BERENBERG

PARTNERSHIP SINCE 1590

2017

Report

on the 428th Financial Year

Berenberg was established in 1590, and today we are one of Europe's leading privately owned banks, focusing on the business divisions Wealth and Asset Management, Investment Banking and Corporate Banking. The Hamburg-based bank is run by managing partners and has a strong presence in the financial centres of Frankfurt, London, New York and Zurich. Roughly 1,600 employees carry the Bank's long tradition of success into the future.

Report
on the 428th Financial Year

Key performance indicators

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net profit for the year	€ million	47	65	62	56	60	66	40	104	161	90
Total assets	€ million	4,279	3,389	3,242	3,953	4,279	4,525	4,514	4,738	4,716	4,741
Business volume	€ million	4,450	3,552	3,357	4,062	4,383	4,623	4,586	4,801	4,790	4,807
Equity	€ million	177	212	213	217	221	223	219	234	265	296
Receivables from clients/loans	€ million	663	573	559	531	794	642	750	1,013	934	929
Liabilities to clients/deposits	€ million	3,236	2,456	2,326	2,874	3,083	3,390	3,199	3,570	3,721	3,736
Return on equity (before taxes)	%	37.5	53.0	45.3	40.1	43.8	46.9	28.8	67.3	95.8	43.0
Cost-income ratio	%	66.9	61.9	74.2	75.9	76.5	78.1	85.7	72.2	63.9	72.7
Assets under management including subsidiaries	€ billion	20.3	21.9	25.5	26.0	28.2	30.1	36.1	40.1	40.7	41.5
Employees including subsidiaries		837	894	977	1,110	1,116	1,147	1,250	1,331	1,506	1,576

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

Dear clients and business associates,

In addition to Hamburg and other locations in Germany and in Europe, Berenberg is now also established at the major financial centres. We have 350 employees in London, and in New York we moved into new offices at the beginning of February 2018 that will allow Investment Banking there to treble to 150 employees in the next two years. We increased the Group's headcount from 1,506 to 1,576 in 2017.

In the coming years, we aim in particular to further expand our Investment Banking in the USA and our Asset Management. Our goal is to become one of the leading providers of active investment solutions for German and European equities. To this end, we have added a significant number of highly respected specialists to the investment side of our business.

As one of Europe's largest names for banking research, we grew our team of analysts by 22 to 122. We intend to increase the number of covered companies in the USA from 100 to 300 in the next two years. With our wide range of analyses, our independence and the high quality and relevance of our research, we can benefit from the selection process under way in this field.

With 28 transactions, we once again topped the list for the German-speaking countries in Equity Capital Markets (especially IPOs, capital increases and secondary placements, ECM). We assisted 17 transactions in the UK, leading to a likewise very favourable result there. On the whole, Berenberg closed a record number of 51 transactions (2016: 21) with an issue volume in the region of €8.6 billion.

The net profit for the year of €90.2 million provides an excellent return on equity of 43%. Special effects (sale of shares in Universal-Investment in 2016) mean that the figure is not comparable with the prior-year earnings of €161 million. The operating result in the reporting year is considerably up on 2016.

The key factor in this success was a significant increase in net commission income from €254 million to €343 million (+35.3%) – the best result in our history to date. The ratio of current net interest income to net commission income (15:85) reflects our strong focus on the service business for our clients. Administrative expenses rose from €323 million to €348 million on the back of our growth and the investments in IT in particular. The implementation of regulatory rules alone, in particular MiFID II, accounted for nearly €12 million.

The tier 1 capital ratio stands at an excellent 14.1% (13.4%). This gives us a very strong level of capitalisation and, together with our regional diversification and broad business base, puts us in an excellent position. 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

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Dennis Paschke
Dr Holger Schmieding
Uwe Schwedewsky
Johannes Sommer
Karsten Wehmeier
Dirk Wehmhöner
Hans Wöll
Ken Zipse

As at 1 April 2018

2017 IN REVIEW

January

Black Knight International Archives

Former Masters winner and world number one **Fred Couples** (USA) joins our brand ambassador programme for golf. Alongside Couples, German professionals Bernhard Langer and Martin Kaymer as well as Gary Player, Colin Montgomerie and Branden Grace are already members of the Berenberg brand ambassador programme.

February

Thies Rätzke

Concert pianist Volodymyr Lavrynenko receives the **Berenberg Culture Prize 2017**. For more than 25 years, the Berenberg Bank Foundation of 1990 has been supporting young cultural talent in North Germany.

A total of 80 guests attend **Berenberg Women Only** in Hamburg. The idea behind the event series is to engage in dialogue with women who are breaking ground and are passionate about their profession.

March

Berenberg steps up its collaboration with private debt funds and creates numerous acquisition financing options together with alternative lenders. In addition to its own funds, Berenberg manages two credit funds for institutional investors, which can act as co-lenders. This means that Berenberg provides a one-stop shop for financing, either alone or in cooperation with external credit funds.

Schubert Fotografie

With 150 guests as well as actress Hannelore Elsner and pianist Sebastian Knauer, Berenberg celebrates the **opening of the Münster branch**.

Patrick Pantze

Berenberg accompanies the IPO of e-mobility company Aumann as joint global coordinator and joint bookrunner. The issue volume of the IPO is €251 million.

April

After the success of the Berenberg Real Estate Hamburg fund, Berenberg goes on to set up a second special real estate fund, **Berenberg Real Estate Berlin**, which invests in real estate in Berlin and the surrounding area.

Bertold Fabricius

Two bee populations on the roof of our main building in Hamburg provide **rooftop honey** from now on. The honey is sold to raise funds for the BerenbergKids Foundation.

Berenberg continues to expand its brand ambassador programme for golf. Golf legend **Tom Watson** represents Berenberg as brand ambassador at the US Champions Tour.

May

Well-respected journal for ship financing **Marine Money** awards Berenberg the title **Deal of the Year**. For the first time, institutional investors are offered the opportunity to participate in a ship mortgage credit portfolio.

A total of 95 companies and over 200 clients convene at our third **Berenberg US investor conference** in **Tarrytown** near New York City.

June

Berenberg sets up its new flagship fund **Berenberg Aktien-Strategie Deutschland**. The fund is managed by respected investment expert Henning Gebhardt.

Hugo Pettit

At the **Berenberg Legends Cup** in London's Emirates Stadium, home of Arsenal FC, more than 90 clients battle it out in eight teams. Arsenal legend Ray Parlour awards the trophy to the winning team »AC Milan«.

More than 200 guests come to Stuttgart for the Berenberg podium discussion in order to debate the **Future of the Automobile** with experts.

Berenberg Art Consult hosts **Art Basel**, the world's most important art fair for modern and contemporary art.

Matthias Gruber

Altogether 500 guests attend the **18th Berenberg Polo Derby** in Hamburg. The tournament is one of the highest-profile polo events in Germany.

With issue proceeds of €989 million, Berenberg accompanies **Germany's largest IPO, for Delivery Hero**, as joint bookrunner. Berenberg also acts as joint global coordinator and joint bookrunner for the flotation of restaurant chain **Vapiano** (€169 million).

July

More than £125,000 is raised at our **Berenberg Gary Player Invitational** charity tournament at Wentworth Golf Club near London. The event once again brings together a large number of the world's best-known golfers, such as Bernhard Langer and Padraig Harrington.

Eight teams »serve« for charity at the **BerenbergKids Beach Cup** in Hamburg. The employees had already raised a total of €95,000 for disadvantaged children.

The **Berenberg Green Energy Junior Debt Fund I** invests in renewable energy sources. Due to huge client interest, the €53 million fund is placed within just a few days.

August

Scott Wishart

Investors and company representatives compete against each other in doubles in the **Berenberg tennis tournament** at the world-famous Queen's Club in London. **BerenbergKids London** organises a donation competition with three teams to raise funds for UK children's hospice Shooting Star Chase.

September

Numerous participants attend the **17th Berenberg Asset Management conference** in Hamburg to learn about current investment trends and capital market topics.

Harald Schnauder

Henning Gebhardt, manager of our flagship fund »Berenberg Aktien-Strategie Deutschland«, is awarded the **Sauren Golden Award** for »Comeback of the Year«.

Since 2008, we have been working with the Hamburg Institute of International Economics (HWWI) to analyse the 30 largest cities in Germany in terms of their future sustainability. Munich takes first place in the **HWWI/Berenberg city ranking** for the second time in a row.

At the **6th Berenberg Goldman Sachs investor conference** in Munich, 154 of the most important DAX, MDAX, SDAX and TecDAX companies discuss their strategy, current trends and challenges in a series of presentations and more than 1,400 one-on-one sessions.

October

A respectable figure of $300,000 is raised at the **Berenberg Gary Player Invitational** in GlenArbor near New York City. Big names in golf, including Berenberg brand ambassadors Bernhard Langer and Tom Watson, as well as Major winner Lee Trevino, join the line-up for this charity tournament.

At the ninth **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 seventh time in a row, defending its title in the national ranking.

Altogether 20 university graduates chosen from 2,000 applicants commence **Berenberg's International Graduate Programme** in London. Over a period of 15 months, they will move through all of the Bank's business divisions.

Berenberg accompanies the successful **IPO** of **battery manufacturer Varta** with an issue volume of €233 million as the sole lead investor.

November

Andreas Henn

The Berenberg Prize for Corporate Responsibility is awarded to pharmaceuticals company Orthomol. The specialist for nutrition medicine is involved in various projects at the international and national level to promote a balanced diet and a healthy lifestyle.

Hans-Rudolf Schulz

Berenberg gets **top marks in the report »Die Elite der Vermögensverwalter«** (Handelsblatt) for the ninth consecutive time and is named »Best Asset Manager«.

Berenberg assists the **IPO** of meal kit delivery firm **HelloFresh** as joint global coordinator and joint bookrunner. The issue proceeds amount to €286 million.

December

More than 330 representatives from 171 companies and over 400 clients attend the **15th Berenberg European Conference** in Pennyhill Park near London, making it our largest European conference so far.

Children at the Elbkinder childcare centre in Hamburg-Heimfeld see their Christmas dreams come true. As part of the **BerenbergKids Christmas campaign**, Berenberg staff donate gifts for the children, to be distributed by Santa Claus.

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 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 roughly 1,600 employees at 16 locations across Europe and the United States. With the expansion of our Wealth and Asset Management, Investment Banking and Corporate Banking business divisions, we are on a secure footing for further market growth, making us a dependable partner for our clients. We analyse the economy and financial markets across all sectors and geographic boundaries, and apply our *vision.*

In-depth *expertise* and experience are necessary to make sound decisions, so we have built up one of Europe's largest equity research teams, established a highly regarded macroeconomics team, and set up a first-rate group of investment strategists and portfolio managers.

All this has made Berenberg more than just a bank. As an advisor and trusted partner, we address client needs with responsibility, insight, vision and expertise. In brief, *accountability is our guiding principle.*

Structure

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

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 2017, our Research team regularly analysed more than 770 shares, and continues to expand its coverage. In addition, we support IPOs, capital increases and secondary placements, 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, Munich, Münster 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 upswing in the global economy gained momentum in 2017. At 2.8%, growth in global economic output considerably outpaced the previous-year figure of 2.4%. Except in the UK, which relegated itself to the sidelines by deciding to leave the European Union, growth increased in virtually all regions across the globe. The largely synchronized economic recoveries in the eurozone, the US, Japan and many emerging markets reinforced each other in 2017. Robust domestic demand in large parts of Europe as well as in the USA and Japan allowed emerging markets to increase their exports. Consequently, the return of many emerging markets to normal growth after the adjustment phase of 2015/2016 improved the mood and willingness to invest on the part of companies in the Western world. In addition, China once again ramped up its investments ahead of the National Congress of the Communist Party in October.

With growth of 2.5% in 2017, the eurozone again exceeded the previous-year result of 1.8%. The ongoing decline in unemployment to 8.6% now is shoring up consumer confidence and thus private spending. After the »lost years« of the euro crisis in 2011/2012, during which the region suffered a second recession while the USA and most other countries outside of Europe remained on a growth trajectory, the currency union recovered some ground in 2017.

Despite some concerns, political risks scarcely burdened the economy in the reporting year. Instead, the clear election victory of pro-European reformer Emmanuel Macron gave additional support to the economy in France and its neighbouring countries. Companies that had been holding back on investments, including in view of political risks, now increasingly took the view that France could strengthen its economy and stand alongside Germany as a major positive force for the eurozone as a whole. With his labour market reform in September as well as some changes in tax and social security law, Macron has already taken significant initial steps.

Germany continued its robust recovery in the reporting year, growing its economic output by 2.5% adjusted for seasonal effects (previous year: 1.9%). This was driven by increasing exports, as well as private consumption and capital expenditure. Despite higher government spending, Germany once again enjoyed a healthy government surplus on the back of surging tax receipts and a robust labour market. As in the previous years, price increases in Germany, Europe and the USA remained closely muted in 2017. The fast pace of technical progress as well as globalisation continue to help dampen inflationary pressure. There are nevertheless signs that the sturdy economic environment will be reflected in somewhat more generous pay agreements and a marginal increase in inflation in large parts of the Western world in 2018. These developments would also seem to suggest that the low-interest period is coming to an end.

