BERENBERG
PARTNERSHIP SINCE 1590

DISCLOSURE REPORT

pursuant to Article 431 in conjunction with Article 433c (2) CRR (Capital Requirements Regulation) including disclosure pursuant to *InstitutsVergV* (German Remuneration Regulation for Institutions)

Reporting date: 31.12.2021

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Preface

This Disclosure Report as at 31 December 2021 is being published in accordance with the regulatory requirements of the CRR (Capital Requirements Regulation /EU Regulation 575/2013 in conjunction with EU Regulation 2019/876/ supplemented by the EBA Technical Standards EBA/ITS/2020/04).

This report provides a comprehensive view of the current risk profile and risk management of Berenberg. It specifically contains information on:

- its regulatory and commercial-code structure,
- its capital base,
- its general risk management system of Berenberg, and
- its risk management of individual types of risk

Article 431 *et seqq.* CRR obligates institutions to publish qualitative and quantitative information on a regular basis on equity capital, risks taken, the risk management procedures implemented, as well as on credit risk mitigation techniques, and have formal procedures and regulations in place to fulfil these disclosure duties.

In accordance with Article 431 *et seqq.* CRR, the disclosure requirements of the CRR apply to institutions that fall within the scope of Article 4 (1) no. 148 CRR. Through the amendment of the CRR, the principle of proportionality was extended, which is reflected by the disclosure duties for "other", "non-listed" institutions in Article 433c (2)(a-f). In compliance with Article 432 CRR, the information disclosed in this report is subject to the materiality principle. Information that is legally protected or confidential is not subject to disclosure. On an annual basis, Berenberg checks on whether its selected procedures for assessing materiality are appropriate or whether its disclosure duties need to be expanded.

Factors such as the following are used for assessing materiality: business model analysis, group risk strategy, shares in risk-weighted assets and the earnings contribution to consolidated earnings.

The adequacy and suitability of the institution's disclosure practice must be reviewed on a regular basis. To this end, Berenberg has drawn up a framework for the Disclosure Report. The operational requirements and responsibilities are also regulated in work instructions.

The Disclosure Report is updated annually and is published in a timely manner on the website, in addition to the annual financial statements and the management report, as an independent report.

Please note that when rounded amounts and percentages are used, commercial rounding differences may occur.

1. Motivation and objectives of disclosure

In accordance with the legal principles indicated in the preface, Berenberg is required to publish qualitative and quantitative information on the following points on an annual basis:

- Risk management objectives and policies,
- Scope of application,
- Capital base and capital requirements,
- Countercyclical capital buffer,
- Credit risks/counterparty default risks,
- Market price risks,
- Interest rate risks in the banking book,
- Operational risks,
- Governance rules,
- Debt, and
- Remuneration policy.

This report's purpose is to fulfil the disclosure requirements for Berenberg as at the reporting date of 31 December 2021. The Bank's website is used as a disclosure medium for this report.

Pursuant to Article 432 CRR and in conjunction with EBA/GL/2014/14 regarding materiality and confidentiality of disclosure, the report contents presented are subject to the principle of materiality. This report does not deal with legally protected or confidential information. The contents of the report are reviewed at regular intervals to ensure adequate disclosure practices. The relevant responsibilities and framework conditions are set out in the work instructions. The following report contents provide comprehensive information on Berenberg's overall risk profile.

2. Statement by the Bank's Board of Management on the adequacy of the risk management procedures

Article 435 (1) (e) CRR

It is Berenberg's objective to generate sustainable, risk-adequate returns on capital employed for its shareholders. The Bank takes advantage of opportunities arising on the market in a targeted manner. To this end, it is prepared to consciously take risks at an economically viable level.

The structure of the Bank's risk management systems is determined by its business and risk strategy. The Board of Management is responsible for devising and implementing these strategies. The risk strategy is derived consistently from the Bank's sustainable business strategy. It defines the rules for handling risks that arise indirectly or directly from the Bank's business activities. These rules form the basis for a Bank-wide, uniform understanding of the corporate objectives in connection with risk management.

This risk strategy specifically covers the risk diversification goals of the main business activities and is an instrument based on market activities and internal controlling, which is reviewed annually and adapted where necessary. Risk sub-strategies are defined for specific risk types and documented separately. Risk may only be taken within the scope of the risk-bearing capacity. The required risk awareness is supported by functioning communication. This is only achieved to a limited extent with instructions, control measures and sanction mechanisms. In fact, risk awareness is much more an expression of a corporate culture than opportunity-oriented and risk-based. In turn, this is decisively defined by the management style and how the Board of Management handles risks.

The risk management process encompasses all activities for the systematic handling of risks in the business sector. These include identifying, analysing, evaluating, controlling and documenting the risks within the company, operationally monitoring the success of the controlling measures, and monitoring the effectiveness and adequacy of the risk management measures.

In summary, Berenberg assumes that the implemented measures, models and processes are suitable for ensuring a risk management system that, at all times, is geared towards the strategy and the overall risk profile.

3. Statement by the Bank's Board of Management on the risk profile

Article 435 (1) (f) CRR

The Bank's risk management is carried out against the background of the framework specification of Pillar II of the Basel Accord. This predominantly takes account of the national legislation within the scope of Section 25 KWG (German Banking Act) and the various topic-specific circulars. We have been implementing the requirements of the BaFin's capital adequacy assessment guidelines (supervisory assessment of bank internal risk-bearing capacity concepts and their integration into the overall bank management process "ICAAP" - revised) since the end of 2018 (see Section 6 Risk management). The risk management processes ensure that risk-bearing capacity is available at all times in accordance with the current requirements from both the normative and economic perspectives.

The Bank has identified the following material risks on the basis of the risk inventory, which is performed on a regular basis:

- Counterparty default risk
- Market price risk (including interest rate risk / IRRBB)
- Operational risk / Non-financial risks
- Liquidity risk

With the exception of liquidity risk (see 6.7 Liquidity risks), the potential losses of the various business divisions are quantified for these risk categories 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 assets from the economic perspective. In addition to this, we regularly conduct appropriate stress tests.

At the end of the year, the economic perspective for the 99.9% confidence level shows the following utilisation of risk-bearing capacity:

	Market price risk	Credit risk	Operational risk	Utilisation of the risk-covering assets
Wealth Management and Asset Management	0.00%	0.23%	1.63%	**1.86%**
Corporate Banking	0.00%	6.37%	0.71%	**7.08%**
Investment Bank	2.36%	0.05%	3.45%	**5.86%**
Proprietary investments/other	4.95%	1.25%	0.16%	**6.36%**
Total	**7.31%**	**7.90%**	**5.95%**	**21.16%**
Buffer (available risk-covering assets)				78.84%

Figure 1: Utilisations of risk-bearing capacity (Article 435 (1) (f) sentence i CRR)

As at 31 December 2021, the risk-covering assets amounted to €658.7 million and were 21.16% utilised.

4. General requirements

The group of companies that is consolidated for regulatory purposes to calculate capital adequacy is defined according to Section 10a KWG in conjunction with Article 18 *et seqq*. CRR.

In contrast, the group of companies consolidated under commercial law is set up exclusively according to the provisions of the German Commercial Code (HGB).

4.1 Name of the bank

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

Berenberg operates in the Wealth and Asset Management, Investment Bank and Corporate Banking business divisions.

4.2 Basic differences in consolidation for accounting and regulatory purposes, including presentation of the scopes 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 principles of commercial law.

Consolidation principles

Capital consolidation took place on the basis of the revaluation method pursuant to Section 301 (1) 2 HGB, by offsetting the book values of the Bank against the proportionate share of the subsidiaries' capital. The offsetting is performed on the basis of the valuations at the time of acquiring the subsidiaries.

Scope of consolidation under commercial law

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

- Joh. Berenberg, Gossler & Co. KG, Hamburg – Berenberg
- Berenberg Beteiligungsholding GmbH, Hamburg
- Berenberg Capital Markets LLC, New York
- Berenberg Asset Management LLC, New York
- Berenberg Private Capital GmbH, Hamburg
- Berenberg Real Estate Asset Management GmbH, Hamburg
- AHO6 GmbH, Hamburg

IPA Copa Entwicklungsgesellschaft mbH, Hamburg was founded in 2021 and newly included in the consolidated financial statements for the first time according to the equity method, pursuant to Section 311 HGB in conjunction with Section 312 HGB.

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

Receivables and liabilities, as well as income and expenses resulting from mutual business relationships, were offset. There are no intercompany profits or losses.

