DISCLOSURE REPORT

In compliance with Section 26a, German Banking Act (KWG)
In conjunction with Section 319 et seq., German Solvency Regulation (SolvV)
Complete with disclosure compliant with Section 7, German Regulations Governing Supervisory Requirements for Institutions' Remuneration Systems
(InstitutsVergV)

as at 31 December 2013

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Preface

The basis of the Disclosure Report is the German Solvency Regulation (SolvV) governing the appropriate level of capital to be held by institutions, groups of institutions and financial holding groups. This document translates the European minimum capital adequacy standards specified in the Banking Directive (2006/48/EC) and the Capital Adequacy Directive (2006/49/EC) and the equivalent provisions of the Basel capital recommendations (Basel II) into national law. It specifies the appropriate level of capital to be held by the institutions required by Section 10 of the German Banking Act (KWG).

The purpose of the new regulations is to facilitate the risk-sensitive measurement, valuation and backing with capital of risks, geared to the risk profile of the institutions by approving modern risk-assessment methods, recognizing exposure-reduction techniques and building on the ability of the institutions to bear risk. The aim is for the results of the modern risk-assessment methods used to be incorporated into the internal management of the banks and help to improve the management process. As the third pillar of Basel II, disclosure is intended to provide for greater market transparency and market discipline by making important information available to the market participants to help them assess the risk profile and capital base of a financial institution or corporate group. This is based on the expectation that well-informed market participants would, in their investment and credit decisions, prefer the banks that demonstrate risk-conscious company management and effective risk management.

Section 26a (1) KWG obliges banks to publish qualitative and quantitative information at regular intervals about their equity capital, the risks they have assumed, the risk management procedures they apply and the exposure-reduction techniques they employ and to have in place formal procedures and regulations to meet these disclosure obligations.

According to Section 319 (1) SolvV, the disclosure rules defined in the German Solvency Regulation are applicable to financial institutions in the sense of Section 1 KWG and financial holding groups in the sense of Section 10a (3) 1 and 2 KWG. Within the framework of the present Disclosure Report, Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as

"Berenberg") presents the disclosure requirements of the German Solvency Regulation for the individual institution (Section 26a (1) in conjunction with (2) KWG). Disclosure is not provided on the basis of the corporate group, because this additional information is not material. Its omission would not alter or influence the assessment or the decision of readers basing their economic decisions on this information. A disclosure obligation does not exist for information that is not material or that is legally protected or confidential.

Section 5 of the German Solvency Regulation defines more detailed requirements for the content of the information to be disclosed. The Bank has no securitizations in its portfolio, and has not issued any either, meaning that the disclosure requirements for securitizations defined in Section 334 SolvV are not applicable. In addition, the following sections of the German Solvency Regulation are not currently relevant for Berenberg: Section 329 (Counterparty risk: Further disclosure requirements), Section 335 (Counterparty risk: Disclosure for asset classes for which the IRBA is used) and Section 337 (Instruments used to transfer operational risk).

Berenberg is a user of the standardized approach to credit risk (KSA approach) as defined by the German Solvency Regulation.

1. General disclosures

1.1 Name of the bank

Joh. Berenberg, Gossler & Co. KG *(Section 323 (1) No. 1 SolvV)*

Berenberg operates in four business divisions: Private Banking, Investment Banking, Asset Management and Corporate Banking.

1.2 Basic differences in consolidation for accounting and regulatory purposes, including presentation of consolidation groups

Disclosures compliant with Section 323 (1) No. 2 SolvV

Compliant with Section 340a (1) in conjunction with Section 290 (1) 1 HGB, the Bank is required to prepare consolidated financial statements in accordance with the principles of commercial law.

Principles of consolidation

Compliant with Section 301 (1) 2 HGB, consolidation is performed in accordance with the revaluation method by setting off the book values of the Bank against the prorated capital of the subsidiaries. The calculation is carried out on the basis of the carrying amounts applicable on the dates when the subsidiaries were acquired.

Compliant with Section 312 (1) HGB, consolidation using the equity method is determined in accordance with the purchase method. The calculation is carried out on the basis of the carrying amounts applicable on the date when the associated company was first consolidated.

Consolidation group under commercial law

The following companies are included in the consolidated financial statements of the Berenberg Group:

- Joh. Berenberg, Gossler & Co. KG, Hamburg – Berenberg
- Berenberg Bank (Schweiz) AG, Zurich
- Berenberg Lux Invest S.A., Luxembourg
- Berenberg Beteiligungsholding GmbH, Hamburg
- Berenberg Americas LLC, Boston
- Berenberg Capital Markets LLC, Boston
- Berenberg Private Capital GmbH, Hamburg
- Berenberg Privat-Treuhand GmbH, Hamburg

In addition, Universal-Investment-Gesellschaft mbH is consolidated as an associated company using the equity method.

No further Group companies have been included in consolidation, as these companies and the associated companies are immaterial for the net assets, financial position and results of operations compliant with Section 296 (2) HGB and Section 311 (2) HGB, respectively.

Receivables and liabilities, and income and expenses, resulting from intra-Group activities are eliminated. There are no intercompany profits or losses.

Further information about the included companies is provided in section 4, "Participating interests".

Consolidation for supervisory purposes

Compliant with Section 10a (1) KWG, financial institutions, capital investment companies, financial companies and providers of ancillary services are consolidated for supervisory purposes. The following chart shows the different ways in which the various companies have been included in the consolidated financial statements:

		Treatment for supervisory purposes		Consolidation in accordance with accounting standard
		Consolidation	Deduction method	
Description	**Name**	**Full**		**Full**
Bank	Joh. Berenberg, Gossler & Co. KG	x		x
Bank	Berenberg Bank (Schweiz) AG	x		x
Capital investments	Berenberg Lux Invest S.A.	x		x
Financial enterprise	Berenberg Beteiligungsholding GmbH	x		x
Financial enterprise	Berenberg Americas LLC		x	x
Financial services	Berenberg Capital Markets LLC		x	x
Other	Berenberg Private-Treuhand GmbH		x	x
Other	Berenberg Private Capital GmbH		x	x

There were no subsidiaries without adequate capital cover at the reporting date (Section 323 (2) SolvV).

2. Capital structure of the bank

2.1 Equity structure

Disclosures compliant with Section 324 (1) SolvV

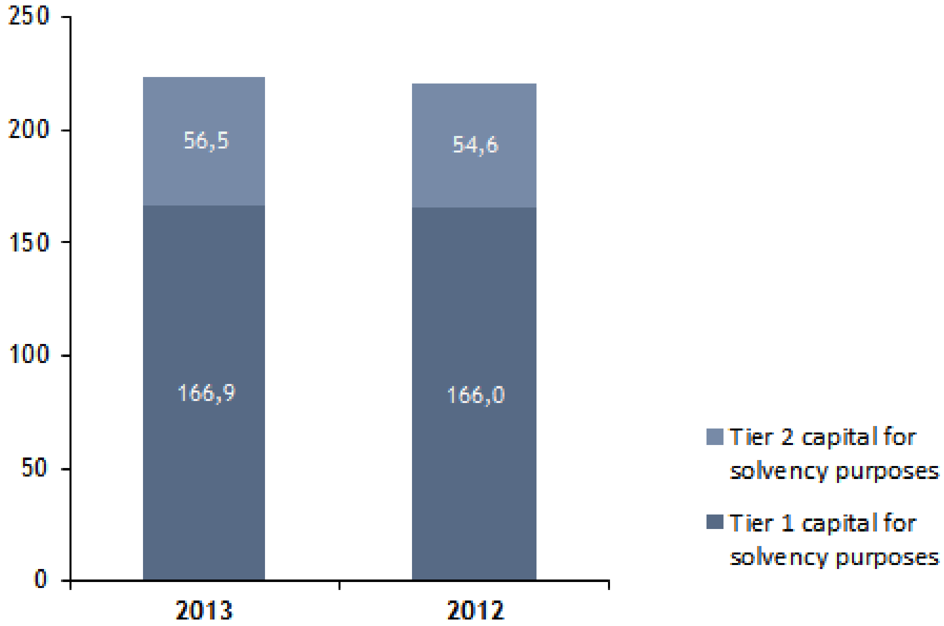
The subscribed capital of Berenberg amounts to €150.0 million. There are other retained earnings of €12.5 million.

Subordinated liabilities amount to €45.0 million. The interest rates granted are between 6.0% and 6.8%, with due dates up to 30 January 2020. €45.0 million of this total is eligible for supervisory purposes. The subordinated liabilities each have original maturities of 10 years. The remaining maturities are between 4.5 and 6 years.

