



BERENBERG

PARTNERSHIP SINCE 1590

DISCLOSURE REPORT

pursuant to Article 431 et seq. of the Capital Requirements Regulation (CRR)
including disclosures pursuant to the German Regulations
Governing Supervisory Requirements for Institutions' Remuneration
Systems (InstitutsVergV)

Reporting date: 31 December 2016

Table of Contents

Preface	4
1. Motivation and objectives of disclosure	5
2. Statement pursuant to Article 435 para. 1 (e) CRR regarding the adequacy of the risk management arrangements	6
3. Statement of the management body on the risk profile pursuant to Article 435 (1)(f) CRR	7
4. General disclosures	8
4.1 Name of the institution	8
4.2 Basic differences in consolidation for accounting and prudential purposes, including presentation of the scope of consolidation	8
5. The Bank's own funds	11
5.1 Description of the key features	11
5.2 Structure of own funds	13
5.3 Own funds instruments	17
5.4 Capital requirements	23
5.5 Total capital ratio	32
5.6 Return on investment pursuant to Section 26a para. 1 sentence 4 KWG	32
5.7 Countercyclical Capital Buffer	32
6. Risk management	35
6.1 Overview	36
6.2 Counterparty default exposures	38
6.2.1 General information	38
6.2.2 Impaired loans and past due loans	46
6.3 Exposure to market risk	49
6.4 Operational risk	52
6.5 Liquidity risk	54
6.6 Earnings risk	55
6.7 Overall bank management	56
7. Exposures in equities not included in the trading book	57
8. Instruments and methods	59
8.1 Rating system / use of ECAIs	59
8.2 Credit risk mitigation techniques	60
9. Counterparty default risk	63
10. Leverage ratio	64
11. Unencumbered assets/asset encumbrance	67

12. Disclosures pursuant to Section 16 InstitutsVergV	68
13. Closing statement	71

Preface

The present Disclosure Report at the reporting date of 31 December 2016 is being published in accordance with the prudential requirements of the Capital Requirements Directive IV/EU Directive 2013/36/EU, which came into force on 1 January 2014.

The present report provides a comprehensive picture of the current risk profile and risk management of Berenberg. In particular, it contains information about

- the prudential and commercial structure,
- the own funds,
- the general risk management system at Berenberg, and
- the risk management of individual risk types.

Article 431 et seq. CRR obliges banks to publish qualitative and quantitative information at regular intervals about their own funds, the risks they have assumed, the risk management procedures they apply and the credit risk-mitigation techniques they employ, and to have in place formal procedures and regulations to meet these disclosure obligations.

According to Article 431 et seq. CRR, the disclosure requirements defined in the CRR are applicable to institutions that come under Article 4 para. 1 (3) CRR. Within the framework of the present Disclosure Report, Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as “Berenberg” or “the Bank”) presents the disclosure requirements defined in the CRR for the standalone institution (Article 432 para. 1 CRR). In compliance with Article 432 CRR, the information disclosed in the present report is subject to the principle of materiality. Information that is proprietary or confidential is not subject to disclosure. Berenberg annually reviews whether the selected procedures for measuring materiality are reasonable and/or whether an expansion of disclosure requirements would occur. The following factors, among others, were used to measure materiality: business model analysis, Group risk strategy, shares in the risk-weighted assets, and the earnings contribution to consolidated earnings.

Disclosure is largely not provided on the basis of the corporate group, because this additional information is not material (Article 432 para. 1 CRR). Its omission would not change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. A disclosure obligation does not exist for information that is not material or that is proprietary or confidential (Article 432 para. 2 CRR).

The adequacy and suitability of the institution’s disclosure arrangements must be reviewed at regular intervals. To this end, Berenberg has drawn up framework conditions for the Disclosure Report. The operational conditions and responsibilities are additionally specified in internal instructions.

The Disclosure Report is updated annually and published promptly on the website as a separate report alongside the annual financial statements and the management report.

1. Motivation and objectives of disclosure

Pursuant to Part VIII of Regulation (EU) No. 575/2013 (hereinafter referred to as the CRR) that came into force on 1 January 2014 in conjunction with Section 26a of the German Banking Act (Kreditwesengesetz – KWG), Berenberg is required to publish qualitative and quantitative information regarding the following on an annual basis:

- Risk management objectives and policies
- Scope of application
- Own funds and capital requirements
- Countercyclical capital buffer
- Exposure to counterparty and/or credit risk
- Exposure to market price risk
- Exposure to interest rate risk on positions included in the trading book
- Exposure to operational risk
- Unencumbered assets
- Governance arrangements
- Debt
- Remuneration policy

The present report is intended to satisfy the disclosure requirements incumbent upon Berenberg at the reporting date of 31 December 2016. The Bank's website has been selected to act as the medium for publication of the present report.

Pursuant to Article 432 CRR and in conjunction with EBA/GL/2014/14 regarding the materiality and confidentiality of disclosure, the report content presented is subject to the principle of materiality. Proprietary or confidential information is not the subject of the present report. The content of the report is reviewed at regular intervals in order to ensure adequate disclosure arrangements. The corresponding responsibilities and framework conditions are specified in internal instructions. The following report content provides comprehensive information about Berenberg's overall risk profile.

2. Statement pursuant to Article 435 para. 1 (e) CRR regarding the adequacy of the risk management arrangements

The purpose of Berenberg is to generate a lasting, risk-adequate return on capital invested for its shareholders. To achieve this, the Bank deliberately targets the opportunities afforded to it by the markets. In doing so, it is willing to knowingly assume risk to an economically viable extent.

The structure of the Bank's risk management system is determined by its business and risk strategies. The management is responsible for drawing up and implementing these strategies. The risk strategy is derived consistently from the Bank's permanent business strategy. This defines rules for dealing with risks arising directly or indirectly from the Bank's commercial activities. These rules form the basis for a uniform understanding of the corporate objectives in connection with risk management Bank-wide.

In particular, the risk strategy encompasses the objectives of risk management for the main commercial activities. It is an instrument geared to the market activities and the internal controlling that is revised and, if necessary, modified on an annual basis. Risk sub-strategies are defined for certain risk types and documented separately. Risk may only be assumed within the framework of the risk-bearing capacity. The necessary risk awareness is supported by functioning communication arrangements. This is only achieved to a limited extent by instructions, control measures and sanction mechanisms. Rather, risk awareness is much more an expression of an opportunity- and risk-oriented corporate culture. This in turn is significantly shaped by the way in which the management conducts its leadership and deals with risk.

The risk management arrangements encompass all activities relating to the systematic handling of risk in the corporate sphere. These include the identification, analysis, evaluation, controlling and documentation of risk within the organisation, the operational monitoring of the success of the controlling measures and the monitoring of the effectiveness and adequacy of the risk management measures.

To summarize, Berenberg believes that the implemented methods, models and processes are suitable to ensure that the risk management arrangements are geared to the strategy and the overall risk profile at all times.

The Management

Dr Hans-Walter Peters

Hendrik Riehmer

3. Statement of the management body on the risk profile pursuant to Article 435 para.1 (f) CRR

Statement on the risk profile of the Bank (pursuant to Article 435 (1)(f) CRR)

The Bank's risk management is carried out in the context of the framework specifications of Basel Pillar II, taking into account primarily national legislation within the framework of Section 25a KWG, as well as the various topic-specific circulars. Our risk management processes ensure that risk-bearing capacity is available at all times.

The Bank has identified the following material risks based on the risk inventory, which is performed regularly:

- Counterparty default risk
- Market price risk
- Operational risk
- Earnings risk
- Liquidity risk

The loss potential of the various business divisions are quantified for these risk categories, except for liquidity risk (see 6.5 Liquidity Risks), based on the value-at-risk (VaR) principle at two different confidence levels – 99% and 99.9% – and compared to the defined risk-covering potential. This is done based on a conservative income-statement focused going-concern approach, whereby the 99% confidence interval represents the primary steering group. In addition, we regularly carry out appropriate stress tests.

At year-end, the following utilizations of risk-bearing capacity result for the 99% confidence level:

	Earnings risk	Market price risk	Credit risk	Operational risk	Utilization of risk-covering potential
Wealth Management	0%	0%	0%	5%	6%
Asset Management	2%	0%	1%	1%	4%
Corporate Banking	0%	0%	13%	2%	15%
Investment Banking	1%	3%	0%	2%	6%
Own-account investments/other	0%	0%	3%	1%	3%
Total	4%	3%	17%	10%	34%
Buffer (available risk-covering potential)					66%

At 12/31/2016, the risk-covering potential was € 246 million and was 34% utilized.

The Management

Dr. Hans-Walter Peters

Hendrik Riehmer

4. General disclosures

The prudential consolidated group used to determine the capital charges is defined in accordance with Section 10a KWG in conjunction with Article 18 et seq. CRR.

By contrast, the commercial consolidated group is drawn up exclusively in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB).

4.1 Name of the institution

Joh. Berenberg, Gossler & Co. KG (Article 436 (a) CRR)

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

4.2 Basic differences in consolidation for accounting and prudential purposes, including presentation of the scope of consolidation

Disclosures pursuant to Article 436 (b) CRR

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

Consolidation principles

Consolidation was carried out using the revaluation method pursuant to Section 301 (1) 2 HGB by setting the book values of the Bank against the proportionate share of the subsidiaries' capital. The calculation is performed on the basis of the amounts recognised at the acquisition date of the subsidiaries.

Scope of consolidation under commercial law

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

- Joh. Berenberg, Gossler & Co. KG, Hamburg - Berenberg
- Berenberg Bank (Schweiz) AG, Zurich
- Berenberg Beteiligungsholding GmbH, Hamburg
- Berenberg Americas LLC, New York
- Berenberg Capital Markets LLC, New York
- Berenberg Asset Management LLC, Chicago
- Berenberg Private Capital GmbH, Hamburg

No further Group companies have been included in consolidation, as these companies and the associated enterprises 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 disclosures regarding consolidated companies can be found in section 6, “Exposures in equities not included in the trading book”.

Scope of prudential consolidation

For prudential purposes, institutions, investment firms, financial institutions and ancillary service undertakings are consolidated pursuant to Article 18 CRR in conjunction with Section 10a (1) KWG. The following table shows how the various undertakings are included in the financial statements:

Name	Prudential treatment					Consolidation fully by accounting standard
	Fully consolidated pursuant to Art. 18 CRR	Excluded pursuant to Art. 19 CRR	Included pursuant to Art. 470 para. 2b and 3 CRR (threshold method)	Deducted from CET1 pursuant to Sect. 32 SolvV	Risk-weighted participations	
Financial institution pursuant to Article 4 para. 1 No. 1 CRR						
Joh. Berenberg, Gossler & Co. KG	x					x
Berenberg Bank (Schweiz) AG	x					x
Financial institution pursuant to Article 4 para. 1 No. 26 CRR						
Berenberg Beteiligungsholding GmbH	x					x
Berenberg Americas LLC	x					x
Berenberg Capital Markets LLC	x					x
Bergos AG		x			x	
Berenberg Private Capital GmbH		x			x	x
PBG Parkhausfonds Beteiligungsges. mbH		x			x	
Berenberg Treuhand G.m.b.H.		x			x	
Diligentia Beteiligungsgesellschaft m.b.H.		x			x	
Diligentia Erste Treuhand GmbH		X			x	
Berenberg Asset Holding GmbH		x			x	
Universal-Investment Gesellschaft mbH					x	
Provider of ancillary services pursuant to Article 4 para. 1 No. 18 CRR						
Berenberg Real Estate Asset Management GmbH		x			x	
BPC Grundbesitz Verwaltungs GmbH		x			x	
Other companies						
Berenberg Asset Management LLC					x	x
Beteiligungsgesellschaft Berenberg GmbH					x	
Parkhausfonds Equity Invest GmbH & Co. KG					x	
Parkhausfonds Objekt Villingen GmbH & Co. KG					x	
Parkhausfonds Objekt Potsdam GmbH & Co. KG					x	
Parkhausfonds Objekt Flensburg GmbH & Co. KG					x	
Parkhausfonds Objekt Feldberg GmbH & Co. KG					x	
Paltenstein Jagd GmbH					x	
KVG Binnenalster Invest AG					x	
KVG Binnenalster Fondsmanagement GmbH					x	

There were no subsidiaries without adequate capital cover at the reporting date. (Article 436 (c) and (d) CRR)

There are no current or foreseen material practical or legal impediments to the prompt transfer of own funds for the repayment of liabilities among the Bank and its subsidiaries.

5. The Bank's own funds

5.1 Description of the key features

The following table shows the key features of the Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments issued by Berenberg.

Key features of the capital instruments		Instrument I	Subordinated Loan I	Subordinated Loan II	Subordinated Loan III	Subordinated Loan IV	Subordinated Loan V
1	Issuer	Joh. Berenberg, Gossler & Co. KG	Joh. Berenberg, Gossler & Co. KG	Joh. Berenberg, Gossler & Co. KG	Joh. Berenberg, Gossler & Co. KG	Joh. Berenberg, Gossler & Co. KG	Joh. Berenberg, Gossler & Co. KG
2	Standard identifier	n/a	n/a	n/a	n/a	n/a	n/a
3	Law applicable to the instrument <i>Prudential treatment</i>	German law	German law	German law	German law	German law	German law
4	CRR transition arrangements	Common Equity Tier1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	CRR arrangements after the transition period	Common Equity Tier1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at standalone/ corporate / standalone and corporate level	Standalone and corporate level	Standalone and corporate level	Standalone and corporate level	Standalone and corporate level	Standalone and corporate level	Standalone and corporate level
7	Instrument type	Capital contributions by general and limited partners	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
8	Eligible amount for regulatory own funds	150,000,000.00	2,836,801.75	2,968,236.58	2,020,810.51	6,018,619.93	6,166,484.12
9	Nominal value of the instrument	150,000,000.00	10,000,000.00	10,000,000.00	5,000,000.00	10,000,000.00	10,000,000.00
9a	Issue price	100%	100%	100%	100%	100%	100%
9b	Redemption price	n/a	100%	100%	100%	100%	100%
10	Accounting classification	Subscribed capital	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
11	Original issue date	Various	02/06/2008	25/06/2008	18/12/2008	03/12/2009	30/11/2009
12	Open-ended or with expiry date	Open-ended	01/06/2018	25/06/2018	07/01/2019	03/01/2020	30/01/2020
13	Original due date	n/a	01/06/2018	25/06/2018	07/01/2019	03/01/2020	30/01/2020
14	Callable by issuer with prior consent of supervisors	No	Yes	Yes	Yes	Yes	Yes
15	Selectable termination date, conditional termination dates and redemption amount	n/a	6 months to next interest due date	6 months to next interest due date	6 months to next interest due date	6 months to next interest due date	6 months to next interest due date
16	Later termination dates, if applicable <i>Coupons / dividends</i>	n/a	n/a 6.55%	n/a 6.80%	n/a 6.25%	n/a 6.00%	n/a 6.00%



Key features of the capital instruments		Instrument I	Subordinated Loan I	Subordinated Loan II	Subordinated Loan III	Subordinated Loan IV	Subordinated Loan V
17	Fixed or variable dividend/ coupon payments	Variable	Fixed	Fixed	Fixed	Fixed	Fixed
18	Nominal coupon and any reference index	No applicable	n/a	n/a	n/a	n/a	n/a
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partly discretionary or mandatory (timing)	Partly discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partly discretionary or mandatory (related to the amount)	Partly discretionary As agreed with the companies	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of a step up or incentive to redeem	No	n/a	n/a	n/a	n/a	n/a
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible: trigger for conversion	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible: fully or partially	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible: conversion rate	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible: conversion mandatory or optional	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible: type of instrument converted into	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible: issuer of the instrument converted into	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down features	n/a	n/a	n/a	n/a	n/a	n/a
31	In the event of write-down: trigger for write-down	n/a	n/a	n/a	n/a	n/a	n/a
32	In the event of write-down: full or part	n/a	n/a	n/a	n/a	n/a	n/a
33	In the event of write-down: permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a
34	In the event of temporary write-down: write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in hierarchy for liquidation	Last	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
36	Irregular features of the converted instruments	n/a	n/a	n/a	n/a	n/a	n/a
37	Description of any irregular features	n/a	n/a	n/a	n/a	n/a	n/a

5.2 Structure of own funds

Disclosures pursuant to Article 437 CRR

The own funds are determined on the basis of the German Banking Act (KWG) and the Capital Requirements Regulation (CRR). The method used to prepare the consolidated financial statements is used to calculate the own funds and exposures.

