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 2018

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Preface

The present Disclosure Report at the reporting date of 31 December 2018 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).

EBA Guideline EBA/CP/2016/06 has not yet been published in the EU Official Journal. We therefore forego disclosure of the tables presented in the Guideline.

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.

Please note that the use of rounded amounts and percentage figures may result in differences on account of commercial rounding.

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 2018. 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.

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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. We implemented the requirements of the BaFin's new capital adequacy assessment guidelines (Supervisory assessment of banks' internal capital adequacy concepts and their integration into processes of integrated performance and bank management, revised ICAAP - Internal Capital Adequacy Assessment Process - guidelines) at the end of 2018 (see Section 6 Risk Management). Our risk management processes ensure that risk-bearing capacity is available at all times in accordance with the new requirements from both the normative perspective and the economic perspective.

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

- Counterparty default risk (including investment risk)
- Market price risk (including interest rate risk / IRRBB)
- Operational risk / non-financial risks
- 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), mainly based on the value-at-risk (VaR) principle at a very high confidence level of 99.9% and compared to the defined risk-covering potential from the economic perspective. As a result of the conversion to the new methodology, the previous income statement going-concern approach is no longer applied. In addition, we regularly carry out appropriate stress tests.

At year-end, the following utilizations of risk-bearing capacity result for the 99.9% confidence level:

	Market price risk	Credit risk	Operational risk	Utilization of risk-covering potential
Wealth Management	0.0%	1.5%	3.1%	**4.6%**
Asset Management	0.0%	0.4%	0.8%	**1.2%**
Corporate Banking	0.0%	17.6%	1.8%	**19.4%**
Investment Banking	5.7%	0.0%	4.4%	**10.1%**
Own-account investments/other	3.6%	6.1%	1.2%	**10.9%**
Total	**9.3%**	**25.6%**	**11.3%**	**46.2%**
Buffer (available risk-covering potential)				53.8%

At 12/31/2018, the risk-covering potential was € 375 million and was 46% utilized.

The Management

Dr. Hans-Walter Peters　　Hendrik Riehmer

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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 the business divisions of Wealth and 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 Beteiligungsholding GmbH, Hamburg
- Berenberg Americas LLC, New York
- Berenberg Capital Markets LLC, New York
- Berenberg Asset Management LLC, Chicago
- Berenberg Private Capital GmbH, Hamburg
- Berenberg Real Estate Asset Management 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 7, “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:

	Prudential treatment					
Name	**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**	**Consolidation fully by accounting standard**
Financial institution pursuant to Article 4 para. 1 No. 1 CRR						
Joh. Berenberg, Gossler & Co. KG	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
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	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 III**	**Subordinated Loan IV**	**Subordinated Loan V**	**Subordinated Loan VI**
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
2	Standard identifier	n/a	n/a	n/a	n/a	n/a
3	Law applicable to the instrument	German law	German law	German law	German law	German law
	Prudential treatment					
4	CRR transition arrangements	Common Equity Tier1 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
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
7	Instrument type	Capital contributions by general and limited partners	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
8	Eligible amount for regulatory own funds	150,000,000.00	19,167.58	2,015,334.06	2,163,198.25	10,000,000.00
9	Nominal value of the instrument	150,000,000.00	5,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00
9a	Issue price	100%	100%	100%	100%	100%
9b	Redemption price	n/a	100%	100%	100%	100%
10	Accounting classification	Subscribed capital	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
11	Original issue date	Various	18/12/2008	03/12/2009	30/11/2009	27/09/2017
12	Open-ended or with expiry date	Open-ended	07/01/2019	03/01/2020	30/01/2020	27/09/2032
13	Original due date	n/a	07/01/2019	03/01/2020	30/01/2020	27/09/2032
14	Callable by issuer with prior consent	No	Yes	Yes	Yes	Yes

Key features of the capital instruments		Instrument I	Subordinated Loan III	Subordinated Loan IV	Subordinated Loan V	Subordinated Loan VI
	of supervisors					
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
16	Later termination dates, if applicable	n/a	n/a	n/a	n/a	n/a
	Coupons / dividends		6.25%	6.00%	6.00%	6.00%
17	Fixed or variable dividend/ coupon payments	Variable	Fixed	Fixed	Fixed	Fixed
18	Nominal coupon and any reference index	Not applicable	n/a	n/a	n/a	n/a
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partly discretionary or mandatory (timing)	Partly discretionary	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
21	Existence of a step-up clause or other incentive to redeem	No	n/a	n/a	n/a	n/a
22	Non-cumulative or 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
24	If convertible: trigger for conversion	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
26	If convertible: conversion rate	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

Key features of the capital instruments		Instrument I	Subordinated Loan III	Subordinated Loan IV	Subordinated Loan V	Subordinated Loan VI
28	If convertible: type of instrument converted into	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
30	Write-down features	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
32	In the event of write-down: full or part	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
34	In the event of temporary write-down: write-up mechanism	n/a	n/a	n/a	n/a	n/a
35	Position in hierarchy for liquidation	Last	Subordinated	Subordinated	Subordinated	Subordinated
36	Irregular features of the converted instruments	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

Key features of the capital instruments		Subordinated Loan VII	Subordinated Loan VIII	Subordinated Loan IX	Subordinated Loan X	Subordinated Loan XI
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
2	Standard identifier	n/a	n/a	n/a	n/a	n/a
3	Law applicable to the instrument	German law	German law	German law	German law	German law
	Prudential treatment					
4	CRR transition arrangements	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	CRR arrangements after the transition period	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital

Key features of the capital instruments		Subordinated Loan VII	Subordinated Loan VIII	Subordinated Loan IX	Subordinated Loan X	Subordinated Loan XI
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
7	Instrument type	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
8	Eligible amount for regulatory own funds	7,000,000.00	11,000,000.00	1,000,000.00	1,000,000.00	10,000,000.00
9	Nominal value of the instrument	7,000,000.00	11,000,000.00	1,000,000.00	1,000,000.00	10,000,000.00
9a	Issue price	100%	100%	100%	100%	100%
9b	Redemption price	100%	100%	100%	100%	100%
10	Accounting classification	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan	Subordinated loan
11	Original issue date	27/09/2017	27/09/2017	27/09/2017	27/09/2017	27/09/2017
12	Open-ended or with expiry date	27/09/2032	27/09/2032	27/09/2032	27/09/2032	27/09/2032
13	Original due date	27/09/2032	27/09/2032	27/09/2032	27/09/2032	27/09/2032
14	Callable by issuer with prior consent of supervisors	Yes	Yes	Yes	Yes	Yes
15	Selectable termination date, conditional termination dates and redemption amount	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	n/a	n/a	n/a	n/a	n/a
	Coupons / dividends	4.125%	4.125%	4.125%	4.125%	4.125%
17	Fixed or variable dividend/ coupon payments	Fixed	Fixed	Fixed	Fixed	Fixed
18	Nominal coupon and any reference index	n/a	n/a	n/a	n/a	n/a
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary,	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

Key features of the capital instruments		Subordinated Loan VII	Subordinated Loan VIII	Subordinated Loan IX	Subordinated Loan X	Subordinated Loan XI
	partly discretionary or mandatory (timing)					
20b	Fully discretionary, partly discretionary or mandatory (related to the amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of a step-up or other incentive to redeem	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
23	Convertible or 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
25	If convertible: fully or partially	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
27	If convertible: conversion mandatory or optional	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
29	If convertible: issuer of the instrument converted into	n/a	n/a	n/a	n/a	n/a
30	Write-down features	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
32	In the event of write-down: full or part	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
34	In the event of	n/a	n/a	n/a	n/a	n/a

Key features of the capital instruments		Subordinated Loan VII	Subordinated Loan VIII	Subordinated Loan IX	Subordinated Loan X	Subordinated Loan XI
	temporary write-down: write-up mechanism					
35	Position in hierarchy for liquidation	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
36	Irregular features of the converted instruments	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

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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. The own funds of the corporate group break down as follows:

	Disclosure of own funds	**Amount at 31/12/2018 € 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	150.0	26 (1), 27, 28, 29
	thereof: type of financial instrument 1	150.0	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	88.1	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	0.0	26 (2)
6	Common Equity Tier 1 capital (CET1) before prudential adjustments	253.9	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	-7.6	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

Disclosure of own funds		Amount at 31/12/2018 € millions	References to articles in Regulation (EU) No. 575/2013
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)	-7.6	Total of rows 7 to 20a, 21, 22, plus rows 25a to 27
29	Common Equity Tier 1 capital (CET1)	246.3	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