On the whole, we are cautiously optimistic for 2018. The major corporation tax reform in the USA passed by the Republican-dominated Congress in December 2017 could provide further impetus to capital spending there for a few years. This would also benefit German vendors of capital goods. However, we must continue to be watchful of the political risks. Although the US did not start a full-blown trade war with China or Mexico in 2017, the number of interventions in global trade with more punitive tariffs in individual areas has increased since the new President was inaugurated at the beginning of 2017. The continuing negotiations with the UK on Brexit as well as the uncertain political situation in Italy also pose major challenges for Europe.

»Despite higher government spending, Germany once again enjoyed a healthy government surplus 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 despite the marginal increase in interest rates.

Awards

The quality of our services was again acknowledged with a series of awards in 2017. The report DIE ELITE DER VERMÖGENSVERWALTER (The Asset Managers Elite), produced in cooperation with Handelsblatt, noted that: *»This private bank steeped in tradition has hugely broadened its future opportunities by tapping into further high-profile service areas. In addition, its dynamic and well-developed investment style with respectable performance is very convincing. This is an example of an age-old business showing its vitality – in a wonderfully customer-oriented and forward-looking manner.«*

The well-respected industry publication International Financing Review (IFR) from the Thomson Reuters Group had the following to say regarding its award for Berenberg: *»Having conquered its home market of Germany, Berenberg is rapidly building [its market position] in the UK and elsewhere in Europe. In five years it has established itself as a leading ECM house that does things differently, making it IFR's inaugural EMEA Mid-Market Equity House.«*

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

- GLOBAL PRIVATE BANKING AWARDS
  – Best Private Bank in Germany

- EUROMONEY PRIVATE BANKING SURVEY
  – Third place: Best private banking services overall in Germany

- INTERNATIONAL FINANCING REVIEW (IFR) AWARDS
  – EMEA MidMarket Equity House of the Year

Financial performance

Earnings

Net profit for the year

Once again, the reporting period closed with a very pleasing result. Net profit for the year totalled €90.2 million. The previous-year result (€161.5 million) was heavily influenced by the income from the sale of our stake in Universal-Investment-Gesellschaft mbH (UIG), making a direct comparison impossible. In the reporting year, the net profit for the year again includes a residual amount from the sales of UIG shares. The 2017 operating result far exceeds the figure for the previous year.

In the 2016 report we had already forecast a noticeable decline in 2017 earnings on account of that special effect. The earnings actually achieved are much higher than we had projected for 2017.

The transition over the past few years from a Northern German private bank to an international advisory firm has continued to pay off. The business model, centred on the service-oriented business divisions, is working. Despite low interest rates and a challenging market environment, gross earnings from operating activities reached a very healthy level that is well above the previous year's. We were once again able to invest the proceeds from ongoing commercial operations into expansion of the value chain, with investments in our monitoring functions and IT as well as the service-oriented business divisions.

The return on equity, calculated as the ratio of profit before tax to equity at the start of 2017, amounted to 43.0% (an excellent figure in an industry comparison) after 95.8% in the previous year, which was influenced by the special effect. The cost-income ratio also improved from 63.9% to 72.7% alongside a continued high level of investments made. The ratio of current net interest income (excluding income from participating interests/affiliated companies) to net commission income was 15:85 (14 : 86), which underlines the significance of commission-earning operations for the Bank's business model.

Net commission income

Net commission income yet again reached a historical record in 2017. Despite a very challenging market environment, this position, which was dominated by securities transactions, rose to €343.2 million from €253.6 million in 2016. We succeeded in winning further market shares in the reporting year and assisted a large number of capital increases and IPOs. Our strong market position also gives us cause for optimism for 2018. As the entire Investment Banking value chain is now established in New York as well, we see further earnings opportunities in this area. We have also been able to tap into further sources of earnings thanks to the major progress made in realigning the Wealth and Asset Management central business unit in 2017. 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 very gratifying levels of transaction-based commission income from Structured Finance and Infrastructure & Energy.

Assets under management rose from €40.7 billion to €41.5 billion.

Net interest income

Net interest income fell from €165.4 million to €66.6 million. In addition to the distribution of profits from subsidiaries in the previous-year figure, this item also includes the transfer of revenue reserves from subsidiaries to strengthen the Bank's revenue reserves.

Net income was again affected by historically low interest rates in 2017. 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 trade at a premium. The short residual maturities in turn give rise to write-downs on bonds.

Net trading income

The net income from trading activities dropped 37.9% to €21.3 million (€34.3 million).

Since our operations are primarily service-oriented, we have allocated only very manageable limits to the trading activities in the equities, bonds and foreign currencies segments. Forex trading dominated net trading income, yielding a healthy result again in 2017. However, the result was considerably below the previous-year figure. In 2017, no new allocation was made to the statutory reserve pursuant to 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

Other operating income reached approximately the previous-year level, due to a residual income from the sale of the Universal-Investment-Gesellschaft mbH and stronger income from Corporate Banking and Real Estate.

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. Furthermore, the implementation of new regulatory requirements – especially MiFID II – led to higher general administrative expenses.

The number of employees rose again year on year in 2017. Selective further investments were made in highly qualified personnel, and existing structures were optimised at the same time. Personnel expenses rose to €210.6 million (€190.5 million) as a result.

Investments in modern IT, the implementation of new regulatory requirements and the strengthening of our locations led to a rise in non-payroll costs. Together with the higher personnel expenses, this led to an increase of 7.6% to €347.5 million (€323.1 million) in general administrative expenses including depreciation of tangible fixed assets and amortisation of intangible assets.

Risk provisions

Sufficient risk provisioning funds have been allocated to valuation allowances and provisions for lending operations. All identifiable risks have been taken into account in full using prudent valuation methods. There was no need in the reporting year for the creation of net new risk provisions for lending operations. The result from the liquidity reserve must be seen from a technical perspective in connection with the net interest income. Our liquidity reserve contains securities that are trading at a premium and create a corresponding need for a write-down upon maturity. The result from the valuation of equity investments stems from planned start-up losses from our expanding activities in the USA, which we see as a very important adjunct to our European activities and which we are convinced will be successful in the future.

Taxes on income

The »taxes on income« position 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 equity grew further in the financial year, amounting to €296.1 million after the annual financial statements were approved (€265.1 million). This figure contains common equity tier 1 capital of €245.1 million (€245.1 million). In addition, there is supplementary capital in the form of subordinated liabilities in the nominal amount of €85.0 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 €51.0 million (€20.0 million).

The Bank's total capital ratio as set forth in the Capital Requirements Regulation (CRR) and the German Solvency Regulation amounted to 17.1% (14.5%) at year-end, while the common equity tier 1 capital ratio was 14.1% (13.4%). This level of equity funding places us comfortably above statutory requirements.

At 4.2 at year-end (3.5), our ratio for the purposes of the German Liquidity Regulation is well above the requirements of the German Federal Financial Supervisory Authority (BaFin). At 1.5, our total for the new European liquidity coverage ratio (LCR) is also well above the minimum level required 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 2017, the portfolio consisted of bonds and other fixed-income securities with a volume of €2,018.3 million (€2,205.6 million). This portfolio is dominated by securities issued by German public issuers (42.9%) and securities with a German state or public guarantee (31.6%).

The remaining maturity of these holdings averaged 1.6 years at year-end 2017, meaning that the spread change risk inherent in the portfolio is limited. The interest rate risk is generally restricted to the three-month or six-month Euribor. The vast majority is deposited at 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 €82.4 million (€82.7 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 €379.3 million (€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 €4,741.3 million (€4,716.3 million) and are again characterised by a high level of client liabilities of € 3,736.2 million (€ 3,720.7 million). Client deposits accounted for 78.8% (78.9%) of total assets.

Receivables from banks declined by €23.6 million to €415.4 million. They consist mainly of client trust funds held by our Swiss banking subsidiary.

Receivables from banks fell to €549.0 million (€671.6 million). These include the investment of €244.6 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 amounted to €929.2 million as of the balance sheet date (€933.6 million). Part of the liquidity reserve of €111.1 million was invested in promissory note loans issued by German federal states.

The expanded business volume rose from €4,790.4 million to €4,806.9 million in line with the moderate growth in total assets. There were also unused irrevocable lending commitments of €169.3 million (€109.6 million).

Credit volume

The expanded credit volume decreased marginally to €994.7 million (€1,007.8 million). It consisted of receivables from customers of €929.2 million (€933.6 million) and contingent receivables of €65.5 million (€74.2 million) from guarantees and other indemnities.

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

The very favourable earnings development and strong operating result highlight the viability of our business model. The core capital resources were expanded further, and net assets are in good shape. Solvency was guaranteed at all times, and our liquidity position is extremely comfortable.

Sustainability report

In addition to our annual report, we also publish a summarised separate sustainability report, which also contains our non-financial statement. You will find the report on our website:
www.berenberg.de/en/csr-report2017

Wealth and Asset Management central business unit

The gradual merging of our Wealth Management and Asset Management business divisions allows us to continue to expand our position as a major provider of discretionary and quantitative investment solutions. High-net-worth individuals and family offices, entrepreneurs and foundations as well as institutional investors will all benefit from this development. At the same time we are also opening our investment products to retail clients.

Wealth Management

Retail banking is continuing to experience a phase of transition, and will have to contend with low interest rates, new customer needs as part of digitalisation and increasingly in-depth regulatory requirements in the long term. The additional burden reached its erstwhile peak on account of the preparations for MiFID II coming into effect on 3 January 2018. The European Markets in Financial Instruments Directive was implemented by the German legislator primarily with the new version of the German Securities Trading Act (WpHG). In addition, there is a large number of accompanying provisions at European and at national level (directives and laws as well as interpretations by the European and national banking supervision authorities) that must be observed going forward. This extensive set of rules brings with it far-reaching changes for investment advisory, portfolio management and advisory-free business. There was a huge amount of work involved – for IT, the staff areas and specialist areas and not least for the client advisors.

In this once again highly challenging environment, our actions continue to be 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 and consistently implement suitable action. Berenberg used the reporting year to not only fulfil the formal requirements but also to gear the business model to the new reality. This will allow Wealth Management to continue to offer its high-quality services successfully in the future. In essence, we are consistently rolling forward our strategic decisions from 2016: »Focus on portfolio management as a core service«, »Concentrating on our core target groups« and »Wealth Management Plus«. These points are explained in the following sections.

Focus on 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 MiFID II and other 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.

In the reporting year, many of our existing clients and the vast majority of our new clients decided in favour of a portfolio management mandate. We see this as confirmation of the path we have taken and have come decisively closer to our aim of having considerably more clients and assets in portfolio management than in investment advisory.

Concentrating on our core target groups

Our Wealth Management offers customised solutions to clients with sophisticated asset structures and special investment requirements. We concentrate on very high-net-worth individuals, family entrepreneurs and business-minded decision makers, as well as foundations and other charitable organisations. We focus our services on the needs of these core target groups. In doing so, we define our role as provider 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 non-profit organisations (NPOs)« and »family offices« – help advisors to deal with all specific issues and challenges.

»Our Wealth Management offers customised solutions to clients with sophisticated asset structures and special investment requirements.«

Each centre of competence has a close-knit network of proven experts on topics of special importance to their target groups. After a readjustment in 2016, the three centres of competence expanded their activities dramatically in the reporting year, among other things as part of the »Berenberg aspects« series. Specialist events and contributions delved into many topics of specific interest to the respective target groups. For example, the »foundations and non-profit organisations (NPOs)« centre of competence created a compendium together with the »Berenberg foundation navigator« that explains all forms of German foundations and summarises their advantages and features in a concise way, showing the way to the foundation solution that fits the individual client's situation.

Wealth Management Plus

This annual report shows how successful Berenberg is operating in various markets and disciplines. In Wealth Management, we bundle all of these activities and competences of Berenberg and make them accessible to our very high-net-worth individuals and semi-institutional investors. Firstly, Berenberg is sufficiently large and diversified for this strategy in order to offer complex, interdisciplinary solutions. Secondly, we are also sufficiently individual and dynamic – despite the huge growth of recent years – to work together at project level in a fast and uncomplicated manner across divisions.

We worked toward an even greater degree of internal cooperation in the reporting year. A particularly good example of this is the setting up and successful placement of the BERENBERG GREEN ENERGY JUNIOR DEBT FUND I: together with our Infrastructure & Energy department in Corporate Banking, we created a possibility for our clients to co-finance construction phases of approved wind and solar projects using junior debt. The investment concept and its innovative implementation met with overwhelming interest from our Wealth Management clients.

Success in a year of regulations

Even when budgeting for the financial year 2017, we were conscious of one thing in relation to retail banking, namely that the challenges posed by the implementation of MiFID II and other regulatory requirements would have a major impact on the reporting year. We were proved right. With regard to this issue, it was not possible to spare our customers entirely from having to familiarise themselves with the new guidelines in face-to-face meetings and in some cases extensive correspondence. However, our approach of acting very transparently and implementing the corresponding regulations conscientiously met with the understanding and acceptance of our clients for the most part.

Despite this »year of regulations«, we can look back at a very pleasing development. In a real tour de force, our advisors and specialists succeeded in making the transition to MiFID II while keeping a very close eye on the markets and increasing the wealth of our clients. The course we have set in terms of active equities competence, efficient, transparent and high-performing portfolio management, a focus on special offerings for our core target groups and, last but not least, excellent cross-divisional cooperation has further enhanced our market position. We are excellently prepared to generate long-term growth using a compliant yet client-focused business model.

Asset Management

Our Asset Management offers innovative investment concepts and professional risk management strategies to private and institutional investors. Our investment experts develop solutions that are tailored to meet specific needs and that reflect the client's individual return, risk and liquidity goals. We focus very deliberately on areas where we have outstanding expertise. In doing so, we combine various investment styles under one roof – discretionary and quantitative.