Disclosures compliant with Section 324 (2) SolvV

€m	2013	2012
Paid-up capital	**150,0**	150,0
Other retained earnings	**12,5**	10,0
Special fund for general banking risks	**10,9**	10,6
Intangible assets	**-5,2**	-3,3
Total Tier 1 capital	**168,1**	167,3
Total Tier 2 capital	**57,8**	55,9
Participating interests per Section 10 (6) 1 No. 1 KWG	**-2,5**	-2,5
Items to deduct from Tier 1 and Tier 2 capital	**-2,5**	-2,5
Tier 1 capital for solvency purposes	**166,9**	166,0
Tier 2 capital for solvency purposes	**56,5**	54,6
Total equity capital	**223,4**	220,6

Analysis of equity capital



2.2 Capital adequacy requirements

Disclosures compliant with Section 325 (1) SolvV

The adequacy of the equity capital used to back future activities is assessed as part of the annual planning process. Equity capital is subject to risk-adjusted planning based on the Bank's business and risk strategy. The planning serves to highlight capital shortfalls so that timely preventive measures can be taken. If necessary, new equity capital is obtained. In this way we ensure that enough equity capital is on hand at all times to cover all material risks in accordance with the individual risk profile of Berenberg.

In addition, a daily projection of the equity capital requirements is made for a time horizon of 3 months during the year. This system makes it possible to identify short-term shortfalls at an early stage.

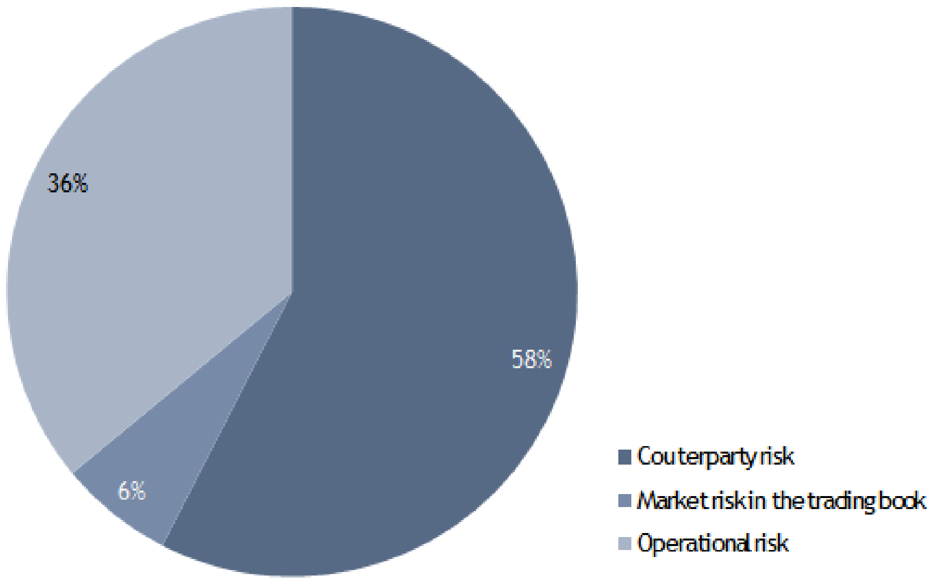
Furthermore, management is informed about the current development of equity capital on a monthly basis. The regulatory capital adequacy requirement compliant with the German Solvency Regulation is used for this capital allocation and monitoring.

Disclosures compliant with Section 325 (2) SolvV

Credit risk	**Equity capital requirements**	
€m	**2013**	2012
Counterparty risk		
- Central governments	**0,0**	0,0
- Regional governments and local authorities	**0,0**	0,0
- Other public offices	**0,0**	0,0
- Institutions	**6,7**	8,8
- Covered bonds issued by banks	**0,1**	0,1
- Corporates	**47,8**	53,7
- Retail business	**0,2**	0,3
- Investment fund units	**0,5**	1,7
- Other exposures	**2,3**	2,2
- Exposures overdue	**0,7**	1,0
- Participating interests	**1,0**	1,0
Settlement risk	**0,0**	0,0
Market risk in the trading book		
- Standard method	**6,7**	10,6
Operational risk in accordance with		
- Basic indicator measure	**37,1**	34,3
Total equity capital requirement	**103.4**	113,7

There are no equity capital requirements for the asset classes of central governments, regional governments and local authorities, and other public offices because the investments in these classes are classified as "SolvV 0% addresses".

Equity capital requirements



2.3 Capital ratio

The following table shows the capital ratio and core capital ratio of the Bank and the Berenberg Group:

Disclosures compliant with Section 325 (2) No. 5 SolvV

%	Capital ratio	Core capital ratio
Joh. Berenberg, Gossler & Co. KG	17,3	12,9
Joh. Berenberg, Gossler & Co. KG Group	18,8	15,3

This capital base means that the Bank is well in excess of all the statutory requirements regarding equity capital and already today meets in full the tighter European capital requirements that will apply in the future.

3. Risk types

3.1 Risk management

Disclosures compliant with Section 322 SolvV

We continued to apply our conservative risk strategy unchanged throughout the reporting period. The deliberate focus on less risky, service-oriented lines of business proved its worth during 2013. The Bank's liquidity situation was very good throughout the year. We invest our excess deposits in a portfolio of securities dominated by paper with short residual maturities issued by German public-sector issuers. At no time did the Bank conduct proprietary investments in securitised credit structures or similar investments.

The Bank's risk management process is characterised by its strategic orientation towards service-based lines of business combined with the use of modern risk measurement methods optimally geared to the institution's business.

The main risk types we analyse as part of our risk management process are counterparty, market, operational and liquidity risk. Reputation risk is evaluated as part of the management of operational risk. In addition, we also pay close attention to earnings risk. Our approach to managing earnings risk is intended to prevent losses arising from the possible weakening of individual earnings components that prove volatile over the course of time.

The potential losses of the various divisions are quantified for the listed risk types in accordance with the value-at-risk principle (VaR). The value-at-risk represents a loss threshold for a given probability level. The value-at-risk procedures only reflect the potential losses given relatively normal market movements. For several years now, we have been supplementing risk evaluations with an analysis of historical and hypothetical stress scenarios in order to analyse the risk situation from a second angle.

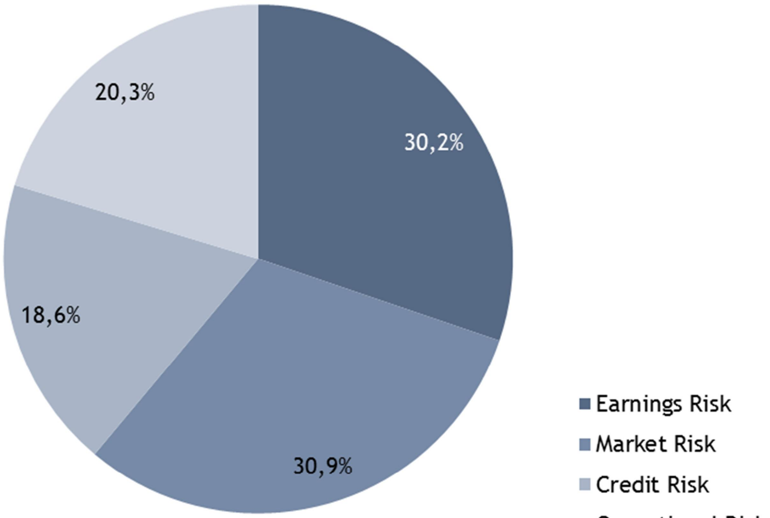
The regularly performed comparison between risk and economic capital is based on these two different ways of assessing the risk position. The economic capital considered as part of our risk management process is kept separate from the concept of regulatory capital or equity capital. In line with the 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 is essentially formed from the easily liquidated reserves available to the Bank. These reserves are compared with the value-at-risk within the framework of a confidence level of 99% derived from the German Solvency Regulation (SolvV). As part of a second analysis performed in parallel, the results of the stress tests are set against the available economic capital. The economic capital to be set against the risks is supplemented by unused portions of regulatory capital that are not tied by risk-weighted assets. Even under this extreme scenario, the continued existence of the Bank as a going concern is assured. Possible diversification effects across the various risk types are ignored by aggregating the covering amounts for the various categories of risk.

Not all of the economic capital available to the Bank in the reporting period was used by the divisions, which highlights the conservatism built into the Bank's risk management process and expresses the appropriateness of the relationship between the opportunities arising from business activities and the risks assumed, with regard to the overall profit or loss. The optimisation of the risk/reward ratio is defined as a key objective of our risk-adjusted overall bank management system. The divisions only enter into risk if it is commensurate with the potential rewards.