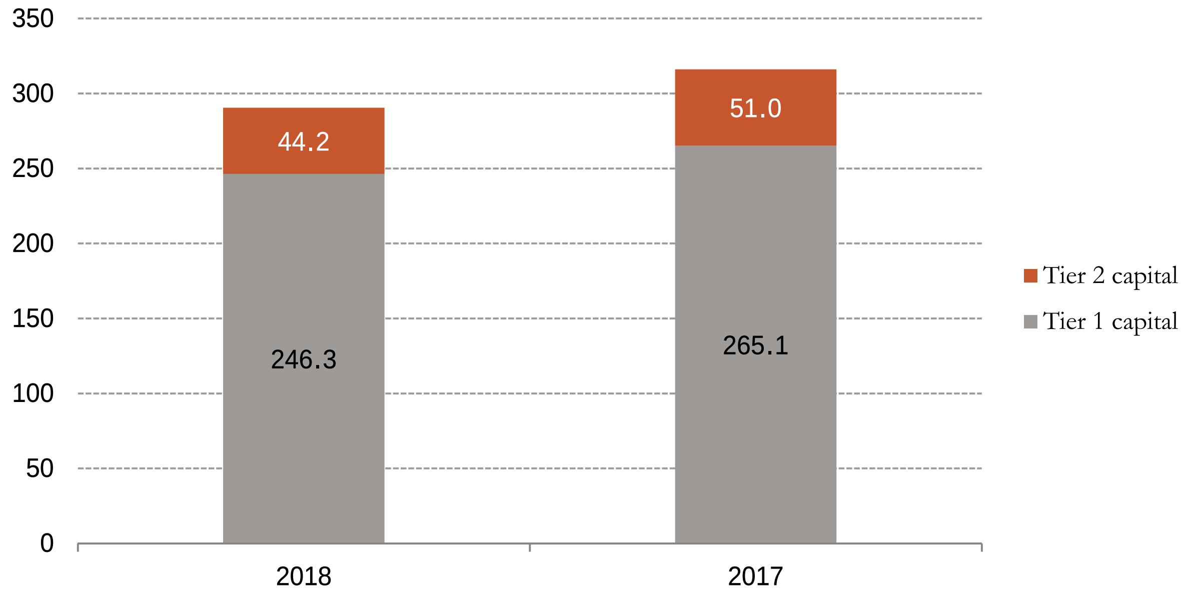
Disclosure of own funds		Amount at 31/12/2018 € millions	References to articles in Regulation (EU) No. 575/2013
40	Direct, indirect and synthetic holdings by the institution of Additional Tier 1 instruments of financial sector entities in which the institution has a significant investment (more than 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)	246.3	Total of rows 29 and 44
	Tier 2 capital (T2): instruments and reserves		
46	Capital instruments and the related share premium account	44.2	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	44.2	
	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)	44.2	Line 51 less line 57
59	Total own funds (TC = T1 + T2)	290.5	Total of rows 45 and 58
60	Total risk-weighted assets	1,890.3	
	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	15.4	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)	9.9	CRD 128, 129, 130, 131, 133
65	thereof: capital conservation buffer	1.9	

Disclosure of own funds		Amount at 31/12/2018 € millions	References to articles in Regulation (EU) No. 575/2013
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)	0.5	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



The own funds were reduced in the reporting period as a result of the sale of a majority of shares in Berenberg Bergos AG, Zurich (formerly Berenberg Bank (Schweiz) AG). Until the sale, the company had belonged to the corporate group for prudential purposes.

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 €44.2 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:

BERENBERG
PARTNERSHIP SINCE 1590

Disclosure of the own funds structure

		Balance at 12/31/2018 in € millions	Balance at 12/31/2017 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	150.0	151.0	26 (1), 27, 28, 29
	thereof: Type 1 financial instrument	150.0	151.0	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	88.1	107.7	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	15.8	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	253.9	274.5	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	-7.6	-9.4	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 arising from own liabilities measured at fair value	0.0	0.0	33 (1) (b)
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	0.0	0.0	36 (1) (f), 42

		Balance at 12/31/2018 in € millions	Balance at 12/31/2017 in € millions	Regulation (EU) No. 575/2013 Reference to Article
	equity Tier 1 capital instruments			
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)
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 material investment	0.6	0.0	36 (1) (i), 48 (1) (b)
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 (VET 1)	-7.6	-9.4	Total of Lines 7 to 20a,

		Balance at 12/31/2018 in € millions	Balance at 12/31/2017 in € millions	Regulation (EU) No. 575/2013 Reference to Article
				21, 22, plus Lines 25a to 27
29	Common Equity Tier 1 capital (CET1)	246.3	265.1	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	

		Balance at 12/31/2018 in € millions	Balance at 12/31/2017 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)	246.3	265.1	Total of Lines 29 and 44
Tier 2 capital (T2): instruments and reserves				
46	Capital Instruments and the related share premium account	44.2	51.0	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	44.2	51.0	
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)	44.2	51.0	Line 51 less Line 57

		Balance at 12/31/2018 in € millions	Balance at 12/31/2017 in € millions	Regulation (EU) No. 575/2013 Reference to Article
59	Total equity capital (TC = T1 + T2)	290.5	316.1	Total of Lines 45 and 58
60	Total risk-weighted assets	1,890.3	1,936.5	

Own funds ratios and buffers

61	Common Tier 1 capital ratio	13.0	13.7	92 (2) (a)
62	Tier 1 capital ratio	13.0	13.7	92 (2) (b)
63	Solvency ratio	15.4	16.3	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)	9.9	13.6	CRD 128, 129, 130, 131, 133
65	thereof: capital preservation buffer	1.9	13.6	
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)	0.5	7.2	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

		Balance at 12/31/2018 in € millions	Balance at 12/31/2017 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 Reconciliation of own funds components with the audited financial statements

The Bank prepares commercial financial statements in accordance with the regulations of the German Commercial Code (HGB).

Comparison of own funds components in the Group's consolidated balance sheet and prudential balance sheet

31/12/2018 € millions	Commercial consolidated balance sheet	Group's prudential balance sheet	Delta
Assets			
Receivables from banks	736.0	657.4	78.6
Equities and other non-fixed-income securities	45.9	45.9	0.0
Equity interests	11.6	13.5	1.9
Intangible assets	4.1	4.1	0.0
Equity and liabilities			
Equity	260.6	238.1	4.7
thereof: Subscribed capital	150.0	150.0	0.0
thereof: Capital reserves	0.0	0.0	0.0
thereof: Retained earnings	106.6	88.1	18.5
Fund for general banking risks	13.1	13.1	0.0
Subordinated liabilities	65.0	65.0	0.0

In the table below, the own funds components of the prudential balance sheet are extended in such a way that all components are presented in the same way as in the "Own funds structure" table. In addition, each item is classified by means of a reference to the corresponding line item number in the table above.

Breakdown of own funds components in the commercial balance sheet and classification to the own funds structure

31/12/2018 **€ millions**	**Prudential balance sheet**	**Reference to equity capital structure**
Assets		
Equities and other non-fixed income securities	45.9	
thereof: Tier 2 capital instruments	0.0	54
of financial sector entities	0.0	
Equity interests	13.5	
thereof: Common Equity Tier 1 instruments	13.5	23
of financial sector entities	0.6	
Intangible assets	4.1	8
Equity and liabilities		
Equity	238.1	
thereof: Subscribed capital	150.0	1
thereof: Capital reserves	0.0	1
thereof: Retained earnings	88.1	2
Fund for general banking risks	13.1	3a
Subordinated liabilities	65.0	
thereof: Additional Tier 1 capital bonds	0.0	30. 32
thereof: Tier 2 capital bonds	65.0	46

5.5 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.

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.

Berenberg calculates the prudential own funds requirement in accordance with the rules of the CRR.

The requirement for counterparty risk is calculated in accordance with the Credit Risk Standardised Approach set out in Part 3 Title II Chapter 2 CRR, for operational risk in accordance with the Basic Indicator Approach set out in Part 3 Title III CRR, for market risk in accordance with the Standardised Approaches set out in Part 3 Title IV CRR, and for settlement risk in accordance with Part 3 Title V CRR.

The prudential own funds requirement for credit valuation adjustment risk is calculated on the basis of the Standardised Method set out in Article 384 CRR.

