000	with affiliated companies		with companies in which a participating interest is held	
	2016	2015	2016	2015
Receivables				
Banks	6,576	15,930	0	0
Customers	27,387	21,923	135	48
Liabilities				
Banks	219,057	568,965	0	0
Customers	13,454	13,018	1,811	592

Bonds and other fixed-income securities

This item breaks down into securities of €'000	**public-sector issuers**	**other issuers**	**Total**
2016	1,325,905	879,657	2,205,562
of which due in 2017	345,464	220,926	566,390
2015	1,755,060	804,370	2,559,430

Debt securities from public sector issuers are primarily bonds issued by German states and/or with a guarantee at the federal/state level as well as European government bonds.

The following table shows the breakdown of bonds of other issuers:

€'000	**2016**	**2015**
German Pfandbriefs	164,306	136,251
European covered bonds	210,381	120,232
Bonds with government guarantees	485,978	529,106
Other	18,992	18,781
Total	879,657	804,370

Bonds with government guarantees are issued by German development banks backed by Germany or German states.

The average remaining maturity of all bonds is 1.9 years. Interest rate risk is normally limited to the 3- or 6-month Euribor rate by investing in floaters or entering into hedges in the form of interest rate swaps (micro-hedges).

Valuation units

Fixed-income securities in the amount of €979.3 million (€772.3 million) as well as promissory note loans in the amount of €64.8 million (€0.0 million) have been included in micro-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. The effectiveness of the hedges is determined using the fair-value-oriented method.

Shares and other variable-yield securities

This item contains shares in investment funds of €82.7 million (€82.5 million) used as investments as part of the liquidity reserve.

The Bank holds shares of more than 10% in domestic investment funds as defined in Section 1 of the German Investment Act (InvG). These break down as follows:

€'000	Investment target	Fair value	Book value	Undisclosed reserves	Distribution 2016
BAI-Universal-Fonds	Equities	48,455	46,433	2,022	0
BIRD-Universal-Fonds	Bonds	41,507	35,000	6,507	0
		89,962	81,433	8,529	0

There are no restrictions on daily redemption rights.

Marketable and listed securities

As in the previous year, bonds and other fixed-income securities are publicly listed. Of the shares and other variable-yield securities, investment funds of €81.4 million (€81.4 million) included in the liquidity reserve are not marketable. All other equities are listed on a stock market. €2.5 million (€2.5 million) of the shares in affiliated companies are marketable. The remaining participating interests and shares in affiliated companies are not marketable.

Trading portfolio

€'000	2016	2015
Assets		
Bonds and other fixed-income securities	24,978	21,918
Shares and other variable-yield securities	0	9,460
Foreign currencies	0	77
Total	24,978	31,455
Liabilities		
Shares and other variable-yield securities	16	0
Foreign currencies	0	69
Total	16	69

The financial instruments held for trading are marked to market, less a risk discount. The total risk discount amounts to €0.0 million (€1.1 million).

Trust assets

€4.5 million (€6.7 million) in trust assets and the corresponding trust liabilities relate to other trust assets (under receivables from customers) or trust liabilities (under liabilities to customers) held as security for the pension obligations of a third party.

Statement of changes in fixed assets

€'000	Acquisition cost				Depreciation/amortisation				Residual book value	
	Balance 31/12/2015	Additions	Disposals	Balance 31/12/2016	Balance 31/12/2015	Additions	Disposals	Balance 31/12/2016	2016	2015
Participating interests	8,912	0	5,430	3,482	0	0	0	0	3,482	8,912
Shares in affiliated companies	14,841	7,700	0	22,541	0	0	0	0	22,541	14,841
Furniture and office equipment	54,256	5,347	25	59,578	33,439	6,441	25	39,855	19,723	20,817
Intangible assets	21,464	3,714	0	25,178	17,684	2,633	0	20,317	4,861	3,780
Total	99,473	16,761	5,455	110,779	51,123	9,074	25	60,172	50,607	48,350

Deferred taxes

At the reporting date, there were temporary differences in the carrying amounts of individual items in the commercial balance sheet and tax balance sheet. Recognition and measurement differences giving rise to deferred tax assets and liabilities occurred in the following line items: receivables from customers, shares and other variable-yield securities, participating interests and provisions. Deferred taxes were calculated based on an average municipal trade tax multiplier of 16.35%. The option to capitalise deferred tax assets set forth under Section 274(1) sentence 2 HGB has not been exercised.