Disclosure of own funds		Amount at 31/12/2016 € millions	References to articles in Regulation (EU) No. 575/2013
Common Equity Tier 1 capital (CET1): instruments and reserves			
1	Capital instruments and the related share premium account	154.0	26 (1), 27, 28, 29
	thereof: type of financial instrument 1	154.0	EBA list pursuant to Article 26 (3)
	thereof: type of financial instrument 2	0.0	EBA list pursuant to Article 26 (3)
	thereof: type of financial instrument 3	0.0	EBA list pursuant to Article 26 (3)
2	Retained earnings	74.3	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	0.0	26 (1)
3a	Fund for general banking risks	15.8	26 (1) (f)
4	Amount of the items within the meaning of Article 484 para. 3 plus the related share premium accounts eligible for grandfathering within CET1	0.0	486 (2)
5	Minority interests (amount permitted in consolidated CET1)	0.0	84
5a	Independently reviewed interim profits, less all foreseeable charges or dividends	41.7	26 (2)
6	Common Equity Tier 1 capital (CET1) before prudential adjustments	285.8	Total of rows 1 to 5a
Common Equity Tier 1 capital (CET1): prudential adjustments			
7	Additional valuation adjustments (negative amount)	0.0	34, 105
8	Intangible assets	-8.0	36 (1) (b), 37
9	In the EU: blank field	0.0	
10	Deferred tax assets that rely on future profitability, excluding those resulting from temporary differences (less related tax liabilities, where the conditions laid down in Article 38 para. 3 are met)	0.0	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	0.0	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	0.0	36 (1) (d), 40, 159
13	Increase in own funds arising from securitised assets	0.0	32 (1)
14	Gains or losses on liabilities of the institution valued at fair value that result from changes in the own credit standing	0.0	33 (1) (b)
15	Defined benefit pension fund assets	0.0	36 (1) (e), 41
16	Direct and indirect holdings by the institution of own Common Equity Tier 1 instruments	0.0	36 (1) (f), 42
17	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities, where those entities have reciprocal cross holdings with the institution, designed to artificially inflate the own funds of the institution	0.0	36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of own Common Equity Tier 1 instruments of financial sector entities in which the institution does not have a significant investment (more than 10% and less eligible short positions)	0.0	36 (1) (h), 43, 45, 46, 49 (2) and (3), 79



	Amount at 31/12/2016 € millions	References to articles in Regulation (EU) No. 575/2013
Disclosure of own funds		
19 Direct, indirect and synthetic holdings by the institution of own Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment (more than 10% and less eligible short positions)	0.0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20 In the EU: blank field	0.0	
20a Exposure amount of the following items which qualify for a risk weight of 1250%, where the institution deducts that exposure amount from the amount of Common Equity Tier 1 items as an alternative to applying 1250%	0.0	36 (1) (k)
20b thereof: qualifying holdings outside the financial sector	0.0	36 (1) (k) (i), 89 to 91
20c thereof: securitisation positions	0.0	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d thereof: free deliveries	0.0	36 (1) (k) (iii), 379 (3)
21 Deferred tax assets resulting from temporary differences that rely on future profitability (above the threshold of 10%, less related tax liabilities, where the conditions laid down in Article 38 para. 3 are met)	0.0	36 (1) (c), 38, 48 (1) (a)
22 Amount in excess of the threshold of 15%	0.0	48 (1)
24 In the EU: blank field	0.0	
25 thereof: deferred tax assets resulting from temporary differences that rely on future profitability	0.0	36 (1) (c), 38, 48 (1) (a)
25a Losses for the current financial year	0.0	36 (1) (a)
25b Foreseeable tax charge on Common Equity Tier 1 items	0.0	36 (1) (l)
27 Amount of the items to be deducted from Additional Tier 1 capital that exceeds the Additional Tier 1 capital of the institution	0.0	36 (1) (j)
28 Total prudential adjustments of Common Equity Tier 1 capital (CET1)	-8.0	Total of rows 7 to 20a, 21, 22, plus rows 25a to 27
29 Common Equity Tier 1 capital (CET1)	277.8	Line 6 less line 28
Additional Tier 1 capital (AT1): instruments		
30 Capital instruments and the related share premium account	0.0	51, 52
31 thereof: classified as equity under the applicable accounting standards	0.0	
32 thereof: classified as liabilities under the applicable accounting standards	0.0	
33 Amount of the items within the meaning of Article 484 para. 4 plus the related share premium accounts eligible for grandfathering within AT1	0.0	486 (3)
34 Qualifying Tier 1 capital instruments included in consolidated Additional Tier 1 capital (including minority interests not contained in line 5), issued by subsidiaries and held by third parties	0.0	85, 86
35 thereof: instruments issued by subsidiaries eligible for grandfathering	0.0	486 (3)
36 Additional Tier 1 capital (AT1) before prudential adjustments	0.0	Total of rows 30, 33 and 34
Additional Tier 1 capital (AT1): prudential adjustments		
37 Direct and indirect holdings by the institution of own Additional Tier 1 instruments	0.0	52 (1) (b), 56 (a), 57
38 Direct, indirect and synthetic holdings by the institution of Additional Tier 1 instruments of financial sector entities, where those entities have reciprocal cross holdings with the institution, designed to artificially inflate the own funds of the institution	0.0	56 (b), 58
39 Direct, indirect and synthetic holdings by the institution of Additional Tier 1 instruments of financial sector entities in which the institution does not have a significant investment (more than 10% and less eligible short positions)	0.0	56 (c), 59, 60, 79



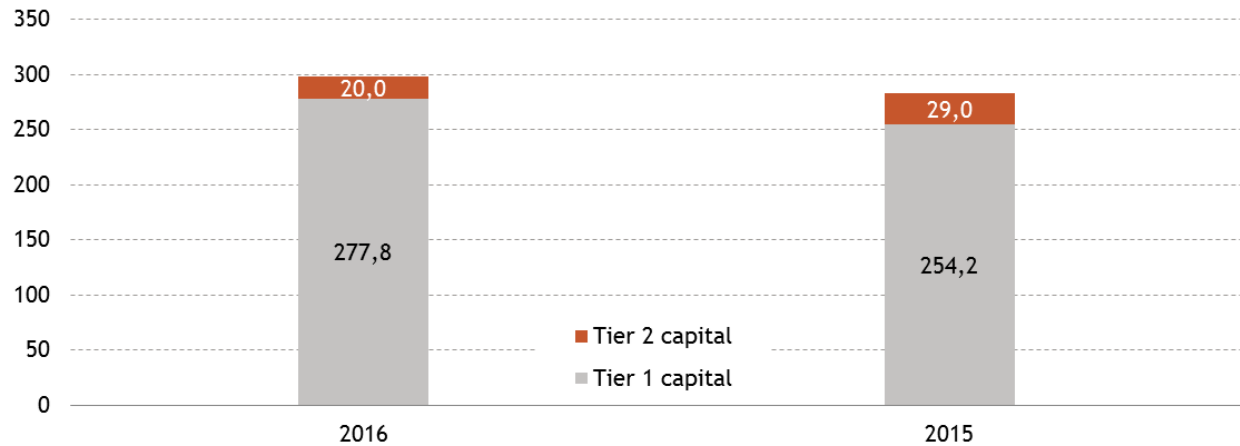
	Amount at 31/12/2016 € millions	References to articles in Regulation (EU) No. 575/2013
Disclosure of own funds		
40 Direct, indirect and synthetic holdings by the institution of Additional Tier 1 instruments of financial sector entities in which the institution has a significant investment (more than 10% and less eligible short positions)	0.0	56 (d), 59, 79
41 In the EU: blank field	0.0	
42 Amount of the items to be deducted from Tier 2 capital that exceeds the Tier 2 capital of the institution	0.0	56
43 Total prudential adjustments of Additional Tier 1 capital (AT1)	0.0	Total of rows 37 to 42
44 Additional Tier 1 capital (AT1)	0.0	Line 36 less line 43
45 Tier 1 capital (T1 = CET1 + AT1)	277.8	Total of rows 29 and 44
Tier 2 capital (T2): instruments and reserves		
46 Capital instruments and the related share premium account	20.0	62, 63
47 Amount of the items within the meaning of Article 484 para. 5 plus the related share premium accounts eligible for grandfathering within T2	0.0	486 (4)
48 Qualifying own funds included in consolidated Tier 2 capital (including minority interests and AT1 instruments not contained in the rows 5 and 34), issued by subsidiaries and held by third parties	0.0	87, 88
49 thereof: instruments issued by subsidiaries eligible for grandfathering	0.0	486 (4)
50 Credit risk adjustments	0.0	62 (c) and (d)
51 Tier 2 capital (T2) before prudential adjustments	20.0	
Tier 2 capital (T2): prudential adjustments		
52 Direct and indirect holdings by the institution of own Tier 2 capital instruments and subordinated loans	0.0	63 (b) (i), 66 (a), 67
53 Holdings of Tier 2 capital instruments and subordinated loans of financial sector entities, where those entities have reciprocal cross holdings with the institution, designed to artificially inflate the own funds of the institution	0.0	66 (b), 68
54 Direct and indirect holdings by the institution of Tier 2 capital instruments and subordinated loans of financial sector entities in which the institution does not have a significant investment (more than 10% and less eligible short positions)	0.0	66 (c), 69, 70, 79
55 Direct and indirect holdings by the institution of Tier 2 capital instruments and subordinated loans of financial sector entities in which the institution has a significant investment (more than 10% and less eligible short positions)	0.0	66 (d), 69, 79
56 In the EU: blank field	0.0	
57 Total prudential adjustments of Tier 2 capital (T2)	0.0	Total of rows 52 to 56
58 Tier 2 capital (T2)	20.0	Line 51 less line 57
59 Total own funds (TC = T1 + T2)	297.8	Total of rows 45 and 58
60 Total risk-weighted assets	2,145.8	
Capital ratios and buffers		
61 Common Equity Tier 1 capital ratio	13.0	92 (2) (a)
62 Tier 1 capital ratio	13.0	92 (2) (b)
63 Total capital ratio	13.9	92 (2) (c)
64 Institution-specific capital buffer requirement (minimum requirement for the Common Equity Tier 1 capital ratio pursuant to Article 92 para. 1 (a), plus the requirements for capital conservation buffer and countercyclical capital buffer, systemic risk buffer and buffer for systemically important institutions, expressed as a percentage of the total exposure amount)	13.4	CRD 128, 129, 130, 131, 133
65 thereof: capital conservation buffer	13.4	

	Amount at 31/12/2016 € millions	References to articles in Regulation (EU) No. 575/2013
Disclosure of own funds		
66 thereof: countercyclical capital buffer	n/a	
67 thereof: systemic risk buffer	n/a	
67a thereof: buffer for global systemically important institutions (G-SII) or other systemically important institutions (O-SII)	n/a	
68 Common Equity Tier 1 capital available for the buffers	n/a	CRD 128
69 [not relevant in EU Regulation]	n/a	
70 [not relevant in EU Regulation]	n/a	
71 [not relevant in EU Regulation]	n/a	
Amounts below the thresholds for deductions (before risk weighting)		
72 Direct and indirect holdings by the institution of capital instruments of financial sector entities in which the institution does not have a significant investment (less than 10% and less eligible short positions)	n/a	36 (1) (h), 46, 45, 56 (c), 59, 60, 66 (c), 69, 70
73 Direct and indirect holdings by the institution of capital instruments of financial sector entities in which the institution has a significant investment (less than 10% and less eligible short positions)	27.8	36 (1) (i), 45, 48
74 In the EU: blank field	n/a	
75 Deferred tax assets resulting from temporary differences that rely on future profitability (below the threshold of 10%, less related tax liabilities, where the conditions laid down in Article 38 para. 3 are met)	n/a	36 (1) (c), 38, 48
Eligible limit for including valuation adjustments in Tier 2 capital		
76 Credit risk adjustments eligible for Tier 2 capital with regard to exposures subject to the Standardised Approach (before application of the limit)	n/a	62
77 Limit for the eligibility of credit risk adjustments for Tier 2 capital under the Standardised Approach	n/a	62
78 Credit risk adjustments eligible for Tier 2 capital for exposures subject to the Internal Assessment Approach (before application of the limit)	n/a	62
79 Limit for the eligibility of credit risk adjustments for Tier 2 capital under the Internal Assessment Approach	n/a	62
Equity instruments subject to grandfathering arrangements		
80 • Current limit for CET1 instruments to which the grandfathering arrangements apply	n/a	484 (3), 486 (2) and (5)
81 • Amount excluded from CET1 due to limit (amount in excess of limit after repayments and redemptions at maturity)	n/a	484 (3), 486 (2) and (5)
82 • Current limit for AT1 instruments for which the grandfathering arrangements apply	n/a	484 (4), 486 (3) and (5)
83 • Amount excluded from AT1 due to limit (amount in excess of limit after repayments and redemptions at maturity)	n/a	484 (4), 486 (3) and (5)
84 • Current limit for T2 instruments to which the grandfathering arrangements apply	n/a	484 (5), 486 (4) and (5)
85 • Amount excluded from T2 due to limit (amount in excess of limit after repayments and redemptions at maturity)	n/a	484 (5), 486 (4) and (5)

The own funds consist of Tier 1 capital and Tier 2 capital.

The Tier 1 capital consists of the subscribed capital and the reserves. The non-current subordinated liabilities are assigned to Tier 2 capital.

Composition of own funds pursuant to CRR



5.3 Own funds instruments

Structure of own funds

The equity instruments included in the summary view pursuant to Section 10a (5) KWG and Section 10a (4) KWG encompass the Common Equity Tier 1 capital and Tier 2 capital attributable to the affiliated enterprises in the prudential scope of consolidation. No Additional Tier 1 capital has been issued by affiliated enterprises in the prudential scope of consolidation.

Common Equity Tier 1 capital

The Common Equity Tier 1 capital essentially contains the shareholders' equity shown in the balance sheet. The subscribed capital of Berenberg is fully paid in. These open reserves encompass the retained earnings as well as retained profits. A special fund for general banking risks set up in accordance with Section 340e (4) HGB in conjunction with Section 340g HGB is carried under the eligible open reserves pursuant to Section 10a (5) KWG.

Tier 2 capital

The Tier 2 capital (T2) of Berenberg pursuant to Article 62 CRR consists of eligible non-current subordinated liabilities of €20.0 million. There are no items to be deducted from Tier 2 capital pursuant to Article 66 CRR.

The item "Subordinated liabilities" contains liabilities that, in the event of insolvency or liquidation, would not be repaid until the claims of all non-subordinated creditors have been settled. Subordinated liabilities are own funds within the meaning of Article 62 CRR and count as liable equity under the conditions set forth in Article 63 CRR. Pursuant to Article 64 CRR, their eligibility in the final five year period of their contractual maturity is determined constantly in line with the declining residual maturity measured in days on a straight-line basis. All subordinated receivables meet the requirements of Article 63 CRR.