Disclosures pursuant to Article 438 CRR

Credit risk **€ millions**	**Risk amount** **2018**	**2017**
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	86.8	93.0
• Exposures to corporates	623.1	640.9
• Retail exposures	15.5	31.0
• Exposures secured by mortgages on immovable property	8.4	18.4
• Exposures in default	1.2	0.9
• Exposures associated with particularly high risk	0.0	0.0
• Exposures in the form of covered bonds	58.1	59.3
• 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')	0.6	1.5
• Equity exposures	9.7	14.4
• Other items	62.3	41.6
Settlement risk	7.6	0.6
Market risk in the trading book		
• Standardised Approach	201.5	240.8
Operational risk under		
• Basic Indicator Approach	796.8	756.6
Exposures for credit valuation adjustments	18.6	37.3
Total risk amounts	**1,890.2**	**1,936.3**

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

5.6 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
Joh. Berenberg, Gossler & Co. KG	15.6	13.2
Joh. Berenberg, Gossler & Co. KG Gruppe	15.4	13.0

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

5.7 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 %	2018	2017
Joh. Berenberg, Gossler & Co. KG	0.50	1.90
Joh. Berenberg, Gossler & Co. KG Gruppe	0.07	1.57

5.8 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, and evaluates it quarterly. BaFin does not see any need for a countercyclical capital buffer in Germany for the first quarter of 2018 (cf. BaFin home page). Other countries such as Norway, Sweden, and Hong Kong have specified a capital buffer. According to a statement issued on June 21, 2017 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 2017 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:

31/12/2018 in EUR m	General credit risk exposures	Risk exposures in the trading book	Securitization 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 Arab Emirates	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.01%	0.0%
Antigua	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Austria	8.7	0.0	0.0	0.7	0.0	0.0	0.7	1.12%	0.0%
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Belgium	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.04%	0.0%
Bolivia	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.01%	0.0%
Bermuda	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Switzerland	29.1	0.0	0.0	2.4	0.0	0.0	2.4	3.82%	0,0%
Curacao	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.07%	0,0%
Cyprus	1.4	0.0	0.0	0.1	0.0	0.0	0.1	0.18%	0.0%
Germany	895.9	0.0	0.0	48.7	0.0	0.0	48.7	77.83%	0.0%
Denmark	82.3	0.0	0.0	0.7	0.0	0.0	0.7	1.05%	1.0%
Ethiopia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.3%
Great Britain	25.8	0.0	0.0	2.0	0.0	0.0	2.0	3.27%	1.0%
Gibraltar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Greece	2.5	0.0	0.0	0.2	0.0	0.0	0.2	0.32%	0.0%
Hong Kong	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	1.0%
Israel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Isle of Man	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Saint Kitts and Nevis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
State of Kuwait	1.1	0.0	0.0	0.1	0.0	0.0	0.1	0.14%	0.0%

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31/12/2018 in EUR m	General credit risk exposures	Risk exposures in the trading book	Securitization 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
Liberia	13.0	0.0	0.0	1.0	0.0	0.0	1.0	1.66%	0.0%
Luxembourg	30.5	0.0	0.0	2.4	0.0	0.0	2.4	3.89%	0.0%
Marshall Islands	3.3	0.0	0.0	0.3	0.0	0.0	0.3	0.42%	0.0%
Malta	1.3	0.0	0.0	0.1	0.0	0.0	0.1	0.13%	0.0%
Mexico	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Malaysia	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.01%	0.0%
Netherlands	3.2	0.0	0.0	0.3	0.0	0.0	0.3	0.41	0.0%
Norway	126.2	0.0	0.0	1.0	0.4	0.0	1.0	2.58%	2.5%
Panama	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.07%	0.0%
Russia	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.03%	0.0%
Sweden	200.8	0.0	0.0	1.6	0.0	0.0	1.6	2.58%	2.5%
Singapore	6.3	0.0	0.0	0.5	0.0	0.0	0.5	0.80%	0.0%
Thailand	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.01%	0.0%
USA	2.2	0.0	0.0	0.2	0.0	0.0	0.2	0.25%	0.0%
Venezuela	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
British Virgin Islands	2.0	0.0	0.0	0.2	0.0	0.0	0.2	0.26%	0.0%
Cayman Islands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0%
Total	**1,438.6**	**0.0**	**0.0**	**62.6**	**0.0**	**0.0**	**62.6**		

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

31/12/2018 in EUR m		
010	Total receivables amount	35.4
020	Institution-specific ratio of the countercyclical capital buffer	1.0%
030	Requirement on the institution-specific capital buffer	18.9

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 31/12/2018	thereof: management functions in the Berenberg Group as of 31/12/2018	Number of supervisory functions as of 31/12/2018	thereof: supervisory functions in the Berenberg Group as of 31/12/2018
Dr Hans-Walter Peter	9	4	1	0
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 cautious risk strategy unchanged in the reporting period. Our deliberate focus on less risky, service-oriented business divisions once again proved its worth. Our risk culture is marked by an extremely conservative risk appetite and is defined by management once a year as part of the strategy planning process. Risks are assumed only to an extent that ensures the Bank's ability to continue as a going concern over the long term. This approach forms the basis for our risk management, including the setting of risk limits. The Bank's liquidity situation continued to be very comfortable throughout 2018. We invest our deposit surplus in a highly liquid securities portfolio dominated by securities of German public-sector issuers with short remaining maturities and supplemented by highly creditworthy covered bonds. At no time has the Bank conducted proprietary investments in securitised credit structures or similar.

Our risk management process is characterised by its strategic focus on service-based business divisions, combined with the use of modern risk measurement methods tailored to our corporate structure. The main risk types that we analyse in our risk management processes are counterparty, market price, operational and liquidity risks. Reputation risks are evaluated as part of the management of operational risk. The possibility of declines in earnings is also considered (adverse scenarios, conservative definition of economic capital).

The supervisory agency guidelines published in May 2018 on the new risk-bearing capacity (Supervisory assessment of banks' internal capital adequacy concepts and their integration into processes of integrated performance and bank management, revised ICAAP - Internal Capital Adequacy Assessment Process - guidelines) led to some fundamental changes in this year's planning process. These resulted in a merger of capital planning, income statement planning, and risk-bearing capacity. Al-though the new guidelines permit the previous approaches ("old-style" going-concern approaches) until further notice, we decided to convert to the new requirements at December 31, 2018. The new requirements introduce the parallel consideration of a normative perspective and an economic perspective towards risk-bearing capacity for the first time, with the goal of factoring in both the continued existence of the institution as well as the protection of creditors. Both perspectives are based on the fundamental principle of the risk-bearing capacity calculation, which entails comparing determined risks with existing economic capital (essentially equity). By making this conversion early, we consider ourselves to be well-positioned for the regulatory requirements in this area.

The **normative perspective** is based on regulatory requirements, particularly with respect to the institution's equity base. Various scenarios are analysed within the framework of integrated capital planning, which covers three years. Along with the baseline scenario, which provides for the course of business under normal economic conditions, an **adverse scenario** is considered which assumes a serious economic downturn that will affect the economy for clearly more than one year. This scenario is based on extensive macroeconomic assumptions along with conservatively planned assumptions for the specific institution. It is not merely simulated in isolation for individual parameters; instead, it represents an integrated stress test pursuant to MaRisk AT 4.3.3 with effects on all relevant indicators, and also includes control measures taken by management to counter the crisis. The results show that from its own capital and profitability, the bank could weather an extreme scenario of that scope without any problems.

For the **economic perspective**, the risk-covering potential is calculated close to the present value. The capital indicators on the balance sheet (pursuant to HGB) are the starting point. Planned profits are fundamentally not included in our very conservative approach. The potential losses of the business divisions are quantified for the above risk types primarily on the basis of the value-at-risk (VaR) principle. VaR represents a loss threshold for a given probability level. Risk quantification uses our established present value model calculations with a very high confidence level of 99.9% and a risk analysis period of one year. The VaR procedures fundamentally reflect only the potential losses on the basis of normal market conditions. To gain a more extreme perspective on the risk situation, we supplement risk evaluations with analyses of appropriate historical and hypothetical stress tests.

Our regular comparisons between risk and risk cover are based on these two different methods of assessing the risk position. Risk-mitigating diversification effects across the various risk types are consciously ignored by conservatively aggregating the covering amounts for the various categories of risk.

In the course of quarterly analyses carried out in parallel, the results of various stress scenarios specific to risk types as well as of general stress scenarios are compared with the available economic capital, and cannot exceed this figure. We also perform ad-hoc stress tests as and when required. As an inverse stress test, we define additional scenarios that would tie up all of the available economic capital if they were to occur.

The new methodology pursuant to the RTF guidelines was implemented at December 31, 2018. The customary “old-style” going-concern approach was used up to that reporting date. Not all of the economic capital available to the Bank in the past financial year was used by the business divisions, which highlights the particular caution built into the Bank’s risk management process and reflects the appropriateness of the relationship between the opportunities arising from business activities and the risks assumed with regard to overall profit or loss. Our overall bank management system provides that the business divisions take on risk only if it is commensurate with the potential rewards.