Regulatory consolidation

For regulatory purposes, institutions, investment companies, finance companies and providers of ancillary services are consolidated pursuant to Article 18 CRR in conjunction with Section 10a (1) KWG. The difference in treatment in the financial statements is presented below:

	Regulatory treatment					
Name	**Full consolidation pursuant to Art. 18 CRR**	**Exclusion pursuant to Art. 19 CRR**	**Inclusion pursuant to Art. 470 (2)(b) and (3) CRR (threshold method)**	**Deduction from CET1 pursuant to § 32 SolvV**	**Risk-weighted participating interests**	**Full consolidation according to accounting**
Bank pursuant to Article 4 (1) no. 1 CRR						
Joh. Berenberg, Gossler & Co. KG	x					x
Bank pursuant to Article 4 (1) no. 26 CRR						
Berenberg Beteiligungsholding GmbH	x					x
Berenberg Capital Markets LLC	x					x
Berenberg Asset Management 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 (1) no. 18 CRR						
Berenberg Real Estate Asset Management GmbH		x			x	x
BPC Grundbesitz Verwaltungs GmbH		x			x	
Other companies						
IPA Copa Entwicklungsgesellschaft mbH					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	

Name	Regulatory treatment Full consolidation pursuant to Art. 18 CRR	Exclusion pursuant to Art. 19 CRR	Inclusion pursuant to Art. 470 (2)(b) and (3) CRR (threshold method)	Deduction from CET1 pursuant to § 32 SolvV	Risk-weighted participating interests	Full consolidation according to accounting
Berenberg Real Estate Services GmbH					x	
AHO6 GmbH					x	x

Figure 2: Regulatory consolidation (pursuant to Article 436 (a) CRR)

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

There are no existing or foreseeable actual impediments, either legal or material, to the prompt transfer of the capital base or the repayment of liabilities by the bank to the subsidiary.

5. The Bank's capital base

5.1 Equity structure

Disclosures pursuant to Article 437 (a) CRR

The capital base is calculated on the basis of the KWG and the CRR. The consolidated financial statements method is used to calculate the capital base and risk exposures. The capital base of the Group of institutions is as follows:

Disclosure of capital base		Amount at 31.12.2021 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
	Common Equity Tier 1 capital (CET1): instruments and reserves		
1	Capital instruments and the related share premium accounts	165.3	h)
	of which: Subscribed capital	157.9	Equity capital 1
	of which: Capital reserve	7.4	Equity capital 2
	of which: Type of financial instrument 3	0.0	
2	Retained earnings	97.4	Equity capital 3+
3	Accumulated other comprehensive income (and other reserves)	0.0	
3a	Fund for general banking risks	13.1	Liability 9
4	Amount of qualifying items referred to in Art. 484 (3) and the related share premium subject to phase-out from CET1	0.0	
5	Minority interests (amount allowed in consolidated CET1)	0.0	
5a	Interim profits audited by an independent party, less any foreseeable charges or dividends	0.0	
6	Common Equity Tier 1 capital (CET1) before regulatory adjustments	275.8	
	Common Equity Tier 1 capital (CET1): regulatory adjustments		
7	Additional value adjustments (negative amount)	0.0	
8	Intangible assets	-6.6	
9	Not applicable	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 (3) are met) (negative amount)	0.0	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0.0	
12	Negative amounts resulting from the calculation of expected loss amounts	0.0	
13	Increase in equity resulting from securitised assets (negative amount)	0.0	
14	Gains or losses on liabilities designated at fair value resulting from changes in own credit standing	0.0	
15	Defined benefit pension fund assets (negative amount)	0.0	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	0.0	

	Disclosure of capital base	Amount at 31.12.2021 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
17	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities, where those entities have reciprocal cross holdings with the institution, designed to artificially inflate the capital base of the institution	0.0	
18	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities in which the institution does not have a significant investment (more than 10%, less eligible short positions)	0.0	
19	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities in which the institution has a significant investment (more than 10%, less eligible short positions)	0.0	
20	Not applicable	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 CET1 items as an alternative	0.0	
20b	of which: Qualifying holdings outside the financial sector	0.0	
20c	of which: Securitisation positions	0.0	
20d	of which: Free deliveries	0.0	
21	Deferred tax assets arising from temporary differences (amount above the 10% threshold, less related tax liabilities where the conditions in Article 38 (3) are met) (negative amount)	0.0	
22	Amount exceeding the 17.65% threshold (negative amount)	0.0	
23	of which: Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities in which the institution has a significant investment	0.0	
24	Not applicable	0.0	
25	of which: Deferred tax assets arising from temporary differences	0.0	
25a	Losses for the current financial year	0.0	
25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0.0	
26	Not applicable		
27	Amount of the items to be deducted from Additional Tier 1 (AT 1) capital that exceeds the AT 1 capital of the institution	0.0	
27a	Other regulatory adjustments	0.0	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-6.6	
29	Common Equity Tier 1 capital (CET1)	269.2	
	Additional Tier 1 capital (AT1): instruments		
30	Capital instruments and the related share premium	40.0	i)
31	of which: Classified as equity under applicable accounting standards	0.0	
32	of which: Classified as liabilities under applicable accounting standards	40.0	Liability 8a
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium subject to phase-out from AT1 as described in Article 486(3) of CRR	0.0	
34	Qualifying Tier 1 capital included in consolidated AT 1 capital instruments (including minority interests not included in line 5) issued by subsidiaries and held by third parties	0.0	
35	of which: instruments issued by subsidiaries subject to phase-out	0.0	

	Disclosure of capital base	Amount at 31.12.2021 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
	Additional Tier 1 capital (AT1)		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	40.0	
37	Not applicable		
38	Direct, indirect and synthetic holdings by the institution of AT 1 instruments of financial sector entities, where those entities have reciprocal cross holdings with the institution, designed to artificially inflate the capital base of the institution	0.0	
39	Direct, indirect and synthetic holdings by the institution of AT 1 instruments of financial sector entities in which the institution does not have a significant investment (more than 10%, less eligible short positions)	0.0	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (less eligible short positions) (negative amount)	0.0	
41	Not applicable	0.0	
42	Qualifying Tier 2 (T2) deductions that exceed the T2 items of the institution	0.0	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0.0	
44	Additional Tier 1 capital (AT1)	40.0	
45	Tier 1 capital (T1 = CET1 + AT1)	309.2	
	Tier 2 capital (T2): instruments and reserves		
46	Capital instruments and the related share premium accounts	40.0	Liability 8b
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium subject to phase-out from T2 as described in Article 486 (4) of CRR	0.0	
47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase-out from T2	0.0	
47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase-out from T2	0.0	
48	Qualifying capital base instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties	0.0	
49	of which: instruments issued by subsidiaries subject to phase-out	0.0	
50	Credit risk adjustments	0.0	
51	Tier 2 (T2) capital before regulatory adjustments	40.0	
	Tier 2 (T2) capital before regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	0.0	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the capital base of the institution	0.0	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold, less eligible short positions)	0.0	

Disclosure of capital base		Amount at 31.12.2021 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (less eligible short positions)	0.0	
56	In the EU: blank field	0.0	
56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution	0.0	
57	Total regulatory adjustments to Tier 2 (T2) capital	0.0	
58	Tier 2 capital (T2)	40.0	
59	Total capital (TC = T1 + T2)	349.2	
60	Total risk amount	2,013.6	
	Capital ratios and buffers		
61	Common Equity Tier 1 capital ratio	13.37	
62	Tier 1 capital ratio	15.35	
63	Total capital ratio	17.34	
64	Institution-specific capital buffer requirement (minimum requirement for the Common Equity Tier 1 capital ratio pursuant to Article 92 (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)	11.04	
65	of which: Capital conservation buffer	0.0	
66	of which: Countercyclical buffer	0.0	
67	of which: Systemic risk buffer	n.a.	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n.a.	
67b	of which: Additional capital base requirements to address risks other than the risk of excessive debt	n.a.	
68	Common Equity Tier 1 capital ratio available to meet buffers (as a percentage of risk-weighted assets) after deducting the values required to fulfil the minimum requirements	n.a.	
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 deduction (before risk weighting)		
72	Direct and indirect holdings in capital base instruments or instruments of eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10% threshold, less eligible short positions)	26.9	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold, less eligible short positions)	47.5	
74	In the EU: blank field	n.a.	
75	Deferred tax assets arising from temporary differences (amount below the 17.65% threshold, less related tax liability where the conditions in Article 38 (3) CRR are met)	n.a.	
	Applicable cap on the inclusion of provisions in Tier 2 capital		

Disclosure of capital base		Amount at 31.12.2021 in € million	Source according to reference numbers/letters of the balance sheet in the regulatory scope of consolidation
76	Credit risk adjustments included in T2 in respect of exposures subject to the standardised approach (prior to the application of the cap)	n.a.	
77	Cap on inclusion of credit risk adjustments in T2 under the standardised approach	n.a.	
78	Credit risk adjustments included in T2 in respect of exposures subject to the internal ratings-based approach (prior to the application of the cap)	n.a.	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	n.a.	
	Capital instruments subject to phase-out arrangements		
80	Current cap on CET1 instruments subject to phase-out arrangements	n.a.	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	n.a.	g)
82	Current cap on AT1 instruments subject to phase-out arrangements	n.a.	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	n.a.	
84	Current cap on T2 instruments subject to phase-out arrangements	n.a.	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	n.a.	