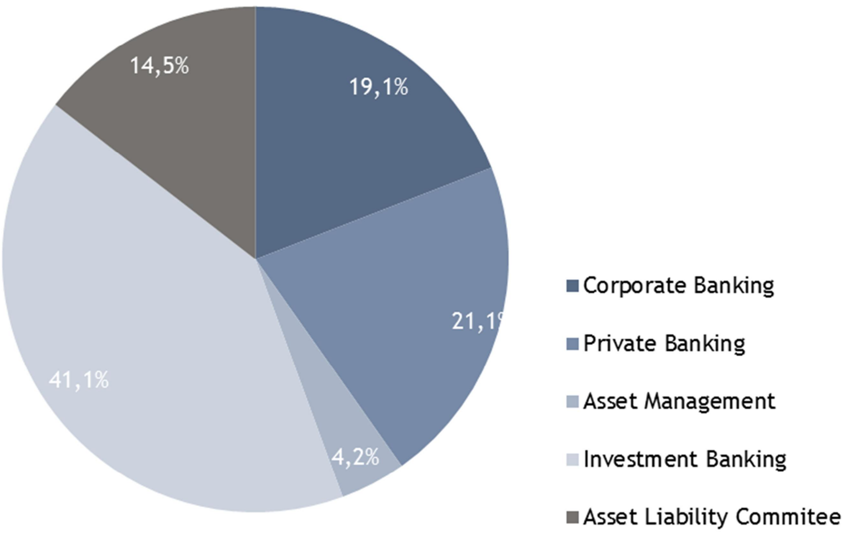
In addition, we regularly define scenarios for an inverse stress test which, if they were to occur, would tie up all of the economic capital available.

The following chart shows the distribution of the tied economic capital across the various risk types and the divisions of the Bank:

Risk types



Divisions



Management has overall responsibility for the risk management process and defines the general conditions for managing the various risk types. A central unit, Risk Controlling, acts independently of the various front offices in organisational terms as required by the Minimum Requirements for Risk Management (MaRisk) for banks and financial service institutions. Working closely with the Finance unit, this unit ensures a constant flow of information to the Bank's management and Advisory Board. Risk Controlling is responsible for developing and overseeing the systems used in overall bank management and risk management. The unit carries out a risk inventory every month and sets the risk amounts of the various risk types against the available economic capital. As part of the risk management process, we ensure that excessive concentrations of risk do not exist in either the various risk types or across the risk types.

A back office unit that is organisationally independent from the front office units employs a wide-ranging limit structure to monitor the exposure to **counterparty risk**. A wide range of analyses carried out by Risk Controlling is used to support the management of default risk at overall portfolio level.

Market risk arises from both short-term positions in the trading book and strategic positions in the banking book. It is monitored by the Risk Controlling unit.

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

The Treasury business unit is responsible for the management of **liquidity risk** together with the Money Market department. Risk Controlling is involved in the monitoring activity.

A monthly full calculation is used to monitor the profit and loss of the divisions, taking into account the risks assumed. The **earnings risk** in the profit centres is analysed in this context as a further major risk. Given the importance of this risk type for our risk management, our Controlling unit reports to Risk Controlling. Risk Controlling makes available to both management and the individual relationship managers an efficient management information system (MIS) that makes it possible for the users to analyse the risk-adjusted earnings and risk variables (VaR) at every aggregation level, from the Bank as a whole all the way down to the individual client.

The Bank's Auditing business unit controls the organisational precautions for managing, monitoring and controlling the various types of risk regularly based on the parameters specified in the Audit Manual.

The Credit Risk Management and Risk Controlling units provide information on a regular basis to the Risk Monitoring Committee set up by the Bank's Advisory Board.

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

3.2 Counterparty risk

3.2.1 General

Disclosures compliant with Section 326 (1) / Section 327 (1) SolvV

Counterparty risk arises in part from the **commercial lending business** involving our corporate and private clients. Furthermore, particular attention is paid to counterparty risk resulting from our own **securities holdings** as issuer risk as well as from the investments made by our Money Dealing department in **interbank operations**. **Investment risk** is not a major issue for Berenberg, as the business strategy calls for organic growth. Existing participating interests are, however, integrated in the risk management processes.

As in previous years, the constantly large pool of client deposits in particular again led to strong demand for investment by our Treasury unit in 2013. Only a small part of the liquidity surplus was placed in the **money market**, with the investments made under the following conditions:

- Trading only with selected, top-rated banks
- Deliberate targeting of development banks enjoying public guarantees
- Low limits for each institution or banking group, with a view to achieving the broadest possible diversification
- Use of the ECB deposit facility

The structural liquidity surplus from client operations is for the most part invested in **bonds** with the very best ratings. In this context, we have high expectations in terms of the credit quality and market liquidity of these investments with a view to keeping price volatility to a minimum.

Our securities portfolio is dominated by securities issued by German public-sector issuers (76%, previous year: 75%) and those guaranteed either by the Federal Republic of Germany or a German state (23%, previous year: 23%). In addition, we hold German Pfandbriefs (1%, previous year: 1%), although in contrast to last year no German corporate bonds are now held. The average remaining maturity of these holdings amounted to 1.7 years at year-end (previous year: 1.7%), meaning that the spread change risk of this portfolio is limited.

Daily reports keep management informed about the current bank exposure. The allocated bank limits are monitored regularly in order to allow countermeasures to be initiated promptly, if required. In this context, we not only rely on the appraisals by the rating agencies when assessing the institutions, we also support our decisions by analysing annual reports and evaluating current market data.

Counterparty risk is managed using a wide-ranging limit system that encompasses the counterparty risk arising from derivatives by taking account of termination risk. We have reduced counterparty risk by practicing collateral management in this segment over many years, as agreed not only with banks but also increasingly with selected institutional clients.

The **Back Office unit** is responsible for monitoring credit risk independently of the Front Office. Besides performing regular control activities, this unit provides a second opinion in addition to the Front Office unit, as required by the MaRisk rules, on the basis of authority regulations for credit decisions. The regular creditworthiness and rating checks are supported by an independent Balance Sheet Analysis unit which is similarly assigned to the Back Office unit. The very conservatively defined authority regulations both restrict the freedom of individual account managers to act autonomously and ensure that the whole of management is involved in all major credit decisions.

All credit exposures are in a constant resubmission cycle complete with an annual rating review. The limit rules are supplemented by a series of organisational measures and rules regarding collateral for credit exposures.

A credit risk report prepared on a quarterly basis serves to inform both management and the Advisory Board about the structure of the credit risk.

Wide-ranging analyses performed by the Risk Controlling unit help to manage credit risk at overall portfolio level.

For the purposes of managing the overall portfolio in **commercial lending operations**, the historic defaults of the last few financial years are managed and analysed in a central default database. The statistical loss expected for each financial year at portfolio level is derived from this data as a long-term historic average for defaults. The expected loss of a credit exposure is incorporated in the credit terms by way of the calculation of standard risk costs.

The standard risk costs of a credit exposure are particularly influenced by the borrower's credit rating as well as by the size of the loan and the collateral provided. A rating system for our corporate clients has been made available to the account managers and Back Office unit on the Bank's intranet. This system facilitates a prompt credit analysis using the borrower's balance sheet data. The special feature of this system is that it offers an online evaluation using Moody’s RiskCalc™, the rating procedure developed specifically by Moody’s for German “Mittelstand” clients, and the calculation of a probability of default. Qualitative factors regarding the borrowers are also incorporated when determining the rating class as well as balance sheet ratios. For exposures of project finance nature in the property and shipping segments, we employ internally developed rating procedures that include the cash flow projections for these projects as a key parameter. In our portfolio of ship loans - which is not large in terms of magnitude compared with the overall portfolio - we notably look for short loan periods in the present market environment and prioritise outstanding collateral for the exposures.

The standard risk costs arising from the rating analysis can be obtained from the management information system (MIS) in all necessary aggregation levels.

The standard risk costs which, when aggregated, give rise to the statistical expected loss at overall bank level, merely represent a long-term default average over time around which the actual losses fluctuate. Consequently, a potential deviation of defaults from this expected value needs to be taken into account as an additional risk component. A statistical credit portfolio model built on the CreditRisk+ methodology is used to quantify the size of an unexpected loss at portfolio level which, with a probability of 99% and 99.98%, will not be exceeded. The Bank's economic capital serves as the “economic capital for unexpected credit risk”. Within MaRisk parameters, our analyses of the tied economic capital are supplemented by additional stress observations such as an overall deterioration of the probabilities of default or decline in collateral values.

The quantitative methods we use to assess counterparty risk are validated regularly and refined when required. This approach has given rise to a highly informative system geared to the specific needs of the Bank over the course of time. On account of the very small universe overall and the lack of an adequate number of defaulting borrowers for statistical purposes, however, these methods are not recognised for supervisory purposes as an IRB approach. The Bank has made a deliberate decision to employ the standard method (KSA) defined in the German Solvency Regulation for regulatory purposes.