Figures 1 and 2 show the distribution of the tied economic capital across the various risk types and the divisions of the Bank.

Risk types

(year-ago figures in brackets)

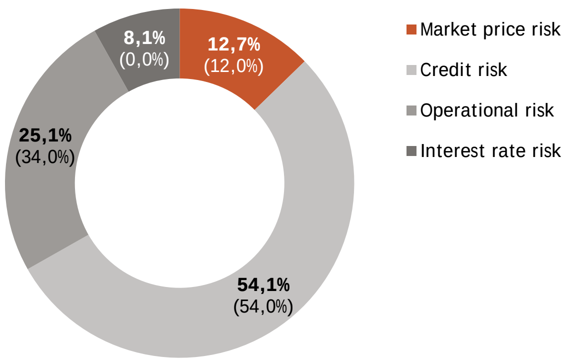


Figure 1: Tied Economic Capital by Risk Category

Divisions

(year-ago figures in brackets)

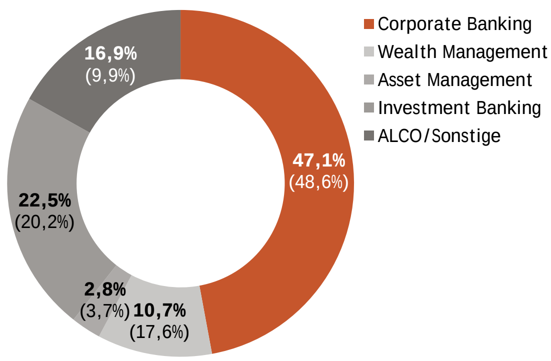


Figure 2: Tied Economic Capital by Division

Management has overall responsibility for the risk management process and defines the general conditions for managing the various risk types. The Risk Controlling unit acts independently of the various front offices in organisational terms, in accordance with the Minimum Requirements for Risk Management (MaRisk) for banks and financial services institutions. This unit works closely with the other divisions to ensure a constant and timely flow of information to the Bank's Management and Advisory Board, and is responsible for developing and overseeing the systems used in overall bank and risk management. Risk Controlling carries out a risk inventory at regular intervals and compares the risk amounts of the various risk types with the available economic capital. As part of the risk management process, we ensure in line with our strategy that excessive concentrations of risk do not exist, either within or across risk classes.

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

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

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

A Back Office Department organisationally independent of the front office monitors exposure to **counterparty risk** using a wide-ranging limit structure. A range of targeted risk controlling analyses supports the management of default risk at the overall portfolio level.

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

Interest rate risk of the banking book supplements the risk profile.

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

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

An overall calculation is performed on a monthly basis to track the profit and loss of the business divisions, taking into account the risks assumed. In this context, individual earnings components that are volatile over time and possible changes in profitability resulting from them are analysed. Daily reports on the key earnings components and scenario plans act as an early-warning system. A deliberate diversification is pursued across business divisions and markets.

The Risk Controlling unit provides management with an efficient management information system that enables the recipients to analyse the earnings and risks at different aggregation levels.

The Bank's Internal Audit Department regularly examines the organisational precautions for managing, monitoring and controlling the various categories of risk, described in detail below, based on the parameters specified in the Audit Manual.

Risk Controlling and the Back Office Department (Credit Risk Management) regularly provide information to the Risk Monitoring Committee set up by the Bank's Advisory Board, which holds three scheduled meetings each year.

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

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 and Asset Management (private clients and institutional clients), and Investment Banking (strategic clients) divisions. Furthermore, counterparty risk arises from our own **securities holdings** (issuer risk, spread risk), derivative transactions (counterparty 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; however, existing equity interests are 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. 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 2018. 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 institutional group), with a view to achieving the broadest possible diversification

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 liquidity reserve (including promissory notes) is dominated by securities issued by German public-sector issuers, which account for 22% (previous year: 35%), and those guaranteed either by the Federal Republic of Germany or a German state, which account for 49% (previous year: 41%). German Pfandbriefs and Scandinavian covered bonds account for 29% (previous year: 24%). The Bank did not hold European government bonds at the end of the year (previous year: 0%). The average remaining maturity of this bond holding amounted to 1.3 years at year-end (previous year: 1.5 years), meaning that only minor spread change risk occurs in the portfolio. Due to limited investment opportunities in the preferred investment university, a portion of the liquidity surplus remained in the ECB deposit facility.

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 (replacement risk). We have reduced counterparty risk by practising comprehensive collateral management in this segment, which can include further counterparties as required. This form of ongoing collateralisation of OTC transactions is practised not only with banks but also with an ever-broader base of 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 business and its related risks. 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, which have a very modest scope at the Bank, are maintained and regularly 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. This expected loss of the 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 the assets to be financed as a key parameter. Structured financing is likewise measured using an internally developed rating tool that explicitly factors in the debt ratio (leverage). In our portfolio of ship loans – which is limited in magnitude compared with the overall portfolio – we notably look for short loan periods in view of the current 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 quantile. 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. Because 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. This includes the comprehensive method for taking into account financial collateral pursuant to CRR. Under this approach, the tied capital from counterparty risk totalled € 69.9 million at 31 December 2018 (previous year: € 62.1 million).

Counterparty exposure under the Standardised Approach

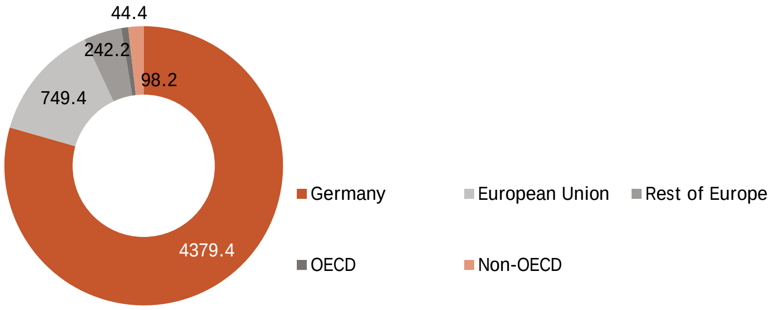
Disclosures pursuant to Article 442 CRR

Exposure classes € millions	12/31/2018	12/31/2017	Average 2018	Average 2017
Exposures to central governments	975.8	834.4	1,149.9	745.9
Exposures to regional governments or local authorities	615.2	879.7	678.4	1,067.9
Exposures to public sector entities	889.0	890.0	870.2	222.5
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	468.6	463.6	496.2	1,204.3
Exposures to corporates	1,670.1	1,485.0	1,650.2	1,783.5
Retail exposures	218.2	219.7	195.3	57.1
Exposures secured by mortgages on immovable property	24.2	47.0	32.2	57.2
Exposures in default	1.1	4.5	2.2	1.9
Exposures associated with particularly high risk	0.0	0.0	0,0	0.0
Exposures in the form of covered bonds	580.9	592.7	584.5	691.4
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')	0.6	83.0	0.8	96.8
Equity exposures	28.1	32.5	27.4	29.1
Other items	41.8	38.2	36.3	34.3
Total	**5,513.6**	**5,570.3**	**5,723.5**	**5,991.7**

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**	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Exposures to central governments	975.8	833.4	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	975.8	834.4
Exposures to regional governments or local authorities	615.2	879.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	615.2	879.7
Exposures to public sector entities	889.0	890.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	889.0	890.0
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	109.9	92.3	278.4	249.6	32.0	68.2	39.4	48.5	8.9	5.0	468.6	463.6
Exposures to corporates	1,317.2	1.152.2	179.3	125.0	82.6	74.9	4.8	1.5	86.2	131.4	1,670.1	1,485.0
Retail exposures	205.9	200.3	8.7	14.5	0.4	0.2	0.1	0.6	3.1	4.1	218.2	219.7
Exposures secured by mortgages on immovable property	24.2	47.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.2	47.0
Exposures in default	0.8	3.4	0.0	1.0	0.2	0.0	0.1	0.1	0.0	0.0	1.1	4.5
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	171.7	187.8	283.0	284.4	126.2	120.5	0.0	0.0	0.0	0.0	580.9	592.7
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’)	0.6	83.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	83.0
Equity exposures	27.3	32.2	0.0	0.0	0.8	0.3	0.0	0.0	0.0	0.0	27.3	32.5
Other items	41.8	38.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	41.8	38.2
Total	**4,379.4**	**4,439.5**	**749.4**	**675.5**	**242.2**	**264.1**	**44.4**	**50.7**	**98.2**	**140.5**	**5,513.6**	**5,570.3**