Figure 3: EU CC1 - Composition of regulatory capital base (Article 437 (a) CRR)

The capital base consists of Tier 1 capital and Tier 2 capital.

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

Composition of capital base pursuant to CRR

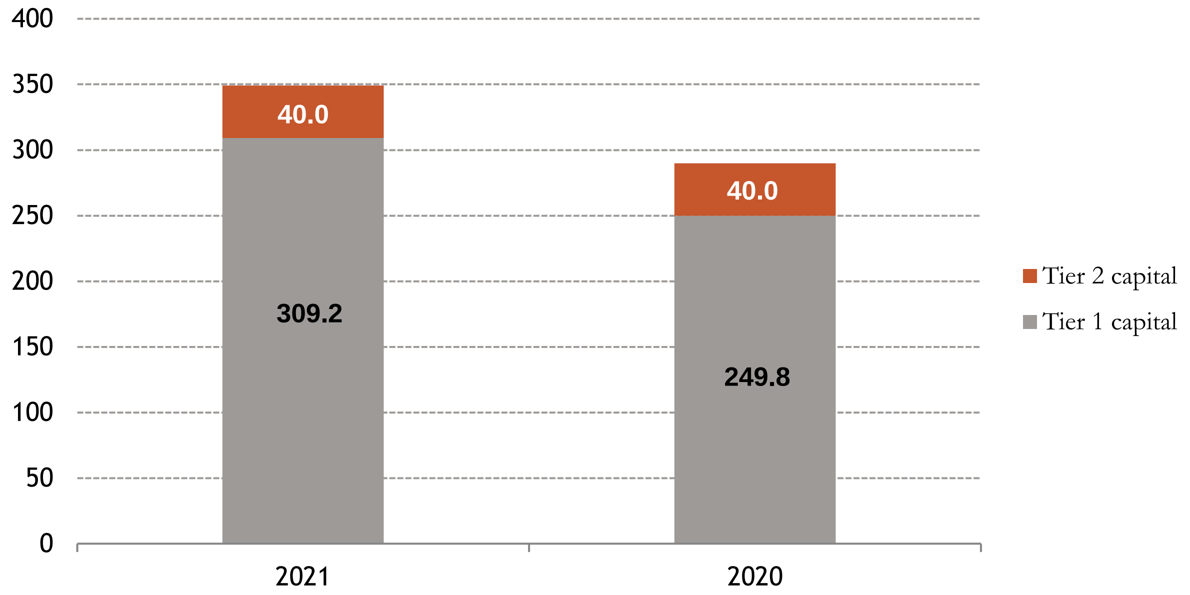

Figure 4: Composition of capital base pursuant to CRR (in € million)

5.2 Capital base instruments

Capital base structure

The capital base instruments included in the summary view pursuant to Section 10a (5) KWG and Section 10a (4) KWG comprise the Common Equity Tier 1 capital and Tier 2 capital attributable to the affiliated enterprises in the regulatory scope of consolidation, as well as the AT1 capital from the AT-1 bonds issued for the first time in 2021.

The capital base of the regulatory Group amounted to €349.2 million (289.8 million). The increase results from €40.0 million of issued AT1 bonds, as well as an increase in subscribed capital that strengthens the Common Equity Tier 1 capital and the capital reserve totalling €7.4 million in 2021. A significant component of the capital base is €269.2 million of Common Equity Tier 1 capital (CET1). The subordinated liabilities are taken fully into account for regulatory purposes as Additional Tier 1 capital (AT1 capital) in the amount of €40.0 million and unchanged as Tier 2 capital (T2 capital), also in the amount of €40.0 million.

Capital ratios

The total capital ratio according to CRR (Capital Requirements Regulation) and *SolvV* (German Solvency Regulation) amounted to 17.34%, the core capital ratio was 15.35%, and the Common Equity Tier 1 capital ratio was 13.37%. Due to AT1 funds being raised for the first time, the core capital ratio and the Common Equity Tier 1 capital ratio accordingly differ from one another for the first time in the year under review.

The following table shows the reconciliation of the elements of capital base in the audited consolidated financial statements of the Berenberg Group to the regulatory capital base pursuant to Article 437 (1)(a) CRR in conjunction with Annex I of Commission Implementing Regulation (EU) No. 1423/2013 dated 20 December 2013:

Reconciliation of capital base structure with the audited financial statements

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

Comparison of capital base components in the Group's consolidated balance sheet and regulatory balance sheet

		Balance sheet in the published financial statements At the end of the period	in the regulatory scope of consolidation At the end of the period	Reference
Assets: Breakdown by asset classes, based on the balance sheet in the annual financial statements (in € thousands)				
1	Cash reserve	2,587,900	2,587,900	
2	Receivables from banks	368,402	368,402	
3	Receivables from customers	1,087,185	1,098,996	
4	Bonds and other fixed-income securities	2,158,718	2,158,718	
5	Equities and other non-fixed-income securities	90,384	90,384	
6	Trading book	1,285	1,285	
7	Participating interests	2,888	3,008	
8	Shares in affiliated companies	2,977	10,149	
9	Trust assets	4,452	4,452	
10	Intangible assets	3,328	3,328	
11	Property, plant and equipment	39,209	23,599	
12	Other assets	43,525	43,052	
13	Prepaid expenses and deferred income	11,213	11,190	
14	Surplus from asset offsetting	2,359	2,359	
15	**Total assets**	**6,403,826**	**6,406,823**	
Equity and liabilities: Breakdown by equity and liability classes according to the balance sheet in the annual financial statements (in € thousands)				
1	Liabilities to banks	137,710	137,710	
2	Liabilities to customers	5,473,924	5,479,447	
3	Trading book	196	196	
4	Trust liabilities	4,452	4,452	
5	Other liabilities	62,769	62,497	
6	Prepaid expenses and deferred income	1,642	1,642	
7	Provisions	191,055	190,070	
8	Subordinated liabilities	80,000	80,000	
8a	of which: AT1 bond	40,000	40,000	32
8b	of which: other subordinated liabilities	40,000	40,000	46
9	Fund for general banking risks	13,100	13,100	EU-3a
10	**Total equity and liabilities**	**5,964,848**	**5,969,113**	

Equity (in € thousands)				
1	Subscribed capital	157,895	157,895	1
2	Capital reserve	7,447	7,447	1
3	Other retained earnings	98,629	95,794	2
4	Net profit for the year/unappropriated profit	173,280	174,846	
5	Adjustment item from currency conversion	1,727	1,727	2
6	**Total equity**	**438,978**	**437,710**	

Figure 5: EU CC2 – Reconciliation of regulatory capital base to balance sheet in the audited financial statements (pursuant to Article 437 (a) CRR)

The equity components of the regulatory balance sheet are supplemented below, such that all components are presented as in "Table: Equity structure". At the same time, an allocation is made by referring to the corresponding line number in the above-mentioned table.

5.3 Capital base requirements

Disclosures pursuant to Article 438 CRR

The adequacy of the capital base used for backing future activities is assessed as part of the annual planning process. The capital base is subject to risk-adjusted planning, based on the Bank's business and risk strategies. The planning process serves to highlight capital shortages, so that timely preventive measures can be taken. If necessary, new capital base resources are raised. In this way, we ensure that a sufficient capital base is on hand at all times to cover all material risks in accordance with Berenberg's individual risk profile.

Furthermore, management is informed about the current development of the allocation of the capital base on a monthly basis. The regulatory capital requirement that is compliant with the CRR is used for this capital allocation and monitoring.

Berenberg calculates the regulatory capital base requirement in accordance with the rules of the CRR

The requirement for counterparty default 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 regulatory capital base requirement for credit valuation adjustment risk is calculated on the basis of the Standardised Method set out in Article 384 CRR.