Excess of plan assets over pension liabilities

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

Excess of plan assets over pension liabilities

€'000	Acquisition cost securities 2016	Acquisition cost securities 2015	Fair value 2016	Fair value 2015	Amount payable provisions 2016	Amount payable provisions 2015
Provisions for pensions and similar obligations	17,456	17,456	17,456	17,456	16,689	16,672
Other provisions (semi-retirement)	2,001	1,000	2,020	1,002	1,538	724

€'000	Other operating expenses 2016	Other operating expenses 2015	Interest income 2016	Interest income 2015	Valuation at fair value 2016	Valuation at fair value 2015
Provisions for pensions and similar obligations	664	644	0	0	0	0
Other provisions (semi-retirement)	53	55	0	0	19	2

In accordance with Section 246(2) sentence 2 HGB, the other operating expenses of €0.7 million (€0.7 million) arising from compounding are to be netted with the gains on the measurement of plan assets. The criteria for netting interest expenses and interest income arising from fair value measurement were not met in the previous financial year.

Section 253(1) sentence 4 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 of €1.3 million (€1.2 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 is an excess of plan assets over pension liabilities of €1.2 million (€1.1 million).

Other provisions

This item mainly comprises provisions for personnel expenses.

Subordinated liabilities

Expenses include interest in the amount of €2.8 million, €2.2 million of which is accrued and shown under other liabilities. The following table shows the breakdown of the subordinated liabilities totalling €45.0 million:

€'000	%	Due date
10,000	6.55	01/06/2018
10,000	6.80	25/06/2018
5,000	6.25	07/01/2019
10,000	6.00	03/01/2020
10,000	6.00	30/01/2020

The terms correspond to Article 63 CRR. There is no right to demand early repayment.

Fund for general banking risks

The line item fund for general banking risks in the amount of €15.8 million (€15.8 million) was recognised in accordance with Section 340e(4) HGB in conjunction with Section 340g HGB.

Additional notes to the balance sheet

Various securities have been deposited with other banks as security deposits for Eurex and lending trades. There were no open-market positions at year-end. Assets in the amount of €321.7 million (€285.8 million) and liabilities in the amount of €1,702.0 million (€1,807.6 million) are denominated in foreign currency.

Contingent liabilities

Liabilities arising from sureties and guarantees include bills of exchange guarantees in the amount of €54.8 million (€46.2 million) and documentary credits in the amount of €19.3 million (€16.6 million). During the course of the annual screening of the lending portfolio carried out as part of the Bank's credit risk management, the guarantees for bills of exchange and documentary credits that have been issued were examined for potential default risk. The likelihood that the amounts will be enforced is considered to be very low.

Other commitments

The other commitments consist exclusively of irrevocable loan commitments totalling €109.6 million (€114.6 million).

Notes to the income statement

Negative interest expenses and income

Interest expenses include negative interest in the amount of €1.1 million (€0.2 million). Interest income includes negative interest in the amount of €1.2 million (€0.3 million).

Breakdown of income by geographic segment

Interest income, current income from shares and other variable-yield securities, participating interests and shares in affiliated companies, commission income, net income from the trading portfolio and other operating income shown in the income statement break down into 71% (75%) generated in Germany and 29% (25%) generated abroad.

Service activities

We provided services to our customers, particularly in the management and brokerage of securities transactions and in international documentary business. Income of €171.5 million (€243.9 million) from commission-earning business and €36.8 million (€41.8 million) from fund management was generated from management and brokerage of securities transactions.

Other disclosures

Other financial commitments

There is a proportionate contingent liability for the obligation to make additional payments incumbent upon the shareholders who are members of the Bundesverband deutscher Banken e.V.

For the next three financial years, there are financial commitments from rental, maintenance and other lease agreements in the annual amount of €33.9 million (€33.1 million).