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

Exposure classes € millions	Other financial entities		Other entities and economically independent persons		Economically dependent persons		Institutions		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Exposures to central governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	975.8	834.4	975.8	834.4
Exposures to regional governments or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	615.2	879.7	615.2	879.7
Exposures to public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	889.0	890.0	0.0	0.0	889.0	890.0
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	468.6	463.6	0.0	0.0	468.6	436.6
Exposures to corporates	305.8	615.7	1.280.7	797.2	79.6	71.5	0.0	0.0	4.0	0.6	1,670.1	1,485.0
Retail exposures	42.5	0.0	91.8	39.1	83.9	180.6	0.0	0.0	0.0	0.0	218.2	219.7
Exposures secured by mortgages on immovable property	0.0	0.0	24.2	43.1	0.0	3.9	0.0	0.0	0.0	0.0	24.2	47.0
Exposures in default	0.0	0.0	0.8	3.5	0.3	1.0	0.0	0.0	0.0	0.0	1.1	4.5
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	0.0	0.0	0.0	0.0	0.0	580.9	592.7	0.0	0.0	580.9	592.7
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	0.6	83.0	0.6	83.0

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Equity exposures	27.2	19.9	0.3	12.6	0.0	0.0	0.6	0.0	0.0	0.0	28.1	32.5
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	41.8	38.2	41.8	38.2
Total	**376.1**	**635.6**	**1.397.8**	**895.5**	**163.8**	**257.0**	**1,939.1**	**1,946.3**	**1,636.8**	**1,835.9**	**5,513.6**	**5,570.3**

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**	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Exposures to central governments	0.0	0.0	0.0	0.0	0.0	0.0	975.8	834.4	975.8	834.4
Exposures to regional governments or local authorities	369.1	455.1	246.1	424.6	0.0	0.0	0.0	0.0	615.2	879.7
Exposures to public sector entities	426.5	433.1	432.5	456.6	0.0	0.0	0.0	0.0	889.0	890.0
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	110.7	246.8	76.1	0.0	0.0	0.0	281.8	216.8	468.6	463.6
Exposures to corporates	446.8	185.4	267.5	178.1	135.8	171.1	819.9	950.4	1,670.1	1,485.0
Retail exposures	0.5	0.1	2.4	1.2	10.0	1.9	205.3	216.5	218.2	219.7
Exposures secured by mortgages on immovable property	1.1	47.0	0.6	0.0	0.0	0.0	22.5	0.0	24.2	47.0
Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	1.1	4.5	1.1	4.5
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	250.1	162.9	330.8	429.8	0.0	0.0	0.0	0.0	580.9	592.7
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	0.6	83.0	0.6	83.0
Equity exposures	0.0	0.0	0.0	0.0	0.0	0.0	28.1	32.5	28.1	32.5
Other items	0.0	0.0	0.0	0.0	0.0	0.0	41.8	38.2	41.8	38.2
Total	**1,530.7**	**1,530.7**	**1,490.3**	**1,490.3**	**173.0**	**173.0**	**2,376.3**	**2,376.3**	**5,513.6**	**5,570.3**

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 sectors **€ million**	**Banks**	**Public-sector entities**	**Corporates and retail**	**Total**
Past-due loans without need of a value adjustment	0.0	0.0	0.3	0.3
Total amount of impaired exposures (impaired loans)	0.0	0.0	2.6	2.6
Specific value adjustments and provisions	0.0	0.0	2.0	2.0
General value adjustments	0.0	0.0	0.9	0.9
Net addition (+) or reversal (-)	0.0	0.0	-0.7	-0.7
Charge-off	0.0	0.0	0.0	0.0
Recoveries on charged-off receivables	0.0	0.0	0.0	0.0

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

€ millions	**Germany**	**EU**	**Rest of Europe**	**OECD countries**	**Non-OECD countries**	**Total**
Past-due loans without need of a value adjustment	0.3	0.0	0.0	0.0	0.0	0.3
Total amount of impaired exposures (impaired loans)	2.6	0.0	0.0	0.0	0.0	2.6
Specific value adjustments and provisions	2.0	0.0	0.0	0.0	0.0	2.0
General value adjustments	0.9	0.0	0.0	0.0	0.0	0.9
Net addition (+) or reversal (-)	-0.3	-0.4	0.0	0.0	0.0	-0.7
Charge-off	0.0	0.0	0.0	0.0	0.0	0.0
Recoveries on charged-off receivables	0.0	0.0	0.0	0.0	0.0	0.0

Development of risk adjustments

€ millions	Opening balance	Setup	Reversal	Consumption	Closing balance
Specific credit risk adjustments / interest adjustments	3.0	0.0	0.4	0.6	2.0
Provisions	0.0	0.0	0.0	0.0	0.0
General credit risk adjustments	1.2	0.0	0.3	0.0	0.9

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. For ongoing management, 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. In accordance with the regulatory requirements, an extremely conservative approach is additionally used within the framework of risk-bearing capacity with a confidence level of 99.9% and a significantly longer holding period of 180 trading days (economic perspective). 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.

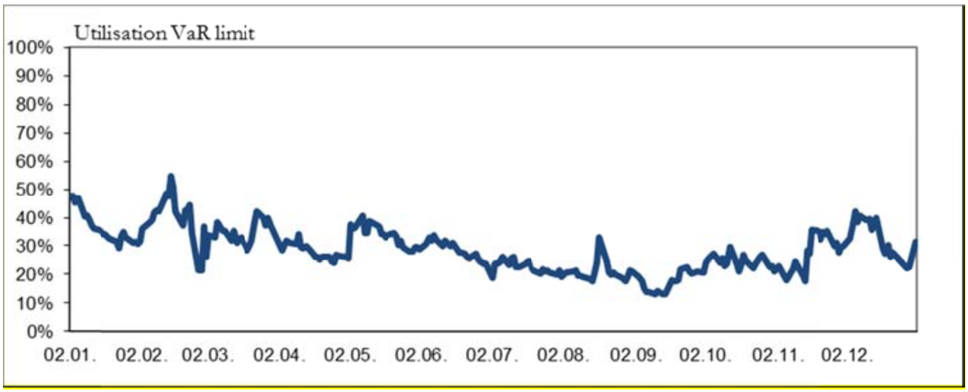

Figure 3: Limit Utilisation Market Price Risk 2018

Figure 3 shows the moderate risk potential arising from our trading activities. The Bank's trading book defined for regulatory purposes is dominated by traditional 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 measurement 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.

Figure 4 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

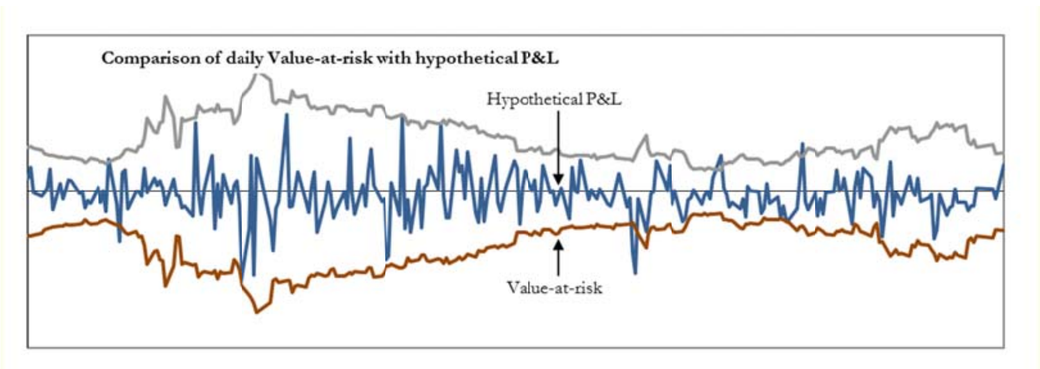

Figure 4: Daily Back-testing Market Price Risk 2018

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

Trading portfolios	VaR at end of reporting period	VaR values during the year		
		High	Low	Average
	€ '000	€ '000	€ '000	€ '000
Aggregated VaR	**1.985 (2.250)**	**6.198 (4.860)**	**1.125 (1.327)**	**2.734 (2.904)**

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

Figure 5: 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. In the new methodology for risk-bearing capacity (economic perspective), the current limit utilization is compared to the economic capital using a very high confidence level of 99.9% and with a holding period of 180 days in accordance with the requirements for representing market price risk. Because unrealised losses have a limit-reducing effect, the allocated limits imply a stop-loss limit and therefore determine the maximum loss potential per financial year. Whereas the value-at-risk values are used to analyse the 99% and 99.9% confidence levels, 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/her 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 € 16.1 million at 31 December 2018 (previous year: € 19.3 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 €16.2 million.