5.4 Key indicators

The following table shows Berenberg's total capital ratio and Tier 1 capital ratio:

Disclosures pursuant to Article 438 CRR

in%	Total capital ratio	(Common Equity) Tier 1 capital ratio
Joh. Berenberg, Gossler & Co. KG	17.41	13.32
Joh. Berenberg, Gossler & Co. KG	17.34	13.37

Figure 6: Total and Tier 1 capital ratio for Berenberg

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

5.5 Total risk amounts

Disclosures pursuant to Article 438 (b) CRR

		Total risk amount (TREA) (in € thousands)		Total capital base requirements (in € thousands)
		a	b	c
		31.12.2021	T-1	31.12.2021
1	Credit risk (excluding counterparty credit risk)	6,034,484	4,402,288	887,216
2	Of which: Standardised approach	6,034,484	4,402,288	887,216
3	Of which: Foundation IRB approach (F-IRB)	0	0	0
4	Of which: Slotting approach	0	0	0
EU 4a	Of which: Equities under the simple risk-weighted approach	23,875	11,787	23,875
5	Of which: Advanced IRB approach (A-IRB)	0	0	0
6	Counterparty credit risk - CCR	27,735	39,827	27,735
7	Of which: Standardised approach	27,735	39,827	27,735
8	Of which: Method based on an internal model (IMM)	0	0	0
EU 8a	Of which: Risk exposures to a CCP	4,573	0	4,573
EU 8b	Of which: Credit valuation adjustment (CVA)		0	
9	Of which: Other CCR	23,162	39,827	23,162
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	341	222	631
16	Securitisation exposures in the banking book (after the cap)	0	0	0

17	Of which: SEC-IRBA	0	0	0
18	Of which: SEC-ERBA (including IAA)	0	0	0
19	Of which: SEC-SA	0	0	0
EU 19a	Of which: 1,250% / deduction	0	0	0
20	Position, currency and commodity risks (market risk)	222,456	168,791	222,456
21	Of which: Standardised approach	222,456	168,791	222,456
22	Of which: IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	70,049	67,002	875,608
EU 23a	Of which: Basic indicator approach	70,049	67,002	875,608
23b	Of which: Standardised approach	0	0	0
EU 23c	Of which: Advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	**Total**	6,355,064	4,678,130	2,013,645

Figure 7: EU OV1 – Overview of the total risk amounts

5.6 Key metrics

Disclosures pursuant to Article 477 CRR

		31.12.2021	31.12.2020
	Available capital base (amounts) (in € thousands)		
1	Common Equity Tier 1 capital (CET1)	165,342	249,798
2	Tier 1 capital (T1)	269,175	249,798
3	Total capital	349,175	289,798
	Risk-weighted exposure amounts (in € thousands)		
4	Total risk amount	2,013,645	1,892,382
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 capital ratio (CET1 ratio)((%)	13.37	13.2
6	Tier 1 capital ratio (%)	15.35	13.2
7	Total capital ratio (5)	17.34	15.31
	Additional capital base requirements to address risks other than the risk of excessive debt (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional capital base requirements to address risks other than the risk of excessive debt (%)	11.04	11.02

EU 7b	Of which: to be made up of CET1 (percentage points)	7.32	7.3
EU 7c	Of which: to be made up of T1 (percentage points)	8.92	8.9
EU 7d	Total SREP capital base requirement (%)	8.50	8.5
	Combined buffer requirement and total capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5	2.5
EU 8a	Capital conservation buffer due to macro-regulatory or systemic risks identified at the level of a Member-State (%)	0	0
9	Institution-specific countercyclical capital buffer (%)	0.04	0.02
EU 9a	Systemic risk buffer (5)	0	0
10	Global systemically important institution buffer (%)	n.a.	n.a.
EU 10a	Other systemically important institution buffer (%)	n.a.	n.a.
11	Combined capital buffer requirement (%)	11.04	11.02
EU 11a	Overall capital requirements (%)	11.04	11.02
12	CET1 available after meeting the total SREP capital base requirements (%)	8.5	8.5
	Debt ratio		
13	Total risk exposure measure (in € thousands)	4,090,875	4,898,091
14	Debt ratio (%)	7.56	5.1
	Additional capital base requirements to address risks of excessive debt (as a percentage of debt ratio total risk exposure measure)		
EU 14a	Additional capital base requirements to address the risk of excessive debt (%)	0	n.a.
EU 14b	Of which: to be made up of CET1 (percentage points)	0	n.a.
EU 14c	Total SREP debt ratio (%)	0	n.a.
	Debt ratio buffer and overall debt ratio requirement (as a percentage of total risk exposure measure)		
EU 14d	Debt ratio buffer requirement (%)	0	n.a.
EU 14e	Overall debt ratio (%)	0	n.a.
	Liquidity coverage ratio		
15	Total high-quality liquid assets (HQLA) (weighted value – average)	4,486,523	n.a.
EU 16a	Cash outflows (total weighted value)	2,570,701	n.a.
EU 16b	Cash inflows (total weighted value)	219,592	n.a.
16	Total net cash outflows (adjusted value)	2,351,108	n.a.
17	Liquidity coverage ratio (%)	190.8259	n.a.
	Net stable funding ratio		
18	Available stable funding, total	3,265,184	n.a.
19	Required stable funding, total	1,228,098	n.a.
20	Net stable funding ratio (NSFR) (%)	265.8733	n.a.

Figure 8: EU KM1 – Key metrics pursuant to Article 447 CRR (in € thousands)

6. Risk management

As a partnership, Berenberg has an Advisory Board alongside its Board of Management. However, this is not a body of the company within the meaning of the CRR and only performs advisory functions.

Diversity strategy for selecting 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 Board of Management. The selection strategy is established in the Berenberg Partnership Agreement, alongside the legal provisions stipulated in the KWG (German Banking Act) and the CRR.

Corporate governance rules

Article 435 (2)(a) to (e) CRR

Number of management and supervisory functions held by members of the management body

The number of management and supervisory functions held by the general partners is shown below:

	Number of management functions as of 31.12.2021	of which: management functions in the Berenberg Group as of 31.12.2021	Number of supervisory functions as of 31.12.2021	of which: supervisory functions in the Berenberg Group as of 31.12.2021
Christian Kühn	3	3	0	0
David Mortlock	3	2	0	0
Hendrik Riehmer	4	1	0	0

Figure 9: Number of management and supervisory functions held by members of the management body (pursuant to Article 435 (2)(a))

Description of the information flow to the management body on risk issues

Risk reporting to the Board of 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 is presented of the available risk coverage potential, the limit utilisation, and the current percentage breakdown of the overall risk by individual risk type.

Strategy for the selection of the members of the management body and their actual knowledge, skills and track record.

Alongside the legal requirements of the KWG, which apply to the appointment of a Managing Director for institutions, the partners drew up guidelines, which must be taken into consideration for the selection of Managing Directors and Supervisory Board members.

The balance and differences of knowledge, skills and track records of all Managing Directors are taken into consideration for the selection. This ensures that the Managing Directors have extensive theoretical and practical knowledge, as well as expertise, in order to fully comply with their departmental management responsibility. Appropriate operating equipment and sufficient time are always made available to assist them in performing successfully. Through this environment and the existing theoretical and practical knowledge, it can be ensured that overall responsibility is properly exercised in all relevant departments of Berenberg.

6.1 Overview of the risk strategy and procedures for managing these risk categories

Article 635 (1) (a) CRR

We retained our cautious, defensive risk strategy in the year under review. Our deliberate focus on less risky, service-oriented businesses continued to prove its worth, particularly in these times influenced by the Covid-19 pandemic. Our risk culture is characterised by an unchanged conservative risk appetite and is reviewed annually by the Board of Management as part of the strategy and planning process. Typical risks in banking business are taken to an appropriate extent, which ensures the long-term continuation of the business activity. This “risk philosophy” forms the basis of the company-wide risk management and includes the allocation of risk limits. The risk management for our branches is performed centrally at our head office in Hamburg.

The Bank’s liquidity situation was consistently very comfortable throughout 2021, as it has been in the previous years. We invest our deposit surplus in a highly liquid securities portfolio, which was dominated by securities of German public-sector issuers with short remaining maturities. This liquidity reserve is supplemented by high-creditworthy covered bonds. The majority of surplus liquidity not invested in bonds is deposited with the Bundesbank.

Our risk management is characterised by the strategic focus on service-based business fields, 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 default risks, market price risks, operational risks, and liquidity risks. Reputational risks are evaluated as part of the management of operational risks. Potential declines in earnings are also taken into consideration. This takes place as part of the analysis of adverse scenarios, as well as indirectly through the conservative definition of the risk-covering assets in the ICAAP (Internal Capital Adequacy Assessment Process).

Our management-oriented implementation of the regulatory requirements for risk-bearing capacity (ICAAP) has once again proved effective in the year under review. The merger of capital planning, income statement planning and risk-bearing capacity, together with the parallel consideration of a normative perspective and an economic perspective, have been successfully integrated into the standard processes of the Risk Controlling unit. This way, we can ensure both of the related perspectives – “continuation of the institution” and “protection of the creditors”. Both perspectives are based on the fundamental principle of the risk-bearing capacity calculation, which involves comparing calculated risks with existing risk-covering assets.