The following table shows the reconciliation of the elements of own funds in the audited consolidated financial statements of the Berenberg Group to the regulatory own funds pursuant to Article 437 para. 1 (a)

CRR in conjunction with Annex I of Commission Implementing Regulation (EU) No. 1423/2013 dated 20 December 2013:

Disclosure of the key features of the capital instruments

Disclosure of own funds		Balance at 12/31/2016 in € millions	Balance at 12/31/2015 in € millions	Regulation (EU) No. 575/2013 Reference to Article
Common Equity Tier 1 capital (CET 1): instruments and reserves				
1	Capital instruments and the related share premium account	154.0	152.5	26 (1), 27, 28, 29
	thereof: Type 1 financial instrument	154.0	152.5	EBA list pursuant to Article 26 para. 3
	thereof: Type 2 financial instrument			EBA list pursuant to Article 26 para. 3
	thereof: Type 3 financial instrument			EBA list pursuant to Article 26 para. 3
2	Retained earnings	116.0	92.1	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	0.0	0.0	26 (1)
3a	Fund for general banking risks	15.8	15.7	26 (1) (f)
4	Amount of the items within the meaning of Article 484 para. 3 plus the related premium, eligible for grandfathering within CET1	0.0	0.0	486 (2)
5	Minority interests (permitted amount in consolidated CET1)	0.0	0.0	84
5a	Interim profits audited by an independent party, less all foreseeable compulsory payments or dividends	0.0	0.0	26 (2)
6	Common Equity Tier 1 capital (CET 1) before prudential adjustments	285.8	260.3	Total of lines 1 to 5a
Common Equity Tier 1 capital (CET 1): prudential adjustments				
7	Additional valuation adjustments (negative amount)	0.0	0.0	34, 105
8	Intangible assets	-8.0	-6.1	36 (1) (b), 37
9	In the EU: blank field	0.0	0.0	
10	Deferred tax assets that rely on future profitability, excluding those resulting from temporary differences (less related tax liabilities, where the conditions laid down in Article 38 para. 3 are met) (negative amount)	0.0	0.0	36 (1) (c), 38
11	Reserves from profits or losses resulting from transactions recognized at fair value to hedge payment flows	0.0	0.0	33 (1) (a)
12	Negative amounts from the calculation of the expected loss amounts	0.0	0.0	36 (1) (d), 40, 159
13	Increase in own funds resulting from certificated assets	0.0	0.0	32 (1)
14	Profits or losses caused by changes in own credit rating	0.0	0.0	33 (1) (b)

Disclosure of own funds		Balance at 12/31/2016 in € millions	Balance at 12/31/2015 in € millions	Regulation (EU) No. 575/2013 Reference to Article
arising from own liabilities measured at fair value				
15	Defined benefit pension fund assets	0.0	0.0	36 (1) (e), 41
16	Direct and indirect positions of an institution in own common equity Tier 1 capital instruments	0.0	0.0	36 (1) (f), 42
17	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities that have entered into cross-shareholding with the institution that serves the purpose of artificially increasing its own funds	0.0	0.0	36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities in which the institution does not have a significant investment (more than 10% and less eligible short positions)	0.0	0.0	36 (1) (h), 43, 45, 46, 49 (2) und (3), 79
19	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment (more than 10% and less eligible short positions)	0.0	0.0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	In the EU: blank field	0.0	0.0	
20a	Exposure amount of the following items which qualify for a risk weight of 1,250%, where the institution deducts that exposure amount from the amount of Common Equity Tier 1 items as an alternative to applying 1,250%	0.0	0.0	36 (1) (k)
20b	thereof: qualified investments outside of the financial sector	0.0	0.0	36 (1) (k) (i), 89 to 91
20c	thereof: securitized holdings	0.0	0.0	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	thereof: advance payments	0.0	0.0	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets depending on future profitability resulting from temporary differences (above the threshold of 10%, reduced by corresponding tax liabilities when the conditions of Article 38 para. 3 are satisfied)	0.0	0.0	36 (1) (c), 38, 48 (1) (a)
22	Amount above the threshold value of 15%	0.0	0.0	48 (1)
24	In the EU: blank field	0.0	0.0	
25	thereof: deferred tax assets depending on future profitability resulting from temporary differences	0.0	0.0	36 (1) (c), 38, 48 (1) (a)
25a	Losses in the current fiscal year	0.0	0.0	36 (1) (a)
25b	Foreseeable tax burden on items of Common Equity Tier 1 capital	0.0	0.0	36 (1) (l)
27	Amount of the items to be subtracted from items of Additional Tier 1 capital that exceed the Additional Tier 1 capital of the institution	0.0	0.0	36 (1) (j)
28	Total prudential adjustments of Common Equity Tier1 1 capital	-8.0	-6.1	Total of Lines 7 to 20a,

Disclosure of own funds		Balance at 12/31/2016 in € millions	Balance at 12/31/2015 in € millions	Regulation (EU) No. 575/2013 Reference to Article
(VET 1)				21, 22, plus Lines 25a to 27
29	Common Equity Tier 1 capital (CET1)	277.8	254.2	Line 6 minus Line 28
Additional Tier 1 capital (AT1); instruments				
30	Capital instruments and the related share premium account	0.0	0.0	51, 52
31	thereof: classified as own funds pursuant to applicable accounting standards	0.0	0.0	
32	thereof: classified as liabilities under the applicable accounting standards	0.0	0.0	
33	Amount of the items within the meaning of Article 484 para. 4 plus the related share premium accounts eligible for grandfathering within AT1	0.0	0.0	486 (3)
34	Instruments of qualified Tier 1 capital included in consolidated Additional Tier 1 capital (including minority interests not included in Line 5) that were issued by subsidiaries and are held by third parties	0.0	0.0	85, 86
35	thereof: instruments issued by subsidiaries eligible for grandfathering	0.0	0.0	486 (3)
36	Additional Tier capital (AT1) before prudential adjustments	0.0	0.0	Total of Lines 30, 33 and 34
Additional Tier 1 capital (AT1): prudential adjustments				
37	Direct and indirect holdings by an institution in its own instruments of Additional Tier 1 capital	0.0	0.0	52 (1) (b), 56 (a), 57
38	Direct, indirect, and synthetic holdings by the institution of instruments of Additional Tier 1 capital from companies in the financial industry that have entered into cross-shareholding with the institution that serves the purpose of artificially increasing its own funds	0.0	0.0	56 (b), 58
39	Direct, indirect, and synthetic holdings by the institution of instruments of Additional Tier 1 capital from companies in the financial industry in which the institution does not hold any material investment (more than 10% and less applicable sales holdings)	0.0	0.0	56 (c), 59, 60, 79
40	Direct, indirect, and synthetic holdings by the institution of instruments of Additional Tier 1 capital from companies in the financial industry in which the institution holds a material investment (more than 10% and less applicable sales holdings)	0.0	0.0	56 (d), 59, 79
41	In the EU: blank field	0.0	0.0	

Disclosure of own funds		Balance at 12/31/2016 in € millions	Balance at 12/31/2015 in € millions	Regulation (EU) No. 575/2013 Reference to Article
42	Amount of the items to be subtracted from the items of additional capital that exceed the additional capital of the institution	0.0	0.0	56
43	Total prudential adjustments of Additional Tier 1 capital (AT1)	0.0	0.0	Total of Lines 37 to 42
44	Additional Tier 1 capital (AT1)	0.0	0.0	Line 36 minus Line 43
45	Tier 1 capital (T1 = CET1 + AT1)	277.8	254.2	Total of Lines 29 and 44
Tier 2 capital (T2): instruments and reserves				
46	Capital Instruments and the related share premium account	20.0	29.0	62, 63
47	Amount of the items within the meaning of Article 484 para. 5 plus the related share premium accounts eligible for grandfathering within T2	0.0	0.0	486 (4)
48	Qualified equity instruments belonging to consolidated Tier 2 capital (including minority interests and AT1 instruments not included in Lines 5 or 34) that were issued by subsidiaries and are held by third parties	0.0	0.0	87, 88
49	thereof: instruments issued by subsidiaries eligible for grandfathering	0.0	0.0	486 (4)
50	Credit risk adjustments	0.0	0.0	62 (c) and (d)
51	Tier 2 capital (T2) before prudential adjustments	20.0	29.0	
Tier 2 capital (T2): prudential adjustments				
52	Direct and indirect holdings of an institution in own instruments of Tier 2 capital and subordinated loans	0.0	0.0	63 (b) (i), 66 (a), 67
53	Holdings of instruments of Tier 2 capital and subordinated loans from financial industry institutions that have entered into cross-shareholding with the institution that serves the purpose of artificially increasing its own funds	0.0	0.0	66 (b), 68
54	Direct and indirect holdings by the institution in instruments of Tier 2 capital and subordinated loans from financial industry institutions in which the institution does not hold any material investment (more than 10% and less applicable sales holdings)	0.0	0.0	66 (c), 69, 70, 79
55	Direct and indirect holdings by the institution in instruments of Tier 2 capital and subordinated loans from financial industry institutions in which the institution holds a material investment (more than 10% and less applicable sales holdings)	0.0	0.0	66 (d), 69, 79
56	In the EU: blank field	0.0	0.0	
57	Total prudential adjustments to Tier 2 capital (T2)	0.0	0.0	Total of Lines 52 to 56
58	Tier 2 capital (T2)	20.0	29.0	Line 51 less Line 57

Disclosure of own funds		Balance at 12/31/2016 in € millions	Balance at 12/31/2015 in € millions	Regulation (EU) No. 575/2013 Reference to Article
59	Total equity capital (TC = T1 + T2)	297.8	283.2	Total of Lines 45 and 58
60	Total risk-weighted assets	2,145.8	2,050.2	

Own funds ratios and buffers

61	Common Tier 1 capital ratio	13.0	12.4	92 (2) (a)
62	Tier 1 capital ratio	13.0	12.4	92 (2) (b)
63	Solvency ratio	13.9	13.8	92 (2) (c)
64	Institution-specific requirement for capital buffers (minimum requirement for the common Tier 1 capital ratio according to Article 92 para. 1 (a), plus the requirements for capital preservation buffers and anti-cyclical capital buffers, system risk buffers, and buffers for system-relevant institutions, expressed as a percentage of the total receivables amount)	13.4	n/a	CRD 128, 129, 130, 131, 133
65	thereof: capital preservation buffer	13.4	n/a	
66	thereof: anti-cyclical buffer	n/a	n/a	
67	thereof: system risk buffer	n/a	n/a	
67a	thereof: buffer for globally system-relevant institutions (G-SRI) or other system-relevant institutions (A-SRI)	n/a	n/a	
68	Available Tier 1 capital for the buffers	n/a	n/a	CRD 128
69	[not relevant in EU Regulation]	n/a	n/a	
70	[not relevant in EU Regulation]	n/a	n/a	
71	[not relevant in EU Regulation]	n/a	n/a	

Amounts below the threshold values for deductions (before risk weighting)

72	Direct and indirect holdings by the institution in capital instruments from financial industry companies in which the institution does not hold any material investment (less than 10% and less applicable sales holdings)	n/a	n/a	36 (1) (h), 46, 45, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings by the institution in capital instruments from financial industry companies in which the institution holds a material investment (less than 10% and less applicable sales holdings)	27.8	20.1	36 (1) (i), 45, 48
74	In the EU: blank field	n/a	n/a	
75	Deferred tax assets dependent on future profitability resulting from temporary differences (less than the threshold value of 10%, reduced by corresponding tax liabilities if the conditions of Article 38 para. 3 are satisfied)	n/a	n/a	36 (1) (c), 38, 48

Disclosure of own funds		Balance at 12/31/2016 in € millions	Balance at 12/31/2015 in € millions	Regulation (EU) No. 575/2013 Reference to Article
Applicable upper limit for including of impairments in Tier 2 capital				
76	Credit risk adjustments applicable to Tier 2 capital with regard to receivables for which the standard approach applies (before application of the upper limit)	n/a	n/a	62
77	Upper limit for application of credit risk adjustments to the Tier 2 capital within the framework of the standard approach	n/a	n/a	62
78	Credit risk adjustments applicable to Tier 2 capital with regard to receivables for which the approach based on internal assessments applies (before application of the upper limit)	n/a	n/a	62
79	Upper limit for application of credit risk adjustments to the Tier 2 capital within the framework of the approach based on internal assessments	n/a	n/a	62
Own funds instruments to which the phase-out regulations apply				
80	Current upper limit for CET1 instruments, to which the phase-out regulations apply	n/a	n/a	484 (3), 486 (2) and (5)
81	Amount excluded from CET1 due to upper limit (Amount over upper limit after repayments and maturities)	n/a	n/a	484 (3), 486 (2) and (5)
82	Current upper limit for AT1 instruments, to which the phase-out regulations apply	n/a	n/a	484 (4), 486 (3) and (5)
83	Amount excluded from AT1 due to upper limit (Amount over upper limit after repayments and maturities)	n/a	n/a	484 (4), 486 (3) and (5)
84	Current upper limit for T2 instruments, to which the phase-out regulations apply	n/a	n/a	484 (5), 486 (4) and (5)
85	Amount excluded from T2 due to upper limit (Amount over upper limit after repayments and maturities)	n/a	n/a	484 (5), 486 (4) and (5)

5.4 Capital requirements

Disclosures pursuant to Article 438 CRR

The adequacy of the own funds used to back future activities is assessed as part of the annual planning process. The own funds are subject to risk-adjusted planning based on the Bank's business and risk strategies. The planning serves to highlight capital shortfalls so that timely preventive measures can be taken. If necessary, new own funds are obtained. In this way we ensure that enough own funds are 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 capital requirements is made for a time horizon of three 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 the allocation of own funds on a monthly basis. The regulatory capital requirement compliant with the CRR is used for this capital allocation and monitoring.