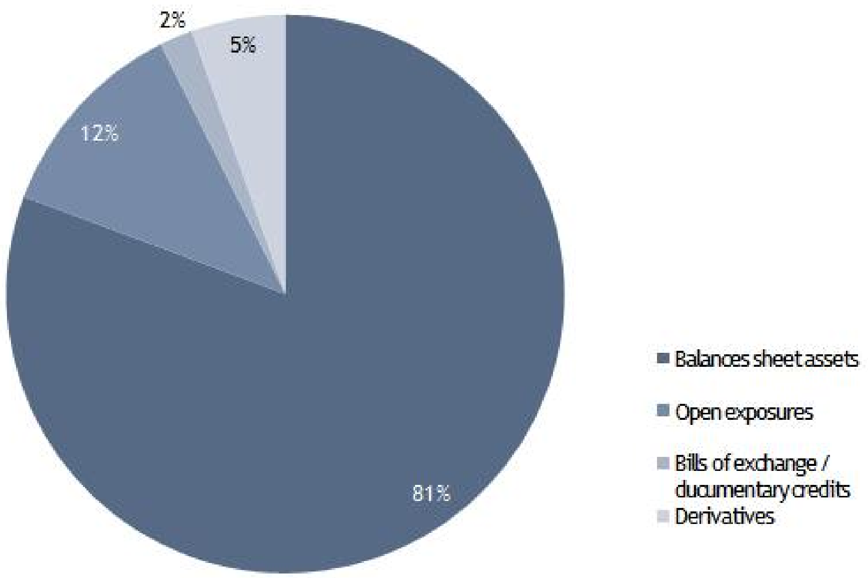
Gross loan volume, broken down by risk-bearing instrument

The following charts do not include any subsidiaries or affiliated companies. Please refer to our comments in section 4 of the present report for more information in this regard.

Disclosures compliant with Section 327 (2) No. 1 SolvV

	Balance sheet assets		Open exposures		documentary credits		Derivatives	
€m	2013	2012	2013	2012	2013	2012	2013	2012
Total loan volume	**4,082.0**	3,647.0	**605.5**	488.2	**97.5**	103.7	**275.3**	296.4

Analysis of gross loan volume, 2013



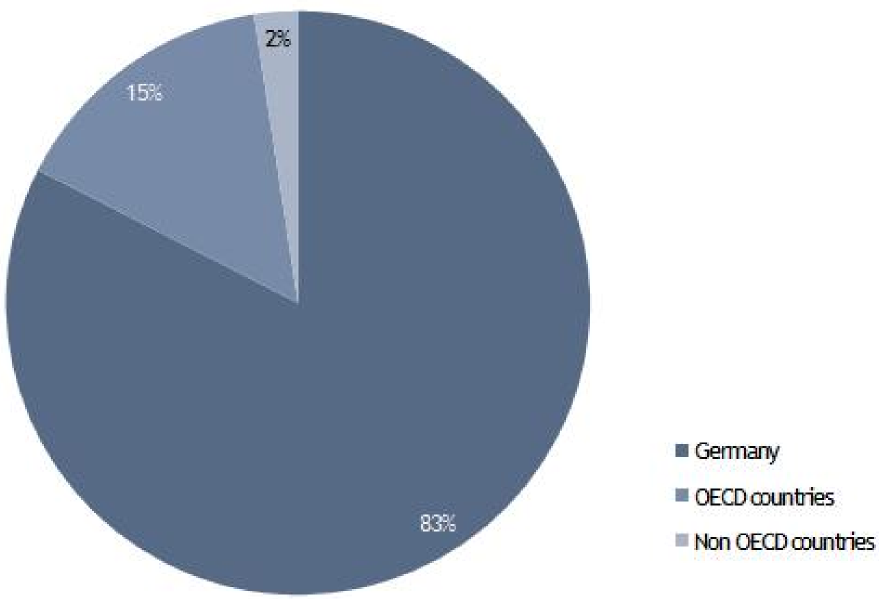
Geographic concentrations, broken down by credit-risk-bearing instrument

The Bank concentrates primarily on domestic activities. Within this focus, there is also a strong concentration on Hamburg, where the Bank has its head office and principal place of business. This concentration means the Bank has hardly any exposure to country risk.

Disclosures compliant with Section 327 (2) No. 2 SolvV

Main geographical areas	Balance sheet assets		Open exposures		Bills of exchange / documentary credits		Derivatives	
€m	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Germany	**3.562,3**	3.177,0	**403,2**	377,8	**84,7**	86,7	**125,6**	144,3
OECD countries	**440,5**	404,1	**171,2**	96,6	**12,1**	16,6	**138,6**	144,1
Non-OECD countries	**79,2**	65,9	**31,1**	13,8	**0,7**	0,4	**11,1**	8,0
Total	**4.082,0**	3.647,0	**605,5**	488,2	**97,5**	103,7	**275,3**	296,4

Main geographical areas



Major sectors, broken down by credit-risk-bearing instrument

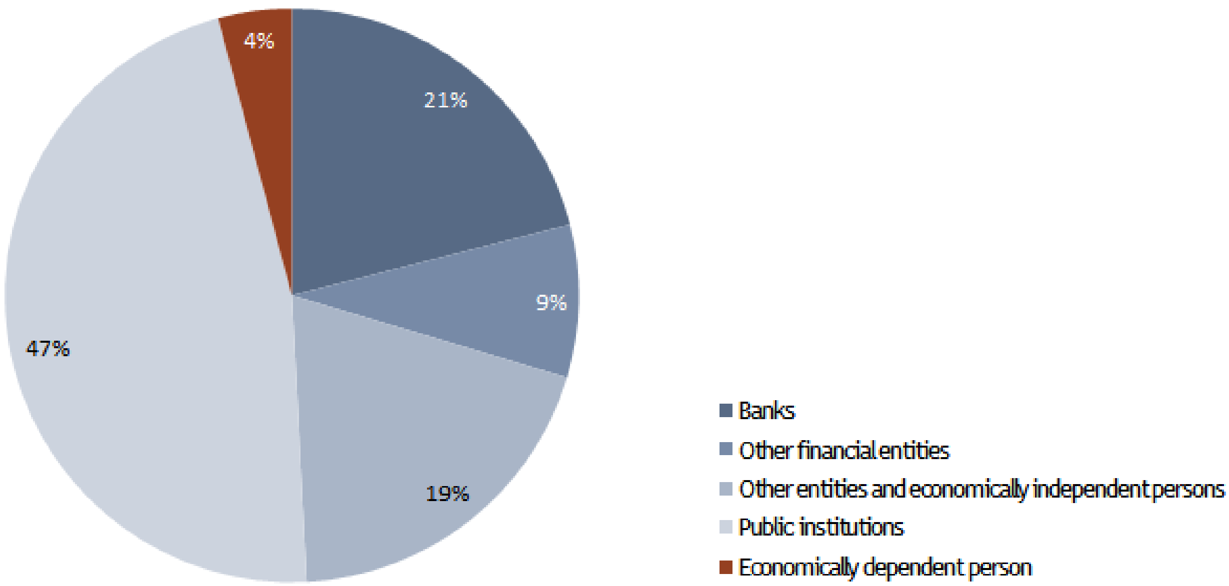
Liquidity is invested primarily in the highest-rated bonds of public-sector issuers and selected low-risk banks. The reason for this is that, where possible, investments are selected with a low risk content in order to secure and maintain the Bank's long-term profitability and minimize credit risks. The following table shows the breakdown of activities by individual sector.

Disclosures compliant with Section 327 (2) No. 3 SolvV

Major sector	Balance sheet assets		Open exposures		documentary credits		Derivatives	
€m	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Banks [1]	**904,0**	694,9	**0,0**	0,0	**0,1**	0,1	**157,7**	195,2
Other financial entities	**173,3**	236,1	**186,1**	105,3	**18,0**	19,2	**56,4**	51,2
Other entities and economically independent persons	**533,6**	569,5	**330,7**	300,3	**74,5**	73,9	**49,4**	45,9
Public institutions	**2.357,9**	2.045,8	**0,0**	0,0	**0,0**	0,0	**0,0**	0,0
Economically dependent persons	**112,4**	97,3	**81,7**	77,1	**4,9**	10,5	**10,1**	3,5
Non-profit organisations	**0,8**	3,4	**7,0**	5,5	**0,0**	0,0	**1,7**	0,6
Total	**4.082,0**	3.647,0	**605,5**	488,2	**97,5**	103,7	**275,3**	296,4

[1]) of which €346.3 million (€269.5 million) in bonds with guarantor liability or state guarantee

Major sectors



Contractual remaining terms

The Bank makes every effort not to make long-term investments, which means that the majority of the balance sheet assets are due in less than two years. The following table shows the breakdown in greater detail:

Disclosures compliant with Section 327 (2) No. 4 SolvV

Remaining term	Balance sheet assets		Open exposures		Bills of exchange / documentary credits		Derivatives	
€m	2013	2012	2013	2012	2013	2012	2013	2012
< 1 year	1.235,3	687,7	21,6	31,1	38,2	51,2	223,8	242,3
1 year - 5 years [1)]	1.906,7	1.879,6	46,7	27,6	9,8	13,6	45,8	48,3
> 5 years	114,8	247,3	0,2	3,8	0,4	0,1	5,7	5,8
unlimited [2)] / until further notice	825,2	832,4	537,0	425,7	49,1	38,8	0,0	0,0
Total	**4.082,0**	3.647,0	**605,5**	488,2	**97,5**	103,7	**275,3**	296,4

[1]) of which securities due in less than 2 years: €728.8 million
[2]) of which securities with no specific maturity: €141.6 million

3.2.2 Non-performing loans and loans in arrears

Disclosures compliant with Section 327 (1) SolvV

In the case of non-performing loans and loans in arrears, the risk is defined that a counterparty is not sustainably able to meet its obligations to service its debt.