The normative perspective is based on regulatory requirements, particularly with respect to the institution’s capital base. Various scenarios are analysed as part of the integrated, three-year capital planning process. On the one hand, we analyse a baseline scenario, which assumes business performance under normal economic conditions. On the other hand, an adverse scenario is investigated, which assumes a severe economic downturn that will have an impact significantly beyond one year. This scenario is based on extensive macroeconomic assumptions, along with assumptions for the specific institution. It is not merely simulated in isolation for individual parameters. Instead, the adverse scenario under the Minimum Requirements for Risk Management (MaRisk) represents an integrated stress test with effects on all relevant indicators. It also includes control measures taken by the management to counter the crisis. Our results show that the Bank can also comfortably survive such extreme scenarios with its own capital and profitability. The current decision by the BaFin regarding an increase of the capital conservation buffer by 0.75% was also analysed with the result that this will prospectively not have any material consequences on the Bank’s capital situation. All prescribed regulatory capital ratios are comfortably met.

For the economic perspective, the risk coverage potential is calculated close to fair value. HGB capital indicators, together with hidden reserves and/or liabilities are the starting point. Planned profits are not included in our approach, as a general rule. For risk categories referred to, the potential losses of the business divisions are quantified on the basis of the value-at-risk principle (VaR). The value-at-risk indicates the upper loss limit for a specified probability level. The risk quantification is performed using established fair value model calculations at a high confidence level of 99.9% and with a risk assessment horizon of one year. The value-at-risk fundamentally reflects the potential losses under normal market conditions. To gain a more extreme perspective on the risk situation, we supplement risk evaluations with appropriate historical and hypothetical stress tests.

Our regular comparisons between risk and risk-covering assets 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 monthly and quarterly analyses that are conducted in parallel with one another, we compare the results of various stress scenarios specific to risk types, as well as of general stress scenarios, with the available economic risk-covering assets. The results are not allowed to exceed the covering assets. We also perform ad-hoc stress tests, as necessary. As an inverse stress test, we define additional scenarios that, if they were to occur, would commit all of the risk-covering assets.

In the year under review, with risk utilisation below 40%, by far not all of the Bank's available economic capital was committed by the business divisions. This highlights the commercial prudence built into the Bank's risk management process and expresses the appropriateness of the relationship between the opportunities arising from business activities and the risks assumed with regard to overall profit or loss. Our overall bank management system provides that the business divisions take on risks only if they are commensurate with the potential earnings.

The figures below show the distribution of the committed economic capital across the Bank's risk categories and business divisions.

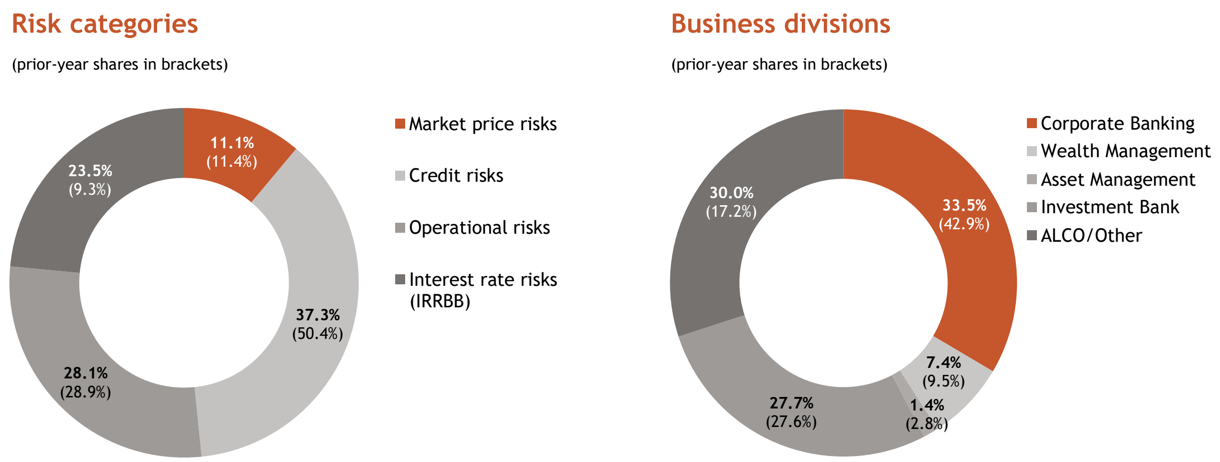

Figure 10: Economic capital commitment by risk categories and business divisions

The Board of Management bears overall responsibility for the risk management process and defines the general conditions for managing the various risk types. The Risk Controlling business unit acts independently of all front offices in organisational terms, in accordance with the Minimum Requirements for Risk Management (MaRisk) for banks and financial services institutions, and ensures the constant and timely flow of information to the Bank's Board of Management and Advisory Board in close collaboration with other organisational units. Risk Controlling is responsible for developing and overseeing the systems used in overall bank and risk management. Controlling and Accounting/Reporting functions, as well as the Data Protection and Information Security Management units, are integrated into the Risk Controlling unit. In particular, by interlinking key performance indicators (KPI) from Controlling/Accounting with the risk indicators, an overall Bank perspective for the valuation of risks is achieved. This can be made available in the ICAAP and the risk inventory of the Board of Management, for example. The unit carries out a risk inventory at regular intervals and compares the risk amounts of the various risk types with the available risk coverage potential. As part of the risk management processes, it is ensured that excessive risk concentrations exist neither within the various risk categories, nor across the risk types, in line with the strategy.

In its risk management, Berenberg uses the proven 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 risks. This includes the implementation and monitoring of organisational hedging measures, as well as 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 Board of Management of the Bank.

The third line of defence consists of the independent Internal Audit unit, 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.

The Board of Management, Risk Controlling and the crisis team are continually analysing the effects of the ongoing Covid-19 pandemic and are closely overseeing the implementation of management measures. We closely monitor volatility in financial and capital markets and conduct ad-hoc analyses, where necessary. The Bank's set-up with respect to the ICAAP is extremely robust, from both an economic and a normative perspective. From today's standpoint, the existing buffers in risk-covering assets are also sufficient to absorb the potential effects of the crisis on the Bank. The existing stress tests cover the current scenario, but will be supplemented and adjusted as needed in the respective situation. Current regulatory developments (CRRII, ESG etc.) are monitored closely, and their influence on the overall Bank is analysed.

6.2 Material risks

Credit Risk Management, a business unit that is organisationally independent of the customer-service units, monitors exposure to counterparty default risks using a wide-ranging limit system. Targeted analyses by Risk Controlling support the management of default risks at the overall portfolio level.

Market price risks arise from both short-term positions in the trading book and strategic positions in the liquidity reserve and are closely monitored by Risk Controlling. Interest rate risks of the banking book (IRRBB = Interest Rate Risk of the Banking Book) supplement the risk profile.

Using advanced methodologies, Risk Controlling also quantifies operational risk, the extent of which is limited by stringent processes, the appropriate training of our employees, and a comprehensive set of rules, including contingency plans.

The Treasury unit is responsible for the management of liquidity risk, together with the Money Market unit. Risk Controlling is involved in monitoring and validates the results on a regular basis.

An overall calculation is performed on a monthly basis to track the profit and loss of the business divisions, in consideration of the risks taken. In this context, individual earnings components that are volatile over time and possible changes in profitability resulting from them are also 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. Risk Controlling provides management with reports that enable the recipients to analyse the earnings and risks at different aggregation levels.

Based on defined standards, the Bank's Internal Audit unit regularly examines the organisational precautions for managing, monitoring and controlling the various categories of risk, as described in detail below.

Risk Controlling and the 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 and on an ad-hoc basis, as required.

The principles of our risk management are laid out in a risk strategy document available to all employees.

6.3 Counterparty default risks

Counterparty default risks arise, on the one hand, from the lending business involving our clients in the Corporate Banking (business clients), Wealth and Asset Management (private clients and institutional clients), and Investment Bank (strategic clients) divisions. On the other hand, counterparty default risks arise from our own securities holdings (issuer risks, spread risks), derivative transactions (counterparty risks), as well as from the investments made by our Money Market department in interbank business. Investment risks are not of material significance to Berenberg, but existing participating interests are integrated into the risk management processes.

In our unchanged conservative credit risk strategy, we have specified volume and maturity limits for the individual segments of the credit business, in accordance with the risk appetite defined by the Bank's Board of Management. Important elements include stringent credit processes, good collateral, the use of syndication possibilities, appropriate risk premiums, and the avoidance of structural subordination, as well as the consideration of ESG risks.