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, currency warrants and structured products (foreign currency transactions);
- Forward interest rate contracts, in particular forwards involving fixed-income securities, commitments arising from interest rate options, interest rate options, 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, equity option rights, commitments arising from index options and index warrants.

Customer 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-hedges).

The following table shows the derivative financial instruments outstanding at the reporting date:

€'000	Volume		Positive market values		Negative market values	
	2016	2015	2016	2015	2016	2015
Foreign currency transactions	40,712,445	39,670,125	301,710	202,514	232,168	151,848
Swaps	1,446,611	1,119,786	1,697	1,621	30,141	33,365
Caps/floors	339,602	139,326	1,192	1,625	816	1,158
Securities futures	819,440	474,560	7,274	2,846	3,895	4,976
Securities options	814,650	426,952	30,693	12,627	30,693	12,627
Equity options	28,300	25,050	37	147	0	0
Bonds futures	428,213	170,867	17,312	2,530	33,452	17,972
Total	44,589,261	42,026,666	359,915	223,910	331,165	221,946

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

The Bank assesses the potential market risk for trades involving interest rates and trades involving equity and/or currency risk in its trading book based on the standard method in accordance with the CRR. This gives rise to a capital adequacy requirement of €18.7 million (€16.9 million).

The following table shows the breakdown of the capital adequacy requirement:

Market risk	**Capital adequacy requirement**	
€'000	2016	2015
Standard method		
Net equity positions	17,251	16,257
Net interest positions	427	632
Overall currency position	974	0
Total	18,652	16,889

Board of Management

The Board of Management comprised the following Managing Partners in 2016:

Dr Hans-Walter Peters, Banker (Spokesman)
Hendrik Riehmer, Banker

Shareholders

30.4%	Berenberg family
26.1%	PetRie Beteiligungsgesellschaft mbH (Dr Hans-Walter Peters [Managing Director] and Hendrik Riehmer) and Dr Hans-Walter Peters
1.5%	Former managing partners
15.0%	Christian Erbprinz zu Fürstenberg
15.0%	Professor Dr Jan Philipp Reemtsma
12.0%	Compagnie du Bois Sauvage S. A.

As at: 1.1.2017

Remuneration and loans

We have opted not to disclose the remuneration of the active and former managing partners or the provisions set aside for these individuals, because we consider the requirements cited in Section 286(4) HGB to be fulfilled.

As in the previous year, no loans were granted to members of the Board of Management after taking account of the allocation of the profit available for distribution in 2016.

Appropriation of profit

The net profit for the year in the amount of €161.5 million available for distribution is planned for distribution to the shareholders in the amount of €119.8 million and was transferred to the revenue reserve in the amount of €41.7 million.

AUDITORS' REPORT

The following unqualified auditors' report was issued on the full annual financial statements and the management report:

»We have audited the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and management report of Joh. Berenberg, Gossler & Co. KG, Hamburg, for the financial year from 1 January 2016 to 31 December 2016. The maintenance of the accounting records and the preparation of the financial statements and management report in accordance with German commercial law are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the financial statements, including the accounting records and the management report, based on our audit.

We have audited the Annual Financial Statements in accordance with Section 317 HGB (German Commercial Code) and the generally accepted German auditing principles for Annual Financial Statements adopted by the Institute of German Auditors (Institut der Wirtschaftsprüfer, IDW). These standards require that we plan and perform the audit in such a way that material inaccuracies and breaches affecting the presentation of the net assets, financial position and results of operations in the financial statements prepared in accordance with accounting principles generally accepted in Germany and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the system of internal accounting control and the evidence supporting the disclosures in the accounting records, the financial statements and the management report are examined primarily on a random test basis. This audit includes an assessment of the accounting principles used and significant estimates made by the company's legal representatives, as well as an evaluation of the overall presentation of the financial statements and management report. We are of the opinion that our audit constitutes a sufficiently reliable basis for our opinion.

Our audit gave rise to no objections.

In our opinion, based on the findings of our audit, the annual financial statements comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the legal requirements and as a whole provides an accurate view of the company's position, opportunities and risks of future development.«

Hamburg, 21 March 2017

BDO AG
Wirtschaftsprüfungsgesellschaft

sgd. Dr Zemke	sgd. Butte
Auditor	Auditor

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