The equities and multi-asset competence expanded in the reporting year perfectly complements our successful bond strategies as well as our already superior position on the market in offering liquid alternatives and overlay management solutions.

Active equities competence

We want to be a leading provider of active investment solutions for German and European shares, building on the success of our established »Mittelstand« strategy. Our dynamic and business-minded Berenberg culture allows our specialists to implement their concepts quickly in a concentrated and focused way. As a result, Berenberg has succeeded in recruiting a whole range of proven experts with an impressive track record and bringing them on board with this growth plan. In a capable new team, they are continuing their proven methods and a clear investment philosophy – Berenberg stands for fundamental stock analysis, a long-term investment horizon and ongoing risk management. Our portfolio managers look for companies with special growth and success potential; regular meetings with executives are a competitive advantage in this regard.

We have set up five new funds, including the BERENBERG AKTIEN-STRATEGIE DEUTSCHLAND, the BERENBERG EUROPEAN FOCUS FUND and the BERENBERG EUROPEAN SMALL CAP second-line stock fund.

Multi-asset

The area of portfolio management/multi-asset benefits directly from our expanded equities expertise. But even beyond that, 2017 has been a successful yet challenging year. Assets under management increased thanks to strong performance of the multi-asset engagements and because of successful new acquisitions.

Although portfolio management is not as affected by regulatory changes as is investment advisory, at the organisation strategy level we focused on preparing for the MiFID II European financial market regulation. Multi-asset mandates and funds were switched to simpler, client-friendlier benchmarks. In the autumn of 2017 we added multi-asset staff and expanded our capital market communications.

Fixed income and liquid alternatives

Assets in the retail funds developed well on the whole, with a stand-out performance by our BERENBERG EURO ENHANCED LIQUIDITY. Many of our clients with an institutional and entrepreneurial focus see this as the right product at the right time, as the ongoing low-interest-rate environment continues to make it difficult for investors to generate low-risk yields. The short-term bond portfolio of our BERENBERG EURO ENHANCED LIQUIDITY presents an attractive alternative to classic money market investments in this environment. This fund invests primarily in short-term and euro-denominated bonds and money market instruments with average investment grade ratings. Despite its conservative investment approach, the fund achieved a steady, positive performance. Our clients rewarded the outstanding work of fund management with huge additional investments and new subscriptions. The fund volume roughly doubled to almost €770 million in the reporting year, after a massive increase already in 2016. There was also significant cash inflow into other retail funds, such as our BERENBERG DYMACS VOLATILITY PREMIUM and our BERENBERG EMERGING MARKETS BOND SELECTION.

Alongside our established products, we also remained on the lookout for innovative and suitable investment approaches in the reporting year. We do so mainly on the back of frequent communication with our clients, combining their requirements with market trends and societal developments. This combination makes sense, in our view, for example (1) in the increasing awareness of sustainable investment alternatives, (2) in the always challenging search for stable, regular yields by certain client groups and (3) in the major development potential of emerging markets. We are now taking advantage of our many years of experience in the management of emerging markets bonds to set up, for the first time, a sustainable retail fund (BERENBERG SUSTAINABLE EM BONDS), which invests in government and corporate bonds from emerging markets.

»Our Asset Management offers innovative investment concepts and professional risk management strategies to private and institutional investors.«

During the reporting year, we also successfully completed several due diligence processes.

Overlay Management

Particularly investors with global management appreciate professional risk management. Active overlay management makes it possible to systematically control and hedge against currency risks, stock market risks, interest rate risks and raw materials risks within a portfolio. Implementation takes place separately from the underlying assets in a separate overlay portfolio. Transparent and highly liquid derivatives such as futures and forwards are used. Berenberg is one of the leading providers of overlay management solutions and has been implementing overlay strategies for institutional investors in numerous special mandates since as far back as 2002. Scope extensions and new mandates were won in the reporting year with the tried-and-tested overlay approach.

Solutions for many different client groups

The investment products of our Asset Management are targeted at all investor groups, from retail clients who can buy our public funds from their bank to special mandates set up for very wealthy private investors or institutional investors. 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 has 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 a global level of the benefits of our services and to win them as clients.

To provide contact persons for all of these client groups, we started at the end of 2017 to expand our asset management sales team and to extend the scope of cooperation with other banks and sales partners. In Germany, however, we still work exclusively with savings banks as part of our individual portfolio management and portfolio management funds, and we intend to continue to expand this cooperation. We are confident that our extended offering will make us an even more attractive partner for other banks. This applies both to the different requirements of the bank in question and the respective customer needs.

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 markets 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

Our European research team in London grew to 122 analysts in 2017, an increase of 22% when compared to 2016. This allowed us to add a further 136 shares to our coverage, taking the total to 770. The thematics team we established in 2016 grew to ten analysts, and produced a highly regarded stream of publications on topics including battery technology, digital healthcare, blockchain and agricultural technology. We also published the first research from our US subsidiary Berenberg Capital Markets LLC in 2017 following receipt of our licence in late 2016. Between the team in London and New York, we now cover 97 US-listed shares. We expect this number to triple in the next two years, with the majority of this growth coming from the team in New York.

The research team held more than 14,000 meetings with investors in 2017, and arranged close to 21,600 meetings between investors and the management teams of companies under our coverage. We also hosted 33 conferences, including our 15th flagship European Corporate Conference at Pennyhill Park in the UK, which this year attracted 332 corporate representatives and 407 institutional clients.

The expertise of our people remains our most important asset, and the key to our reputation for high-quality research. We have been able to hire and retain excellent analysts by ensuring we offer the benefits of a large bank (notably our 60-strong sales team discussed below), but without the conflicts and lack of flexibility that research departments at larger banks often face. The »International Graduate Programme« we established in 2011 has played a huge role in our development, as it enables us to hire from industries outside banking and attract high-quality graduates. Of the 122 analysts in our research department, 57 came via our graduate scheme.

Equity research faces significant change following implementation of the EU directive MiFID II in January 2018. 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 and breadth of the research we produce.

Equity Institutional Sales

In 2017, Berenberg further expanded its global sales team, ending the year with 60 members in nine locations. The team is one of the largest in European equities, servicing more than 800 institutional clients, across all investment styles and all the major financial hubs in the UK, continental Europe and the US. The team worked closely with the London-based equity research analysts and our economists to help investors navigate all the challenges facing the market. The sales team all share 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 a combination of generalist sales and sector specialists, which aligns with the approach of our clients. We actively hire both experienced staff and goal-oriented junior talent, which gives the desk an added level of energy and drive.

In 2017 we gained considerable market share versus our competitors, as demonstrated by our continued progress in terms of the broker votes we receive regularly from our clients. This helped us deliver another year of trading commission growth, which contrasted markedly with the market as a whole – indeed, a number of our peers experienced a contraction in comparable commissions. The improved market backdrop versus 2016 led to us being involved in a record number of ECM transactions.

Equity Trading

The financial year 2017 was extremely successful for our equity trading activities with institutional clients. While the volume of trade on European stock markets declined by 7% overall across the industry, we increased our trade with European stocks by 29% and thus extended our market share considerably. Of particular note is the execution of UK-traded stocks, with an increase of 50% on the previous year. At our three trading locations of Hamburg, London and New York, we now employ 37 staff members, who are in constant dialogue with and provide services to our more than 800 institutional clients worldwide. Additionally, two sales traders take care of French-speaking clients from our Paris branch office.

The development of the New York trading desk is also positive. In total, our US subsidiary traded American and Canadian stocks with a value of roughly $7.5 billion for almost 200 leading institutional clients from the USA and Europe. It was likewise possible to expand the transaction volume in ADRs (American depository receipts). Our excellent service was very well received by our US clients, who especially appreciate the fast processing times. The relocation of our office within New York in early 2018 highlights the intention to grow our US business in the coming years. The introduction of MiFID II will pose a major challenge for European brokers. Due to our investments in the trading team and the IT Infrastructure over the past two years, however, we consider ourselves to be very well placed to master these new challenges.

Corporate Finance

Equity Capital Markets (ECM)

Berenberg continuously expanded its European ECM business. In combination with a very strong market environment, we closed the financial year 2017 with a historical record of 51 transactions (2016: 21) and a transaction volume in the region of €8.6 billion.

Special mention should be made of the IPO of German battery manufacturer Varta, which Berenberg executed very successfully as the sole lead investor after Varta's false start with a different banking syndicate in 2016. With Delivery Hero, we also assisted the largest German flotation in 2017 (€989 million). We similarly advised companies such as meal kit delivery firm HelloFresh, German e-mobility firm Aumann and the Swiss-based Zur Rose Group (parent company of German online pharmacy DocMorris) with their listing.

Businesses from various industries and countries also took advantage of our expertise in the field of capital increases. For example, we carried out the €317 million capital increase of medical technology company Carl Zeiss Meditec and the €299 million issue for Eurofins Scientific.

We additionally supported sellers in the secondary placement of share packages with a total value of about €2 billion, including Kinnevik's divestment from Rocket Internet and TUI's exit from Hapag-Lloyd.

While reinforcing our existing leading market positions in the German-speaking region, we continued to expand the ECM business in the UK, with 17 completed transactions. These included the IPOs of Alpha FMC and The City Pub Group, which Berenberg implemented as the lead investor, as well as the £316 million flotation of Sabre Insurance Group. On top of all that, we succeeded in acquiring 11 new corporate broking mandates.

The most transactions

Equity Capital Markets 2017 in the German-speaking region

Number of deals	Lead bank
28	Berenberg
20	Credit Suisse
18	UBS
18	JPMorgan
16	Citi
16	Deutsche Bank
12	Morgan Stanley
11	Goldman Sachs

Source: Bloomberg

Debt Capital Markets (DCM)

A total of 15 transactions were carried out in the reporting year (2016: 12), with a volume of roughly €3.5 billion. As far as classic bonds were concerned, we provided advice for the first time to DAX-30 group Vonovia in its placement of a five-year and ten-year bond with a total volume of €1 billion. We also provided support in this area to Demire, Otto Group and Sixt Leasing. In the shipping sector, we placed two bonds with a total volume of €900 million for Hapag-Lloyd and a $150 million bond for Borealis Maritime.

For Capital Stage (2018 renamed Encavis), we structured one of the first hybrid convertibles in the German-speaking region that is 100% equity-creditable. The financial instrument with a transaction volume of around €97 million highlights the continuing innovation in this segment. We placed further convertibles on behalf of TAG Immobilien and Corestate Capital Group.

M&A Advisory

In 2017, Berenberg once again strongly expanded its position as a leading independent M&A advisor for public takeovers in Europe in a positive market environment. Experienced and integrated teams, comprising M&A, capital market and industry experts, provided advisory services to clients such as Knorr-Bremse in the announced takeover of Sweden-based Haldex AB (volume of €554 million), Allianz in the sale of 90.2% of its shares in Oldenburgische Landesbank (€300 million) as well as SHW in its takeover by Pierer Industrie (€238 million).

»In 2017, Berenberg once again strongly expanded its position as a leading independent M&A advisor for public takeovers in Europe.«

As an advisor for complex succession situations in larger family-run and owner-managed SMEs, Berenberg once again demonstrated in the reporting year its special expertise in the strategic development and structuring of long-term partnerships including family offices and private investors geared towards the long term in a European context.

Berenberg will consistently expand its M&A Advisory and align and refine it in line with the focus areas of the capital markets, listed and family-run companies and family offices.

Financial Markets

Fixed Income Research

Despite the ongoing difficult interest environment, our Fixed Income Research succeeded once again in safeguarding its market position thanks to a systematic focus on specialist and niche topics as well as a widening of the range of analyses published. New research product lines such as the Berenberg issuers paperback met with a great deal of interest from our institutional clients. Once again our Fixed Income Research team was amongst the top five in the field of covered bond research in the »Global Capital Covered Bond Awards« – a worldwide survey of investors and issuers. In 2018, the Research team plans to focus more on the global trend of green bond issues and to build further competence in this segment.

Fixed Income Sales Trading

The European Central Bank continued to be the dominant force on the bond markets in 2017. Ongoing monthly sales of securities intensified excess demand, contributed to further weakness in secondary market liquidity and, together with the economic environment, led to continuing and considerable drops in risk premiums in all asset classes. While German ten-year government bond yields did not dip into negative figures again, they did remain significantly below the 1.0% mark for the entire year.

The reporting year was also characterised by the imminent entry into force of the European Markets in Financial Instruments Directive MiFID II, which fundamentally redefines many aspects of the fixed income markets from 2018 – especially trade. Our Fixed Income Sales Trading team considers itself to be well prepared thanks to intensive preparations made in dialogue with our clients.

We once again generated a very stable result in this continued difficult market environment in 2017. This was helped above all else by a further increase in activity in primary market issues for corporate and convertible bonds.

Forex Trading

Exchange rate developments in 2017 were shaped by the rise of the euro against the US dollar, which was based on the abating of the »Trump effect«. In addition, the ongoing discussions surrounding the terms of Brexit caused the pound sterling to fluctuate accordingly. As far as emerging market currencies are concerned, special mention should be made of the Turkish lira, which continued to nosedive. There was also a focus on the weakness of the South African rand ahead of the ANC elections. Particularly in the latter months of the reporting year, the main currencies settled down and trade margins narrowed.

In this environment, Sales developed suitable tailored solutions for our clients, which includes corporates, institutional investors and banks.

Proprietary trading was also successful thanks to its discipline and professionalism.