The own funds backing breaks down as follows:

Disclosures pursuant to Article 445 CRR

Market risk	Own funds requirements	
€ millions	2018	2017
Standardised Method		
• Net interest exposure	6.2	0.6
• Net equity exposure	8.5	18.4
• Total currency exposure	1.5	0.3
Total	**16.2**	**19.3**

Settlement risk

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

€ millions	2018	2017
Settlement risk	7.6	0.7

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 in order to limit risk.

The effect of the interest rate shocks for interest rate risk in the banking book (IRRBB) defined for supervisory purposes is regularly analysed using internally developed procedures. 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 very conservative process scenarios. Equity components were not included in the analyses. 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 10.03% at the end of the financial year (previous year: 2.77%). The increase in this ratio results from the revised circular from BaFin on interest rate risk and not from a change in our investment policy, which is characterized by short terms in the lending and borrowing business. The inclusion of employer pension plans in particular, which do not represent a bank-specific item, and the adjusted recognition of foreign currency deposits lead to a shift in the level of the results. At around 50%, the utilization of the regulatory threshold value lies in a comfortable range and we also do not expect any greater volatility here in the future.

Interest rate risk in the banking book

Interest rate shock 1 (+200/-200 bp)	€ millions
Present value decrease in income	-29.1
Present value increase in income	31.4

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. What are referred to as non-financial risks are also included to a large extent as part of our OpRisk management (e.g. IT, compliance, and legal risks). Furthermore, they are taken into consideration implicitly through the conservative composition of the economic capital.

The management of related risks is particularly important to the Bank, given its focus on the provision of services. We use advanced procedures for risk measurement (internal OpVaR model, scenario analyses).

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 Central Bank Management 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 constantly refine the existing procedures to reflect the latest state of the art and ensure the security of our Bank. Among other things, we conduct behaviour-based analyses (sandbox solution) of all e-mail attachments in addition to signature-based analyses. 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 applied our advanced methodology used to internally manage operational risk during the 2018 financial year in the established way. The scenario analyses are conducted on a regular basis. This involves asking experts from all areas of the Bank about a wide-ranging list of possible scenarios during structured workshops. **Outsourcing** topics occur where it appears useful in consideration of profitability and is the responsibility of the 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. At the time of implementation, we engaged an outside institution to review the quality of the methods employed to manage operational risks and the related processes. With the model established, we believe that we are well positioned to meet the regulatory requirements of Pillar II and 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%. By the end of 2018, the capital required to cover operational risk totalled € 60.5 million (previous year: € 53.0 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 the Deutsche Bundesbank amounted to € 1.0 billion at 31 December 2018 (previous year € 1.1 billion). We do not expect our very comfortable liquidity situation to change in the new financial year.

To manage short-term liquidity, our Treasury Department analyses all relevant 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 also 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 1.6, the Liquidity Coverage Ratio (LCR) was well above the required minimum ratio at the end of the year.

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 Overall bank management

Our business strategy, which has proved successful over many years, is regularly reviewed together with the corresponding risk strategy during the annual planning process. This process also 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 risk-bearing capacity calculation, with its comparison of calculated risks and available economic capital, represents a central component for managing the risks assumed at the level of the overall Bank. A conceptual merger of capital planning, income statement planning, and risk-bearing capacity takes place based on the new RTF guidelines. The parallel consideration of a normative and an economic perspective makes it possible to factor in both the continued existence of the institution as well as the protection of creditors in parallel.

The risks and rewards of banking operations are constantly held in view in our processes for overall bank management. As a scarce resource, economic capital is allocated to the segments for which the opportunities considerably exceed the risk assumed.

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 thus ensures 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

		Comparison
Group of participation instruments	**Book value € millions**	**Fair value € millions**
Credit institutions	0.5	0.5
Other enterprises	26.2	26.2
Total	**26.7**	**26.7**
thereof:		
Affiliated enterprises	25.9	
Participating interests	0.8	

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.

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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 Real Estate Asset Management GmbH, Hamburg

The object of the company is the administration and management of real estate along with consulting in the national and international real estate business.

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

		Deferred remeasurement gains/losses		
€ millions	Realised gain/loss from sale/settlement	Total amount	Thereof recognized in Tier 1 capital	Thereof recognized in Tier 2 capital
Total	**64.3**	**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, public bodies, institutions and covered bonds for credit assessment purposes.

	Credit quality step							
Exposures calculated with the aid of ECAIs, broken down by prudential credit quality step, before credit risk mitigation (CRM) € millions	**1**	**2**	**3**	**4**	**5**	**6**	**Capital de-duction**	**Other**
Exposures to central governments	834.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to regional governments or local authorities	879.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	890.0	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	451.3	12.4	0.0	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	592.7	0,0	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	**3,648.1**	**12.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Exposures calculated with the aid of ECAIs, broken down by prudential credit quality step, after CRM € millions	Credit quality step 1	2	3	4	5	6	Capital de-duction	Other
Exposures to central governments	834.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to regional governments or local authorities	879.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	890.0	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	451.3	12.4	0.0	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	592.7	0,0	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	**3,648.1**	**12.4**	**0.0**	**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.

The following collateral in particular is currently factored in within the framework of the CRR, thus reducing its application.

- Financial collateral (e.g., pledging of securities, cash balances)
- Mortgages
- Warranties

The mortgage-based collateralization primarily involves mortgages on domestic and foreign business real estate and on domestic residential real estate. Measurements can be prepared by in-house and outside experts. They must hold adequate qualifications corresponding to the property type. Setting the collateral value for real estate is carried out by a decision within the framework of the credit report.

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. The creditworthiness of the guarantor is monitored in connection with the annual review of the value of collateral as well as receivables. The relevant banks all have a maximum credit rating.

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

Disclosures pursuant to Article 442 CRR

Total outstanding exposure amounts

The exposure value according to CRR Art. 111 CRR describes the amount at risk of default and thus forms the basis for determining the risk-weighted exposures and the capital requirement.

The exposure values before and after collateral according to the Credit Risk Standardised Approach are presented in the table below.

Exposure class	Exposures before and after credit risk mitigation (€ millions)			
	Risk exposure value before credit risk mitigation		Exposure values after credit risk mitigation	
	2018	2017	2018	2017
Central governments or central banks	975.8	834.4	975.8	834.4
Regional governments or local authorities	615.2	879.7	615.2	879.7
Public-sector entities	889.0	890.0	889.0	890.0
Multilateral development banks	0.0	0.0	0.0	0.0
International organizations	0.0	0.0	0.0	0.0
Institutions	468.6	463.6	415.5	374.3
Corporates	1,670.1	1,485.0	1,215.9	1,058.3
Retail	218.2	219.7	119.7	111.9
Exposures secured by mortgages on immovable property	24.2	47.0	24.2	47.0
Exposures in default	1.1	4.5	1.1	4.5
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0
Covered bonds	580.9	592.7	580.9	592.7
Securitization positions	0.0	0.0	0.0	0.0
Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0
Shares in collective investment undertakings (CIUs)	0.6	83.0	0.6	83.0
Equity exposures	28.1	32.5	28.1	32.5
Other items	41.8	38.2	41.8	38.2
Total	**5,513.6**	**5,570.3**	**4,907.8**	**4,946.5**

Total amount of secured exposures (€ millions)

The following summary shows the collateral qualifying for recognition in the form of warranties, guarantees and other collateral.

	Total amount of secured exposures (excluding securitizations) (€ millions)							
	Guarantees/ sureties		Financial collateral		Other collateral		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional governments or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public-sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
International organizations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Institutions	0.0	0.0	73.0	96.5	-20.0	0.0	73.0	96.5
Corporates	0.0	7.1	434.2	419.5	20.0	0.0	454.2	426.6
Retail	0.0	0.0	98.6	107.8	0.0	0.0	98.6	107.8
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
Covered bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securitization positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
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	**0.0**	**7.1**	**605.8**	**623.8**	**0.0**	**0.0**	**605.8**	**630.9**

CRSA exposure values after credit risk mitigation (€ millions)

Exposure classes	Exposures after credit risk mitigation by credit quality level											
	0%	2%	10%	20%	35%	50%	75%	100%	150%	250%	1250%	Other
Central governments or central banks	975.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional governments or local authorities	615.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector entities	889.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
International organizations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Institutions	0.0	4.5	0.0	401.7	0.0	9.3	0.0	0.0	0.0	0.0	0.0	0.0
Corporates	108.2	0.0	0.0	0.0	0.0	0.0	0.0	1,107.7	0.0	0.0	0.0	0.0
Retail	0.0	0.0	0.0	0.0	0.0	0.0	119.7	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	24.2	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	0.5	0.6	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	0.0	0.0	0.0	0.0
Covered bonds	0.0	0.0	580.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securitization 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
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
Shares in collective investment undertakings (CIUs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Equity exposures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.6	0.0	0.5	0.0	0.0
Other items	2.3	0.0	0.0	0.1	0.0	0.0	0.0	39.3	0.0	0.0	0.0	0.0
Total	2,590.5	4.5	580.9	401.8	24.2	9.3	119.7	1,175.7	0.6	0.5	0.0	0.0