Where circumstances arise from a credit exposure that demand separate observation/monitoring, appropriate account freezes and corresponding arrears notices are set up.

The decisions to be made in the arrears system or on account of manual arrears documents are documented by electronic release or initialling by the employee responsible for the customer in question.

The system creates a list of all existing arrears in excess of €5,000 on a daily basis, which is processed immediately by the Front Office employee responsible. The arrears are communicated to the head of Front Office and Back Office units at regular intervals.

The need to set up risk provisions is considered as soon as an exposure is added to the watch list. To this end, the collateral provided is also reviewed and, if appropriate, revalued. The Credit Risk Management department reviews the need for any new risk provisions or changes in the existing risk provisions on a quarterly basis. This review and modification during the year is documented in the Risk Report.

The Bank's objective is to ensure a valuation that is both appropriate and realistic for the current risk content of the credit portfolio by setting up risk provisions in line with sound commercial judgement on the basis of the currently applicable accounting standards in a way that can be reproduced by a knowledgeable third party.

Under commercial law, receivables are valued in accordance with the same principles as for current assets. Consequently, we strictly apply the principle of the lower of cost or market in accordance with Section 340e (1) HGB in conjunction with Section 253 (3) HGB. The risk provisioning encompasses specific value adjustments, provisions, interest adjustments and write-downs on receivables (so-called consumption or direct write-down). Uncollectible receivables are written down. An unsecured receivable is considered uncollectible when the general consensus is that the borrower is no longer expected to service the debt or this is extremely uncertain. On the other hand, specific value adjustments/provisions are set up for doubtful receivables. This is the case when, on account of inadequate economic circumstances and inadequate collateral, there are justified doubts that the loan can be redeemed from the borrower's income or assets or the collateral provided.

Making interest adjustments is intended to ensure that the Bank's income statement is adjusted to take account of probably uncollectible (interest) income. The need for an interest adjustment is always checked when a specific value adjustment/provision has been set up.

An interest adjustment should not be made if the customer is still able to service the interest (out of rents or capital gains, for instance), and provided an interest loss is not expected even though a capital loss certainly is.

The probability of a borrower no longer being able to meet his contractual payment obligations is the key factor in the case-by-case assessment of acute default risk; the probability of default is appraised primarily on the basis of the economic circumstances and the payment behaviour of the borrower. At the same time, it is important to assess what payments can still be expected after the borrower has defaulted, for which the expected proceeds from realization of the collateral provided are the key factor.

In the case of customers for whom no risk provisions have been set up, an interest adjustment may be made in exceptional instances if the customer is no longer permanently servicing the interest charges although a capital loss is not expected on account of the collateral provided.

We have set up general value adjustments for latent default risk in the amount permitted for tax purposes. A provision has also been set up for general banking risks compliant with Section 340f HGB.

We do not reverse a specific risk provision unless the economic circumstances of the borrower have discernibly improved with lasting effect, such that it has become unlikely that he will not be able to service the loan or there is no doubt that the loan can be redeemed using the collateral provided.

Section 286 BGB defines a deal to be in arrears if payments in the form of payments of interest, repayments of principal or other receivables are not made.

"Non-performing" loans are loans for which there is a fair probability of complete or partial default on the loan or if there are justified concerns about the borrower's solvency.

Non-performing loans and loans in arrears, broken down by major sector

Disclosures compliant with Section 327 (2) No. 5a SolvV

Major sector €m	Total utilization due to non-performing loans and loans in arrears 2013	2012	Specific value adjustments (incl. interest adjustments) 2013	2012	Provisions 2013	2012
Other entities and economically independent persons	**13,8**	20,2	**9,1**	13,3	**0,7**	0,0
Economically dependent persons	**3,2**	0,2	**0,5**	0,0	**0,0**	0,0
Total	**17,0**	20,4	**9,6**	13,3	**0,7**	0,0

Non-performing loans and loans in arrears, broken down by main geographical area

Disclosures compliant with Section 327 (2) No. 5 b SolvV

Main geographical area €m	Total utilization due to non-performing loans and loans in arrears 2013	2012	Specific value adjustments (incl. interest adjustments) 2013	2012	Provisions 2013	2012
Germany	**16,0**	18,8	**8,6**	11,8	**0,7**	0,0
OECD countries	**0,0**	0,1	**0,0**	0,0	**0,0**	0,0
Non-OECD countries	**1,0**	1,5	**1,0**	1,5	**0,0**	0,0
Gesamt	**17,0**	20,4	**9,6**	13,3	**0,7**	0,0

Analysis of risk provisions

Disclosures compliant with Section 327 (2) No. 6 SolvV

€m	Opening balance	Set up	Release	Consumption	Closing balance
Specific value adjustments/inter-est adjustments	13,3	0,4	1,6	2,5	9,6
Provisions	0,0	0,7	0,0	0,0	0,7
General value adjustm	2,8	0,2	0,0	0,0	3,0

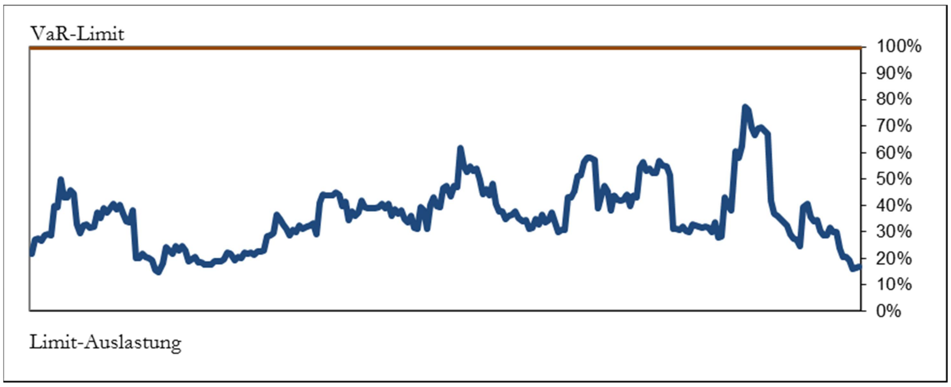
3.3 Market risk

Disclosures compliant with Section 330 SolvV

Market risk for positions in the Bank's trading and banking books results from fluctuations in prices and volatilities in interest rates, equities and foreign currencies.

Traditional proprietary trading serves only to supplement our service-oriented business activities and takes place within very strictly defined limits. The market risk arising from proprietary trading positions is managed using an efficient risk measurement system. Value-at-risk figures are calculated using a Monte Carlo simulation on a daily basis for all positions containing market risk. In line with the provisions of the German Solvency Regulation, a confidence level of 99% and a holding period for the financial instruments of ten trading days are assumed for these value-at-risk calculations. The following risk factors are incorporated: discount factors in the field of interest rates, equity time series or equity indices in the field of equities, and exchange rates in the field of foreign currencies, with a historic observation period of one year. The value-at-risk calculation is carried out using exponentially weighted historical observations. Under this approach, the value-at-risk reacts faster to current changes in market events than with balanced historic observation values. Up until the end of the 2011 financial year, the methodology we applied was also used as the internal model for calculating the capital required to cover market risk positions in the trading book for supervisory purposes. Since the new regulatory requirements that came into force with Basel 2.5 would have resulted in mistakes within the framework of our overall bank management, we returned the supervisory approval to use an internal market risk model. We continue to use our quantification methodology unchanged for internal purposes.

The following chart shows the percentage distribution of the value-at-risk limit capacity over the past financial year for the positions in the trading book.

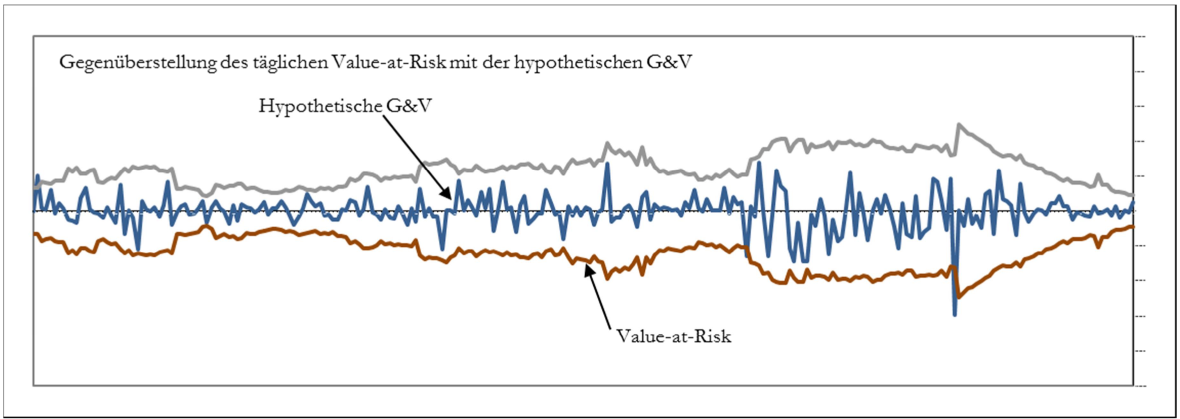


The chart shows the moderate risk potential arising from trading activities. The Bank's trading book defined for regulatory purposes is dominated by classical equity positions. Optional products play a subordinate role and concentrate especially on the foreign exchange segment. Plain vanilla products predominate here. Compared with the results achieved by the trading units, a beneficial risk/reward ratio is indicated. The largest portion of the allocated value-at-risk limits relates to sales operations, which are allocated to the trading book to meet regulatory requirements. These activities are not proprietary trading as such, as this segment more frequently handles orders for institutional clients.