As in previous years, the high level of client deposits once again led to strong demand for investments, as only part of the existing equity and liabilities are required in the traditional credit business. In accordance with our investment strategy, only a relatively 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 with guarantee obligations
- Low limits per institution (or group of institutions) with the goal of achieving the broadest possible diversification

The majority of the structural liquidity surplus from client operations is invested in bonds with the very best ratings. In this context, we continue to have high standards for credit security and market liquidity of these investments, to keep possible price volatility to a minimum.

Our liquidity reserve (including promissory notes) is dominated by securities issued by German public-sector issuers, which account for 37% (previous year: 38%) and those guaranteed either by the Federal Republic of Germany or a German state, which account for 56% (previous year: 54%). German *Pfandbriefs* and Scandinavian covered bonds are also in the portfolio. The Bank did not hold European government bonds at the end of the year. The average remaining maturity of the portfolio was 1.6 years (previous year: 2.2 years) at year-end, so that only minor spread change risks exist in the portfolio. Due to limited investment opportunities in the preferred investment universe, a portion of the liquidity surplus remained in the ECB deposit facility.

The Board of Management receives regular reports 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, but 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 default risk arising from derivatives is addressed by taking account of termination risks (replacement risks). We have reduced counterparty default risks by practising comprehensive collateral management in this segment, which can include further counterparties as required. This standard market form of ongoing collateralisation of OTC transactions is practised not only with banks, but also with a wide range of institutional clients.

Credit Risk Management is responsible for monitoring credit risk independently of the market. In addition to performing regular control activities, this unit provides a second opinion in addition to the front office teams, as required by the MaRisk rules, on the basis of our authority's regulations for credit decisions. These regulations restrict the scope of individual account managers to act, while ensuring that the entire Board of Management is involved in all major credit decisions. All credit exposures are subject to a constant resubmission cycle with an annual credit rating review. The specified limits are supplemented by a series of organisational measures and rules regarding collateral for credit exposures.

A credit risk report that is prepared on a quarterly basis serves to inform both the Board of Management and the Advisory Board about the structure of the credit business and its related risks. Extensive analyses performed by the Risk Controlling unit support the management of credit risk at the overall portfolio level.

For the management of the overall portfolio, the historical defaults of the past financial years, which have a very modest scope at the Bank (average default rate equal to 0.2% of credit volume over the course of the year, declining volume of individual loan loss provisions since 2010), are collected and analysed. We also check the model's results with reference to default history by validating our credit risk calculations on a regular basis. The statistical loss expected for each financial year at the portfolio level ("expected loss") is derived from the data taken from our credit portfolio model and the long-term historical average for defaults. This "expected loss" of the credit exposure is integrated into the credit terms by calculating the 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, available to the account managers and the back office teams on the Bank's intranet, facilitates a prompt credit analysis using the borrower's balance sheet data. In addition to the balance sheet ratios, qualitative factors relating the borrowers are also included when determining the rating class. 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 takes account of the debt ratio (leverage). In our portfolio of shipping loans – which is limited in magnitude compared with the overall portfolio (average share of 14% for the shipping segment over the course of the year) – we notably pay attention to 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 defaults 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, which flows into the analysis of the Bank's ability to bear risk (ICAAP) with the respective quantile. The Bank's risk-covering assets serve as the Bank's economic capital for unexpected credit risks. Within MaRisk parameters, our analyses of the committed economic capital are supplemented by additional stress observations, such as a substantial deterioration of the probabilities of default or a decline in collateral values, the default of individual key accounts or negative influences due to ESG developments (sustainability risks).

The quantitative methods that we use to assess counterparty default risks are validated regularly and refined when required. However, because of the lack of an adequate number of defaulting borrowers for statistical purposes, these methods are still not recognised for regulatory purposes as an IRB approach. The Bank has made a deliberate decision to employ the standard approach (CRSA), which is 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 €71.0 million at 31 December 2021 (previous year: €67.7 million).

6.4 Market price risks

Disclosures pursuant to Article 445 CRR

Market price risks for positions in the trading and banking book of the Bank result from fluctuations of the prices and volatilities in the interest, equities and currency area.

Traditional proprietary trading continues to only have the purpose of supplementing our service-oriented business activities and takes place within very strictly defined limits. The market risks arising from proprietary trading positions are 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 risks. 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 holding periods that are differentiated by asset classes (under the economic perspective). As risk factor, discount factors in interest rates, equity time series or equity indices in equities, and exchange rates in foreign currencies are used, 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 equally weighted historical observation values.

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.

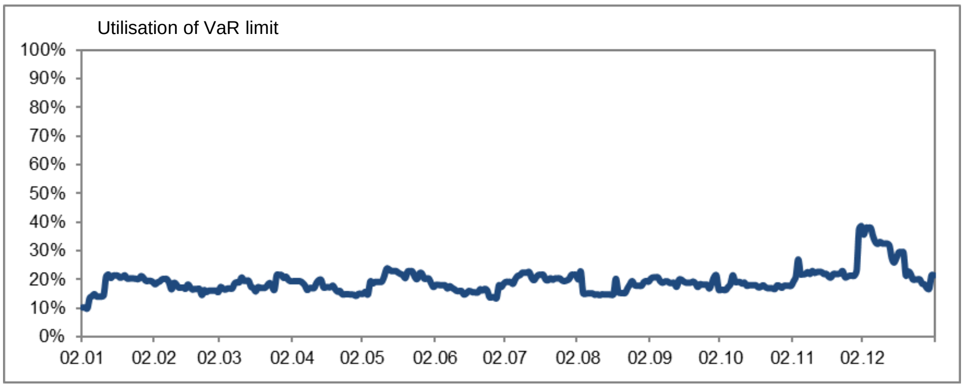

Figure 11: Limit utilisation market price risk in 2021

Figure 11 shows the moderate risk potential arising from our trading activities. The Bank's trading book that is defined for regulatory purposes is dominated by traditional equity positions (cash equities). Optional products play a strategically subordinated role and are mainly offers in client trading (particularly FX Trading) in the form of back-to-back transactions, which, as closed positions, do not hold any own market price risk for the Bank. 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 the Sales area. These activities, which are allocated to the trading book to meet regulatory requirements, are not proprietary trading, strictly speaking. Rather, this segment settles orders for institutional clients.

The quality of the value-at-risk measurement is checked and analysed over time using daily back-testing, during which the forecast on the subsequent trading day is compared against the actual changes in value of the positions and analysed over time.

Figure 12 shows the progression of the daily back-testing results of the past financial year over time.

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

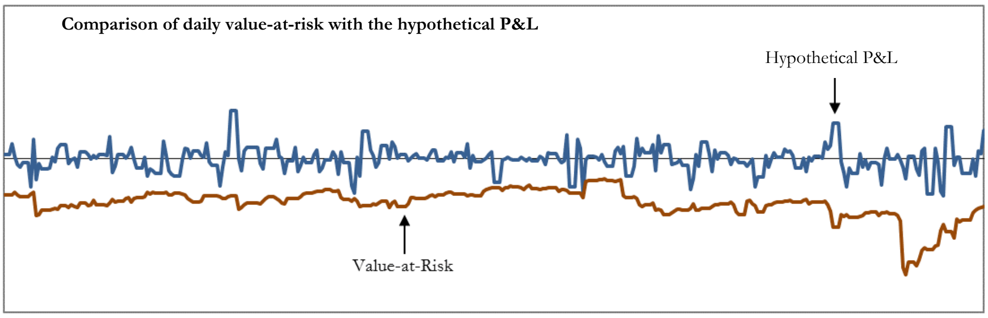

Figure 12: Daily back-testing market price risk in 2021

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 value-at-risk of the trading portfolios had the following structure in the year under review:

Trading book portfolios	VaR at the end of the period under review	VaR values during the year		
		highest value	lowest value	Reporting periods
	in € thousand	in € thousand	in € thousand	in € thousand
VaR	**3,755** (2,533)	**9,061** (11,779)	**1,564** (1,326)	**3,455** (3,816)

(with 1 day holding period, previous year's value in parentheses)

Figure 13: Trading book VaR indicators

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 methodology applied for risk-bearing capacity (economic perspective), the current limit utilisation is compared to the risk-covering assets using a very high confidence level of 99.9% and holding periods that are differentiated by asset classes on the basis of the liquidity horizons for internal models prescribed by CRR II (FRTB). We have retained our market risk model that we developed further in 2019, which performs calculations on the basis of a so-called fat-tail distribution. This methodology models unusual market movements (e.g., extreme price changes in the equity markets), which results in a lower number of potential back-testing outliers. The model proved its worth once again in the reporting period, generating an appropriate number of outliers against the backdrop of a volatile market environment, which confirms the quality of the forecast.