Disclosures pursuant to Article 438 CRR

		Amount on reporting date	Reference to articles in Regulation (EU) No. 575/2013	Amounts subject to treatment before Regulation (EU) No. 575/2013 or regulatory remainder pursuant to Regulation (EU) No. 575/2013
Own funds during the transition period				
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium account	154.0	26 (1), 27, 28, 29, EBA list pursuant to Article 26 para. 3	154.0
	thereof: type of financial instrument 1	154.0	EBA list pursuant to Article 26 para. 3	154.0
	thereof: type of financial instrument 2	0.0	EBA list pursuant to Article 26 para. 3	0.0
	thereof: type of financial instrument 3	0.0	EBA list pursuant to Article 26 para. 3	0.0
2	Retained earnings	116.0	26 (1) (c)	116.0
3	Accumulated other comprehensive income (and other reserves, to take account of unrealised gains and losses under the applicable accounting standards)	0.0	26 (1)	0.0
3a	Fund for general banking risks	15.8	26 (1) (f)	15.8
4	Amount of the item within the meaning of Article 484 para. 3 plus the related share premium accounts eligible for grandfathering within CET1	0.0	486 (2)	0.0
	State aid instruments with grandfathering until 1 January 2018	0.0	483 (2)	0.0
5	Minority interests (amount permitted in consolidated CET1)	0.0	84, 479, 480	0.0
5a	Independently reviewed interim profits, less all foreseeable charges or dividends	0.0	26 (2)	0.0
6	Common Equity Tier 1 capital (CET1) before prudential adjustments	285.8		285.8
Common Equity Tier 1 capital: prudential adjustments				
7	Additional valuation adjustments	0.0	34, 105	0.0
8	Intangible assets (less related tax liabilities)	-8.0	36 (1) (b), 37, 472 (4)	-8.0
9	In the EU: blank field			
10	Deferred tax assets that rely on future profitability, excluding those resulting from temporary differences (less related tax liabilities, where the conditions laid down in Article 38 para. 3 are met)	0.0	36 (1) (c), 38, 472 (5)	0.0
11	Fair value reserves related to gains or losses on cash flow hedges	0.0	33 (a)	0.0
12	Negative amounts resulting from the calculation of expected loss amounts	0.0	36 (1) (d), 40, 159, 472 (6)	0.0
13	Increase in own funds arising from securitised assets	0.0	32 (1)	0.0
14	Gains or losses on liabilities of the institution valued at fair value that result from changes in the own credit standing	0.0	33 (1) (b)	0.0

		Amounts subject to treatment before Regulation (EU) No. 575/2013 or regulatory remainder pursuant to Regulation (EU) No. 575/2013		
		Amount on reporting date	Reference to articles in Regulation (EU) No. 575/2013	
Own funds during the transition period				
15	Defined benefit pension fund assets	0.0	36 (1) (e), 41, 472 (7)	0.0
16	Direct and indirect holdings of the institution of own Common Equity Tier 1 instruments	0.0	36 (1) (f), 42, 472 (8)	0.0
17	Holdings of Common Equity Tier 1 instruments of financial sector entities, where those entities have reciprocal cross holdings with the institution, designed to artificially inflate the own funds of the institution	0.0	36 (1) (g), 44, 472 (9)	0.0
18	Direct and indirect holdings by the institution of own Common Equity Tier 1 instruments of financial sector entities in which the institution does not have a significant investment (more than 10% and less eligible short positions)	0.0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0.0
19	Direct and indirect holdings by the institution of own Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment (more than 10% and less eligible short positions)	0.0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0.0
20	In the EU: blank field			
20a	Exposure amount of the following items which qualify for a risk weight of 1250%, where the institution deducts that exposure amount from the amount of Common Equity Tier 1 items as an alternative to applying 1250%	0.0	36 (1) (k)	0.0
20b	thereof: qualifying holdings outside the financial sector	0.0	36 (1) (k) (i), 89 to 91	0.0
20c	thereof: securitisation positions	0.0	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	0.0
20d	thereof: free deliveries	0.0	36(1) (k) (iii), 379 (3)	0.0
21	Deferred tax assets resulting from temporary differences that rely on future profitability (above the threshold of 10% less related tax liabilities, where the conditions laid down in Article 38 para. 3 are met)	0.0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0.0
22	Amount in excess of the threshold of 15%	0.0	48 (1)	0.0
23	thereof: direct and indirect holdings by the institution of Common Equity Tier 1 instruments of financial sector entities in which the institution holds a significant investment	0.0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0.0
24	In the EU: blank field			
25	thereof: deferred tax assets resulting from temporary differences that rely on future profitability	0.0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0.0
25a	Losses for the current financial year	0.0	36 (1) (a), 472 (3)	0.0
25b	Foreseeable tax charge on Common Equity Tier 1 items	0.0	36 (1) (l)	0.0
26	Prudential adjustments in connection with unrealised gains and losses pursuant to Article 467 and 468	0.0		0.0
26a	Prudential adjustments in connection with unrealised gains and losses pursuant to Article 467 and 468	0.0		0.0
	thereof: ... prudential filters for unrealised losses 1	0.0	467	0.0
	thereof: ... prudential filters for unrealised losses 2	0.0	467	0.0
	thereof: ... prudential filters for unrealised gains 1	0.0	468	0.0
	thereof: ... prudential filters for unrealised gains 2	0.0	468	0.0

		Amount on reporting date	Reference to articles in Regulation (EU) No. 575/2013	Amounts subject to treatment before Regulation (EU) No. 575/2013 or regulatory remainder pursuant to Regulation (EU) No. 575/2013
Own funds during the transition period				
26b	Amount to be included in or deducted from Common Equity Tier 1 capital for additional prudential filters and in accordance with the deductions required under pre-CRR treatment	0.0	481	0.0
	thereof: ...	0.0	481	0.0
27	Amount of the items to be deducted from Additional Tier 1 capital that exceeds the Additional Tier 1 capital of the institution	0.0	36 (1) (j)	0.0
28	Total prudential adjustments of Common Equity Tier 1 capital (CET1)	-8.0		-8.0
29	Common Equity Tier 1 capital (CET1)	277.8		277.8
Additional Tier 1 capital (AT1): instruments				
30	Capital instruments and the related share premium account	0.0	51, 52	0.0
31	thereof: classified as equity under the applicable accounting standards	0.0		0.0
32	thereof: classified as liabilities under the applicable accounting standards	0.0		0.0
33	Amount of the items within the meaning of Article 484 para. 4 plus the related share premium accounts eligible for grandfathering within AT1	0.0	486 (3)	0.0
	State aid instruments with grandfathering until 1 January 2018	0.0	483 (3)	0.0
34	Qualifying Tier 1 capital instruments included in consolidated Additional Tier 1 capital (including minority interests not contained in line 5), issued by subsidiaries and held by third parties	0.0	85, 86 480	0.0
35	thereof: instruments issued by third parties eligible for grandfathering	0.0	486 (3)	0.0
36	Additional Tier 1 capital (AT1) before prudential adjustments	0.0		0.0
Additional Tier 1 capital (AT1): prudential adjustments				
37	Direct and indirect holdings by the institution of own Additional Tier 1 instruments	0.0	52 (1) (b), 56 (a), 57, 475 (2)	0.0
38	Holdings of Additional Tier 1 instruments of financial sector entities, where those entities have reciprocal cross holdings with the institution, designed to artificially inflate the own funds of the institution	0.0	56 (b), 58, 475 (3)	0.0
39	Direct and indirect holdings by the institution of Additional Tier 1 instruments of financial sector entities in which the institution does not have a significant investment (more than 10% and less eligible short positions)	0.0	56 (c), 59, 60, 79, 475 (4)	0.0
40	Direct and indirect holdings by the institution of Additional Tier 1 instruments of financial sector entities in which the institution has a significant investment (more than 10% and less eligible short positions)	0.0	56 (d), 59, 79, 475 (4)	0.0
41	Prudential adjustments of Additional Tier 1 capital for amounts subject to pre-CRR treatment and treatment during the transition period, for which the grandfathering arrangements under Regulation (EU) No. 575/2013 are applicable (i.e. CRR residual amounts)	0.0		0.0
41a	Residual amounts to be deducted from Additional Tier 1 capital for items to be deducted from Common Equity Tier 1 capital during the transition period pursuant to Article 472 of Regulation (EU) No. 575/2013	0.0	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) 8a), 472 (11) (a)	0.0
	thereof: items to be listed row by row, ...	0.0		0.0
41b	Residual amounts to be deducted from Additional Tier 1 capital for items to be deducted from Tier 2 capital during the transition period pursuant to Article 475 of Regulation (EU) No. 575/2013	0.0	477, 477 (3), 477 (4) (a)	0.0
	thereof: items to be listed row by row, ...	0.0		0.0



		Amount on reporting date	Reference to articles in Regulation (EU) No. 575/2013	Amounts subject to treatment before Regulation (EU) No. 575/2013 or regulatory remainder pursuant to Regulation (EU) No. 575/2013
Own funds during the transition period				
41c	Amount to be included in or deducted from Additional Tier 1 capital for additional prudential filters and in accordance with the deductions required under pre-CRR treatment	0.0		0.0
	thereof: ... possible prudential filters for unrealised losses	0.0	467	0.0
	thereof: ... possible prudential filters for unrealised gains	0.0	468	0.0
	thereof: ...	0.0	481	0.0
42	Amount of the items to be deducted from Tier 2 capital that exceeds the Additional Tier 1 capital of the institution	0.0	56 (e)	0.0
43	Total prudential adjustments of the Additional Tier 1 capital (AT1)	0.0		0.0
44	Additional Tier 1 capital (AT1)	0.0		0.0
45	Tier 1 capital (T1 = CET1 + AT1)	277.8		277.8
Tier 2 capital (T2): instruments and reserves				
46	Capital instruments and the related share premium account	20.0	62, 63	20.0
47	Amount of the items within the meaning of Article 484 para. 5 plus the related share premium accounts eligible for grandfathering within T2	0.0	468 (4)	0.0
	State aid instruments with grandfathering until 1 January 2018	0.0	483 (4)	0.0
48	Qualifying own funds included in consolidated Tier 2 capital (including minority interests and AT1 instruments not contained in the rows 5 and 34), issued by subsidiaries and held by third parties	0.0	87, 88, 480	0.0
49	thereof: instruments issued by subsidiaries eligible for grandfathering	0.0	486 (4)	0.0
50	Credit risk adjustments	0.0	62 (c) and (d)	0.0
51	Tier 2 capital (T2) before prudential adjustments	20.0		20.0
Tier 2 capital (T2): prudential adjustments				
52	Direct and indirect holdings by the institution of own Tier 2 capital instruments and subordinated loans	0.0	63 (b) (i), 66 (a), 67, 477 (2)	0.0
53	Holdings of Tier 2 capital instruments and subordinated loans of financial sector entities, where those entities have reciprocal cross holdings with the institution, designed to artificially inflate the own funds of the institution	0.0	66 (b), 68, 477 (3)	0.0
54	Direct and indirect holdings by the institution of Tier 2 capital instruments and subordinated loans of financial sector entities in which the institution does not have a significant investment (more than 10% and less eligible short positions)	0.0	66 (c), 69, 70, 79, 477 (4)	0.0
54a	thereof: new holdings not subject to any transition arrangements	0.0		0.0
54b	thereof: holdings existing before 1 January 2013 and subject to transition arrangements	0.0		0.0
55	Direct and indirect holdings by the institution of Tier 2 capital instruments and subordinated loans of financial sector entities in which the institution has a significant investment (less eligible short positions)	0.0	66 (d), 69, 79, 477 (4)	0.0
56	Prudential adjustments of Tier 2 capital for amounts subject to pre-CRR treatment and treatment during the transition period, for which the grandfathering arrangements under Regulation (EU) No. 575/2013 are applicable (i.e. CRR residual amounts)	0.0		0.0

		Amount on reporting date	Reference to articles in Regulation (EU) No. 575/2013	Amounts subject to treatment before Regulation (EU) No. 575/2013 or regulatory remainder pursuant to Regulation (EU) No. 575/2013
Own funds during the transition period				
56a	Residual amounts to be deducted from Tier 2 capital for items to be deducted from Common Equity Tier 1 capital during the transition period pursuant to Article 472 of Regulation (EU) No. 575/2013	0.0	472, 473 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	0.0
	thereof: items to be listed row by row, e.g. material interim losses (net), intangible assets, defaults under provisions for anticipated losses, etc.	0.0		0.0
56b	Residual amounts to be deducted from Tier 2 capital for items to be deducted from Additional Tier 1 capital during the transition period pursuant to Article 475 of Regulation (EU) No. 575/2013	0.0	475, 475 (2) (a), 475 (3), 475 (4) (a)	0.0
	thereof: items to be listed row by row, e.g. reciprocal cross holdings of Additional Tier 1 instruments, direct holdings of insignificant investments in the capital of other financial sector entities, etc.	0.0		0.0
56c	Amount to be included in or deducted from Tier 2 capital for additional prudential filters and in accordance with the deductions required under pre-CRR treatment	0.0	467, 468, 481	0.0
	thereof: ... possible prudential filters for unrealised losses	0.0	467	0.0
	thereof: ... possible prudential filters for unrealised gains	0.0	468	0.0
	thereof: ...	0.0	481	0.0
57	Total prudential adjustments (T2)	0.0		0.0
58	Tier 2 capital (T2)	20.0		20.0
59	Total equity capital (TC = T1 + T2)	297.8		297.8
59a	Risk-weighted assets for amounts subject to pre-CRR treatment and treatment during the transition period, for which the grandfathering arrangements under Regulation (EU) No. 575/2013 are applicable (i.e. CRR residual amounts)	2,145.8		2,145.8
	thereof: ... items not to be deducted from Common Equity Tier 1 capital (Regulation (EU) No. 575/2013, residual amounts) (items to be listed row by row, e.g. deferred tax assets resulting from temporary differences that rely on future profitability, less related tax liabilities, indirect holdings own Common Equity Tier 1 instruments, etc.)	0.0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0.0
	thereof: ... items not to be deducted from Additional Tier 1 capital (Regulation (EU) No. 575/2013, residual amounts) (items to be listed row by row, e.g. reciprocal cross holdings of Tier 2 instruments, direct holdings of insignificant investments in the capital of other financial sector entities, etc.)	0.0	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	0.0
	thereof: ... items not to be deducted from Tier 2 capital (Regulation (EU) No. 575/2013, residual amounts) (items to be listed row by row, e.g. indirect holdings of own Tier 2 instruments, indirect holdings of insignificant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)	0.0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0.0
60	Total risk-weighted assets	2,145.8		2,145.8
Capital ratios and buffers				
61	Common Equity Tier 1 capital ratio (expressed as a percentage of the total exposure amount)	13.0%	92 (2) (a), 465	13.0%
62	Tier 1 capital ratio (expressed as a percentage of the total exposure amount)	13.0%	92 (2) (b), 465	13.0%

		Amount on reporting date	Reference to articles in Regulation (EU) No. 575/2013	Amounts subject to treatment before Regulation (EU) No. 575/2013 or regulatory remainder pursuant to Regulation (EU) No. 575/2013
Own funds during the transition period				
63	Total capital ratio (expressed as a percentage of the total exposure amount)	13.9%	92 (2) (c)	13.9%
64	Institution-specific capital buffer requirement (minimum requirement for the Common Equity Tier 1 capital ratio pursuant to Article 92 para. 1 (a), plus the requirements for capital conservation buffer and countercyclical capital buffer, systemic risk buffer and buffer for systemically important institutions (G-SII or O-SII), expressed as a percentage of the total exposure amount)	13.4	CRD 128, 129, 130	13.4
65	thereof: capital conservation buffer	13.4		13.4
66	thereof: countercyclical capital buffer	n/a		n/a
67	thereof: systemic risk buffer	n/a		n/a
67a	thereof: buffer for global systemically important institutions (G-SII) or other systemically important institutions (O-SII)	n/a	CRD 131	n/a
68	Common Equity Tier 1 capital available for the buffers (expressed as a percentage of the total exposure amount)	n/a	CRD 128	n/a
69	[not relevant in EU Regulation]			
70	[not relevant in EU Regulation]			
71	[not relevant in EU Regulation]			
Capital ratios and buffers				
72	Direct and indirect holdings by the institution of capital instruments of financial sector entities in which the institution does not have a significant investment (less than 10% and less eligible short positions)	0.0	36 (1) (h), 45, 46, 472 (1), 56 (c), 59, 60, 474 (4), 66 (c), 69, 70, 477 (4)	0.0
73	Direct and indirect holdings by the institution of Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment (less than 10% and less eligible short positions)	27.8	36 (1) (i), 45, 48, 470, 472 (11)	27.8
74	In the EU: blank field			
75	Deferred tax assets resulting from temporary differences that rely on future profitability (below the threshold of 10%, less related tax liabilities, where the conditions laid down in Article 38 para. 3 are met)	0.0	36 (1) (c), 38, 48, 470, 472 (5)	0.0
Eligible limits for the inclusion of valuation adjustments in Tier 2 capital				
76	Credit risk adjustments eligible for Tier 2 capital for exposures subject to the Standardised Approach (before application of the limit)	0.0	62	0.0
77	Limit for the eligibility of credit risk adjustments for Tier 2 capital under the Standardised Approach	0.0	62	0.0
78	Credit risk adjustments eligible for Tier 2 capital for exposures subject to the Internal Assessment Approach (before application of the limit)	0.0	62	0.0
79	Limit for the eligibility of credit risk adjustments for Tier 2 capital under the Internal Assessment Approach	0.0	62	0.0
Equity instruments subject to grandfathering arrangements				
80	Current limit for CET1 instruments to which the grandfathering arrangements apply	0.0	484 (3), 486 (2) and (5)	0.0
81	Amount excluded from CET1 due to limit (amount in excess of limit after repayments and redemptions at maturity)	0.0	484 (3), 486 (2) and (5)	0.0
82	Current limit for AT1 instruments for which the grandfathering arrangements apply	0.0	484 (4), 486 (3) and (5)	0.0