Counterparty default risks according to the Standardised Approach (€ millions)

Risk weight	Before credit risk mitigation	After credit risk mitigation with substitution effects	Exposure value	Risk-weighted exposure value
0%	2,590.5	2,590.5	2,590.5	0.0
2%	4.5	4.5	4.5	0.1
4%	0.0	0.0	0.0	0.0
10%	580.9	580.9	580.9	58.1
20%	451.8	401.8	398.4	79.7
35%	24.2	24.2	24.1	8.4
50%	12.4	9.3	9.3	4.6
70%	0.0	0.0	0.0	0.0
75%	218.2	119.7	22.5	16.8
100%	1,630.0	1,175.7	699.5	699.5
150%	0.6	0.6	0.5	0.7
250%	0.5	0.5	0.5	1.3
370%	0.0	0.0	0.0	0.0
1250%	0.0	0.0	0.0	0.0
Other risk weights	0.0	0.0	0.0	0.0

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9. Counterparty default risk

Statements pursuant to Article 439 CRR

Positive replacement values	Gross positive fair value before netting and collateral	Netting	Eligible collateral	Positive gross fair value after netting and collateral
Interest rate derivatives	4.9	0.0	0.0	4.9
Currency derivatives	257.9	180.3	12.4	65.2
Credit derivatives	0.0	0.0	0.0	0.0
Equity derivatives	446.3	292.5	83.9	69.9
Total	**529.7**	**472.8**	**96.3**	**140.0**

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 €18.6 million at 31 December 2018, the corresponding positive market values amount to €529.7 million.

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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 4.95% results for the Berenberg Group at the reporting date of 31 December 2018.

Reporting date	**31/12/2018**	**31/12/2018**
Name of entity	Joh. Berenberg, Gossler & Co. KG	Joh. Berenberg, Gossler & Co. KG
Application level	Single institution	Corporate group
Leverage ratio	4.93	4.95

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)	4,580.7
2	(Asset amounts subtracted when measuring Tier 1 capital)	-2.0
3	Total of recognised risk exposures (without derivatives, SFT, and trust assets) Sum of Lines 1 and 2	4,578.7
Risk exposures from derivatives		
4	Replacement value of all derivative transactions (i.e., without applicable subsequent payments received in cash)	86.5
5	Surcharges for the potential future replacement value with regard to all derivative transactions (market valuation method)	156.9
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)	243.4
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

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Uniform disclosure of the leverage ratio		€ millions
Other risk exposures not on the statement of financial position		
17	Risk exposures not on the statement of financial position at gross nominal value	165.1
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)	165.1
(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	-7.5
Own funds and overall risk exposure measure		
20	Tier 1 capital	246.3
21	Overall risk exposure measure of the leverage ratio (total of Lines 3, 11, 16, 19, EU-19a and EU-19b)	4,979.7
Leverage ratio		
22	Leverage ratio	4.95%
Amount of trust exposures written off		
EU-23	Selected transitional regulation for the definition of the capital measur	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	4,713.7
2	Adjustment for companies that are consolidated for accounting purposes but do not belong to the prudential consolidation group	-2.8
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 measure of the leverage ratio pursuant to Article 429 para. 13 of Regulation (EU) No. 575/2013)	-5.5
4	Adjustment for derivative financial instruments	243.4
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)	165.1
EU-6a	(Adjustment for internal Group risk exposures that are disregarded in the overall risk exposure measure of the leverage ratio pursuant to Article 429 para. 7 of Regulation (EU) No. 575/2013)	0.0
7	Other adjustments	-134.2
8	Overall risk exposure measure of the leverage ratio	4,979.7

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:	4,578.9
EU-2	Risk exposures in the trading book	129.8
EU-3	Risk exposures in the investment book, thereof (total of Lines EU-4 to EU-12)	4,449.1
EU-4	Covered bonds	580.9
EU-5	Risk exposures that are treated as risk exposures vis-à-vis central governments	980.1

Breakdown of the recognised risk exposures (without derivatives, SFT, and excluded risk exposures)		€ millions
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	1,504.2
EU-7	Institutions	378.0
EU-8	Secured by mortgages on real estate	24.2
EU-9	Risk exposures from retail trade	41.8
EU-10	Corporates	864.8
EU-11	Defaulted exposures	0.8
EU-12	Other risk exposures (e.g., equity exposures, securitisations, and other assets that are not loan obligations)	74.3

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 83.53%.

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 Bank'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 requirements set out in the RTS/2017/03. The items indicated below are to be disclosed as median values. They must be rolling quarterly values of the preceding 12 months and are to be calculated by interpolation.

Book values of encumbered and unencumbered assets (€ millions)

Book value	Encumbered assets		Fair value of encumbered assets		Unencumbered assets		Fair value of unencumbered assets	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Equity instruments	1.8	6.1	1.6	6.1	48.0	220.8	55.9	229.0
Debt securities	157.1	409.1	156.5	411.5	1,570.2	1,677.8	1,570.7	1,687.5
thereof: covered bonds	0.0	0.0	0.0	0.0	497.0	592.7	493.0	592.7
thereof: asset-backed securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
thereof: issued by general governments	68.7	300.3	68.3	0.0	469.6	632.0	470.0	634.7
thereof: issued by financial corporations	88.4	108.8	88.2	0.0	935.2	332.0	936.3	339.1
thereof: issued by non-financial corporations	0.0	0.0	0.0	0.0	165.4	121.0	164.3	121.0
Other assets	152.3	109.1			2,779.9	3,576.00		
thereof: loans on demand	133.9	91.6			1,147.0	1,098.7		
thereof: loans and advances excluding loans on demand	18.4	17.5			1,501.2	1,450.0		

Collateral received for encumbered and unencumbered assets (€ millions)

	Fair value of encumbered collateral received and issued own debt securities		Fair value of security received and debt securities issued that could be encumbered	
	2018	2017	2018	2017
Total collateral received	311.3	524.3	447.2	131.3
• Loans on demand	0.0	0.0	0.0	0.0
• Equity instruments	0.0	0.0	1.8	24.9
• Debt securities	0.0	0.0	2.5	2.0
• thereof: covered bonds	0.0	0.0	0.0	0.0
• thereof: asset-backed securities	0.0	0.0	0.0	0.0
• thereof: issued by general governments	0.0	0.0	0.0	0.0
• thereof: issued by financial corporations	0.0	0.0	2.5	2.0
• thereof: issued by non-financial corporations	0.0	0.0	0.0	0.0
• Loans and advances. excluding loans on demand	0.0	0.0	0.0	0.0
• Other collateral received	311.3	524.3	447.2	131.3
• Own debt securities issues. excluding own covered bonds or asset-based securities	0.0	0.0	0.0	0.0
• Own covered bonds and asset-backed securities issued and not yet pledged as collateral	0.0	0.0	0.0	0.0
• Total assets. collateral received and own debt securities issued	0.0	0.0	0.0	0.0

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

	Coverage of liabilities, contingent liabilities or other loaned securities		Assets, collateral received and other own debt securities issued as encumbered covered bonds and ABS	
	2018	2017	2018	2017
Book value of selected liabilities	109.4	0.0	311.3	524.3

12. Disclosures pursuant to Section 16 InstitutsVergV

According to Section 16 of the Regulations Governing Supervisory Requirements for Institutions' Remuneration Systems (InstitutsVergV) in conjunction with Article 450 of Regulation (EU) No. 575/2013, our company **continues** to not be subject to any disclosure obligation; nonetheless, we are disclosing the features of our remuneration system broken down by country below.

Germany

In terms of pay, Berenberg's remuneration system in Germany makes a distinction in fixed salary between those employees who are subject to the framework collective agreement 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 and executives).

Non-exempt staff

The collective agreements for the private banking industry apply to the non-exempt staff by reference in their employment contracts. The size of the gross monthly salary is based on their tariff group and length of service. This amount is disbursed to the non-exempt staff on the 15th of each month.

In addition, non-exempt staff receive a contractually agreed 13th month's salary, which is disbursed in November of each year. In the case that the employment relationship does not exist for the full period during a calendar year, this payment is pro-rated.