As 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 level, the worst-case limit utilisation is included in the stress test. The limits for the individual trading segments are manageable in comparison to the available risk-covering assets and are approved by all Managing Directors jointly. This approach ensures that no individual trader is in a position to enter into large risk positions through 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 used 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. However, since only spot positions are entered into the proprietary trading book, the risks arising from the use of models are limited. Mechanisms are in place to review the quality of the models used on a regular basis.

The strategic positions of the liquidity reserve are managed by our Asset Liability Committee (ALCO), which includes representatives of Treasury and Risk Controlling, in addition to members of the Board of Management. 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 risk-covering assets.

For the most part, no increased interest rate risk was assumed for the large proprietary investments in securities described in the section on counterparty default 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.

Risk Controlling, which is organisationally separated from the Trading units up to the level of the Board of Management, combines all of the market price risk positions into a risk report and ensures that the Board of Management is informed on a daily basis.

As of 31.12.2021, the regulatory capital adequacy for market price risks was at €17.8 million (previous year: €13.5 million).

6.5 Interest rate risks

Disclosures pursuant to Article 448 CRR

The strategic positions of the liquidity reserve are managed by our Asset Liability Committee (ALCO), which includes representatives of Treasury and Risk Controlling, in addition to members of the Board of Management. 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 risk-covering assets.

For the most part, no increased interest rate risk was assumed for the large proprietary investments in securities described in the section about counterparty default 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 analysed regularly using internally developed procedures. This involves analysing the effect of a shift on the present value of the banking book. A possible decline in the volume of deposits is simulated by regularly reviewed process scenarios. Equity components do not flow into the analyses. The ratio of the resulting change in the present value to the capital base, which according to the regulatory requirements should not exceed 20%, amounted to 11.8% at the end of the financial year (previous year: 4.4%) and results from a scenario of heavily falling interest rates. In contrast, rising interest rates would lead to a positive change in the present value. The amount of this ratio is a reflection of our unchanged investment policy, which is characterised by short maturities in the lending and borrowing business. The higher scenario loss in comparison to the previous year is due mainly to the growing deposit business, in combination with rising interest rates. Both lead to a present value that is currently higher, which would be lost again in a scenario of falling interest rates. In addition, the inclusion of pension commitments, which has been prescribed since 2018 and does not represent a bank-specific item, leads to higher results, as a general rule. The utilisation of the regulatory threshold is nevertheless in a comfortable range and can be managed with appropriate hedging instruments, where necessary.

6.6 Operational risks

Disclosures pursuant to Article 446 CRR

Operational risk is generally 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 risks. Reputational risks are also covered in terms of quality as part of the management of operational risks. 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). Non-financial risks are taken into consideration also implicitly through the composition of the risk-covering assets.

The management of related risks is a high priority for the Bank, given its strategic focus on the provision of services. Accordingly, we use advanced risk measurement procedures that allow for appropriate management (internal OpVaR model, scenario analyses).

Operational risks are also 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 responsible for process definitions across the whole Bank provides support in this regard. The Bank's Internal Audit unit 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 IT systems we use. 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 failures. 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, in accordance with the German Supervisory Requirements for IT in Financial Institutions (BAIT) 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 Information and Event Management") analysis, which automatically 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 (BCM) function 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 Human Resources business unit and the managers ensures that the employees have the appropriate high qualification and motivation for their position at the Bank.

Legal risk is limited by means of constant collaboration between the Legal business unit 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 unit examines all concluded contracts in advance as part of a central contract management process.

A key aspect of our risk management approach for operational risk involves sensitising all employees to this type of risk. The values of our business activity are defined within the overall bank strategy. With respect to the risk culture, these values are particularly geared towards the three central points of risk appetite, risk monitoring, and employee incentivisation (in keeping with the Capital Requirements Directive IV). Risk appetite, which is defined by the Bank's Board of Management annually as part of the strategy planning process, also forms the basis for the assignment of risk limits to the trading units. The risk monitoring functions are designed in accordance with the MaRisk principles and ensure prompt reporting, free of external influences, by Risk Controlling, Compliance and Internal Audit, which operate independently of the markets. 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 centrally by the Risk Controlling unit. This practice not only requires, but also 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 employee conflicts of interest by structuring our compensation principles and the existence of a discretionary variable compensation component, among other measures.

The database for systematically recording operational losses, which enables us to analyse losses incurred and draw up appropriate counter-measures, is very important in this context. The Board of Management is reported to on a regular basis using this database, regarding the extent and development of operational losses.

We applied our advanced methodology used to internally manage operational risk during the past financial year in the established way. Targeted 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 occur where it appears useful in consideration of efficiency and is the responsibility of our centralised outsourcing management function All outsourced activities are evaluated, rated and documented. We also analyse scenarios involving potential difficulties with cooperation partners or suppliers. In the scenario workshops, we also record the consequences of ESG criteria on the loss amounts and frequencies of the parameters underlying the model (e.g., influence of extreme weather conditions on the availability of buildings or data centres). The results enable an assessment of future operational risk potential and provide additional perspectives in this risk category.

The results of the loss incident database 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 risks in excess of the allocated risk-covering assets. The scenario analyses are also used to draw up risk-reduction measures for significant risks. In addition, potential reputational 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 organisation. At the time of implementation, we also engaged an outside institution to review the quality of the methods used 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 equity to cover the operational risks they assume. Methods with a different degree of accuracy are authorised for use when quantifying the capital adequacy for this risk category. Although an efficient model is now used for internal management purposes, the Bank uses the less complex Basic Indicator Approach to calculate the capital required to cover operational risk. The use of models to determine capital coverage requirements is expected to be discontinued with the introduction of CRR III. The version published in October will be valid from 2023. For operational risks, only a standardised approach will then be available for all institutions in regulatory Pillar I (Standardised Measurement Approach (SMA)). We have already analysed the changes associated with this and concluded that from a present perspective, relief is expected (weighting factor of 12% instead of 15%).

With the Basic Indicator Approach that we used in the year under review, the average gross earnings from the last three financial years are weighted by a factor of 15%. By the end of 2021, the capital required to cover operational risk totalled €70.0 million (previous year: €67.0 million).

6.7 Liquidity risks

Berenberg can fund itself completely from customer deposits. There were no outstanding liquidity positions at any time during the year under review.

Liquidity risks play a relatively minor role in maturities of more than one year, due to the short-term structure of our business. There was a significant liquidity surplus in maturities of less than one year. This surplus was invested in highly liquid bonds (issued primarily by German states and development banks), in accordance with our strategy. The vast majority of the securities are deposited with the Deutsche Bundesbank, which would guarantee a large refinancing facility with the European Central Bank in the event of an unexpected liquidity requirement. The free credit line with the Deutsche Bundesbank amounted to €1.0 billion at 31.12.2021 (previous year: €1.3 billion). We do not expect any deterioration in our liquidity situation in the new financial year.

To manage short-term liquidity, the Treasury unit continually analyses all relevant cash flows over the course of time. Stress tests are conducted on a daily basis. In addition to the simulation of general stress scenarios, further scenarios are analysed involving extreme additional stressing of individual liquidity components. The requirements for the regulatory Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) added as part of CRR II, were also fulfilled at all times. Due to the Bank's liquidity situation as described above, no risk-covering assets are allocated for liquidity risk in the ICAAP at present. Only in the unlikely event of negative stress test results would it be necessary to provide economic capital to cover the potential costs of an increase in the procurement of liquidity.

The Bank monitors compliance with the liquidity ratios prescribed by the CRR on a daily basis. At 1.9 (previous year: 2.0), the LCR was well above the required minimum ratio of 1.0 at year-end. The same applies to the NSFR, which was at 2.7 (vs. the minimum requirement also of 1.0).

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

6.8 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 planned activities affect the projected development of earnings and the utilisation of risk-covering assets in the ICAAP.

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 is being conducted on the basis of the new RTF guidelines published in 2018. The parallel consideration of a normative and an economic perspective makes it possible to take the continued existence of the institution into consideration, in parallel with the protection of creditors. In both perspectives, utilisation during the year was very comfortable, which reflects the robust economic situation and capitalisation, as well as the strategic risk profile.

The Recovery Plan, which is required of all banks by the regulator on the basis of the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*) and prepared for the first time in 2020, was updated at regular intervals. Due to the size of the institution, the plan to be submitted is governed by the simplified requirements, in accordance with the German Minimum Requirements for Recovery Planning (*MaSanV*). The key indicators (recovery indicators) adopted in this context were monitored constantly and are part of the reporting to the Board of Management. All of the defined thresholds were met in the year under review, so that no management measures were necessary. However, the existing options for action and management processes for potential crisis situations are suitable for countering any financial deterioration at an early stage.