The significance of electronic trading continues to grow, and we are paying close attention to this development.

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 Structured Finance and Payment Services departments.

We set up a total of five credit funds in 2017, in which institutional and private investors have invested more than €700 million. We have already invested almost the entire amount in structured finance transactions, in wind and solar parks as well as in shipping loans with a special opportunity/risk profile. This helps us to win new clients around the globe and build long-term client relationships with them in addition to the transactions without increasing our own credit volume.

Structured Finance

In the reporting year, we were able to further enhance our market leadership in cooperation with private debt funds and together structure numerous acquisition financing transactions. Apart from our own funds, we also use money from institutional investors, which was available to us in 2017 in two credit funds under our BERENBERG ALTERNATIVE ASSETS FUND. There is a general trend of private debt funds taking more and more market share away from banks in the profitable field of acquisition financing. We therefore believe that we are taking the right course of action in broadening our collaboration with precisely these alternative lenders. For example, we financed the takeover of Next Pharma by CapVest together with the private debt funds advised by Barings Global Advisers, while together with Alcentra we assisted the acquisition of Schülerhilfe by Oakley Capital. At the same time, exciting new connections arise for our corporate client advisors to offer other bank services. With our financial advisory approach, where we often advise large listed companies in regard to their equity and liabilities, we again assisted high-profile clients such as Salzgitter AG.

»We set up a total of five credit funds in 2017, in which institutional and private investors have invested more than €700 million.«

Infrastructure & Energy

Over recent years, we have consistently expanded the structures for implementing equity, mezzanine and debt capital investments for institutional, strategic and private investors. It was possible to use these implemented structures successfully in 2017. For example, with our BERENBERG GREEN ENERGY JUNIOR DEBT FUND I, we placed the first mezzanine fund with a total volume in excess of €50 million ahead of schedule and above plan. Also, a volume of more than €140 million was acquired from institutional investors as part of the first closing for its sister fund, our BERENBERG GREEN ENERGY JUNIOR DEBT FUND II, and some of this amount has already been invested. Both funds provide finance for renewable energy facilities worldwide and meet investors' stringent requirements in terms of both their diversification and the opportunity/risk profile.

In addition, we have safeguarded the existing national and international network of clients for the long term and have thus increased access to further projects with a focus on solar and wind energy. In the field of infrastructure, we continued to focus on financing advisory and capital acquisition, for example for the procurement of railway vehicles, the build-out of the fibre-optic network in Germany or the sale of data centres. Not only did we succeed in expanding existing mandates, we also added new mandates to our client network.

Shipping

Our shipping activities developed very positively once again in 2017. While charter markets stabilised slightly coming from a low level in the container and bulk segment, the tanker segment remained weak with many new builds still to be delivered by the shipyards. At the same time, second-hand prices in the container and bulk segment increased for the first time in a long while. The industry continues to be characterised by major pressure to consolidate, which has led to further mergers of shipping companies. Against the backdrop of huge losses and additional regulatory pressure, traditional providers of shipping finance are continuing to retreat – with rising demand for alternative financing solutions. We benefited from this development with a total of three shipping loan portfolio acquisitions together with the investors we advise and without expanding our own healthy shipping loan book.

The loans obtained were directed partly to the Luxembourg-based shipping loan fund BERENBERG ALTERNATIVE ASSET FUND and partly to other third-party investors. We achieved a major expansion of our market penetration, especially at an international level, through services for investors relating to these loans as well as newly acquired client contacts for international payment transactions, forex transactions and capital investment. With advisory and placement mandates, we also succeeded in actively accompanying the consolidation process in the industry and alternative capital requirements. We see continued strong business opportunities for our activities in 2018.

Real Estate

Very high demand in virtually all segments of the real estate market, combined with low supply on account of the low interest rates and lack of investment alternatives, meant that prices rose further during the reporting year. As a consequence, there is a risk of price bubbles in some areas. Nevertheless, thanks to our network and long-standing client relationships, we did some lucrative business in 2017, 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.

Closed transactions

Equity Capital Markets

IPO	IPO	<10% Capital Increase	Capital Increase	IPO
Delivery Hero	BEFESA	AROUNDTOWN COMMERCIAL PROPERTIES	AROUNDTOWN COMMERCIAL PROPERTIES	SABRE
EUR 989m	EUR 452m	EUR 450m	EUR 426m	GBP 316m
Joint Bookrunner	Joint Bookrunner	Joint Bookrunner	Joint Bookrunner	Co-Lead Manager

Rights Issue	<10% Capital Increase	Rights Issue	<10% Capital Increase	IPO
Hapag-Lloyd	ZEISS	BUWOG group	eurofins	Hello FRESH
EUR 352m	EUR 317m	EUR 306m	EUR 299m	EUR 286m
Joint Global Coordinator and Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner	Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner

Secondary Placing	IPO	Secondary Placing	IPO	IPO
Hapag-Lloyd	aumann winding and automation	eventim	VARTA	R
EUR 251m	EUR 251m	EUR 242m	EUR 233m	CHF 252m
Sole Global Coordinator and Sole Bookrunner	Joint Global Coordinator and Joint Bookrunner	Sole Global Coordinator and Sole Bookrunner	Sole Global Coordinator and Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner

Secondary Placing	Capital Increase	Secondary Placing	<10% Capital Increase	IPO
ROCKET INTERNET	VICTORIA PLC	COSMO Pharmaceuticals	GRAND CITY PROPERTY	Boozt
EUR 217m	GBP 180m	CHF 216m	EUR 198m	SEK 1.9bn
Sole Global Coordinator and Sole Bookrunner	Joint Global Coordinator and Joint Bookrunner	Sole Global Coordinator and Sole Bookrunner	Sole Global Coordinator and Joint Bookrunner	Joint Bookrunner

Rights Issue and Secondary Placing EUR 192m Joint Global Coordinator and Joint Bookrunner	**IPO** EUR 169m Joint Global Coordinator and Joint Bookrunner	**Secondary Placing** EUR 157m Sole Global Coordinator and Sole Bookrunner	**IPO** GBP 125m Sole Global Coordinator and Sole Bookrunner	**Secondary Placing** EUR 122m Sole Global Coordinator and Sole Bookrunner	**IPO** EUR 120m Joint Global Coordinator and Joint Bookrunner
Secondary Placing PLN 384m Co-Lead Manager	**<10% Capital Increase** GBP 75m Joint Global Coordinator and Joint Bookrunner	**Secondary Placing** GBP 71m Sole Global Coordinator and Sole Bookrunner	**<10% Capital Increase** EUR 80m Joint Global Coordinator and Joint Bookrunner	**IPO** EUR 75m Joint Global Coordinator and Joint Bookrunner	**Secondary Placing** GBP 68m Sole Global Coordinator and Sole Bookrunner
Secondary Placing GBP 59m Sole Global Coordinator and Sole Bookrunner	**Rights Issue** EUR 64m Joint Global Coordinator and Joint Bookrunner	**Secondary Placing** CHF 65m Sole Global Coordinator and Sole Bookrunner	**IPO** GBP 47m Joint Global Coordinator and Joint Bookrunner	**Secondary Placing** EUR 53m Sole Global Coordinator and Sole Bookrunner	**Secondary Placing of Treasury Shares** EUR 51m Sole Global Coordinator and Sole Bookrunner
Secondary Placing GBP 40m Sole Global Coordinator and Sole Bookrunner	**<10% Capital Increase** GBP 39m Joint Global Coordinator and Joint Bookrunner	**Secondary Placing** GBP 39m Joint Global Coordinator and Joint Bookrunner	**Secondary Placing** GBP 37m Sole Global Coordinator and Sole Bookrunner	**Secondary Placing** EUR 34m Sole Global Coordinator and Sole Bookrunner	**Capital Increase** GBP 25m Joint Global Coordinator and Joint Bookrunner

Equity Capital Markets

Secondary Placing	<10% Capital Increase	<10% Capital Increase	<10% Capital Increase	<10% Capital Increase
Telit wireless solutions	Deutsche Konsum REIT-AG	Sirius facilities	CORESTATE Capital Group	SNP
GBP 24m	EUR 25m	EUR 25m	EUR 23m	EUR 19m
Sole Global Coordinator and Sole Bookrunner	Sole Global Coordinator and Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner	Sole Global Coordinator and Joint Bookrunner	Sole Global Coordinator and Sole Bookrunner

Capital Increase	<10% Capital Increase
Sigma Roc	Sirius facilities
GBP 14m	EUR 15m
Sole Global Coordinator and Sole Bookrunner	Sole Global Coordinator and Sole Bookrunner

Debt Capital Markets / Equity-linked

Bond Senior Unsecured	Bond Senior Unsecured	Bond Senior Unsecured	Bond Senior Unsecured	Convertible Exchange Offer
VONOVIA	VONOVIA	Hapag-Lloyd	Hapag-Lloyd	AROUNDTOWN COMMERCIAL PROPERTIES
EUR 500m 1.750% 01/2027	EUR 500m 0.750% 01/2022	EUR 450m 5.125% 07/2024	EUR 450m 6.750% 02/2022	EUR 450m 3.000%/30.7% 05/2020
Joint Global Coordinator and Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner	Sole Global Coordinator

Bond Senior Unsecured	Bond Senior Unsecured	Convertible	Bond Senior Unsecured	Convertible
DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE	otto group	TAG Immobilien AG	SIXT leasing	CORESTATE Capital Group
EUR 400m 2.875% 07/2022	EUR 300m 1.875% 06/2024	EUR 262m 0.625%/30% 09/2022	EUR 250m 1.120% 02/2022	EUR 200m 1.375%/27.5% 11/2022
Joint Bookrunner	Senior Co-Lead Manager	Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner	Joint Global Coordinator and Joint Bookrunner

Debt Capital Markets / Equity-linked

Bond Senior Unsecured

USD 150m
7.500%
11/2022

Joint Global Coordinator and Joint Bookrunner

Hybrid Convertible

CAPITAL STAGE

EUR 97.3m
5.250%/25.0%
perpetual

Joint Global Coordinator and Joint Bookrunner

M&A Advisory

Public Takeover of

Pfeiffer Vacuum Technology
by
BUSCH

EUR 1.086bn

Financial Advisor to Busch

Sale of a 90.2% Stake of

Oldenburgische Landesbank from
Allianz
to Bremer Kreditbank

EUR 300m

Financial Advisor to Allianz

Public Takeover of

SHW
by
Pierer Industrie

EUR 238m

Financial Advisor to SHW

Sale of 100% of Shares of

Corporate Planning
from the shareholders to Hannover Finanz

Financial Advisor to CP Corporate Planning

Purchase of a 5.71% Stake in

Josef Manner & Comp.

by
Katjes International

Financial Advisor to Katjes

Structured Finance

Acquisition Financing

NextPharma

Super-Senior Financing supporting the acquisition of NextPharma

Mandated Lead Arranger

Acquisition Financing

gabocom

Super-Senior Financing supporting the acquisition of Gabocom

Mandated Lead Arranger

Acquisition Financing

BIKE24

Super-Senior Financing supporting the acquisition of BIKE 24

Mandated Lead Arranger

Acquisition Financing

Schülerhilfe

Super-Senior Financing supporting the acquisition of Schülerhilfe Group

Mandated Lead Arranger

Acquisition Financing

univativ

Super-Senior Financing supporting the acquisition of univativ

Mandated Lead Arranger

Refinancing

Rhenoflex

Super-Senior Financing supporting the refinancing of Rhenoflex

Mandated Lead Arranger

Refinancing

Deutsche Fachpflege Gruppe

Super-Senior Financing supporting the refinancing of Deutsche Fachpflege Group

Mandated Lead Arranger

Refinancing

Tentamus

Super-Senior Financing supporting the refinancing of Tentamus Group

Mandated Lead Arranger

Refinancing

PIA

Senior Financing supporting the refinancing of PIA Group

Sole Mandated Lead Arranger

Bridge Financing

Ellwanger & Geiger

Bridge Financing supporting a real estate acquisition

Sole Mandated Lead Arranger

Bridge Financing

exceet

Bridge Financing supporting the public offer for exceet Group

Sole Mandated Lead Arranger

Financial Advisory

Salzgitter AG

Financial Advisor supporting acquisition scenarios

Sole Financial Advisor

Cross-divisional services

Real Estate

We expanded the Real Estate division further in 2017, 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 discreetly structure 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 2017.

For the open-ended special real estate fund BERENBERG REAL ESTATE HAMBURG closed successfully in 2017, we acquired the mixed-use object »Neues Steintor« as well as »Kontorhaus am Großmarkt« in the southern part of Hamburg city centre.

As an exclusive investment opportunity for institutional clients, we set up the open-ended special AIF (alternative investment fund) BERENBERG REAL ESTATE BERLIN, thus consistently extending our series of regional focus funds. The investment focus is the greater Berlin and Potsdam area. In addition to the initial investment of »Wilhelm-Galerie«, a purchase agreement was signed for the »Neumann Forum« district centre in Berlin-Pankow to go to the fund. Institutional investors entered the fund with two closings. Both special AIFs will expand their investing activities in 2018.

External Asset Management Office

The groundwork that we have been doing since 2014 has paid off: the External Asset Management Office increased the number of cooperation partners to 145 in the reporting year, while the volume of administered funds almost doubled in 2017 alone. A key driver of this development is our corporate advisory approach, which is highly appreciated by independent asset managers. For example, developments such as the regulatory changes regarding MiFID II and the German Investment Tax Reform Act (InvStRefG) pose major challenges for our cooperation partners. We provided support to them with practical workshops. Another success factor of our work is the high level of service. As part of this, we now make it possible for clients to open accounts with just one signature. Our group of partner capital management companies was extended to include Hansainvest GmbH.