The quality of the value-at-risk forecasts is checked and analysed over time using a daily back-test, during which the forecast on the subsequent trading day is compared against the actual changes in value of the positions. The fact that only two back-testing outliers were observed in the reporting period at overall portfolio level reflects the conservatism in the parameterisation of our models.

The following chart shows the progression of the back-testing results of the past financial year over time:

Comparison of daily value-at-risk with hypothetical P&L



The following table shows the structure of the value-at-risk of the trading portfolios in the reporting period:

Trading portfolios	VaR at end of reporting period	VaR values during the year		
		High	Low	Reporting period average
	€'000	€'000	€'000	€'000
Aggregated VaR	**892** (1,662)	**4,954** (5,454)	**874** (129)	**2,457** (1,737)

(1-day holding period, year-ago figures in brackets)

Since the value-at-risk method only provides information about the risk content of positions under "normal" market conditions and does not take account of extreme market situations, the analyses are supplemented by daily worst-case calculations. This involves examining how current trading positions would behave in historically extreme situations. This stress test analyses the potential effects on the current trading positions of maximum weekly fluctuations in the respective risk factors that have been observed in each case within the last five years.

Additional worst-case limits that must be observed on a daily basis exist for each trading segment alongside value-at-risk limits. For the market risk segment, the economic capital is compared against the full limit in line with the conservative risk management strategy, and not against the current limit utilisation level. Whereas the value-at-risk limits are used to analyse a 99% confidence level, the economic capital is compared against worst-case limits for the stress test. The limits for the individual trading segments are manageable in comparison against the available economic capital and are approved by all department heads jointly. This approach ensures that no individual dealer is in a position to enter into large risk positions by means of his activity for the Bank.

Positions in the trading book are taken exclusively in liquid financial instruments for which a market price can be determined on a daily basis. Our portfolios do not contain any instruments that can only be valued using models.

Risk Controlling, which is kept organisationally separate from the trading units up to Board level, summarises all market risk positions in a risk report and ensures that management is kept informed on a daily basis.

Equity capital requirements for market risk

In accordance with the German Solvency Regulation, the Bank uses the standard method to determine the potential market risk for interest, share and currency exposures in the trading book. There was an equity capital requirement totalling €6.7 million (€10.6 million).

The following table shows the breakdown of equity capital requirements:

Disclosures compliant with Section 330 (1) and Section 326 (2) SolvV

Market risk	Equity capital requirement	
€m	2013	2012
Standard method		
- Net interest exposure	0,7	2,6
- Net share exposure	5,6	7,9
- Net currency exposure	0,4	0,1
Total	6,7	10,6

Settlement risk

Compliant with Section 15, 16 SolvV, trading book transactions give rise to the following settlement risk:

€m	2013	2012
Settlement risk	0,03	0,01

Interest rate risk

Disclosures compliant with Section 333 SolvV

The strategic positions in the liquidity reserve are managed by the Asset Liability Committee (ALCO), which consists among others of representatives of the Treasury and Risk Controlling units together with members of the management team. The market risk arising from positions in the liquidity reserve are measured using the same methods as the positions in the trading book. Furthermore, potential risks for spread fluctuation are analysed on the basis of historic data for the investment classes represented in our portfolio and additionally backed by economic capital.

No increased interest rate risk was assumed for the large proprietary investments in securities described in section 2.1 about counterparty risk. The investments were made in either floaters or securities with a fixed coupon in connection with an interest rate swap.

The effect of the interest rate shocks for interest rate risk in the banking book defined for supervisory purposes is analysed on a daily basis. This involves analysing the effect of an upward shift on the present value of the aggregated cash flows of the Bank as a whole. The ratio of the resulting change in the present value to equity capital, which according to the regulatory requirements should not exceed 20%, amounted to 1.23% at year-end (previous year: 1.47%). This ratio documents the generally short maturities in our deposit-taking and lending operations. To keep interest rate risk as small as possible, we invest customer deposits from current accounts and demand deposits mostly as demand deposits or in floaters.

Interest rate risk in the banking book

Interest rate risk shock 1 (+200/-200 bp)	€m
Present value decline in income	0,9
Present value increase in income	2,7

3.4 Operational risk

Disclosures compliance with Section 331 SolvV

Operational risk is defined as the danger of incurring losses as a result of the inappropriateness or failure of internal methods, people and systems, or of external events. This definition also covers legal risk. Reputation risk is also covered in terms of quality as part of the management of operational risk.

Operational risk is limited by a wide-ranging set of instructions, process definitions and authority rules. The various department heads have direct responsibility for compliance with, and the ongoing update of, these rules and regulations. A department within Risk Controlling responsible for process definitions across the whole Bank provides support in this regard. The institution's Auditing business unit audits conformity of business activities with these rules and regulations at regular intervals.

A major component of operational risk relates to the functionalities and security of the computer systems deployed. This segment is covered by special arrangements and precautions in the various technical units. These include constant technical refinement and market data together with a firewall concept to prevent viruses and attempted intrusions from outside and back-up systems used to ensure uninterrupted business operations in the event of system failure. A central contingency management and business continuity management function (BCM) has been established for all areas of the Bank.

The employees of the Bank are appraised by their supervisors at regular intervals. Cooperation between the HR department and the managers ensures that the employees have the right skills and motivation for their position at the Bank.

Legal risk is limited by means of constant collaboration between the legal department and the functional units together with the use of suitable forms and contracts as well as the standardisation of input and settlement procedures in connection with computer processing. In addition, the Legal business unit examines all concluded contracts in advance as part of a central contract management process.

A key aspect of our risk management approach for operational risk involves sensitising all employees to this type of risk. For a number of years now, we have been using a database to systematically record operational losses, which enables us to analyse losses incurred and to draw up appropriate counter-measures. This database is used as the foundation for informing management about the extent of operational losses on a regular basis.

The loss database is supplemented by an annual self-assessment. This involves expert surveys conducted in all areas of the Bank to facilitate the appraisal of potential future operational risks and provide an additional perspective on this type of risk. The self-assessment did not identify any operational risk in excess of the allocated economic capital. The self-assessment is also used to draw up risk-reduction measures for significant risks. In addition, potential reputation risks for the Bank are listed when the expert surveys are conducted. If required, measures are discussed with a view to ensuring a constantly high level of public confidence in our Bank.

Banks are required to hold adequate capital to cover the operational risk they assume. Methods with a different level of accuracy are authorised for use when quantifying the capital adequacy for this risk category, the measurement of which requires highly complex statistical methods. The Bank uses the least complex Basic Indicator Approach for the purposes of calculating the capital required to cover operational risk. In this context, the average gross earnings from the last three financial years are weighted with a factor of 15%. In 2013, the capital required to cover operational risk totalled €37.1 million (previous year: €34.3 million). The allocation of economic capital for operational risk was performed using a value-at-risk approach for the first time in 2013. Statistical methods are used to determine potential losses in accordance with a loss distribution approach (LDA), based on the insights gained from collecting loss data and expert surveys. This method is being systematically refined.

3.5 Liquidity risk

Berenberg Bank can fund itself completely from customer deposits and was highly liquid at all times in the reporting period. There were no outstanding liquidity positions at any time.

There is hardly any liquidity risk for durations of more than one year on account of the short-term structure of our business. There was a strong surplus in durations of less than one year. Treasury invested this surplus in liquid bonds (issued primarily by German states and development banks). The vast majority is deposited with Deutsche Bundesbank, which would guarantee a large funding facility with the European Central Bank in the event of an unexpected liquidity requirement. This free credit line with Deutsche Bundesbank amounted to €1.3 billion at 31 December 2013 (previous year: €1.5 billion). We do not expect this positive liquidity situation to change at all in the new financial year.