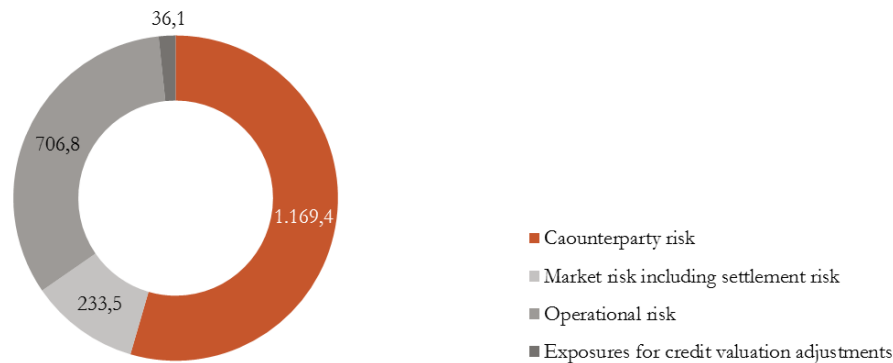


		Amounts subject to treatment before Regulation (EU) No. 575/2013 or regulatory remainder pursuant to Regulation (EU) No. 575/2013		
		Amount on reporting date	Reference to articles in Regulation (EU) No. 575/2013	
Own funds during the transition period				
83	Amount excluded from AT1 due to limit (amount in excess of limit after repayments and redemptions at maturity)	0.0	484 (4), 486 (3) and (5)	0.0
84	Current limit for T2 instruments to which the grandfathering arrangements apply	0.0	484 (5), 486 (4) and (5)	0.0
85	Amount excluded from T2 due to limit (amount in excess of limit after repayments and redemptions at maturity)	0.0	484 (5), 486 (4) and (5)	0.0

Credit risk € millions	2016	Risk amount 2015
Counterparty default risk		
• Exposures to central governments	0.0	0.0
• Exposures to regional governments or local authorities	0.0	0.0
• Exposures to public sector entities	0.0	0.0
• Exposures to multilateral development banks	0.0	0.0
• Exposures to international organisations	0.0	0.0
• Exposures to institutions	80.9	124.4
• Exposures to corporates	862.8	959.5
• Retail exposures	2.2	5.0
• Exposures secured by mortgages on immovable property	23.8	0.0
• Exposures in default	2.7	5.7
• Exposures associated with particularly high risk	0.0	0.0
• Exposures in the form of covered bonds	54.9	26.1
• Items representing securitisation positions	0.0	0.0
• Exposures to institutions and corporates with a short-term credit assessment	0.0	0.0
• Exposures in the form of shares in collective investment undertakings ('CIUs')	1.8	4.4
• Equity exposures	102.5	77.5
• Other items	37.7	36.4
Settlement risk	0.4	0.5
Market risk in the trading book		
• Standardised Approach	233.2	211.1
Operational risk under		
• Basic Indicator Approach	706.8	574.6
Exposures for credit valuation adjustments	36.1	25.0
Total risk amounts	2,145.8	2,050.2

Pursuant to Article 114 para. 4 CRR, the exposure classes of central governments, regional governments or local authorities, and other public sector entities do not have any capital requirements as the investment in these exposures correspond to the risk weight.

Capital requirements



5.5 Total capital ratio

The following table shows the total ratio and Tier 1 capital ratio of Berenberg:

Disclosures pursuant to Article 438 (e) CRR

in %	Total capital ratio	(common) Tier 1 capital ratio
Berenberg Bank (Schweiz) AG	22.3	22.3
Joh. Berenberg, Gossler & Co. KG	14.5	13.4
Joh. Berenberg, Gossler & Co. KG Gruppe	13.9	13.0

This capital base means that Berenberg is comfortably in excess of the statutory requirements.

5.6 Return on investment pursuant to Section 26a para. 1 sentence 4 KWG

The return on investment is calculated as the quotient of the net profit and total assets. The returns on investment break down as follows:

Disclosures pursuant to Section 26a (1)(4) KWG

in %	2016	2015
Joh. Berenberg, Gossler & Co. KG	3.42	2.19
Joh. Berenberg, Gossler & Co. KG Gruppe	1.83	1.74

5.7 Countercyclical Capital Buffer

Pursuant to Capital Requirements Regulation (CRR) Article 440 in conjunction with Delegated Regulation (EC) No. 1555/2015 of May 28, 2015, the institutions are obligated to present the geographical distribution

of the credit risk exposures material to calculating the countercyclical capital buffer along with the amount specific to each institution. The countercyclical capital buffer may amount to between 0% and 2.5% of the total of risk-weighted assets and must be maintained using common equity tier 1 capital. In Germany, BaFin specifies the amount of the countercyclical capital buffer by taking into account any recommendations of the Committee for Financial Stability. BaFin does not see any need for a countercyclical capital buffer in Germany for 2016. Other countries such as Norway, Sweden, and Hong Kong have specified a capital buffer. According to a statement issued on June 21, 2016 by the BaFin's Specialist Committee for Equity, the aforementioned disclosure of geographical distribution must list all material countries, i.e., also countries with a buffer of 0%. The context is that BaFin fundamentally also could specify a capital buffer for third countries, and in order to do so, it needs an overview of the possible effects, i.e., the banks' exposures at default. In this case, incidentally, the BaFin also holds a different opinion than the Basle Committee, whose consultation document (BCBS 356) published in March 2016 also only considers disclosures necessary for countries with a buffer. However, BaFin's position has not been officially set forth in writing either in minutes of the Specialist Committee for Disclosure or the Specialist Committee for Equity.

Geographical distribution of the credit risk exposures material to calculating the countercyclical capital buffer

The following table presents the geographical distribution of the significant risk positions as well as the amount of the institution-specific countercyclical capital buffer:

31/12/2016 in EUR m	General credit risk exposures	Risk exposures in the trading book	Securitizat ion risk exposure	Own funds requirements					
	Risk exposure value (SA)	Total of buy and sell positions in the trading book	Risk exposure value (SA)	Thereof: General credit risk exposures	Of which: Risk exposures in the trading book	Of which: Securitization risk exposures	Total	Weighting of own funds requirements	Ratio of the countercyclical capital buffer
United Kingdom	80.3	0.0	0.0	5.7	0.0	0.0	5.7	8.4%	0.5%
Sweden	45.1	0.0	0.0	0.5	0.0	0.0	0.5	0.8%	2.0%
Norway	75.4	0.0	0.0	0.6	0.0	0.0	0.6	0.9%	2.0%
Czech Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.5%
Total	200.8	0.0	0.0	6.8	0.0	0.0	6.8	10.1%	

The following table presents the amount of the institution-specific countercyclical capital buffer:

31/12/2016 in EUR m		
010	Total receivables amount	13.4
020	Institution-specific ratio of the countercyclical capital buffer	0.0
030	Requirement on the institution-specific capital buffer	0.0

6. Risk management

As a non-incorporated partnership, Berenberg does not have a management body within the meaning of the CRR alongside the management. The Advisory Board is not a company body and only performs advisory functions.

Policy on diversity with regard to selection of members of the management body

Diversity is one of the criteria used in the composition of management bodies. The concept of diversity is also taken into account when selecting members of the management. The selection strategy is established in the Berenberg Partnership Agreement alongside the legal provisions set forth in the German Banking Act and the CRR.

The professional careers of the managing partners can be found in Annex 2.

Governance arrangements pursuant to Article 435 para. 2 (a) to (e) CRR

Number of directorships held by members of the management body

The following table shows the number of directorships held by the managing partners:

	Number of management functions as of 31/12/2016	thereof: management functions in the Berenberg Group as of 31/12/2016	Number of supervisory functions as of 31/12/2016	thereof: supervisory functions in the Berenberg Group as of 31/12/2016
Dr Hans-Walter Peter	9	4	3	1
Hendrik Riehmer	3	1	0	0

Description of the information flow on risk to the management body

Risk reporting to the management and the Advisory Board takes the form of a quarterly detailed risk management report. Given its importance for the successful continuation of the Bank as a going concern under risk considerations, the risk-bearing capacity represents the starting point for the risk management report. To this end, the calculation of the available economic capital, the limit utilisation and the current percentage breakdown of the overall risk by individual risk type are presented.

Risk statement by the management pursuant to Article 435 CRR

The management of Berenberg has approved the following risk statement:

Statement regarding the adequacy of the risk management arrangements (pursuant to Article 435 para. 1 (e) CRR)

“The risk management arrangements of Berenberg comply with common standards and are geared to the risk content of the exposures within the scope of proportionality. The arrangements are adequate for ensuring the risk-bearing capacity at all times. The risk objectives defined are made measurable, transparent and controllable by the processes employed. They are consistent with the Bank’s strategy.

Consequently, we the management of Berenberg consider the risk management arrangements of Berenberg to be adequate with regard to the profile and strategy.”

Risk statement (pursuant to Article 435 para. 1 (f) CRR)

“The business strategy of Berenberg acts as the starting point for drawing up and consistently deriving our risk strategy. This provides a binding framework for the assumption of risk taking into account the risk-bearing capacity and risk tolerance together with the management of risk.

Our risk profile and the risk tolerance specified by the management for the Berenberg Group are reflected in the limit system and the breakdown by risk type.”

6.1 Overview

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 2016. Our risk culture is shaped by an extremely conservative risk appetite, which is defined by the Bank’s management annually as part of the strategy planning process. Risks are assumed only to an extent that ensures the Bank’s ability to continue operating at all times. This forms the basis for risk management and the adoption of risk limits. As in prior years, the Bank’s liquidity situation was very comfortable throughout 2016. 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.

Our risk management process is characterised by its strategic focus on service-based lines of business combined with the use of modern risk measurement methods optimally geared to the institution’s structure. The main risk types we analyse as part of our risk management processes are counterparty, market price, operational, and liquidity risk. We also analyse earnings risk as another major risk type. Reputation risk is evaluated as part of the management of operational risk and is additionally covered with economic capital through 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 risk types addressed in the Bank’s ability to bear risk on the basis of 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 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 and 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. First, these reserves are compared with the value-at-risk on the basis of a confidence level of 99% (primary control group). We also conduct a stress test based on a more extreme VaR quantile of 99.9%. The economic capital to be set against the risks in this going-concern analysis is supplemented by unused portions of regulatory capital that are not tied by risk-weighted assets. The results of the stress scenarios are checked against the available economic capital in parallel analyses. Possible risk-mitigating diversification effects across the various risk types are ignored by aggregating the covering amounts for the various categories of risk.

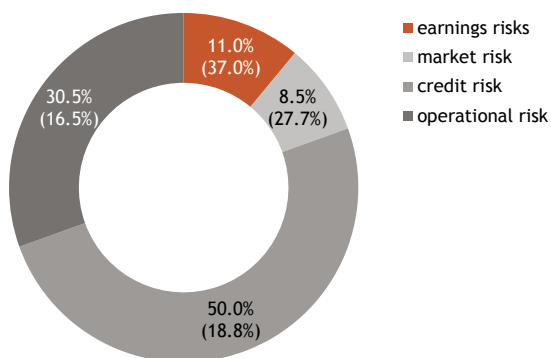
Not all of the economic capital available to the Bank in the reporting period was used by the divisions, which highlights the conservatism built into the Bank's risk management process and expresses the appropriateness of the relationship between the opportunities arising from business activities and 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.

The analysis of the Bank's ability to bear risk is supplemented by further stress tests on a quarterly basis. We also conduct ad-hoc stress tests when warranted. In addition, we define additional scenarios for an inverse stress test which, if they were to occur, would tie up all of the economic capital available.

The Figures show the distribution of the tied economic capital across the various risk types and the divisions of the Bank.

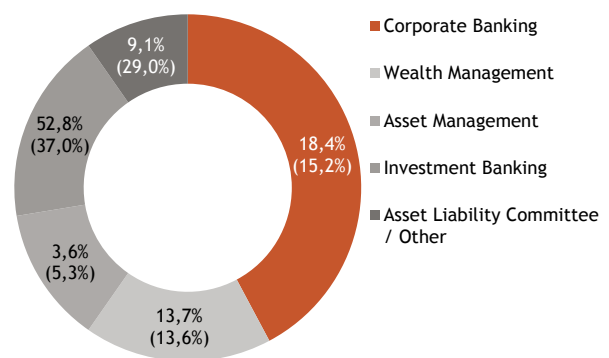
Risk Categories

(prior-year shares in parentheses)



Business Divisions

(prior-year shares in parentheses)



Management bears overall responsibility for the risk management process and defines the general conditions for managing the various risk types. A central department, 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 Department, this department 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 department 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.

Berenberg employs the traditional model of three lines of defence. As the first line of defence, the operational managers of the various divisions bear responsibility and accountability as risk owners for assessing, managing, and reducing risks. This role also encompasses the implementation and monitoring of organisational safeguards and control activities anchored within the processes.

As the second line of defence, the Risk Controlling and Compliance Departments facilitate and supervise the implementation of an effective risk management system by the operating divisions and assure independent risk reporting within the Bank.

As the third line of defence, the independent Internal Audit Department follows a risk-oriented approach to determine the effectiveness of risk assessment within the Bank and the efficacy of task fulfilment by the first and second lines of defence.

A back office department that is organisationally independent from the front office departments 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 price risk arises from both short-term positions in the trading book and strategic liquidity reserve positions in the banking book. It is monitored by the Risk Controlling Department.

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

The Treasury Department 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. Risk Controlling makes available to Management an efficient information system 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 Internal Audit Department controls the organisational precautions for managing, monitoring, and controlling the various types of risk regularly based on the parameters specified in the Internal Audit Handbook.

The Back Office and Risk Controlling Departments provide information on a regular basis to the Risk Monitoring Committee set up by the Bank's Advisory Board, which holds regular meetings three times a year.

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

6.2 Counterparty default exposures

6.2.1 General information

Counterparty risk arises in part from the **commercial lending business** involving our clients in the Corporate Banking (business clients), Wealth Management (private clients), and Investment Banking (strategic clients) divisions. Furthermore, counterparty risk arises from our own **securities holdings** (issuer risk) as well as from the investments made by our Money Market Department in **interbank operations**. **Investment risk** is not a major issue for Berenberg, as the business strategy calls for organic growth. Existing equity interests are, however, integrated in the risk management processes.

In our conservative **credit risk strategy**, we have adopted volume and maturity limits for the individual segments of the credit business, in accordance with the risk appetite defined by the Bank's management. Other important elements of this strategy include good collateral, the use of syndication possibilities, appropriate risk premiums, and the avoidance of structural subordination.