Bank Management central business unit

We can only succeed in providing the best possible service to our clients if the infrastructure required by the staff areas is optimally aligned to this objective. In addition, implementation of changed regulatory requirements 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, Balance Sheet/Reporting and Risk Controlling units, which are especially important in this context, into the Bank Management central business unit, in order to harness their combined forces. Projects that are relevant for the Bank as a whole are likewise coordinated and managed by the Bank Management central business unit.

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 have consistently transformed the segment to accommodate agile working. This allows us to achieve a very high degree of flexibility, boosting IT productivity and innovativeness in a lasting manner. We are also building on a more modular approach to our IT architecture. In combination with the possibility of achieving continuous delivery and integration, this gives us a highly flexible and scalable basis that enables a rapid response to new business requirements and facilitates external partner integration.

Alongside implementation of regulatory requirements, the current focus of our development work is predominantly on digitalisation and automation projects. In order to provide our business segments with stable and reliable IT services, we continue to have an infrastructure with our own IT centres. In order to achieve a sustainable operating framework, our plans are to make greater use of scalable solutions (for example, cloud computing) in future in combination with our own systems. The increasingly international nature of our business is supported by a global IT approach. With this extremely modern, agile approach, we are improving our attractiveness as an employer in the field of IT and offering talented employees excellent development opportunities. 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* unit, 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 advantage of being able to respond to individual client needs in a flexible manner. We pay attention that our handling processes are not only robust and of the highest quality but also as efficient as possible. 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 *Balance Sheet/Reporting* department ensures that financial reporting regulations are duly applied and that reporting of our business activities to the supervisory authorities is timely and accurate.

A further independent unit of the Bank Management central business unit provides the entire Bank with a set of rules that complies with the regulatory requirements. The process descriptions contained therein are used to identify approaches for potential process improvements within the Bank.

Central projects are also coordinated from a department set up for this purpose within the Bank Management unit. In this way, we can ensure uniform management of projects and thus an efficient implementation of new topics.

The *Risk Controlling* unit is responsible for 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 50 ff.). 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 employees responsible and management with all relevant information required in this context.

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 remained very comfortable throughout 2017. We invest our deposit surplus in a securities portfolio dominated by 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. In addition, we take into account the possibility of a fall in earnings directly by only recognising the budgeted profit of a negative scenario (»scenario of earnings collapsing«) in the risk cover. This already reduces the risk cover by a significant amount and thus offers less scope for taking on risk. Our approach to managing the risk of a fall in earnings on an ongoing basis 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 normal market movements. To gain a more extreme perspective on the risk situation, we supplement risk evaluations with an analysis of historical and hypothetical stress scenarios.

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. These reserves are compared with the VaR with a confidence level of 99% in our primary control group. In addition, we perform stress-testing based on a more extreme VaR quantile of 99.9% which is based on rarer loss characteristics. 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. Risk-mitigating diversification effects across the various risk types are consciously ignored by aggregating the covering amounts for the various categories of risk conservatively.

In the course of quarterly analyses carried out in parallel, the results of various stress scenarios specific to risk types as well as of general stress scenarios are compared with the available economic capital and cannot exceed this figure. We also perform adhoc 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.

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.

Management has overall responsibility for the risk management process and defines the general conditions for managing the various risk types. The 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 services institutions. This unit works closely with the other central staff areas to ensure a constant and timely 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 at regular intervals and compares the risk amounts of the various risk types with the available economic capital. As part of the risk management process, we ensure (in line with our strategy) that excessive concentrations of risk do not exist, either within or across risk classes.

In its risk management, Berenberg employs the classic model of 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 in the other units and ensure independent risk reporting within the Bank.

The third line of defence consists of the Bank's independent Auditing department, which employs a risk-oriented approach to evaluate how effectively Berenberg controls 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 monitors exposure to *counterparty risk* using a wide-ranging limit structure. A range of targeted risk 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 Controlling unit provides management with an efficient management information system that enables the recipients to analyse the earnings and risks at different aggregation levels, among other things using risk-adjusted indicators.

The Bank's Auditing department regularly examines the organisational precautions for managing, monitoring and controlling the various categories of risk, based on the parameters specified in the Audit Manual.

Risk Controlling and Credit Risk Management 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 our website:
www.berenberg.de/en/riskreport

Employees

Our committed and competent employees make a key contribution to Berenberg's success. Even with a headcount of roughly 1,600 employees, Berenberg has remained true to the idea of constantly developing further and being able to react quickly to new market realities. Our flat hierarchy goes hand in hand with this dynamism, allowing our employees to make their own ideas a reality and thus contribute personally to our joint success.

Employees including subsidiaries

	31 Dec. 2012	31 Dec. 2017	Increase in %
Germany	838	1,031	23.03 %
Other countries	278	545	96.04 %
Total	**1,116**	**1,576**	**41.22 %**

In view of demographic change, maintaining and improving our attractiveness as an employer is an important success factor. As the number of highly qualified young talents on the labour market is set to decline in the future, we established a systematic university marketing programme ten years ago. As a result, we now have strong contacts to over 100 universities in Germany and abroad. We are in a position to hire 120 student interns and temporary employees and to recruit 20 to 30 graduates each year for our challenging International Graduate Programme. The programme is extremely popular, with more than 2,000 applicants. The 15-month programme includes tasks at several international locations and comprises a six-week introductory phase as well as 430 training hours per participant, 90 hours of preparing for the Chartered Financial Analyst (CFA) exam and constant liaising with mentors and decision makers.

At the end of 2017, the Berenberg Group had 1,576 employees. This means that we have recorded a continuous increase in staff for more than 19 years. Over the past five years, we have grown by around 23% within Germany and roughly 96% outside Germany – which highlights our increasingly international gearing.

We would like to thank all of our employees for their commitment and dedication this year. We also extend our gratitude to the members of the Works Council and of the JAV (Youth and Trainee Council) for their cooperation in an atmosphere of trust and dedication in many areas.

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 have to overcome 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, in recent years we have repeatedly adjusted our business model to meet the respective requirements and to expand Berenberg into an advisory firm with international operations. Beyond Hamburg, we have become established at the major financial hubs. At year-end 2017 we had almost 350 employees in London, where we expect Brexit to bring more advantages than disadvantages for our activities over the coming years; being a bank headquartered within the EU, 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.

We will continuously expand our New York operations, having moved to a larger office there at the beginning of 2018. We will grow our equity research desk to cover US stocks and our equity trading activities in the USA, thus adding further regional diversification to the business model established in Europe.

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 2018 and continue to grow in our core markets of Germany, the UK, continental Europe and the USA. We wish to remain the preferred partner for existing clients, and consider ourselves to be in an excellent position to constantly win new clients and expand our market share.

We will retain our proven, diversified business model with our Wealth and Asset Management, Investment Banking and Corporate Banking business divisions. In Wealth Management, we focus on providing services for sophisticated asset structures. This division will be dovetailed very closely with Asset Management in the future in order to offer our clients an even broader, excellent product range. The outstanding equities expertise in the Bank will also be leveraged for this purpose. 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 innovative new products and tap new client groups.

As diverse as the divisions are, 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 and pursuing very conservative risk management. Berenberg will concentrate on the 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 Controlling 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 an excellent position in the market and that the hard work of our dedicated and skilled workforce will enable us to generate solid earnings again in 2018. We take the view that regulation as a result of MiFID II, the continuing low interest rate levels and the increasing pressure to invest due to advancing digitalisation will lead to further consolidation within the industry. We consider ourselves to be very well prepared with a robust business model, and we hope to use the resulting window to win further market share. The related capital expenditure has prompted us to plan cautiously with lower earnings for 2018. However, we also see opportunities that may lead to a more positive development than that outlined in our budget.

Wealth and Asset Management

Necessary regulatory adjustments will continue to preoccupy the wealth and asset management sector. The General Data Protection Regulation (GDPR), which harmonises the rules on the processing of personal data at the EU level, and EU Payment Services Directive PSD II both take effect in 2018. Berenberg is well prepared for these changes. The Wealth Management business model has been adjusted accordingly, the processes of the investment platform have been optimised and considerable investments have been made in expertise and in new products. On this basis, Wealth and Asset Management hopes to continue and to accelerate its growth trajectory. To do this, we will further expand the dialogue and constructive exchange with our clients and investors, increase our presence at industry events and step up our communications activities significantly. Especially in the multi-asset field, we want to communicate our capital market opinion even more clearly and transparently to clients and the media.

We intend to further increase our assets under management, through strong performance of existing management mandates on the one hand and by winning new clients on the other. We will make internal processes even more efficient in order to respond as effectively as possible to the regulatory environment. We plan to structure our portfolio management according to the type and focus of the investment strategies. For multi-asset products, we will bundle the proven expertise of colleagues from other areas within the Bank or other Wealth and Asset Management units even more than we have done. Most of all, we aim to step up collaboration with our colleagues from the Equities team in order to benefit from their stock-picking expertise. This will also involve making the multi-asset investment process more transparent and more structured.

For our Wealth Management clients with an interest in innovative side investments and direct investments apart from a securities portfolio, we will continue to use our close cross-divisional interlinking to provide worthwhile and exclusive offerings, for example in Real Estate and Infrastructure & Energy. Especially through even closer collaboration with Investment Banking, we are confident that we will integrate new investment options into our high-ranking investment advisory.

We want to make the entire Asset Management product range even more accessible to our institutional clients than before, offering the right solution from quantitative, discretionary or hybrid approaches to fit the client's needs. Part of this will involve the expansion of our national and international sales structures.

Investment Banking

2018 will be a year of fundamental change for investment banking. The implementation of MiFID II on 3 January has far-reaching consequences, particularly with regard to the manner in which clients pay for research. It is our expectation that the greater scrutiny of research quality by our investor clients will be a positive for us, albeit against a backdrop of significant contraction in overall market commission levels. In 2017 we met with all our major investor clients, and as a consequence of these discussions we are confident in our positioning and our ability to continue to take market share. The investments we have made in trading and sales trading resource should also support our growth.

We expect to maintain our leading position for IPOs, capital raises and M&A transactions in the German-speaking region. We also expect to build on our 2017 successes in other markets, notably the UK. We will continue to work closely with our partner BayernLB in these areas.

Our fixed income and forex trading units remain well positioned to continue making a profitable contribution to the division.

We are making the necessary adjustments to our business in preparation for the UK exiting the European Union. As a consequence, we do not expect a material impact on our business.

Corporate Banking

In 2017, we set up five credit funds in the Structured Finance, Shipping and Infrastructure & Energy departments with a total of more than €700 million and most of the funds provided by investors have been invested. Following on from these transactions, we have already retained new clients in operations and thus in cross-selling and have also been able to further scale the path we have taken. Both of these offer further potential for 2018. Especially in the area of structured finance (on account of the increasing role played by private debt funds) and in shipping (through the decreasing number of traditional ship financing banks), we see very good growth prospects with the structuring of alternative financing solutions. We also want to expand our activities in traditional corporate client business, both with companies geared to the capital market and in selected regions such as the UK and Scandinavia. After extensive investments in the payment transaction system, we also intend to garner further growth in this area in international business from 2018/2019. Thus, we believe that prospects are excellent across the board.

ANNUAL FINANCIAL STATEMENTS

Balance sheet as at 31 December 2017

Assets €		2017	2016
Cash reserve			
Cash on hand		1,829,229	1,916,557
Balances with central banks		837,886,368	196,915,780
	1)	**839,715,597**	198,832,337
Receivables from banks			
Payable on demand		299,742,882	368,187,194
Other receivables		249,234,575	303,406,712
		548,977,457	671,593,906
Receivables from customers	2)	**929,223,573**	933,638,948
Bonds and other fixed-income securities			
Bonds and debentures			
– of public-sector issuers	3)	892,616,461	1,325,904,907
– of other issuers	4)	1,125,704,699	879,657,448
		2,018,321,160	2,205,562,355
Shares and other variable-yield securities		**224,441,415**	389,695,489
Trading portfolio		**19,787,590**	24,977,653
Participating interests	5)	**224,577**	3,482,191
Shares in affiliated companies	6)	**28,820,040**	22,540,872
Trust assets		**5,660,273**	4,514,484
Intangible assets			
Purchased franchises, industrial property rights and similar rights, and licences to such rights		**4,883,724**	4,860,964
Tangible fixed assets		**17,864,957**	19,723,086
Other assets		**96,660,880**	230,104,729
Prepaid expenses		**6,471,895**	5,533,251
Excess of plan assets over pension liabilities		**288,278**	1,248,725
Total assets		**4,741,341,416**	4,716,308,990

1) thereof: with Deutsche Bundesbank €836,892,914
2) thereof: municipal loans €111,079,224
3) thereof: eligible as collateral with Deutsche Bundesbank €892,616,461
4) thereof: eligible as collateral with Deutsche Bundesbank €1,110,998,231
5) thereof: in banks €164
6) thereof: in banks €2,540,872