To manage short-term liquidity, Treasury analyses all cash flows over the course of time every day in conjunction with the Money Dealing department. This includes carrying out a stress test on a daily basis. Besides the simulation of general stress scenarios, further scenarios are considered involving extreme additional stressing of individual liquidity components. On account of the Bank's comfortable liquidity situation which already meets the new rules for the Liquidity Coverage Ratio (LCR) defined in Basel III, no economic capital is allocated for liquidity risk at present. Only in the unlikely event of a negative stress test would it be necessary to provide economic capital to cover the potential costs of it becoming more expensive to obtain liquidity.

The Bank's Finance unit monitors compliance with the German Liquidity Regulation on a daily basis and creates an additional overview of the development of the liquidity situation over time by preparing a fixed interest rate statement.

The risk of inadequate market liquidity for individual trading products defined in the MaRisk rules is monitored implicitly as part of market risk control.

3.6 Earnings risk

Earnings risk essentially results from market-induced collapses in earnings that are set against an inadequately flexible cost structure in some circumstances.

The exposure to earnings risk is limited by the strategic orientation of the Bank towards segments that offer a clear earnings cushion in excess of the fixed costs and by the deliberate diversification across different segments and markets. In addition, earnings risk is reduced by smoothing the sources of earnings and ensuring a high level of client and employee retention. It proved possible to create ways of making adjustments on the cost side as well using variable remuneration models, notably in segments with a greater volatility of earnings due to the market.

The earnings risk for a given business unit is determined by quantifying the volatility of the earnings and costs arising from the core business as part of a historical analysis for each profit centre. Backing this risk category with economic capital also implicitly contains coverage of potential reputation risk, as a negative change in reputation would result in falling earnings.

Daily reports on the key earnings components and scenario plans act as an early-warning system. A deliberate diversification is pursued across segments and markets. A significant collapse in earnings must not be allowed to put the Bank into a particular risk situation.

As a result of measuring earnings risk for many years, it is possible to identify undesirable developments at an early stage and to initiate necessary countermeasures with a view to securing the profitability of the Bank as a whole.

3.7 Overall bank management

The central ratio of our risk-adjusted overall bank management is the return on costs (the counterpart of the cost-income ratio), adjusted for an expected return on the tied risk. Initially, a minimum return on costs is defined as a target that each profit centre is expected to achieve in line with its personnel costs, non-personnel costs and overheads, and taking into account the standard risk costs. Aggregated across all departments, the earnings calculated from the return on costs yield a minimum profit for the Bank.

Additional risk-sensitive return expectations for each profit centre are derived from the tied economic capital in the respective divisions for market risk, unexpected credit risk, operational risk and earnings risk. These are used to continually replenish the economic capital over the course of time.

The risks and rewards of banking operations are constantly held in view by this process of overall bank management. The scarce resource of economic capital is only allocated to the segments for which the opportunities considerably exceed the risk assumed.

By presenting the entire earnings less the expected returns on tied economic capital and the standard risk costs as a proportion of the departmental costs, the extent to which a profit centre has met its targets can be measured using a single ratio, the return on costs. A detailed analysis of this profitability ratio is carried out as part of the monthly profit centre statement.

The strategy that has proved successful over many years is regularly reviewed together with the corresponding risk strategy during the annual planning process. This process involves an analysis of which measures the various profit centres wish to adopt to achieve their strategic targets and how the activities affect the prospective development of earnings and the tied economic capital.

The quantitative information and control systems employed by the Bank as part of the risk management process supply important information for assessing risk. Combining this with the huge experience of the workforce facilitates a wide-ranging analysis of the risk situation. Consequently, we are certain overall that the risk assumed is in an appropriate relation to the earnings that can be achieved and that no risk has been assumed in excess of the Bank's ability to bear risk.

4. Participating interests

Disclosures compliant with Section 332 SolvV

Annex 1 shows Berenberg's main participating interests in excess of 50%. All participating interests are assigned to the Bank's trading book and carried as affiliated companies in the separate financial statements.

Berenberg's participating interests can be divided into operating and strategic subsidiaries. The operating subsidiaries are assigned to individual business units at the Bank. They support and supplement the Bank's operating activities in their respective lines of business. They are financially, organizationally and economically integrated in the corporate group.

In accordance with the provisions of the German Commercial Code (HGB), the participating interests are valued at their acquisition cost. In the case of permanent loss of value, write-downs are taken to the lower of cost or market. Write-ups are only permitted up to the amount of the acquisition cost. The values recognized for the participating interests in the separate financial statements and consolidated financial statements prepared in accordance with the German Commercial Code are reviewed regularly as part of monthly corporate reporting and checked for impairment. The Bank's Risk Monitoring Committee controls the participating interests and the recognized values on a regular basis.

The following table shows the values recognized for the Bank's direct participating interests calculated using the valuation methods described above.

Values recognized for participating interests

	Comparison	
	Book value	Fair value
Groups of participating interests	€m	€m
Banks	2.6	2.6
Financial entities	0.1	0.1
Other companies	12.5	12.5
Total	**15.2**	**15.2**
of which:		
Affiliated companies	6.3	
Equity interests	8.9	

The "Other companies" item contains indirect participating interests in financial service providers.

On account of the lack of marketability (saleability), the fair value is the same as the book value. There are no valuations derived from previous years on the basis of disposals of participating interests.

Alongside the material participating interests, these are also participating interests with an interest held of less than 50%. These participating interests are insignificant. An exception to this is the participating interest in Universal-Investment-Gesellschaft mbH, in which the Bank holds an interest of 26.67% (book value: €8.6 million) and in which Berenberg Beteiligungsholding holds an interest of 23.33%. The company acts as a capital investment company for proprietary investments. This is an operating participating interest.

Further details are provided below on the significant subsidiaries included in the Bank's consolidation group at the balance sheet date. The non-consolidated subsidiaries are not described separately for reasons of immateriality.

Berenberg Bank (Schweiz) AG, Zurich

The main lines of business of this deposit-taking financial institution are in wealth advisory and asset management together with various types of financing. The company has been recognized as a bank since 2001.

Berenberg Lux Invest S.A., Luxembourg

The business purpose of this company is the collective administration of one or more Luxembourg-based and/or foreign undertakings for collective investments in transferable securities. The company is authorized to engage in all activities that are necessary or useful for the management of these special investment funds and to promote sales of their shares.

This company's business activities during the reporting period were significantly influenced by the decision made by the parent company in the prior year to combine its asset management activities with the fund management activities of Berenberg Lux Invest S.A. under the roof of its Asset Management Division, with a uniform set-up. Furthermore, the fund management and advisory mandates of the German branch office of Berenberg Lux Invest S. A. were progressively transferred to Berenberg, so that the Hamburg branch discontinued its operations completely as of 31 December 2012.

Berenberg Beteiligungsholding GmbH, Hamburg

Berenberg Beteiligungsholding GmbH is a strategic subsidiary that acts as an intermediate holding company covering subsidiaries.

The Bank set up this company in 2000 with a mission to take and manage participating interests in companies.

Berenberg Private Capital GmbH, Hamburg

Up until 30 September 2013, the company's purpose is to provide services in connection with financial investments, participating interests and land. The company is not a financial institution within the meaning of Section 1 (1b), (3) KWG and did not conduct any business in this regard.

Up until 30 September 2013, the company provided the following services:

- The analysis, selection, design, structuring, brokering and marketing of closed-ended funds,
- The purchase, maintenance, management, operation and disposal of investments in companies, property and other assets that are not financial instruments within the meaning of Section 1 (11) KWG, 2 (2b), and
- Strategic class-related wealth structuring using internally developed financial software and the preparation of future-looking liquidity plans, including advice in this regard.

As of 1 October, 2013, the services business was successively transferred to Berenberg.

Berenberg Privat-Treuhand GmbH, Hamburg

Up until 30 September 2013, the purpose of this company was to provide family office services and foundation management. The company specialized in asset accounting for complex asset structures.

As of 1 October, 2013, the services business was successively transferred to Berenberg.

Berenberg Americas LLC, Boston

Berenberg Americas LLC, Boston, was set up in 2011 as a wholly owned subsidiary of Berenberg Beteiligungsholding. It acts as a holding company for Berenberg Capital Markets LLC.

Berenberg Capital Markets LLC, Boston

Berenberg Capital Markets LLC was set up as a sales unit in Boston. Its activities focus on opening the institutional market for research products from the Berenberg Group. The company also markets the sales business with US-based investors. The resulting securities transactions are actually executed by Berenberg in Hamburg.

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5. Instruments and methods

5.1 Rating system

Disclosures compliant with Section 328 SolvV

The Bank uses the recognized external rating agency Standard & Poor's Rating Services (S&P) for the purposes of the German Solvency Regulation. This is the case for the debtor class "sovereigns" for credit checks. In this context, the credit rating for the debtor classes "institutions" and "covered bonds issued by credit institutions" depends on the sovereign rating.

5.2 Exposure-reduction techniques

Disclosures compliant with Section 336 SolvV

Alongside the creditworthiness of the borrowers and counterparties, the available collateral (or general exposure-reduction techniques) is of vital importance for the extent of counterparty risk. For the purposes of the German Solvency Regulation, the Bank takes account of pledged credit balances and pledged securities.