As in previous years, the constantly large pool of client deposits in particular again led to strong demand for investment by our Treasury Department in 2016. 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 (including promissory notes) is dominated by securities issued by German public-sector issuers, which account for 51% (previous year: 54%) and those guaranteed either by the Federal Republic of Germany or a German state, which account for 30% (previous year: 28%). German Pfandbriefs and Scandinavian covered bonds account for 19% (previous year: 9%). The Bank did not hold European government bonds at the end of 2016 (previous year: 9%). The average remaining maturity of these bond holdings amounted to 1.8 years at year-end (previous year: 1.6 years), meaning that the spread change risk of this portfolio is limited.

Regular reports keep management informed about the bank exposure. The allocated bank limits are monitored regularly in order to allow counter-measures 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 by means of which we limit risk concentrations. The counterparty risk arising from derivatives is addressed 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 with selected institutional clients.

The **Back Office Department** (Credit Risk Management) is responsible for monitoring credit risk independently of the Front Office. Besides performing regular control activities, this department provides a second opinion in addition to the Front Office Department, as required by the MaRisk rules, on the basis of authority regulations for credit decisions. The very conservatively defined authority regulations both restrict the freedom of individual account managers to act autonomously and ensure that the whole management is involved in all major credit decisions.

All credit exposures are subject to 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 Department help to manage credit risk at the overall portfolio level.

In connection with the management of the overall portfolio, the historical 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 the portfolio level is derived from this data as a long-term historical average for defaults. The expected loss of a credit exposure is incorporated into 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 Department 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 business clients, and the calculation of a probability of default. Qualitative factors regarding the borrowers are also incorporated when determining the rating class and balance sheet ratios. For exposures of a 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 our IT systems in all necessary aggregation levels.

The standard risk costs which, when aggregated, give rise to the statistical expected loss at the 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 the portfolio level. This is included in the analysis of the Bank's ability to bear risk with the respective quantiles. 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 a substantial 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 approach (CRSA) defined in the relevant regulations for regulatory purposes. Under this approach, the tied capital from counterparty risk totalled € 74.2 million at 31 December 2016 (previous year: € 78.0 million).

Counterparty exposure under the Standardised Approach

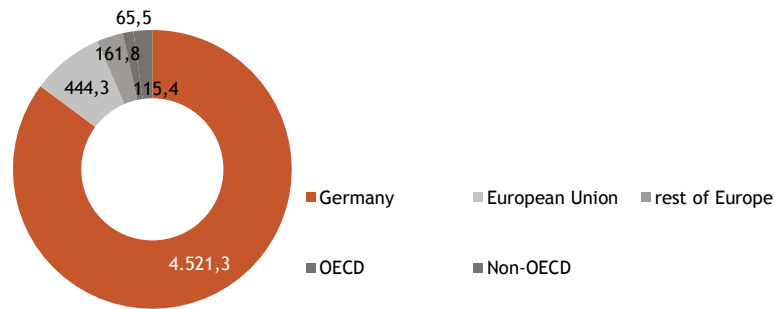
Disclosures pursuant to Article 442 CRR

Exposure classes € millions	12/31/2016	12/31/2015	Average 2016	Average 2015
Exposures to central governments	257.3	345.5	377.5	496.3
Exposures to regional governments or local authorities	1,343.9	1,571.9	1,563.8	1,809.4
Exposures to public sector entities	0.0	0.0	0.0	0.0
Exposures to multilateral development banks	0.0	0.0	0.0	0.0
Exposures to international organisations	0.0	0.0	0.0	0.0
Exposures to institutions	1,183.4	1,398.5	1,289.1	1,499.7
Exposures to corporates	1,829.1	1,922.7	1,884.3	1,885.0
Retail exposures	2.9	6.6	8.6	4.9
Exposures secured by mortgages on immovable property	58.0	0.0	14.5	0.0
Exposures in default	2.6	5.5	4.1	8.6
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0
Exposures in the form of covered bonds	482.9	223.5	397.7	120.0
Items representing securitisation positions	0.0	0.0	0.0	0.0
Exposures to institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0
Exposures in the form of shares in collective investment undertakings ('CIUs')	83.3	83.3	82.9	84.0
Equity exposures	28.9	21.3	28.9	16.3
Other items	36.0	35.6	36.0	30.4
Total	5,308.2	5,614.4	5,687.4	5,954.4

The average amount of counterparty exposure is calculated using the averages reported for the individual quarters in the respective year.

Significant geographical areas, broken down by credit-risk-bearing instrument

In its lending operations, 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.





Significant geographical areas

Exposure classes € millions	Germany		European Union		Rest of Europe		OECD		Non-OECD		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Exposures to central governments	256.9	71.3	0.4	274.2	0.0	0.0	0.0	0.0	0.0	0.0	257.3	345.5
Exposures to regional governments or local authorities	1,343.9	1,571.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,343.9	1,571.9
Exposures to public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to international organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	856.9	1,185.5	191.9	122.1	71.9	62.7	58.6	17.1	4.1	11.1	1,183.4	1,398.5
Exposures to corporates	1,592.1	1,144.9	104.7	522.0	14.2	83.2	6.8	6.9	111.3	165.7	1,829.1	1,922.7
Retail exposures	2.9	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	6.6
Exposures secured by mortgages on immovable property	44.7	0.0	13.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	58.0	0.0
Exposures in default	2.4	4.3	0.1	1.1	0.0	0.0	0.1	0.1	0.0	0.0	2.6	5.5
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of covered bonds	273.6	103.7	133.9	40.9	75.4	78.9	0.0	0.0	0.0	0.0	482.9	223.5
Items representing securitisation positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of shares in collective investment undertakings ('CIUs')	83.3	83.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	83.3	83.3
Equity exposures	28.6	21.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0	28.9	21.3
Other items	36.0	35.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	36.0	35.6
Total	4,521.3	4,228.1	444.3	960.3	161.8	225.1	65.5	24.1	115.4	176.8	5,308.3	5,614.4



Significant industries, 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 industry.

Disclosures pursuant to Article 442 (e) CRR

Significant industries € millions	Other financial entities		Other entities and economically independent persons		Economically dependent persons		Institutions		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Exposures to central governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	257.3	345.5	257.3	345.5
Exposures to regional governments or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,343.9	1,571.9	1,343.9	1,571.9
Exposures to public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to international organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	0.0	0.0	0.0	0.0	0.0	0.0	1,183.4	1,398.5	0.0	0.0	1,183.4	1,398.5
Exposures to corporates	614.9	631.3	1,075.3	1,156.9	123.6	128.8	0.0	0.0	15.3	5.7	1,829.1	1,922.7
Retail exposures	0.0	0.0	0.0	0.0	2.9	6.6	0.0	0.0	0.0	0.0	2.9	6.6
Exposures secured by mortgages on immovable property	0.0	0.0	44.8	0.0	13.2	0.0	0.0	0.0	0.0	0.0	58.0	0.0
Exposures in default	0.0	0.0	2.6	3.0	0.0	2.5	0.0	0.0	0.0	0.0	2.6	5.5
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of covered bonds	0.0	78.9	0.0	0.0	0.0	0.0	482.9	144.6	0.0	0.0	482.9	223.5
Items representing securitisation positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of shares in collective investment undertakings ('CIUs')	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	83.3	83.3	83.3	83.3
Equity exposures	16.3	8.7	12.6	12.6	0.0	0.0	0.0	0.0	0.0	0.0	28.9	21.3
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	36.0	35.6	36.0	35.6
Total	631.2	718.9	1,135.3	1,172.5	139.7	137.9	1,666.3	1,543.1	1,735.8	2,042.0	5,308.3	5,614.4



Contractual residual maturities

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 pursuant to Article 442 (f) CRR

Residual maturities € millions	Up to 1 year		1 year to 5 years		More than 5 years		Unlimited / until further notice		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Exposures to central governments	0.0	259.9	60.4	64.8	0.0	0.0	196.9	20.8	257.3	345.5
Exposures to regional governments or local authorities	470.8	392.1	873.1	1,179.8	0.0	0.0	0.0	0.0	1,343.9	1,571.9
Exposures to public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to international organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	289.2	358.4	461.3	521.5	49.7	0.0	383.2	518.6	1,183.4	1,398.5
Exposures to corporates	80.4	77.3	178.3	307.1	64.8	72.6	1,505.6	1,465.7	1,829.1	1,922.7
Retail exposures	0.0	0.0	0.6	0.0	2.2	0.0	0.1	6.6	2.9	6.6
Exposures secured by mortgages on immovable property	58.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	58.0	0.0
Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	2.6	5.5	2.6	5.5
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of covered bonds	218.7	126.8	264.2	96.7	0.0	0.0	0.0	0.0	482.9	223.5
Items representing securitisation positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of shares in collective investment undertakings ('CIUs')	0.0	0.0	0.0	0.0	0.0	0.0	83.3	83.3	83.3	83.3
Equity exposures	0.0	0.0	0.0	0.0	0.0	0.0	28.9	21.3	28.9	21.3
Other items	0.0	0.0	0.0	0.0	0.0	0.0	36.0	35.6	36.0	35.6
Total	1,117.1	1,214.5	1,837.9	2,169.9	116.7	72.6	2,236.6	2,157.4	5,308.3	5,614.4

6.2.2 Impaired loans and past due loans

Disclosures pursuant to Article 442 (a) CRR

In the case of impaired loans and past due loans, 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.

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 past due if payments in the form of payments of interest, repayments of principal or other receivables are not made.

"Impaired" 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.

Impaired exposures and past due exposures, broken down by significant industry

Disclosures pursuant to Article 442 (h) CRR

Significant industries € millions	Total utilisation due to impaired exposures and past due exposures	Specific credit risk adjustments (incl. interest adjustments)	Provisions
Other entities and economically independent persons	7.2	3.3	0.0
Economically dependent persons	1.1	1.1	0.0
Total	8.3	4.4	0.0

Impaired exposures and past due exposures, broken down by significant geographical area

Significant geographical areas € millions	Total utilisation due to impaired exposures and past due exposures	Specific credit risk adjustments (incl. interest adjustments)	Provisions
Germany	7.2	3.4	0.0
EU	1.1	1.0	0.0
Rest of Europe	0.0	0.0	0.0
OECD countries	0.0	0.0	0.0
Non-OECD countries	0.0	0.0	0.0
Total	8.3	4.4	0.0

Development of risk adjustments

€ millions	Opening balance	Setup	Reversal	Consumption	Closing balance
Specific credit risk adjustments / interest adjustments	6.3	0.1	0.1	2.1	4.4
Provisions	0.2	0.0	0.2	0.0	0.0
General credit risk adjustments	1.7	0.0	0.1	0.0	1.6

6.3 Exposure to market risk

Disclosures pursuant to Article 445 CRR

Market price 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 price risk. In line with the regulatory provisions, 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 (primary control group). 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 historical 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 historical 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 price 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 price 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 of the trading book.

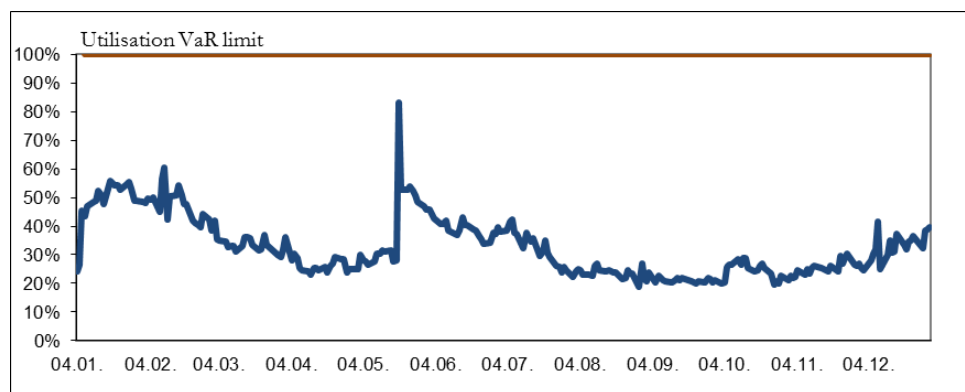


Figure: Limit Utilisation Market Price Risk 2016

The Figure 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 one back-testing outlier (triggered by market movements in advance of the Brexit referendum) was observed again in the current reporting period at the overall portfolio level reflects the conservatism in the parameterisation of our models.

The following Figure shows the progression of the daily back-testing results of the past financial year over time.

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

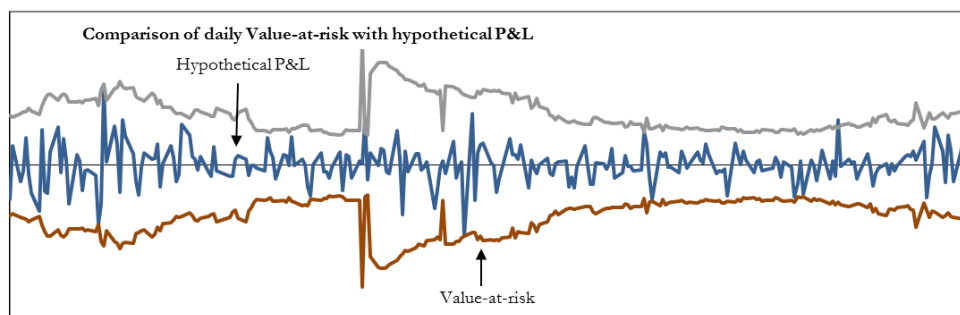


Figure: Daily Backtesting Market Price Risk 2016

In contrast to the limit utilisation, which is measured with a 10-day holding period, we apply the VaR with a one-day holding period for daily backtesting. 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 € '000	VaR values during the year		
		High € '000	Low € '000	Average € '000
Aggregated VaR	2.513 (2.679)	6.329 (5.196)	1.565 (1.040)	2.692 (2.421)

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

Figure: VaR Indicators Trading Book

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.

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 price risk segment, the economic capital is compared against the current limit utilisation level. Because unrealised losses have a limit-reducing effect, the allocated limits imply a stop-loss and therefore determine the maximum loss potential per financial year. To remain within this maximum loss potential over the course of the year, economic capital is decreased by realised losses and increased by realised gains in determining the Bank's ability to bear risk, although the gains are only applied to offset

previously incurred losses and do not increase the maximum loss established by the initial limit. Whereas the value-at-risk values are used to analyse a 99% confidence level (primary control group) the economic capital is compared against worst-case limit utilisation 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 division heads jointly. This approach ensures that no individual trader 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 predominantly in liquid and linear financial instruments for which a market price can be determined on a daily basis. Models are employed only for the purpose of measuring the value of derivatives. On the one hand, derivatives may be used to hedge linear trading book positions. On the other hand, the limits applicable to foreign exchange operations also allow for open positions in derivatives. Since derivative positions are almost exclusively plain-vanilla structures, the risks arising from the use of models are limited. Mechanisms are in place to review the quality of the models employed on a regular basis.

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

The regulatory economic capital cover for market price risks amounted to € 18.7 million at 31 December 2016 (previous year: € 16.9 million).

Own funds requirements for market risk

The Bank calculates the potential market risk for interest rate, share, and currency exposures in the trading book pursuant to the current CRR according to the standard method. This resulted in own funds backing of €18.7 million.

The own funds backing breaks down as follows:

Disclosures pursuant to Article 445 CRR

Market risk € millions	Own funds requirements	
	2016	2015
Standardised Method		
• Net interest exposure	0.4	0.6
• Net equity exposure	17.3	16.3
• Total currency exposure	1.0	0.0
Total	18.7	16.9

Settlement risk

Pursuant to Article 378 CRR, trading book transactions give rise to settlement risk in the following amount:

€ millions	2016	2015
Settlement risk	0.4	0.04

Interest rate risk

Disclosures pursuant to Article 448 CRR

The strategic positions of the liquidity reserve are managed by the Asset Liability Committee (ALCO), which includes representatives of the Treasury and Risk Controlling Departments together with members of the management team. The market price 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 historical data for the investment classes represented in our portfolio and additionally backed by economic capital.