Equity and liabilities €	2017	2016
Liabilities to banks		
Payable on demand	377,254,596	374,014,412
With agreed term or notice period	38,134,707	65,030,754
	415,389,303	439,045,166
Liabilities to customers		
Savings deposits		
– with agreed notice period of three months	290,493	348,591
– with agreed notice period of more than three months	14,044	23,483
Other liabilities		
– payable on demand	3,413,168,881	3,251,012,890
– with agreed term or notice period	322,732,038	469,276,759
	3,736,205,456	3,720,661,723
Trading portfolio	**0**	15,874
Trust liabilities	**5,660,273**	4,514,484
Other liabilities	**47,593,931**	38,328,849
Deferred income	**108,381**	84,277
Provisions		
Provisions for pensions and similar obligations	25,226,922	23,975,053
Provisions for taxes	3,215,522	1,232,309
Other provisions	80,205,968	71,159,548
	108,648,412	96,366,910
Subordinated liabilities	**85,000,000**	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	86,704,633
Net profit for the year	90,231,027	119,787,074
	326,935,660	356,491,707
Total equity and liabilities	**4,741,341,416**	4,716,308,990
Contingent liabilities		
Liabilities under sureties and guarantee agreements	**65,546,726**	74,148,826
Other commitments		
Irrevocable loan commitments	**169,258,368**	109,576,975

[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 2017

Expenses €		2017	2016
Interest expenses		**30,686,411**	24,014,999
Commission expenses		**60,548,204**	39,958,011
General administration expenses			
Personnel expenses			
– Wages and salaries		184,619,411	168,256,688
– Social security charges and expenses for pensions and similar benefits	[1]	25,957,832	22,243,485
Other administrative expenses		127,876,220	123,268,655
		338,453,463	313,768,828
Depreciation of tangible fixed assets and amortisation of intangible assets		**8,901,504**	9,074,024
Other operating expenses	[2]	**4,813,245**	5,026,111
Write-downs of and valuation allowances on receivables and certain securities and additions to loan loss provisions		**22,556,871**	17,284,284
Write-downs of and valuation allowances on participating interests, on shares in affiliated companies and securities classified as fixed assets		**6,020,832**	0
Taxes on income		**11,569,523**	3,254,529
Other taxes where not shown under Other operating expenses		**171,511**	240,999
Net profit for the year		**90,231,027**	161,491,707
Total expenses		**573,952,591**	574,113,492

[1] thereof: for pensions €7,196,331
[2] thereof: for compounding €1,613,162

Income

€	2017	2016
Interest income from		
– credit and money market activities	72,479,875	52,395,629
– fixed-income securities and debt register claims	19,388,989	29,621,394
	91,868,864	82,017,023
Current income from		
– shares and other variable-yield securities	345,197	7,437
– participating interests	0	3,857,423
– shares in affiliated companies	5,040,351	103,523,638
	5,385,548	107,388,498
Commission income	**403,765,009**	293,588,151
Net income from trading portfolio	**21,298,514**	34,275,187
Other operating income	**51,634,656**	56,844,633
Total income	**573,952,591**	574,113,492

Appropriation of profit		
Net profit for the year	90,231,027	161,491,707
Appropriation to revenue reserves		
– to other revenue reserves	**0**	41,704,633
Net retained profits	**90,231,027**	119,787,074

Selected notes to the financial statements as at 31 December 2017

General information

The annual financial statements for the year ended 31 December 2017 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. These hedges are shown on the balance sheet based on the net hedge presentation method, whereby the offsetting changes in value from the hedged risk (effective portion) are not shown on the balance sheet. An overall unrealised gain arising within the hedge was not taken into account. In contrast, if the ineffective portion of the changes in the value of the underlying and hedging transactions from the hedged risk correspond to a loss, a corresponding provision is recognised.

The prospective assessment of effectiveness as well as the retrospective determination of the effectiveness of the hedge was carried out by comparing the contractual terms, since the contractual terms of the underlying and hedging instrument offset each other.

Borrowed and/or lent securities from securities lending transactions and the associated retransfer obligations and/or retransfer claims 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 less operationally necessary write-downs are recognised at cost.

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 2017 financial year. The option to account for internally generated intangible assets as fixed assets was not exercised.

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 3.68%, 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 €5.6 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 were 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 adhoc 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	
	2017	2016	2017	2016	2017	2016	2017	2016
Receivables								
from banks	14,268	33,430	108,867*	132,623*	126,099*	87,280*	0	50,074*
from customers	563,830	472,147	64,960	160,644*	233,309*	262,470*	67,125	38,378
of which with no fixed maturity	514,195	422,625						
Liabilities								
to banks	37,599	64,732	535	299	0	0	0	0
to customers	288,907	410,613	33,825	34,863	0	23,800	0	0
Savings deposits	290	349	0	0	14	23	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 or portfolio 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	
	2017	2016	2017	2016
Receivables				
Banks	8,210	6,576	0	0
Customers	11,545	27,387	74	135
Liabilities				
Banks	180,969	219,057	0	0
Customers	7,551	13,454	5,565	1,811

Bonds and other fixed-income securities

This item breaks down into securities of €'000	public-sector issuers	other issuers	Total
2017	892,616	1,125,705	2,018,321
of which due in 2018	418,108	204,222	622,330
2016	1,325,905	879,657	2,205,562

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	2017	2016
German Pfandbriefs	60,954	164,306
European covered bonds	404,747	210,381
Bonds with government guarantee	637,211	485,978
Other	22,793	18,992
Total	1,125,705	879,657

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

The average remaining maturity of all bonds is 1.6 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 or portfolio hedges).

Valuation units

Fixed-income securities in the amount of €1,179.7 million (€979.3 million) as well as registered bonds in the amount of €102.3 million (€64.8 million) were included in (micro or portfolio hedges) to hedge interest rate risk. The Bank's strategy for managing interest rate risk calls for its lending and deposit-taking activities to have a short-term structure. Transactions with a term of more than one year are essentially hedged by entering into interest rate swaps, which serves to reduce the dependence on positions that are sensitive to changes in interest rates. The effectiveness of the hedges is determined using the fair-value-oriented method. All risk of changes in value, interest and cash flow is secured for the entire term.

Shares and other variable-yield securities

This item contains shares in investment funds of €82.4 million (€82.7 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 2017
BAI-Universal-Fonds	Equities	48,271	46,433	1,838	0
BIRD-Universal-Fonds	Bonds	41,374	35,000	6,374	0
		89,645	81,433	8,212	0

There are no restrictions on daily redemption rights.

Furthermore, the Bank holds shares of Berenberg-Select Income-Universal-Fonds as a non-strategic portfolio (market value: €0.9 million/carrying amount: €0.9 million; distribution of dividends 2017: €0.3 million).

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 €81.5 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	2017	2016
Assets		
Bonds and other fixed-income securities	17,285	24,978
Shares and other variable-yield securities	2,500	0
Derivatives	2	0
Total	19,787	24,978
Liabilities		
Shares and other variable-yield securities	0	16
Total	0	16

The financial instruments held for trading are marked to market less a risk discount. The total risk discount amounts to €0.1 million (€0.0 million).

Trust assets

€5.7 million (€4.5 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).

Statement of changes in fixed assets

€'000	Acquisition cost				Depreciation/amortisation				Residual book value	
	Balance 31/12/2016	Additions	Disposals	Balance 31/12/2017	Balance 31/12/2016	Additions	Disposals	Balance 31/12/2017	2017	2016
Participating interests	3,482	30	3,287	225	0	0	0	0	225	3,482
Shares in affiliated companies	22,541	12,300	0	34,841	0	6,021	0	6,021	28,820	22,541
Furniture and office equipment	59,578	3,783	188	63,173	39,855	5,612	159	45,308	17,865	19,723
Intangible assets	25,178	3,312	0	28,490	20,317	3,290	0	23,607	4,883	4,861
Total	110,779	19,425	3,475	126,729	60,172	14,923	159	74,936	51,793	50,607

Other assets

The item includes accrued fees in the amount of €36.4 million (€32.2 million). An offsetting item comprising currency forwards and currency options entered into has been recognised in the amount of €4.6 million (€38.8 million) on the assets side of the balance sheet due to the special cover.

Deferred taxes

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

Deferred taxes were calculated based on an average municipal trade tax multiplier of 16.37%.

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

Long-term financial assets that are barred from access by all other creditors and serve exclusively to settle liabilities arising under pension benefit obligations were 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 from accrued interest 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.

€'000	Acquisition cost of securities		Fair value		Amount payable provisions	
	2017	2016	2017	2016	2017	2016
Provisions for pensions and similar obligations	17,456	17,456	17,456	17,456	17,226	16,689
Other provisions (semi-retirement)	2,001	2,001	2,016	2,020	1,958	1,538

€'000	Other operating expenses		Interest income		Valuation at fair value	
	2017	2016	2017	2016	2017	2016
Provisions for pensions and similar obligations	630	644	0	0	0	0
Other provisions (semi-retirement)	67	53	0	0	14	19

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.

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 €1.1 million (€1.3 million) arising from employee working-time accounts, which would otherwise be presented under other liabilities, were netted with assets of the same amount, which would otherwise be presented under Other assets.

In total, there was an excess of plan assets over post-employment benefit liabilities of €0.3 million (€1.2 million).

Other liabilities

This item essentially includes deferred interest payments for interest rate swaps and caps in the amount of €5.6 million (€9.9 million) and commitments to the local tax office in the amount of €11.9 million (€6.3 million). Impending losses for forward exchange deals were incurred as a result of losses from closed positions and extensions based on the original price in the amount of €11.2 million (€7.7 million).

Other provisions

This item mainly comprises provisions for personnel expenses.

Subordinated liabilities

Expenses included interest in the amount of €3.3 million (€2.8 million), €2.6 million (€2.2 million) of which is accrued and shown under Other liabilities. The following table shows the breakdown of the subordinated liabilities totalling €85.0 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
10,000	4.125	27/09/2032
7,000	4.125	27/09/2032
11,000	4.125	27/09/2032
1,000	4.125	27/09/2032
1,000	4.125	27/09/2032
10,000	4.125	27/09/2032

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 €244.4 million (€321.7 million) and liabilities in the amount of €1,568.3 million (€1,702.0 million) are denominated in foreign currency.

Contingent liabilities

Liabilities arising from sureties and guarantees include bills of exchange guarantees in the amount of €49.6 million (€54.8 million) and documentary credits in the amount of €15.9 million (€19.3 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 share of the average enforcement under guarantees in the past three financial years was immaterial. As a result, the likelihood that the amounts will be enforced is considered to be low.

Other commitments

The other obligations consist exclusively of irrevocable loan commitments totalling €169.3 million (€109.6 million).

Notes to the income statement

Negative interest expenses and income

Interest expenses include negative interest netted in the amount of €2.5 million (€1.1 million). Interest income includes negative interest in the amount of €1.0 million (€1.2 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 87% (71%) generated in Germany and 13% (29%) 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 €255.9 million (€171.5 million) from commission-earning business and €37.8 million (€36.8 million) from fund management was generated from management and brokerage of securities transactions.

Other operating income

Other operating income mainly includes gains on the disposal of an investment in the amount of €31.0 million. This item also includes cost reimbursements in the amount of €12.7 million (€3.9 million) and reversals of other provisions in the amount of €2.9 million (€2.5 million).

Other operating expenses

This item includes, among other things, interest expenses from the discounting of long-term provisions in the amount of €1.6 million (€1.6 million). It also includes additions to provisions of €0.9 million (€1.1 million).

Other disclosures

Other financial commitments

There is a proportionate contingent liability for the obligation to make additional payments by other third parties, 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 €36.9 million (€33.9 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, option writer commitments arising from interest rate options, interest rate option rights, interest rate swaps, swaptions, caps and floors;
- Futures contracts relating to other price risks, in particular equity futures, index futures, commitments arising from equity options, 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 or portfolio hedges).

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

€'000	Volume		Positive market values		Negative market values	
	2017	2016	2017	2016	2017	2016
Forward exchange transactions	29,193,409	40,712,445	147,092	301,710	153,387	232,168
Swaps	1,559,899	1,446,611	3,266	1,697	15,679	30,141
Caps/floors	667,177	339,602	793	1,192	396	816
Securities futures	896,927	819,440	1,338	7,274	2,059	3,895
Securities options	831,228	814,650	41,572	30,693	47,869	30,693
Equity options	21,900	28,300	2	37	0	0
Bonds futures	142,532	428,213	2,367	17,312	12,285	33,452
Total	33,313,072	44,589,261	196,430	359,915	231,675	331,165

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 €19.3 million (€18.7 million).

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

Market risk	**Capital adequacy requirement**	
€'000	2017	2016
Standard method		
Net equity positions	18,424	17,251
Net interest positions	543	427
Overall currency position	297	974
Total	19,264	18,652

Board of Management

The Board of Management comprised the following Managing Partners in 2017:

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: 1.1.2018

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 2017.

Appropriation of profit

The net profit for the year in the amount of €90.2 million available for distribution is planned for distribution to the shareholders.

AUDITOR'S REPORT

Unqualified auditor's report by the independent auditor to Joh. Berenberg, Gossler & Co. KG, Hamburg

Report on the audit of the annual financial statements and of the management report

Audit opinions

We have audited the annual financial statements of Joh. Berenberg, Gossler & Co. KG, Hamburg, which comprise the balance sheet as at 31 December 2017, the income statement for the financial year from 1 January 2017 to 31 December 2017 and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Joh. Berenberg, Gossler & Co. KG for the financial year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the components of the management report set forth under »Other information«.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January 2017 to 31 December 2017 in compliance with German generally accepted accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the components of the management report listed under »Other information«.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as »EU Audit Regulation«) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the »Auditor's responsibilities for the audit of the annual financial statements and of the management report« section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In the past financial year, BDO member firms provided services in accordance with Article 5 (1) EU Audit Regulation which, based on an assessment of their quantitative and qualitative significance, did not jeopardise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:
1. Recognition of commission income
2. Recoverability of receivables from customers

Re 1. Recognition of commission income

Background
Joh. Berenberg, Gossler & Co. KG recognises significant commission income (EUR 403.8 million) as at 31 December 2017. Joh. Berenberg, Gossler & Co. KG is a credit institution that has geared its business primarily to the brokerage and trade of financial instruments to and/or for clients and consequently generates a significant portion of its income in the form of commission from the trade of financial instruments and foreign exchange. Accordingly, the correct calculation and posting of commission income from this business has a significant influence on the correct presentation of the financial performance of the Company.