Non-exempt staff can also collectively receive a voluntary bonus on top of the fixed salary. In past years, this amounted to ¾ of a monthly salary payment. This disbursement occurs half in November and half in March of the following year, provided that the employment relationship has not been terminated at the time the partial amounts are disbursed. Even repeated payment of the voluntary bonus does not cause any claim for the future to arise.

The payment is at the sole discretion of the Bank (a purely discretionary decision and subject to reservation of the voluntary nature) and depends on the Bank's business results. If the employment relationship does not exist for the full year, this payment is pro-rated.

There may be additional bonus payments for non-exempt employees in individual cases, which are determined on a purely discretionary basis and are paid for special projects, individual successes, etc. Any negative contributions to the business results by an individual staff member are factored in when setting the bonus.

Exempt staff

The exempt staff receive a fixed salary disbursed in 12 monthly instalments on the 15th of each month.

Based on its historical traditions, Berenberg employs alternative payment systems for exempt staff, which only affect very small groups of exempt staff:

Staff who joined the company on or before 31 December 2000: Fixed salary of 12 monthly payments and a fixed bonus, which is paid every quarter in the months of February, May, August and November (pro rata if the employment relationship is not in effect for the full calendar year);

Staff who joined the company from 1 January 2001 to 1 August 2012: Fixed salary in 14 equal monthly amounts. The 13th and 14th monthly salaries are paid in May and November. They are paid pro rata if the employee relationship is not in effect for a full calendar year.

In order to also guarantee general compensation for inflation for the exempt staff, exempt staff members currently receive a salary adjustment corresponding to the amount of the increase in the last pay scale group (9/11) on the 1st of January following any collective increase, based on a regulatory agreement with the works council.

Exempt staff can receive a discretionary bonus in addition to the fixed salary. Whether and to what extent any bonus payment occurs shall be determined and established annually by the business owners. Any negative contributions to the business results by an individual staff member are factored in when setting the bonus.

Executives

Executives received a fixed salary, which is paid in 12 equal monthly instalments on the 15th day of every month.

Executives may receive a discretionary bonus in addition to their fixed salary. Whether and to what extent any bonus payment occurs shall be determined and established annually by the business owners. Any negative contributions to the business results by an individual staff member are factored in when setting the bonus.

Individual adjustments of the fixed salary

Individual adjustments of the fixed salary may be made for all three staff categories, either during the year in recognition of changed responsibilities and promotions, or as part of the annual planning process, taking effect on January 1.

Switzerland

The employees in the Zurich representative office and Geneva representative office are not subject to a collective pay agreement. They receive a fixed salary in Swiss francs, which is disbursed 12 monthly instalments on the 20th of each month.

The Bank may pay 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 by the business owners and the individual business unit heads. The bonus is determined in the same way as in Germany. The employment relationship must not have been terminated at the disbursement date.

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 on the 15th of each month. The vacation and Christmas remuneration (13th and 14th monthly salary payments) is due on May 15th and November 15th.

The Bank may pay 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 by the business owners and the individual business unit heads. The bonus is determined in the same way as in Germany.

France

The employees in the French branch are not subject to a collective pay agreement. They receive a fixed salary, which is disbursed in 12 monthly instalments on the 25th of each month.

The Bank may pay 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 by the business owners and the individual business unit heads. The bonus is determined in the same way as in Germany.

Luxembourg

The employees in Luxembourg are not subject to a collective pay agreement. The employees' salaries are based on the salary benchmarks provided by the wage provider according to professional groups and professional experience, and are set by the Human Resources department in consultation with the responsible executive at hiring.

The salary is paid on the 15th of each month in 13 instalments. The 13th salary payment is disbursed together with the November salary payment. If the employment relationship is not in effect for a full calendar year, this payment is made on a pro-rated basis.

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 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 by the business owners and the individual business unit heads. The bonus is determined in the same way as in Germany.

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 on the 25th of each month.

The Bank may pay 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 by the business owners and the individual business unit heads. The bonus is determined in the same way as in Germany.

Subsidiaries

Berenberg Capital Management LLC (BCM) and Berenberg Asset Management LLC (BAM)

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

BCM and 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 by the partner responsible for the company in consultation with the Board. The bonus is determined in the same way as at Group level.

We were supported by a law firm specialized in regulatory remuneration issues in designing and wording the "Principles of the Remuneration System of the Berenberg Group" for implementation of the "Regulation on the Requirements for the Remuneration Systems of Institutions under Regulatory Law (Institutsvergütungsverordnung – InstitutsVergV)" of 4 August 2017.

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

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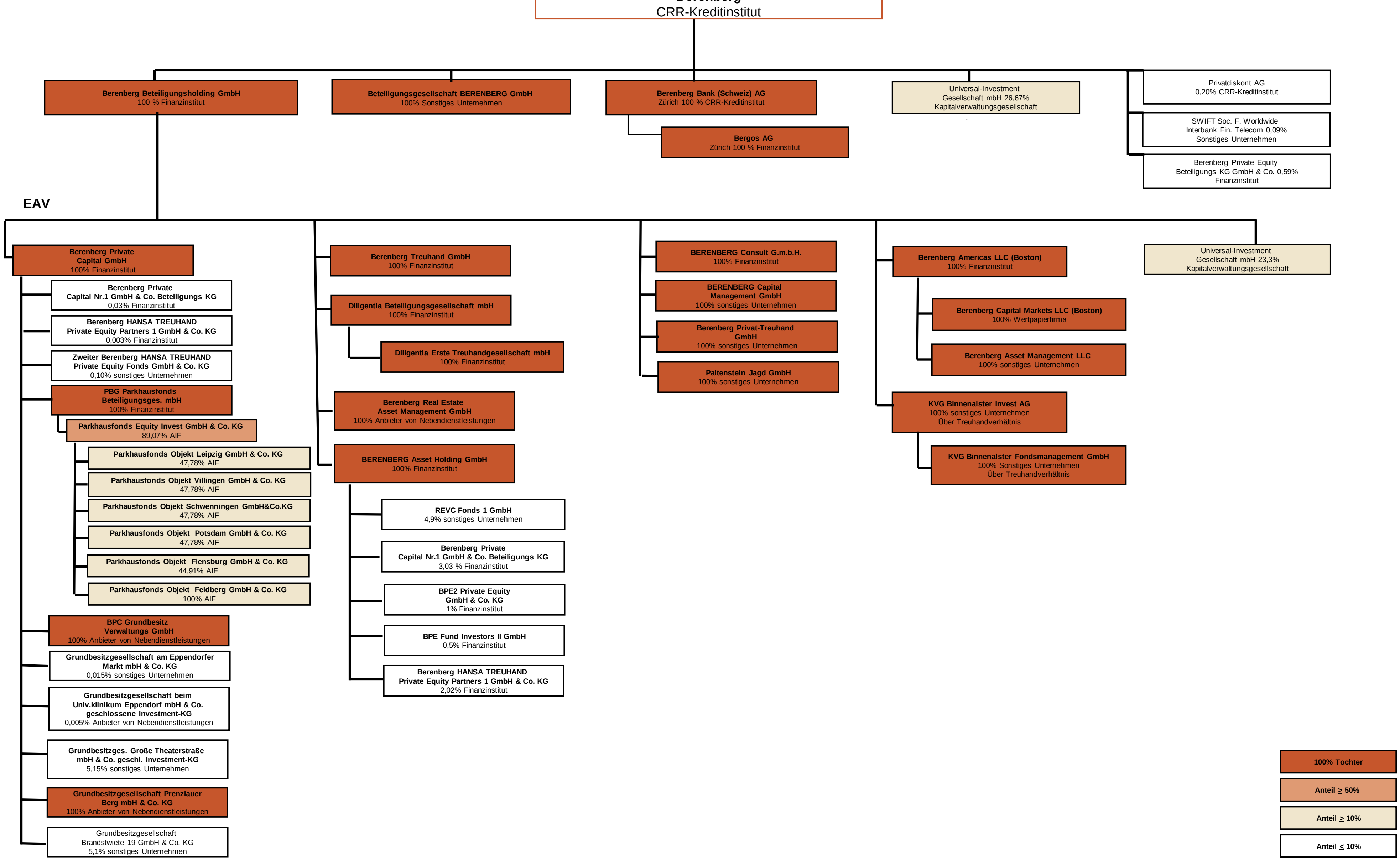
Annex 1: Schedule of participating interests



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 the corporate divisions of Wealth Management and Asset Management and Bank Management, as the departments of Back Office / Credit Risk Management, Group Compliance, Legal Affairs, Partners Office, Human Resources, Internal Audit, Economics, Real Estate 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)

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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 with responsibility for the corporate division of Investment and Corporate Banking and the departments of Asset Managers Office and Treasury
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

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