For the most part, 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 largely 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. A possible decline in the volume of deposits is simulated by a very conservative process scenario introduced in the second quarter. Equity components were not included in the analyses. The simulation is carried out exclusively in euros, as the currency risk inherent in transactions in other currencies is hedged. 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 -0.56% at the end of 2016 (previous year: 9.24%). In this case, the negative sign represents positive changes in value resulting from the computation performed in accordance with a circular issued by the bank regulatory authority. In the current interest rate environment, therefore, no adverse present value effects would result for our Bank. 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. The interest rate risk was lowered by a number of factors, including the reduction of holdings of European government bonds during the course of the year.

Interest rate risk in the banking book

Interest rate shock 1 (+200/-200 bp)	€ millions
Present value decrease in income	1.5
Present value increase in income	22.7

6.4 Operational risk

Disclosures pursuant to Article 446 CRR

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 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.

The management of related risks is particularly important to the Bank, given its focus on the provision of services.

Operational risk is limited by a wide-ranging set of instructions, process definitions, and authority rules. The various Division heads have direct responsibility for compliance with and the ongoing updating of these rules and regulations. A department within Risk Controlling responsible for process definitions across the whole Bank provides support in this regard. The Internal Audit Department audits the 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. In consideration of the growing challenges to banks in the realm of cyber-criminality, we upgraded the existing procedures in 2016 to reflect the latest state of the art and ensure the security of our Bank. As one such measure, we now conduct a behaviour-based analysis (sandbox solution) of all e-mail attachments, in addition to a signature-based analysis. We also perform a SIEM (“Security Incident and Event Management”) analysis, which analyses log sources according to constantly refined rules in order to detect and investigate any anomalies quickly. 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 IT operations. In addition, the Legal Department 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. The values of our business activity are defined within the overall bank strategy. With respect to the **risk culture**, these values are particularly oriented to the three central points of risk appetite, risk monitoring, and employee incentivisation (as per the Capital Requirements Directive IV). The risk appetite, which is defined by the Bank’s management annually as part of the strategy planning process, also forms the basis for the assignment of risk limits to the trading departments. The risk monitoring functions are designed in accordance with the MaRisk principles. On this basis, the Risk Controlling, Compliance, and Internal Audit Departments, which operate independently of the markets, provide the Bank’s management with prompt reports free of external influences. With regard to our employees, we generally place a high priority on an open culture of admitting mistakes. Mistakes that occur are fundamentally seen as an opportunity to further optimise our processes and risk forecasts. Thus, operational risk is identified and managed in part on the basis of internal loss incidents, which are centrally recorded and processed in the loss incident database kept by the Risk Controlling Department. This practice not only requires, but fosters a transparent way of dealing with any irregularities. It is particularly important to us that every employee takes responsibility for the Bank as a whole; in fact, individual career development is linked to these goals. Furthermore, we consistently avoid conflicts of interest for our employees through the design of our compensation principles and the existence of a discretionary variable compensation component, among other measures.

A database to systematically record operational losses, which enables us to analyse losses incurred and to draw up appropriate counter-measures, is vitally important in this context. This database is used as the foundation for informing management about the extent of operational losses on a regular basis.

We successfully applied the methodology used to internally manage operational risk, which we had refined in 2015, during the 2016 financial year. The scenario analyses introduced in the previous year were conducted on a regular basis. Experts from all areas of the Bank were asked about a wide-ranging list of possible scenarios during structured workshops. The Bank's strategies specify a high degree of vertical integration. Accordingly, **outsourcing** is only done in isolated instances under the responsibility of a centralised outsourcing management function. All outsourced activities are evaluated, rated, and documented. We also analyse scenarios involving potential difficulties with cooperation partners or suppliers. The results make it possible to assess future operational risk potential and gain an additional perspective on this type of risk.

The results of the loss database and scenario analyses form the basis for calculating a value-at-risk for operational risks. For this purpose, we employ an internally developed calculating engine, the results of which are incorporated into the analysis of the Bank's ability to bear risk. The results of our VaR and expert estimates are regularly validated by reference to external data. The analyses did not identify any operational risk in excess of the allocated economic capital. The scenario analyses are 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. We engaged an outside institution already in the previous year to review the quality of the methods that have since been employed to manage operational risks and the related processes. With the model we have established, we believe that we are well positioned to meet the requirements of Pillar II and the upcoming changes to the Supervisory Review and Evaluation Process (SREP).

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. Although an efficient model is now employed for internal management purposes, the Bank uses the less complex Basic Indicator Approach to calculate the capital required to cover operational risk. Bank regulators are critical of the use of models to determine capital coverage requirements. At the present time, the bank regulatory authority is revising all the measurement methods for operational risk. We are keeping track of developments that pertain to the future Pillar I requirements. Under the Basic Indicator Approach employed by the Bank, the average gross earnings from the last three financial years are weighted with a factor of 15%. In 2016, the capital required to cover operational risk totalled € 50.0 million (previous year: € 43.3 million).

6.5 Liquidity risk

Berenberg 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 little 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. This surplus was invested 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

€ 1.1 billion at 31 December 2016 (previous year: € 1.5 billion). We do not expect our very comfortable liquidity situation to change in the new financial year.

To manage short-term liquidity, the Treasury Department analyses all cash flows over the course of time every day. 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 always met the rules for the regulatory Liquidity Coverage Ratio (LCR), 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 Department 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. At 1.3, the Liquidity Coverage Ratio (LCR) was well above the required minimum ratio at 31 December 2016.

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

6.6 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 as 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 development 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 counter-measures with a view to securing the profitability of the Bank as a whole.

6.7 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 overhead costs, 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 price 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.

7. Exposures in equities not included in the trading book

Disclosures pursuant to Article 447 CRR

Annex 1 shows Berenberg's participating interests. 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, organisationally 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 recognised 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 recognised values on a regular basis.

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

Values recognised for participating interests

Group of participation instruments	Book value € millions	Comparison
		Fair value € millions
Credit institutions	2.5	2.5
Other enterprises	23.5	23.5
Total	26.0	26.0
thereof:		
Affiliated enterprises	22.5	
Participating interests	3.5	

The "Other enterprises" 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%.

Further details are provided below on the significant subsidiaries included in the Bank's consolidation group at the reporting 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 recognised as a bank since 2001.

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

The activity of the company is limited to the activity of holding and managing participating interests. 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.

Berenberg Americas LLC, New York

Berenberg Americas LLC, New York, 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, New York

Berenberg Capital Markets LLC was set up as a sales unit in Boston as a business unit of Investment Banking in the area of equity trading. 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.

Berenberg Asset Management LLC, Chicago

Berenberg Asset Management LLC commenced operation in 2014, providing asset management services to institutional investors based in the United States.

Realised and unrealised gains and losses from investment instruments

€ millions	Realised gain/loss from sale/settlement	Deferred remeasurement gains/losses		
		Total amount	Thereof recognized in Tier 1 capital	Thereof recognized in Tier 2 capital
Total	50.0	0.0	0.0	0.0

8. Instruments and methods

8.1 Rating system / use of ECAIs

Disclosures pursuant to Article 444 CRR

The Bank uses the recognised external credit assessment institution Standard & Poor's Rating Services (S&P) for the purposes of the CRR. This applies to the exposure classes of central governments, regional governments, institutions and covered bonds for credit assessment purposes.

Exposures calculated with the aid of ECAIs, broken down by prudential credit quality step, <u>before</u> credit risk mitigation (CRM) € millions	Credit quality step						Capital de- duction	Other
	1	2	3	4	5	6		
Exposures to central governments	257.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to regional governments or local authorities	1,343.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to international organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	665.1	517.9	0.4	0.0	0.0	0.0	0.0	0.0
Exposures to corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail exposures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of covered bonds	416.5	66.5	0.0	0.0	0.0	0.0	0.0	0.0
Items representing securitisation positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of shares in collective investment undertakings ('CIUs')	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	2,682.8	584.4	0.4	0.0	0.0	0.0	0.0	0.0

Exposures calculated with the aid of ECAs, broken down by prudential credit quality step, <u>after</u> CRM € millions	Credit quality step						Capital de- duction	Other
	1	2	3	4	5	6		
Exposures to central governments	257.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to regional governments or local authorities	1,343.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to international organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	665.1	517.9	0.4	0.0	0.0	0.0	0.0	0.0
Exposures to corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail exposures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of covered bonds	416.5	66.5	0.0	0.0	0.0	0.0	0.0	0.0
Items representing securitisation positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of shares in collective investment undertakings ('CIUs')	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	2,682.8	584.4	0.4	0.0	0.0	0.0	0.0	0.0

8.2 Credit risk mitigation techniques

Disclosures pursuant to Article 442 CRR

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.

The procedure for measuring and managing the collateral qualifying to be recognized under CRR is described in the internal organizational instructions. Collateral is normally measured at least once annually. With regard to legal enforceability, it is necessary to pay attention to amendments to the relevant legal system. Internally, haircuts are generally applied to factor in value fluctuations and exploitation risks. Financial collateral is fundamentally marked to market daily. The system ensures implementation of regulatory requirements relating to minimum collateralization and over-collateralization.

All requirements in connection with credit risk mitigation techniques are covered by the legal and contractual design of the credit agreements and collateral agreements. Legal enforceability and effectiveness in the various legal systems are ensured by obtaining legal opinions. Continuous assurance of legal enforceability and monitoring the legal framework exists.

Only collateral is applied for which it has been determined in the context of credit assessment that all requirements of CRR have been satisfied.

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

In addition, there are risk sub-participations/guarantees from other, generally domestic banks. There is no further significant concentration of risk within the hedging instruments.

Disclosures pursuant to Article 442 CRR

Total outstanding exposure amounts

Counterparty default risk under the Standardised Approach (€ millions)

Risk weight	Before credit risk mitigation	After credit risk mitigation with substitution effects	Risk exposure value	Risk-weighted exposure value
0%	2,268.1	2,509.6	2,508.0	0.0
2%	0.0	0.0	0.0	0.0
4%	2.2	2.2	2.2	0.1
10%	416.5	416.5	416.5	41.6
20%	582.4	427.2	427.1	85.4
35%	34.4	34.4	34.4	12.0
50%	24.0	24.0	24.0	12.0
70%	0.0	0.0	0.0	0.0
75%	2.9	2.9	2.9	2.2
100%	1,891.1	1,626.0	760.6	760.6
150%	0.1	0.1	0.1	0.1
250%	5.2	5.2	5.2	13.0
370%	0.0	0.0	0.0	0.0
1250%	0.0	0.0	0.0	0.0
Other risk weights	81.4	81.4	81.4	0.0

Total amount of hedged exposure (€ millions)

The following summary shows the collateral able to be recognized in the form of warranties, guarantees, and other collateral:

Portfolio	Other forms of collateral	
	Financial collateral	Guarantees and credit derivatives
Institutions	37.7	126.2
Companies	251.8	4.6
Total	289.5	130.8

9. Counterparty default risk

Statements pursuant to Article 439 CRR

Positive credit exposures	Positive gross fair value before netting and collateral	Netting	Positive gross fair value after netting and collateral
Interest rate derivatives	17.3	0.0	17.3
Currency derivatives	501.1	199.4	301.7
Credit derivatives	0.0	0.0	0.0
Equity derivatives	39.2	0.0	39.2
Total	557.6	199.4	358.2

Measurement uses the market valuation method. From the Bank's perspective, exclusively positive market values are indicated. The applicable counterparty default risks pursuant to Article 439 (f) CRR can be found in the table above. Here, the counterparty default risk position is calculated as a positive replacement cost of an asset after offsetting and factoring in collateral, plus an add-on for value increases to be expected in the future.

The aggregate counterparty default risk of Berenberg amounts to €36.1 million at 31 December 2016, the corresponding positive market values amount to €260.4 million.

10. Leverage ratio

The following disclosures correspond to the provisions of the new Delegated Regulation (EU) 2015/62 and the Implementing Regulation (EU) 2016/200 for disclosure of the leverage ratio.

When the provisions of the new Delegated Regulation are applied, a leverage ratio of 5.2% results for the Berenberg Group at the 12/31/2016 reporting date.

Uniform disclosure of the leverage ratio		€ millions
Recognised risk exposures (without derivatives and SFT)		
1	Recognised items (without derivatives, securities financing transactions (SFT), and trust assets, but including collateral)	4,351.6
2	(Asset amounts subtracted when measuring Tier 1 capital)	-8.0
3	Total of recognised risk exposures (without derivatives, SFT, and trust assets) Sum of Lines 1 and 2	4,343.6
Risk exposures from derivatives		
4	Replacement value of all derivative transactions (i.e., without applicable subsequent payments received in cash)	167.0
5	Surcharges for the potential future replacement value with regard to all derivative transactions (market valuation method)	612.1
EU-5a	Risk exposures according to original exposure method	0.0
6	Addition of the contribution from collateral provided in connection with derivatives that is subtracted from statement of financial position assets according to the applicable accounting framework	0.0
7	(Deductions of receivables for subsequent payments made in cash in case of derivative transactions)	0.0
8	(Excluded CCP portion of customer-cleared trading risk holdings)	0.0
9	Adjusted effective nominal value of written credit derivatives	0.0
10	(Offsetting of the adjusted effective nominal values and deductions of the surcharges for written credit derivatives)	0.0
11	Total of risk exposures from derivatives (total of Lines 4 to 10)	779.1
Risk exposures from securities financing transactions (SFT)		
12	Gross assets from SFT (without recognising netting), after adjustment for transactions posted as sales	0.0
13	(Offset amounts from cash liabilities and receivables from gross assets from SFT)	0.0
14	Counterparty default risk exposure for SFT assets	0.0
EU-14a	Deviating regulation for SFT: counterparty default risk exposure pursuant to Article 429b para. 4 and Article 222 of Regulation (EU) No. 575/3013	0.0
15	Risk exposures from transactions effected as agent	0.0
EU-15a	(Excluded CCP portion of customer-cleared SFT risk exposures)	0.0
16	Total of risk exposures from securities financing transactions (total of Lines 12 to 15a)	0.0
Other risk exposures not on the statement of financial position		
17	Risk exposures not on the statement of financial position at gross nominal value	196.2
18	(Adjustment for the translation into credit equivalent amounts)	0.0
19	Other risk exposures not on the statement of financial position (total of lines 17 and 18)	196.2

Uniform disclosure of the leverage ratio € millions

(Risk exposures on and off the statement of financial position, that are permitted to remain disregarded according to Article 429 para. 14 of Regulation (EU) No. 575/2013)

EU-19a	(Internal Group risk exposures (on and off the statement of financial position) not included pursuant to Article 429 para. 7 of Regulation (EU) No. 575/2013 (individual basis))	0.0
EU-19b	Risk exposures (on and off the statement of financial position) that are permitted to remain disregarded under Article 429 para. 14 of Regulation (EU) No. 575/2013	0.0

Own funds and overall risk exposure measurand

20	Tier 1 capital	277.8
21	Overall risk exposure measurand of the leverage ratio (total of Lines 3, 11, 16, 19, EU-19a and EU-19b)	5,318.8

Leverage ratio

22	Leverage ratio	5.22%
----	----------------	-------

Amount of trust exposures written off

EU-23	Selected transitional regulation for the definition of the capital measurand	0.0
EU-24	Amount of the trust exposures written off pursuant to Article 429 para. 11 of Regulation (EU) No. 575/2013	0.0