Financial collateral is marked-to-market on a daily basis.

In the case of currency forwards and currency options, the netting of transactions denominated in the same currency is carried out for supervisory purposes. The basis for this is formed by the master agreement for financial futures contracts issued by the Association of German Banks.

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In addition, there are risk sub-participations/guarantees from other, generally domestic banks.

The Bank does not include further collateral within the meaning of the German Solvency Regulation.

There is no further significant concentration of risk within the hedging instruments.

Disclosures compliant with Section 328 SolvV

Total value of outstanding receivables

Risk weight	Counerparty risk in accordance with the standard approach (€m)							
	Before credit risk reduction		After credit risk reduction with substitution effects		Exposure value in accordance with Section 48 SolvV		Risk-weighted exposure value in accordance with Section 24 SolvV	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
0%	**2.783,8**	2.250,3	**2.973,9**	2.425,3	**2.958,2**	2.420,3	**0,0**	0,0
10%	**14,9**	14,9	**14,9**	14,9	**14,9**	14,9	**1,5**	1,5
20%	**386,5**	519,2	**395,1**	525,5	**395,0**	525,2	**79,0**	105,0
50%	**0,7**	0,7	**0,7**	0,7	**0,7**	0,7	**0,4**	0,4
75%	**4,1**	4,2	**4,1**	4,2	**4,1**	4,2	**3,1**	3,2
100%	**1.464,8**	1.418,9	**1.256,4**	1.230,1	**650,5**	728,2	**650,5**	728,2
150%	**3,2**	2,2	**3,2**	2,2	**3,2**	2,2	**4,8**	3,3
Other	**81,4**	81,4	**81,4**	81,4	**81,4**	81,4	**3,7**	19,1

Total amount of hedged exposure (€m)

Portfolio	Financial collateral		Guarantees and credit derivatives	
	2013	2012	**2013**	2012
Companies	**199,9**	182,5	**8,5**	6,3
Total	**199,9**	182,5	**8,5**	6,3

6. Disclosure compliant with Section 7 InstitutsVergV

The general requirements defined in Section 3 InstitutsVergV have been fulfilled. Compliant with Section 1 (2) InstitutsVergV, the special requirements defined in Sections 5, 6 and 8 InstitutsVergV are not applicable.

6.1 Risk analysis

The Bank applies a defensive risk policy and its business activities largely have a service orientation. The Bank manages proprietary trading using carefully defined and closely monitored risk limits that are agreed by all executives. Trading limits are always assigned in harmony with the conservatively defined economic capital that is available.

Sustainability and avoiding disproportionate risk also have top priority in our institution's remuneration policy. This is reinforced by the legal form of a limited partnership under German law (Kommanditgesellschaft) and the long period of service of managers in their positions, which promote long-term thinking and prevent short-term profit-maximisation tendencies.

In addition, securities transactions by employees are subject to a restrictive set of compliance rules and regulations, meaning that the employees have no opportunity to restrict or eliminate the risk orientation of their remuneration.

The head office in Hamburg manages the international orientation of the Bank's business activities centrally. This also includes risk controlling, the assignment of tightly defined trading limits and other monitoring of business activities (Compliance, Auditing, Legal Affairs and so on).

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6.2 Structure of remuneration systems

In the case of the employees covered by the framework collective agreement for the private banking industry (non-exempt staff), the size of the gross monthly salary is based on their tariff group and length of service. The salary is disbursed to non-exempt staff on the 15th of each given month. In addition, non-exempt staff receive a contractually agreed 13th month's salary.

The Bank has simplified the remuneration system in individual contracts for employees not covered by the framework collective agreement. Such employees receive a fixed salary disbursed in 12 monthly instalments on the 15th of each month. This system is also employed for all newly hired employees. A small number of employees have remained with the previous remuneration system. (Those joining the Bank prior to 1 January 2001: a fixed salary consisting of 12 monthly instalments plus a guaranteed bonus that is paid on a quarterly basis in the months of February, May, August and November / those joining the Bank between 1 January 2001 and 30 September 2012: a fixed salary in 14 equal monthly instalments.)

Alongside fixed compensation, employees may be granted variable compensation in the form of a bonus or special payment. Such payments do not entitle the employees to receive bonuses in subsequent years.

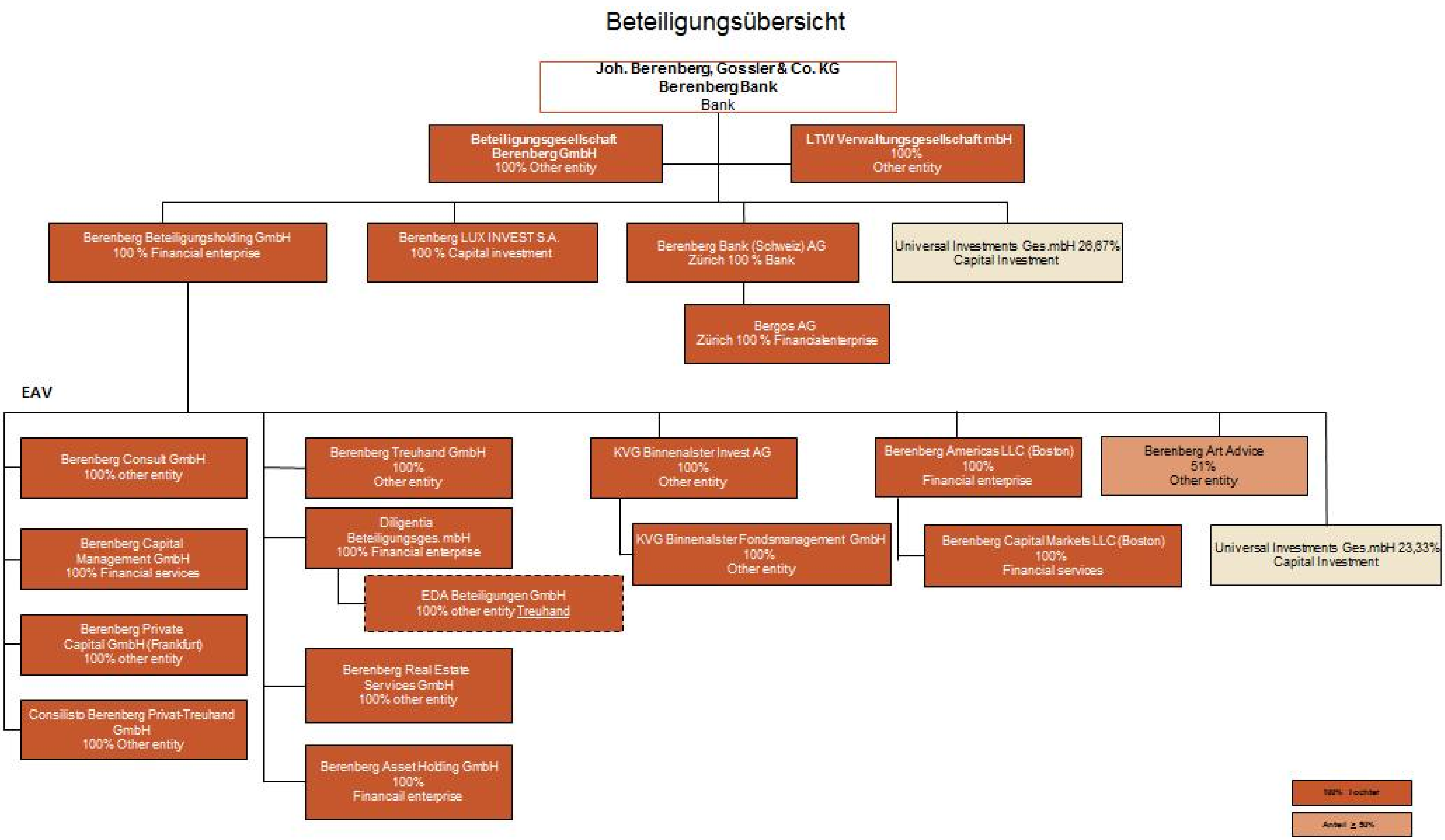
The qualitative and quantitative performance of the individual employee contribution to success of the division and the Bank as a whole is used as the basis for determining the size of the bonus together with his. However, these elements only provide a guideline, as there is no set formula for calculating the bonus. Specific bonus limits are in place that may only be exceeded in justified individual cases and with the prior consent of the executive responsible.

6.3 Remuneration in the business divisions

The structure outlined above applies across all business divisions in the Bank. The following table shows the breakdown of the various components of remuneration in the 2013 financial year:

Business divisions **€m**	**Employees qualifying for bonus**	**Total salary**	**Thereof variable**
Asset Management	54	5,8	1,7
Commercial Banking	45	4,8	1,4
Investment Banking	253	58,2	29,2
Private Banking	143	17,6	4,6
Total	495	86,4	36,9

Annex 1: Schedule of Participating Interests



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