Auditor's response and findings
In connection with the processing of transactions with financial instruments, we obtained an understanding of the process of calculating and recognising commission up to the posting of commission income and tested selected controls. In particular, we used control tests to audit the process of the transfer of business data from trade transactions for financial instruments to the IT systems used to calculate commission as well as the underlying authorisation concepts. Furthermore, we carried out analytical audit procedures and, in test of details for a sample of transactions, we assessed the correct calculation and posting of the commission income.

We were able to satisfy ourselves that the calculation logic of the IT systems used and the control activities implemented ensure that commission is calculated properly and that periods are matched accurately.

Re 2. Recoverability of receivables from customers

Background

At €929.2 million or 19.6% of total assets, receivables from customers are a significant asset item at Joh. Berenberg, Gossler & Co. KG. Assessing the recoverability of receivables from customers and setting up appropriate specific valuation allowances is based to a large extent on estimates and assumptions by the Company's legal representatives regarding the ability of the borrowers to service their debts. There are also estimation uncertainty and judgemental differences in the measurement of loan collateral. For these reasons, and in light of the significant amount of receivables from customers, the recoverability of receivables from customers and the creation of appropriate specific valuation allowances were a key audit matter as part of our audit.

The disclosures by Joh. Berenberg, Gossler & Co. KG on the receivables from customers are included in the section on receivables/liabilities from/to customers/banks on page 70 of the notes to the financial statements.

Auditor's response and findings

We analysed and assessed the appropriateness of the operating processes provided by the Bank to identify and evaluate receivables at risk of default. In discussions with the employees responsible as well as a critical review of the internal guidelines, we obtained an understanding of the Bank's process for granting credit and monitoring. Based on a selection of individual cases from the credit portfolio, we tested the effectiveness of the design of key controls implemented.

For selected items at risk of default, we audited whether there is a knowledge of potential credit losses, whether these were calculated and processed properly and whether the valuation allowances were created for an appropriate amount and were recorded in the annual financial statements. We also audited to what extent the estimates made by the legal representatives are sufficiently documented and justified. As far as the collateral provided by borrowers is concerned, we used a deliberate selection of individual cases to satisfy ourselves that the Bank had valued these appropriately and included them in the valuation allowances.

We determined the audited individual cases using a risk-based approach with a deliberate selection. In doing so, we took into account in particular large-volume loans as well as loans from key industries for the Bank.

On the whole we were satisfied that the estimates and assumptions made by the legal representatives are sufficiently documented and justified to support the valuation of the receivables from customers, which are significant in terms of amount.

Other information

The legal representatives are responsible for the other information. The other information comprises:

- the annual report, which is expected to be provided to us after this date, with the exception of the audited annual financial statements and management report as well as our auditor's report, and the non-financial statement, the publication of which on the Company's website is referred to in the management report.

Our opinions on the annual financial statements and on the management report do not cover other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibility of the legal representatives and the audit committee for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities and financial position and financial performance of the Company in compliance with German generally accepted accounting principles. In addition, the legal representatives are responsible for such internal controls as they, in accordance with German generally accepted accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to intent or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to a going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the legal representatives are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The audit committee is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the managgment report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to intent or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to intent or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control system relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German generally accepted accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the audit committee with a statement that we have complied with the relevant independence requirements, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 19 April 2017. We were engaged by the management on 1 July 2017. We have been the auditor of Joh. Berenberg, Gossler & Co. KG without interruption since financial year 1948.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Hauke Zink.

Hamburg, 16 March 2018

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Dr Zemke	signed Zink
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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* Head office

BERENBERG AT THE CENTRE OF INTERNATIONAL FINANCE

NEW YORK


ONE WAY
ONE WAY

Dear clients and business associates,

Berenberg has been in the United States since 2011. But this is actually the second time in our 428-year history that we've had an American presence – we were there long before, with a subsidiary on the east coast of America from 1833 to 1891.

We are making New York City the centre of our US activities. Berenberg also has offices in Boston, Chicago and San Francisco. In February 2018, we moved into a new office space in Manhattan, where we will conduct analyses of American companies and offer equity trading and capital market transactions.

Not only is the US market considerably larger than the European one, its homogeneity makes it very attractive as well. For us, having a presence in the US is also a geographical diversification. We already work for many American investors, and can now provide a greater scope of research and other services.

On the pages that follow, we would like to tell you a little more about what we do in the Big Apple.

Enjoy reading!

Best regards,

Hans-Walter Peters

Dr Hans-Walter Peters
Spokesman of the Managing Partners

NEW YORK IS GETTING ITS SWAGGER BACK

Ben McLannahan, Financial Times, US banking editor, New York

The financial crisis hit the city hard, prompting big banks to slash thousands of jobs. Others uprooted workers to cheaper locations around the country, as regulators squeezed profits by tightening key rules on capital and liquidity. Many smaller broker-dealers, some of them still recovering from the bursting of the tech bubble and the 2001 terror attacks, are yet to regain their footing.

But the past couple of years have been kinder. A new Republican administration has promised to boost the financial sector by taking a lot of the sting out of Dodd–Frank, the 2,300-page law which aimed to curb a lot of excesses on Wall Street. Already, new people at the top of regulatory agencies are starting to take a gentler view on interpretation and enforcement of some of those post-crisis rules. The central bank has begun at last to raise interest rates, pushing up the gap between the yields on banks' assets and the rates they pay for funds.

»In initial public offerings, the New York Stock Exchange reclaimed the top spot for 2017 with $29 billion of new listings.«

All this seems to have allowed the financial sector to breathe a little easier. Shares in the big investment banks have soared, while boutiques are coming up hard on the rails. And foreign banks continue to flock to the city. 82 non-US banks had branches in New York in January 2018, according to the state financial services regulator.

Meanwhile, private equity firms continue to flourish, benefiting in large part from a tighter grip on the banks. In initial public offerings, the Snap-boosted New York Stock Exchange reclaimed the top spot for 2017 with $29 billion of new listings, according to Thomson Reuters, clear of Shanghai and the National Stock Exchange of India.

It is no wonder that employment in the securities industry, which accounts for about one in ten jobs in the city, is back on the rise. Total securities industry jobs in New York state were about 177,000 in 2016, according to the state comptroller, up 7% from a post-crisis trough in 2013 and just 6% off the 2007 peak.


11-21
WALL ST

Yes, lots of middle- and back-office jobs continue to be moved to cheaper cities around the US, such as Nashville, Boise and Des Moines. Jersey City, just across the Hudson River from Lower Manhattan, is picking up tenants too, such as the Depository Trust and Clearing Corporation, which clears and trades securities for many brokerages and banks.

But still, there are hotspots of activity in the city of New York. Emerging financial technology firms are clustering around the Flatiron District, or »Silicon Alley.« SoFi, the giant online lender from Silicon Valley, has just opened near the High Line in the trendy Meatpacking District.

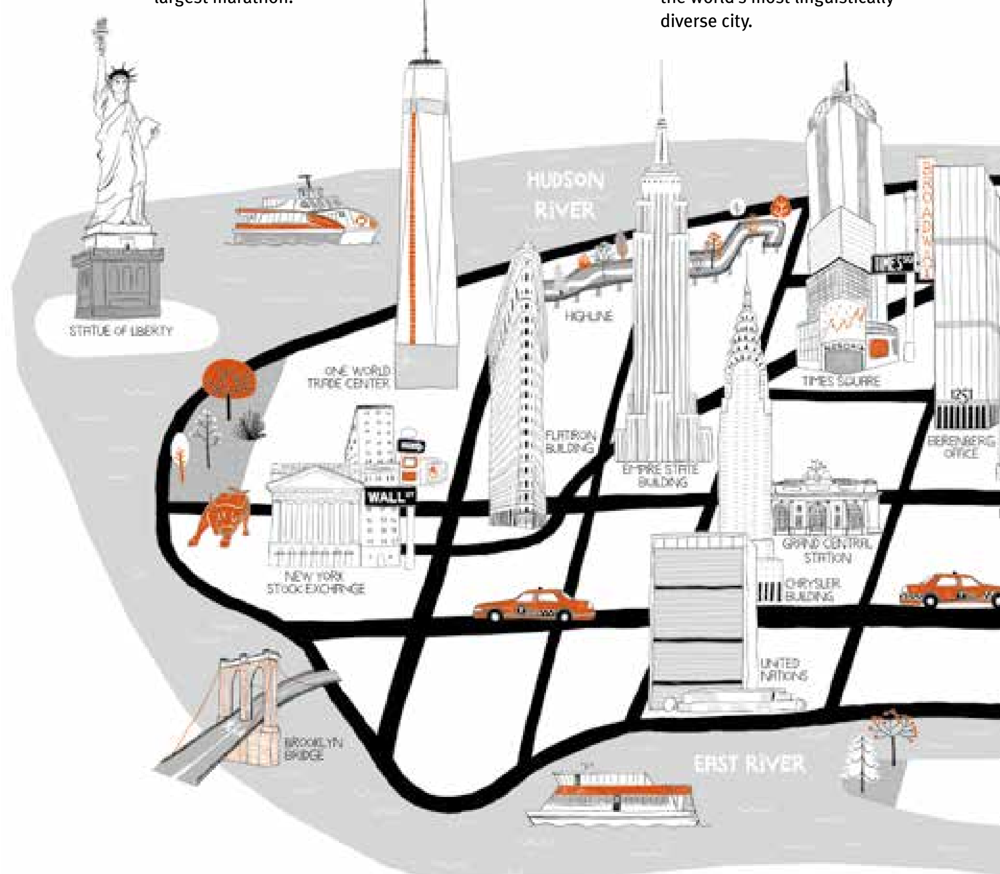
And over on Roosevelt Island, the 148-acre isle on the East River between Manhattan and Queens, financial tenants are beginning to settle in at a gleaming new campus run by Cornell Tech.

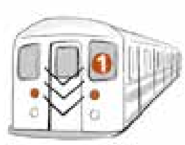
Of course, not all is rosy. Strains on the city's infrastructure are obvious to any visitor. The subway, in particular, is old and overburdened, and now has the worst on-time performance of any major rapid-transit system in the world. Last autumn New York's top fiscal official said that delays on the network are costing the city economy as much as $389 million annually in lost wages and productivity.

New York

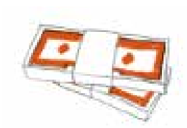
With over 50,000 runners, New York holds the world's largest marathon.

Up to 800 languages are spoken in New York City, making it the world's most linguistically diverse city.

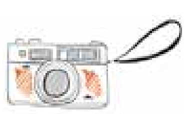




1.5 billion passengers use the New York subway each year.



One in every 25 New Yorkers is a millionaire.



60 million tourists visit the Big Apple every year.

Bitter temperatures this winter exposed lack of heat and hot water in some of the 177,666 apartments owned by New York City Housing Authority, the largest and oldest public housing authority in the nation.

There are fears, too, that the recent revision of decades-old tax laws could weaken New York's economy by driving high earners elsewhere. Bankers and fund managers were particularly alarmed by two measures: the elimination of the deductibility of state and local taxes against federal income taxes, and a move to cap deductions for property taxes at $10,000. Combined, they may mean that some well-paid people in Manhattan and wealthy suburban counties could be facing an effective tax rate several percentage points higher than the typical 50% before.

If they were to move as a result, it would be a classic unforced error, said opponents, at a time when New York should be pressing home its advantage as a global financial centre over Brexit-weakened London.

The UK capital was still atop a list of the world's leading financial centres produced last year by Z/Yen and the China Development Institute, with New York in the second spot.

To many on the ground in the Big Apple, though, it feels like things are looking up. Wall Street's bonus pool rose for the first time in three years in 2016, up 2% at almost $24 billion.

As an index of brighter times, there is probably no better measure.

FINANCIAL CENTRE NEW YORK IN NUMBERS

New York Stock Exchange (NYSE) and NASDAQ

New York is home to the world's biggest stock exchanges.

Market capitalisation equal to USD

32

trillion

5,235

listed companies

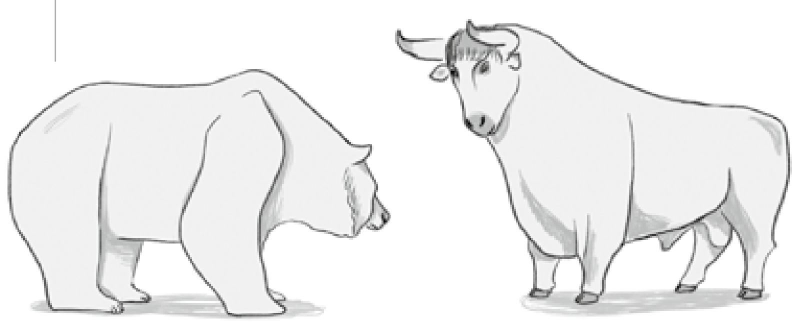
Source: World Federation of Exchanges (2017)

Volume of IPOs on the NYSE and NASDAQ in 2017

USD

47

billion



Number of IPOs on the NYSE and NASDAQ in 2017

188

IPOs

Source: Dealogic

»New York City is the most important business and financial centre in the United States and is considered to be the world's second-best financial centre after London.«

Source: GFCI Ranking (2017)

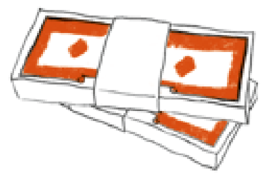
Many super-wealthy people live in New York.