Summary reconciliation between recognised assets and risk exposures for the leverage ratio € millions

1	Total assets according to published financial statements	6,045.1
2	Adjustment for companies that are consolidated for accounting purposes but do not belong to the prudential consolidation group	-5.5
3	(Adjustment for trust assets that are recognised in the statement of financial position according to the applicable accounting framework, but which are disregarded in the overall risk exposure measurand of the leverage ratio pursuant to Article 429 para. 13 of Regulation (EU) No. 575/2013)	-791.9
4	Adjustment for derivative financial instruments	779.0
5	Adjustments for securities financing transactions (SFT)	0.0
6	Adjustment for items not on the statement of financial exposure (i.e., translation of risk exposures not on the statement of financial exposure into credit equivalence amounts)	196.2
EU-6a	(Adjustment for internal Group risk exposures that are disregarded in the overall risk exposure measurand of the leverage ratio pursuant to Article 429 para. 7 of Regulation (EU) No. 575/2013)	0.0
7	Other adjustments	-904.1
8	Overall risk exposure measurand of the leverage ratio	5,318.8

Breakdown of the recognised risk exposures (without derivatives, SFT, and excluded risk exposures) € millions

EU-1	Total amount of the recognised risk exposures (without derivatives, SFT, and excluded risk exposures); thereof:	4,351.6
EU-2	Risk exposures in the trading book	123.7
EU-3	Risk exposures in the investment book, thereof (total of Lines EU-4 to EU-12)	4,227.9
EU-4	Covered bonds	482.9
EU-5	Risk exposures that are treated as risk exposures vis-à-vis central governments	1,915.0
EU-6	Risk exposures vis-a-vis regional authorities, multilateral development banks, international organisations, and public offices, which are not treated as risk exposures vis-à-vis central governments	0,0
EU-7	Institutions	1,915.0

Breakdown of the recognised risk exposures (without derivatives, SFT, and excluded risk exposures)		€ millions
EU-8	Secured by mortgages on real estate	58.0
EU-9	Risk exposures from retail trade	2.9
EU-10	Corporates	640.1
EU-11	Defaulted exposures	2.6
EU-12	Other risk exposures (e.g., equity exposures, securitisations, and other assets that are not loan obligations)	168.4

Disclosure of qualitative statements

1	Description of the procedure for monitoring the risk of excessive indebtedness	The Bank analyses the development of its statement of financial position on an ongoing basis, including the significant key ratios that also include the leverage ratio. Within the framework of monitoring the risk profile and the prudential capitalization, the leverage ratio is an integrated component of the monthly reporting to the management.
2	Description of the factors that had effects on the disclosed leverage ratio during the reporting period	The leverage ratio was primarily characterised by the inflow of customer funds in the past fiscal year. The proportion of these funds to total assets is 73.4%.

11. Unencumbered assets/asset encumbrance

The following tables provide an overview of the level of asset encumbrance and, derived from this, an assessment of the Group's solvency. Assets are considered encumbered or tied when the institution cannot freely dispose of them. This is always the case when they are pledged or transferred, or used as collateral for own loans and for potential obligations arising from derivative transactions, or to enhance creditworthiness within the framework of on- or off-balance-sheet transactions. The following tables are based on the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03):

Book value of the encumbered and unencumbered assets (€ millions)

Book value	Encumbered assets		Fair value of encumbered assets		Unencumbered assets		Fair value of unencumbered assets	
	2016	2015	2016	2015	2016	2015	2016	2015
Equity instruments	5.2	17.6	5.2	17.0	384.5	223.7	420.7	217.6
Debt instruments	324.7	418.2	328.3	434.2	1,956.4	2,154.6	1,993.0	2,231.5
Other assets	215.2	157.4			3,072.2	1,716.8		
Total	545.1	593.2			5,413.1	4,095.1		

Collateral received for encumbered and unencumbered assets (€ millions)

	Fair value of encumbered collateral received or own debt instruments issued		Fair value of collateral received or own debt instruments issued eligible for encumbrance	
	2016	2015	2016	2015
Total collateral received				
Equity instruments	0.0	0.0	5.2	0.0
Debt instruments	0.0	0.0	2.0	0.0
Other collateral received	545.1	106.7	17.5	106.7
Total	545.1	106.7	24.7	106.7

Encumbered assets / collateral received and related liabilities (€ millions)

	Coverage of liabilities, contingent liabilities or securities transferred		Assets, collateral received and other own debt instruments issued as encumbered Pfandbriefs and ABS	
	2016	2015	2016	2015
Book value of selected liabilities	5.2	17.6	0.0	0.0

12. Disclosures pursuant to Section 16 InstitutsVergV

The Bank continues not to be required to make disclosures by Section 16 of the Regulations Governing Supervisory Requirements for Institutions' Remuneration Systems (InstitutsVergV) or other legal provisions; nonetheless, we are disclosing the features of our remuneration system broken down by country below.

Germany

In terms of pay, the remuneration system makes a distinction between those employees who are subject to the framework collective agreement for the private banking industry by way of reference in the employment contract (non-exempt staff) and those employees whose remuneration is in excess of the collective agreement (exempt staff).

In the case of the non-exempt staff, the size of the gross monthly salary is based on their tariff group and length of service. In addition, non-exempt staff receive a contractually agreed 13th month's salary.

At the start of 2013, the Bank 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. 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 remuneration, employees may be granted variable compensation in the form of a bonus or special payment. Whether and to what extent bonus payments are made is decided each year. Such payments do not entitle the employees to receive bonuses in subsequent years.

Among other things, the qualitative and quantitative performance of the individual employee and the success of the division and the Bank as a whole are used as the basis for determining the size of the bonus. However, these elements only provide a guideline, as there is no set formula for calculating the bonus. The bonus is specified on a discretionary basis, with the limits set forth in Section 25a KWG observed.

Should a bonus be guaranteed in connection with a new employment contract, such a guarantee is specified for the first year of employment at the most.

Furthermore, no claims to benefits in the event of termination under individual contracts, the size of which remains unchanged even in the event of negative personal performance, do not exist in the Bank pursuant to Section 5 (3) 2 InstitutsVergV.

Switzerland

The employees in the Zurich representative office are not subject to a collective pay agreement. They receive a fixed salary in Swiss francs, which is disbursed 12 monthly instalments.

The Bank may pay additional bonuses to the employee in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement even after it has been paid more than once.

Whether and to what extent bonus payments are made is decided each year. The bonus is determined in the same way as in Germany.

Should a bonus be guaranteed in connection with a new employment contract, such a guarantee is specified for the first year of employment at the most.

Austria

The employees in the Vienna branch are not subject to a collective pay agreement. They receive a fixed salary, which is disbursed in 14 monthly instalments.

The Bank may pay additional bonuses to the employee in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement even after it has been paid more than once. Whether and to what extent bonus payments are made is decided each year. The bonus is determined in the same way as in Germany.

Should a bonus be guaranteed in connection with a new employment contract, such a guarantee is specified for the first year of employment at the most.

France

The employees in the Paris branch are not subject to a collective pay agreement. They receive a fixed salary, which is disbursed in 12 monthly instalments.

The Bank may pay additional bonuses to the employee in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement even after it has been paid more than once. Whether and to what extent bonus payments are made is decided each year. The bonus is determined in the same way as in Germany.

Should a bonus be guaranteed in connection with a new employment contract, such a guarantee is specified for the first year of employment at the most.

Luxembourg

The employees in the Luxembourg branch are not subject to a collective pay agreement. They receive a fixed salary, which is disbursed in 13 monthly instalments.

The basic salary is adjusted constantly in line with the legally binding indexation of salaries to the cost of living in Luxembourg.

The Bank may pay additional bonuses to the employee in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement even after it has been paid more than once. Whether and to what extent bonus payments are made is decided each year. The bonus is determined in the same way as in Germany.

Should a bonus be guaranteed in connection with a new employment contract, such a guarantee is specified for the first year of employment at the most.

UK

The employees in the London branch are not subject to a collective pay agreement. They receive a fixed salary in British pounds, which is disbursed in 12 monthly instalments.

The Bank may pay additional bonuses to the employee in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement even after it has been paid more than once. Whether and to what extent bonus payments are made is decided each year. The bonus is determined in the same way as in Germany.

Should a bonus be guaranteed in connection with a new employment contract, such a guarantee is specified for the first year of employment at the most.

Subsidiaries

Berenberg Bank (Schweiz) AG

Berenberg Bank (Schweiz) AG has its own pay guidelines, which satisfy the InstitutsVergV and KWG requirements.

Berenberg Capital Management LLC (BCM)

The employees of BCM receive a fixed salary in US dollars, which is disbursed in 24 half-monthly instalments.

BCM may pay the employee bonuses in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement even after it has been paid more than once. Whether and to what extent bonus payments are made is decided each year. The bonus is determined in the same way as at Group level.

Should a bonus be guaranteed in connection with a new employment contract, such a guarantee is specified for the first year of employment at the most.

Berenberg Asset Management LLC (BAM)

The employees of BAM receive a fixed salary in US dollars, which is disbursed in 24 half-monthly instalments.

BAM may pay the employee bonuses in addition to the fixed salary. Such bonuses represent a discretionary payment to which there is no legal entitlement even after it has been paid more than once. Whether and to what extent bonus payments are made is decided each year. The bonus is determined in the same way as at Group level.

Should a bonus be guaranteed in connection with a new employment contract, such a guarantee is specified for the first year of employment at the most.

13. Closing statement

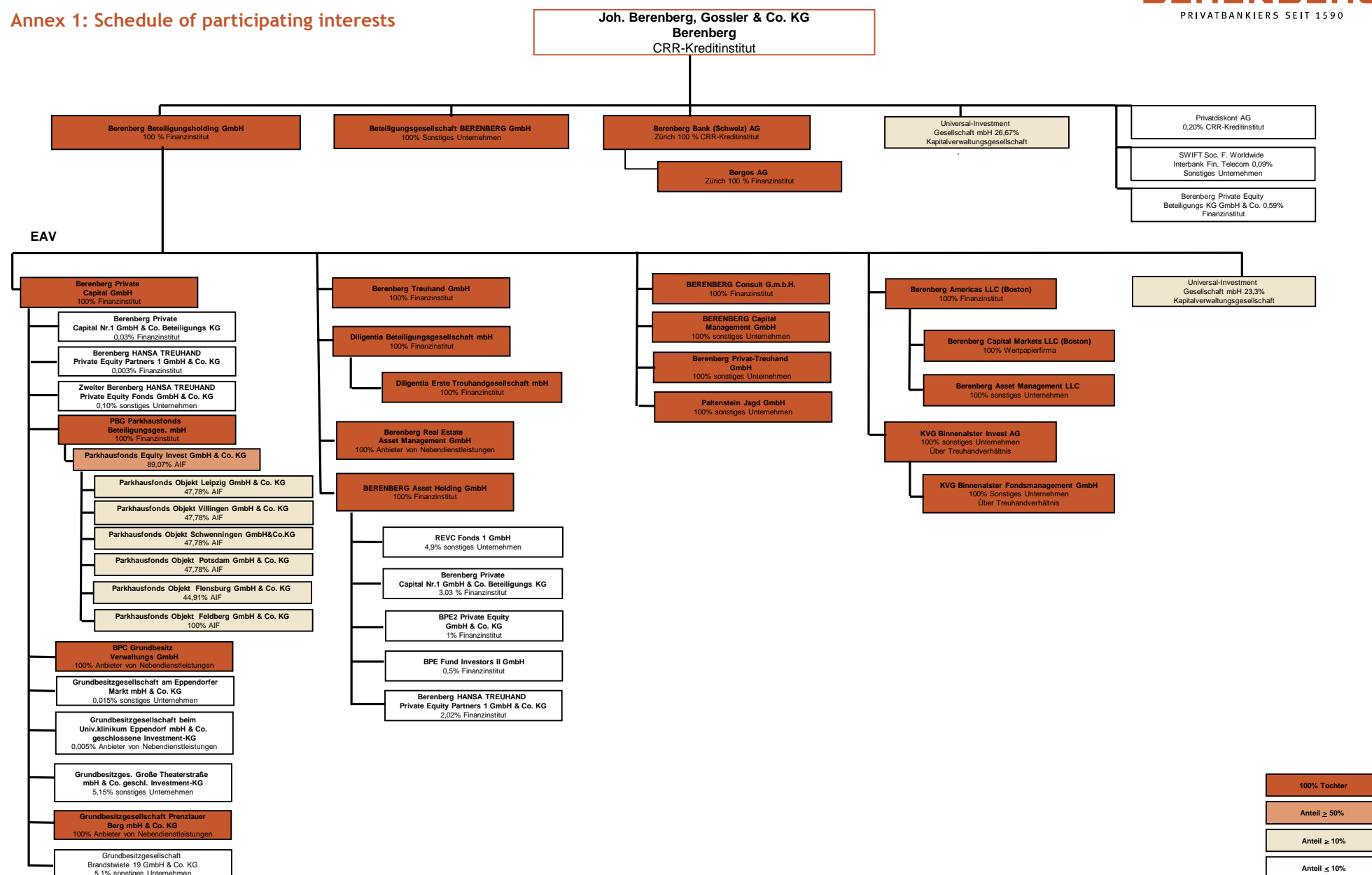
By signing this document, the management hereby states that the risk management methods and processes employed by Berenberg are suitable for providing a comprehensive picture of the Bank's risk profile. In particular, the models employed make it possible to permanently ensure the Bank's risk-bearing capacity.

Dr Hans-Walter Peters

Hendrik Riehmer



Annex 1: Schedule of participating interests





Annex 2

Curriculum vitae

Dr Hans-Walter Peters

Personal details

Date/place of birth: 3 April 1955, Soltau (Lower Saxony)

Professional career

since 1994	Berenberg, Joh. Berenberg, Gossler & Co. KG, Hamburg
since January 2009	Spokesman of the Managing Partners with responsibility for Wealth Management, Asset Management, Finance, Risk Controlling, Compliance, Legal Affairs and Corporate Communications
since 2000	Managing Partner
1997	General Agent
1994	Joined Berenberg as director
1990–1994	Frankfurter Volksbank eG Head of Securities with power of general representation
1989–1990	DG Bank, Frankfurt Head of Portfolio Strategy, deputy head of Investment Research, member of the Bond Committee of Union Investment Gesellschaft
1987–1989	Dresdner Bank AG, Frankfurt Last exposure: head of Quantitative Analysis

Education

1976–1986	Degree in Economics and Statistics at the University of Dortmund, followed by doctorate Qualifications as Diplom-Volkswirt (1983), Diplom-Statistiker (1984) and Dr. sc. pol. (1986)
-----------	---

**BERENBERG**

PRIVATBANKIERS SEIT 1590

Curriculum vitae

Hendrik Riehmer

Personal details

Date/place of birth: 20 July 1968, Hamburg (Hamburg)

Professional career

since 1990	Berenberg, Joh. Berenberg, Gossler & Co. KG, Hamburg
since 2009	Managing Partner
2005–2008	Member of the extended management team, partner since 01/2007 (dormant partner)
2002	General Agent
2001–2006	Responsible for Institutional Asset Management
2001–2005	Head of Investment Banking
1998–2001	Trading and Sales Research
1996–1998	Account manager in Institutional Asset Management
1990–1996	International client account manager in Institutional Asset Management

Education

1988–1990	Hamburger Sparkasse Apprenticeship in banking
-----------	--

Joh. Berenberg, Gossler & Co. KG
Neuer Jungfernstieg 20
20354 Hamburg
Telefon +49 40 350 60-0
Telefax +49 40 350 60-900
www.berenberg.de