The risks and rewards of the banking business are constantly compared to one another in our processes for overall bank management. As a scarce resource, economic capital is allocated to those segments for which the opportunities exceed the risks taken.

The quantitative information and control systems used by the Bank as part of the risk management process supply important information for assessing risks. Combining this with the employees' huge wealth of experience ensures a comprehensive analysis of the risk situation. Therefore, we are convinced overall that the risks taken are proportional to the attainable returns and no risks have been taken that exceed the Bank's risk-bearing capacity.

7. Disclosures pursuant to Section 16 *InstitutsVergV*

According to Section 16 (2) of the Regulations Governing Supervisory Requirements for Institutions' Remuneration Systems (*InstitutsVergV*) in conjunction with Article 450 of Regulation (EU) No. 575/2013, our company is subject to a limited disclosure obligation. In the following, we therefore present our general remuneration principles, disclose the structure of our remuneration system broken down by country and type, and provide quantitative information.

General remuneration principles

The Berenberg Group places the highest priority on sustainability and the avoidance of disproportionate risks in the remuneration system. This is also supported by its legal form of a limited partnership, which encourages long-term thinking and prevents short-term profit maximisation tendencies.

The Board of Directors (general partners) must, in compliance with *InstitutsVergV* Section 3, define the Principles for the Remuneration System of the Berenberg Group and notify the Executive Board about the specific form of the remuneration systems, even though the Executive Board is not a supervisory or administrative body as defined in the German Banking Act (KWG) or the German Stock Corporation Act (AktG).

In accordance with Section 11 *InstitutsVergV*, Berenberg has published principles for its remuneration system in its internal written procedures (Signavio). In accordance with Section 12 (1) *InstitutsVergV*, the Human Resources business unit reviews, once a year or on an ad-hoc basis, on behalf of the Board of Directors, the remuneration systems and its underlying parameters to verify they are compatible with both the business and risk strategies.

In compliance with Section 3 (3) *InstitusVergV* in regards to creating and monitoring the remuneration system and to ensure the involvement of the control units and the Human Resources business unit, Group Compliance and Risk Controlling participate in the annual reviewing of the Principles of the Remuneration System. In addition, Risk Controlling coordinates with Human Resources to define the total bonus pool as the biggest component of variable remuneration. Internal Audit and Group Compliance check the design of the remuneration system principles and its compliance with regulatory requirements on a regular basis.

Berenberg has not set up a remuneration committee under Section 25d (7) KWG in conjunction with Section 25d (12) KWG and Section 15 *InstitutsVergV*.

Design of remuneration systems by country and type

Germany

Concerning fixed salaries, Berenberg's remuneration system in Germany makes a distinction 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 to their employment contracts. The size of the gross monthly salary is based on their salary group and length of service. This amount is disbursed to the non-exempt staff on the 15th of each month.

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

Non-exempt staff also receive a voluntary bonus on top of the fixed salary (*BeGo Tarif+*). This amounts to three quarters of a monthly salary payment. The disbursement occurs in November, provided that the employment has not been terminated by 31st October. If the employment period does not exist for the full year, this payment is pro-rated.

Non-exempt staff may receive a discretionary bonus in addition to their fixed salary. Any determination to award employees such a bonus must be made at annual intervals by the general partner with responsibility for the company. One criterion in calculation is any negative impact which the relevant non-exempt staff has had on success.

Exempt staff

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

Based on an agreement with the works council, exempt staff members (who are not executives; see below) currently receive a salary adjustment to account for inflation matching the highest salary group (9/11) on the 1st of January following any collective increase.

Exempt staff may receive a discretionary bonus in addition to their fixed salary. Whether, and to what extent, any bonus payment is paid out shall be determined and established annually by the business owners and the individual business unit head. Any negative contributions to the business results by an employee are factored in when setting the bonus.

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 employment 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 has not served a full calendar year.

Executives

Executives receive 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 is paid shall be determined and established annually by the business owners and the individual business unit head. Any negative contributions to the business results by an employee 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 in 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 head. The bonus is determined in the same way as in Germany. The employment must not have been terminated at the disbursement date.

France

The employees in the Paris branch are not subject to a collective pay agreement. They receive a fixed salary, which is disbursed in 12 monthly instalments 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 head. The bonus is determined in the same way as in Germany.

United Kingdom

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 head. The bonus is determined in the same way as in Germany.

Belgium

The employees at the branch office in Brussels are given a fixed salary, payable at the end of each month, in 14 equal monthly amounts. The 13th monthly salary is paid out in May, and the 14th in December. If a given employment period does not cover the entire calendar year, the amounts are paid out on a *pro rata* basis.

Whenever a person is employed, salary classification is handled by Human Resources in coordination with the relevant executive. Individual salaries may be increased in connection with promotions and/or greater responsibilities. This is usually done under the annual salary review upon coordination between Human Resources and the divisional manager.

The Bank may pay the employee bonuses in addition to the fixed salary. Such bonuses are voluntary payments and do not therefore give rise to a legal entitlement, even if they have been paid several times. Any determination to award employees such a bonus must be made at annual intervals by the general partner with responsibility for the company. The bonus is determined in the same way as in Germany.

Subsidiaries

Berenberg Capital Markets 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 the Group level.

Fixed and variable remuneration

In accordance with Section 6 (1) *InstitutsVergV*, variable and fixed remuneration must relate to one another at an appropriate ratio. The ratio is appropriate if, on the one hand, the employee is not significantly dependent on the variable remuneration and if, on the other hand, the variable remuneration represents an effective incentive.

The most relevant variable remuneration at Berenberg is the bonus payment. In determining the amount of the bonus payment, due consideration is given to both the opportunities and the risks of the business activity of the individual business units and subsidiaries, as well as the protection of clients' interests.

The quantitative and qualitative individual performance of the employee (in accordance with Section 5 (1) 3 *InstitutsVergV*, particularly when consumers' interests are directly affected), and the success of the business unit and the overall bank are considered in determining the amount of the bonus. Qualitative factors include, but are not limited to customer satisfaction, consideration of sustainability factors, compliance with internal regulations, the assumption of additional tasks or responsibilities (e.g., also in projects), the qualitative personal contribution to the success of the team or department, and innovation initiatives and/or quality improvements.

However, these factors are only guidelines because there is no single formula according to which the bonus is measured.

In addition, salary benchmarks are also part of the remuneration policy. For this reason, Berenberg participates in the salary comparison study of Willis Towers Watson for Europe and also monitors market developments by way of personnel consultants and considers these developments in determining the compensation structure. Additionally, the compensation system at Berenberg operates on a gender-neutral structure.

In accordance with Section 6 (2) *InstitutsVergV* in conjunction with Section 25a (5) KWG, the variable remuneration must not exceed 100 percent of the fixed remuneration for each individual employee. However, the partners may resolve to approve a higher variable remuneration that must not exceed 200 percent of fixed remuneration for each individual employee, in accordance with Section 6 (4) InstitutsVergV in conjunction with Section 25a (5)(5) *et seqq.* KWG. The partners adopt such a resolution every year anew.

If a bonus is guaranteed in connection with the establishment of a new employment, such a guarantee may not be made for longer than the first 12 months of employment, in accordance with Section 5 (5) InstitutsVergV.

According to Section 9 (2) *InstitutsVergV*, the remuneration of employees in the control units must be predominantly fixed in accordance with the nature of their responsibilities. Specifically, the variable remuneration may not account for more than one third of their total remuneration. Therefore, the fixed remuneration always represents the greater part of total remuneration. This is meant to ensure that the requirements of Sections 5 (1) 2 and 5 (4) *InstitutsVergV*, Section 9 *InstitutsVergV* and the compliance function according to BT 1.3.3.4 (6) MaComp are met. In addition, conflicts of interest are averted through the independence of the control units and the direct reporting line to the partners. The Credit Risk Management, Risk Controlling, Group Compliance and Internal Audit units are deemed to be control units within the meaning of Section 2 (11) *InstitutsVergV*.

The final decision on remuneration in every case, i.e., fixed salary increases and whether and in what amounts bonus payments are made is decided by the partners on an annual basis.

The quantitative information is published separately on the Berenberg homepage.

We were supported by a law firm specialised in regulatory remuneration issues in designing and wording the "Principles of the Remuneration System of the Berenberg Group" for implementation of the "Regulations Governing Supervisory Requirements for Institutions' Remuneration Systems (*Institutsvergütungsverordnung – InstitutsVergV*)" of 4 August 2017.

8. Closing statement

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

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