101

billionaires

Source: Forbes (January 2018)

The securities industry accounts for a large share of private-sector salaries.



20%

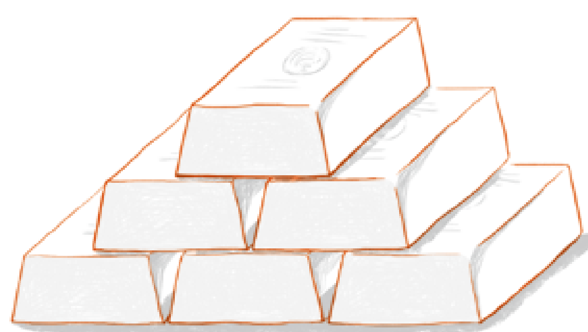
The securities industry accounts for 20% of salaries paid.

Source: NY State Comptroller (October 2017).

The world's largest store of gold is held in the basement of the 'Fed'.

508,000

gold bars



Source: Federal Reserve Bank of New York

BERENBERG IN THE BIG APPLE

Matt Waddell, CEO, Berenberg Capital Markets, New York

In recent years, Berenberg has steadily expanded its presence in the US and has won many new clients. Currently, we have over 60 staff in New York, Boston and San Francisco, where we successfully market equity research to a roster of institutional clients in the United States. We will continue building our business in the US, to make a major contribution to Berenberg's success.

Berenberg Capital Markets Management Team: Matt Waddell, David Mortlock, Lars Schwartau and Peter Nichols

© Wehmeier

Berenberg Capital Markets is located on the 53rd floor of the building at 1251 Avenue of the Americas

I recently saw an interview with our well-known US chief economist Mickey Levy, who talked about the most recent economic developments on Bloomberg. That reminded me how far Berenberg USA has come. We started in 2011 with our first US office in Boston. A year later, we opened in New York with a staff of two. Measured against these modest beginnings, the scope and variety of our activities have grown markedly. In 2017, our team conducted over 1,500 corporate roadshow meetings and 3,700 analyst meetings with clients.

We held our third annual US conference in Tarrytown, NY, which included 95 corporates and over 200 institutional investors. Over the course of three days, we held more than 770 individual meetings at which corporate representatives and investors could meet in person and discuss business outlooks and strategies. This conference has become an important event on investor calendars. In addition, we organised the Discovery Conference, showcasing promising smaller companies, and the West Coast Consumer Conference.

In 2018, we will have conferences based on our thematics research on demographics and digital healthcare. We are also planning a telecommunications conference and a design software conference.

Our clear and simple principles – the continuous development of open and trust-

© NASDAQ

David Mortlock rings the morning bell at NASDAQ on the occasion of the relocation of Berenberg Capital Markets

ing client relationships based on first-class knowledge and diligence – will remain the foundation of our growth, backed by comprehensive research and driven by a passion for improving our clients' performance.

Our straightforward philosophy frequently brings up new growth opportunities, especially as many larger, more complex banks cannot match our flexibility and agility. This allows the number of US corporations covered by Berenberg to continue to grow.

In late 2016, we received approval by US regulators to publish research. Half a year later, Berenberg published its first equity research out of New York. Berenberg now covers roughly 100 US companies. We plan to continue to expand our research on US companies, with the goal of covering 300 by the end of 2019.

With the US bulge-bracket brokers increasingly focusing on retail investors, we see an opportunity to generate differentiated research for institutional clients, particularly in the mid-cap space. There are many hundreds of companies with $500 million to $15 billion in market capitalisation, interesting stories and large trading volumes, but poor research coverage. Initially, we will focus on a few specific sectors where we see opportunity and where we already have strong European research franchises. This will be supplemented by broader,

Berenberg trading floor at the New York office

1251 Avenue of the Americas

generalised mid-cap research, as has proven successful for our London office. Currently Berenberg covers 770 listed companies.

Our sales and research efforts are complemented by an experienced equity trading team with execution capabilities across US and Canadian exchanges.

The Bank's commitment to counter-cyclical investment is gaining attention and interest from both investors and prospective employees. In February 2018, the New York team moved into a new space at the top floor of the former Exxon building near the Rockefeller Center, which will give us room to triple our headcount. We have hired talented research analysts from competitors covering pharmaceuticals, medical devices and transportation, and are in discussions with further promising candidates.

Our growth has also been fuelled by smart, energetic new talent. We now recruit from the best dozen US universities, and graduates represent about 10% of our staff. The energy, intelligence and curiosity of these young people, who are trained in our Graduate Programme, will be very important assets for our future.

In addition to US research, we are planting seeds for other business activities in the United States. In 2018, we will continue to expand our capital markets footprint, including leveraging our strong relationships in the shipping industry. Further out, we will consider building teams in bond origination and convertible bond trading.

In sum, where others see regulatory and competitive headwinds, we see opportunity. Berenberg's values of integrity, accountability and responsibility have driven the global growth of a bank with a culture of creativity and collaboration. In New York, these values differentiate Berenberg from peers, not just allowing for expansion, but fuelling and driving it.

® Fotos: Robert Essel

A RELIABLE PARTNER FOR CLIENTS

Jessica London has over 12 years of experience in the equity business. Before joining Berenberg, she worked in equity research as well as equity sales at various financial institutions in London, Dubai and New York. Since 2014, she has looked after institutional investors in the US for the European Equity Sales team at Berenberg Capital Markets.

I arrive at the office after that first coffee. My day started over an hour ago scanning all the research published overnight on my mobile. Now, I pick out items that will be of particular interest to my clients to read in more detail, and prepare questions to ask in our morning meeting.

7.00

After a brief trading update, we discuss today's key themes with Berenberg's team of analysts and economists. With so much research from our over 120-strong analyst team, it's important to prioritise the ideas and themes that are most critical for my clients.

7.45

Back to my desk to write up key ideas for my morning email and start contacting clients. Once my morning note for generalists is written and sent out, I focus on a key idea or sector call. A certain buzz starts to build as the conversations and feedback grow in number as we engage with clients and analysts.

10.00

Out of the office for two client meetings – we do a lot of marketing with our analyst team and have excellent corporate access. It's critical for us to participate in as many meetings as we can.

13.00

Client lunch: we catch up on portfolio performance, ideas new and old, key macro and sector themes and, of course, life in general.

14.30

Back to the office, where a long list of calls to clients awaits. I like to save lengthier catch-ups for either late morning after the EU market closes or the afternoon. Working on ideas and themes with clients is very thought-provoking and drives a lot of idea generation, so I spend time every day formalising the ideas in punchy but detailed emails, as well as catching up on reading our longer reports in detail.

17.00

I try to spend a concentrated 30 minutes each day planning meetings, client visits and generally prepping for the day and week ahead.

17.30

I nip out and debrief with a client before heading to the gym, as another engaging day comes to a close on the Avenue of the Americas.

HISTORY REPEATS ITSELF …

The first American subsidiary of Joh. Berenberg, Gossler & Co. was founded in the port city of Boston in 1833.

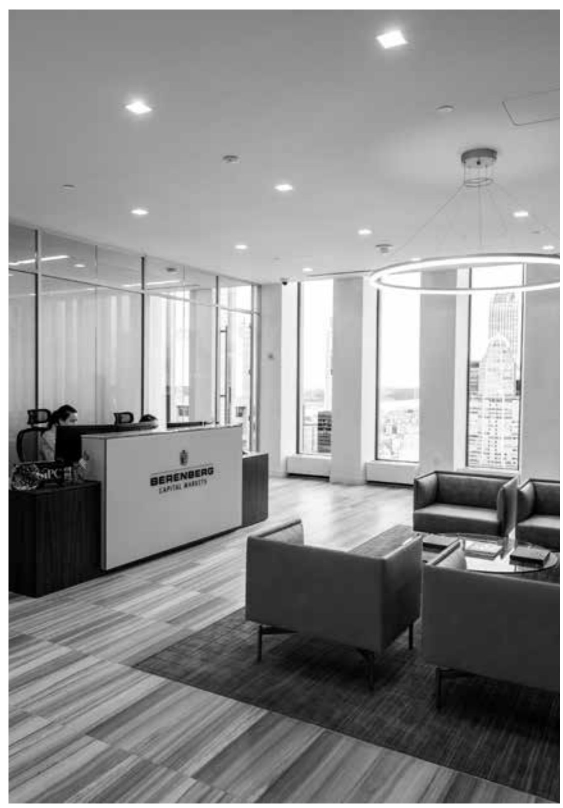
With a letter of recommendation from Baring Brothers and Company in London and letters to business associates and connections at banks in New England, 23-year-old Johann Heinrich Gossler III left Hamburg for Boston in 1828. There he made many business as well as personal connections, including marrying Mary Elizabeth Bray, daughter of the president of the National Bank of Massachusetts, which went on to become the First National Bank of Boston and one of the most important banks in the country.

In 1833, the firm of Gossler & Knorre was founded in Boston to look after the American activities of the Hamburg institution, develop new business, handle purchasing of goods and participate in financial transactions. Business was good, and in the 1860s, the firm set up a branch office in New York.

Johann Heinrich IV was Hamburg's consul in Boston, later becoming consul of the German Federation, and, in 1871, the German Empire. However, as a result of losses from speculation, the New York office was dissolved in 1880. In 1891, Berenberg elected to close the Boston office as well – business was good, but it was not possible to find a qualified successor who was deemed trustworthy.

In 2011, Berenberg's managing partners decided to market in the US the Bank's well-regarded stock research on (at that time) 400 European companies. Like almost two centuries before, the first step was Boston. From there, initial contacts were made with American institutional investors. A year later, a second office was set up in New York, followed by San Francisco and Chicago. »Our business has become international, and it is important for us to be represented in the major financial centres,« noted Hendrik Riehmer.

»Our business has become international, and it is important for us to be represented in the major financial centres.«



Berenberg's new New York office

THE NEW YORK STOCK EXCHANGE IN A PERIOD OF TRANSITION

Norbert Kuls, Frankfurter Allgemeine Zeitung, financial correspondent, New York

There is no more-fitting symbol of the US economy than the trading floor of the New York Stock Exchange. When the New York Stock Exchange reopened for trading only a few days after the terror attacks of 11 September 2001, it was a sign of American resilience. When the Dow Jones Industrial Index breaks records, photos of jubilant stockbrokers celebrating the new index level with baseball caps are splashed all over the world. The winners of the New York Marathon have also rung the opening bell on several occasions – likewise a symbol of the prestige and staying power of this more than 200-year-old institution.

However, such pictures conceal the radical changes to which the stock exchange is exposed. The trading floor no longer plays the prominent role it did just 20 years ago. In those days, the trading room was crowded with roughly 5,000 stockbrokers and traders. Only less than one-fifth of that number remains today. That is because most shares are now traded electronically, even on the NYSE. Moreover, growing competition means that the NYSE no longer dominates trading of the issues listed there. Only about one-quarter of the trading volume is executed over its own computer cables. In the late 1990s, the NYSE still had a market share of four-fifths. The rest of US equities

trading is performed on a dozen other US exchanges and numerous over-the-counter trading platforms.

Nevertheless, it would be premature to speak of the NYSE's demise. Measured by the market capitalisation of the roughly 2,300 stock corporations listed there, it is the world's biggest stock exchange by far. According to the World Federation of Exchanges, the NYSE most recently had a market capitalisation of more than $22 trillion. By this measure, the NYSE clearly overshadows the NASDAQ, the second-biggest American stock exchange that is home to big technology stocks like Apple and has a market capitalisation of over $10 trillion.

The NYSE was acquired by the young, but fast-growing commodity futures exchange Intercontinental Exchange (ICE) from the southern metropolis of Atlanta in November 2013. As someone who is not particularly interested in continuing old traditions, Jeffrey Sprecher, the CEO of the ICE, had always switched recently acquired stock exchanges completely to electronic trading. However, Sprecher intends to keep the NYSE trading floor and the traders who work there. With its hybrid model, i.e. the combination of human and electronic trading, the NYSE wants to guarantee fairness in a market that is dominated by controversial high-frequency traders who trade shares in milliseconds. Moreover, the new owner believes that the symbolic force of the trading floor is crucial to attracting new stock exchange candidates. Listings are an important source of revenue, along with stock trading. The NYSE has recently made some progress in its tough competition with the NASDAQ. The home to industrial giants like ExxonMobil and General Electric, the NYSE has led this race in terms of the dollar volume of IPOs of young technology companies in the past few years. The two stock exchanges are also competing for established groups, with the NASDAQ recently swiping drinks corporation PepsiCo away from the NYSE. By contrast, the German–Dutch biotech company Qiagen switched to the NYSE in January after more than 20 years on the NASDAQ. Qiagen, which is also listed on the German Stock Exchange, hopes that this move will enhance its global reach and raise its visibility. In any case, it is still true that the eyes of the world's investors are on New York.

BERENBERG
PARTNERSHIP SINCE 1590

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