

Banks Ratings Navigator		
Navigator date:	08 Feb 2018	
Last rating action:	02 Feb 2018	
Sector Details:		
Bank sector:	Wholesale Commercial	
Region:	DM Europe	
Country:	Germany	
Country IDR:	AAA Stable	
Last action:	01 Sep 17	Affirmed
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
02 Feb 18	bbb	Affirmed
13 Feb 17	bbb	Upgrade
19 Feb 16	bbb-	Affirmed
Issuer Default Rating (IDR)		
02 Feb 18	A+ Stable	Affirmed
13 Feb 17	A+ Stable	Affirmed
19 Feb 16	A+ Stable	Affirmed

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Institutional Support	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+ Stable
a										a	A	A
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc										ccc	CCC	CCC
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Support Rating Floor (SRF)	
Parent IDR	A+
Total Adjustments (notches)	+0
Institutional Support:	A+

Bar Chart Legend:	
Vertical bars = VR range of Rating Factor	
Bar Colors = Influence on final VR	
Higher Influence	
Moderate Influence	
Lower Influence	
Bar Arrows = Rating Factor Outlook	
Positive	Negative
Evolving	Stable

Peer Ratings bars = Count of banks	
21	DM Europe Wholesale Commercial
6	Germany Wholesale Commercial

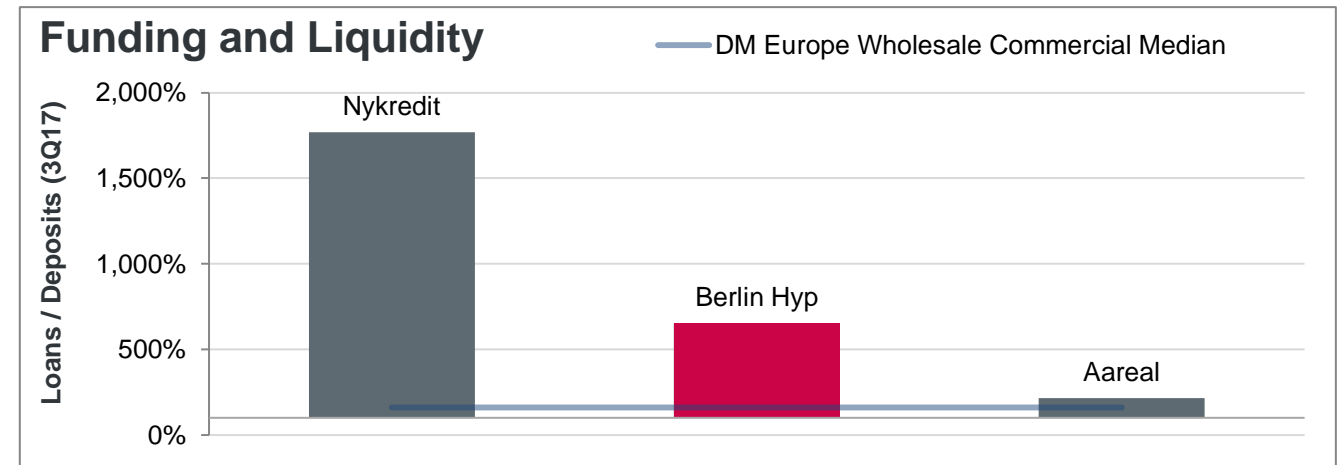
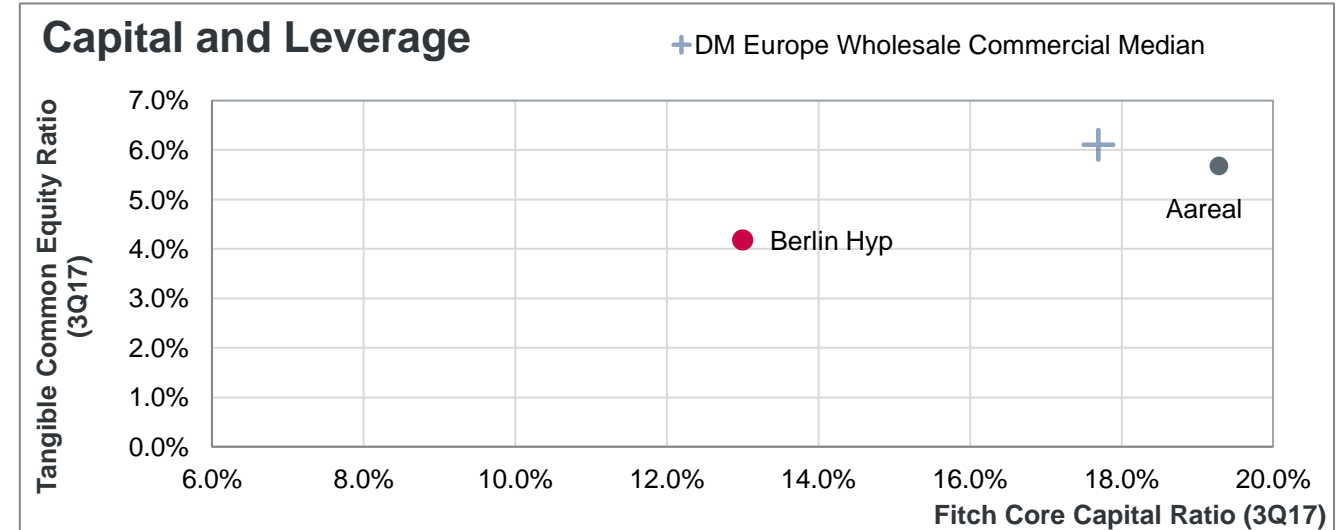
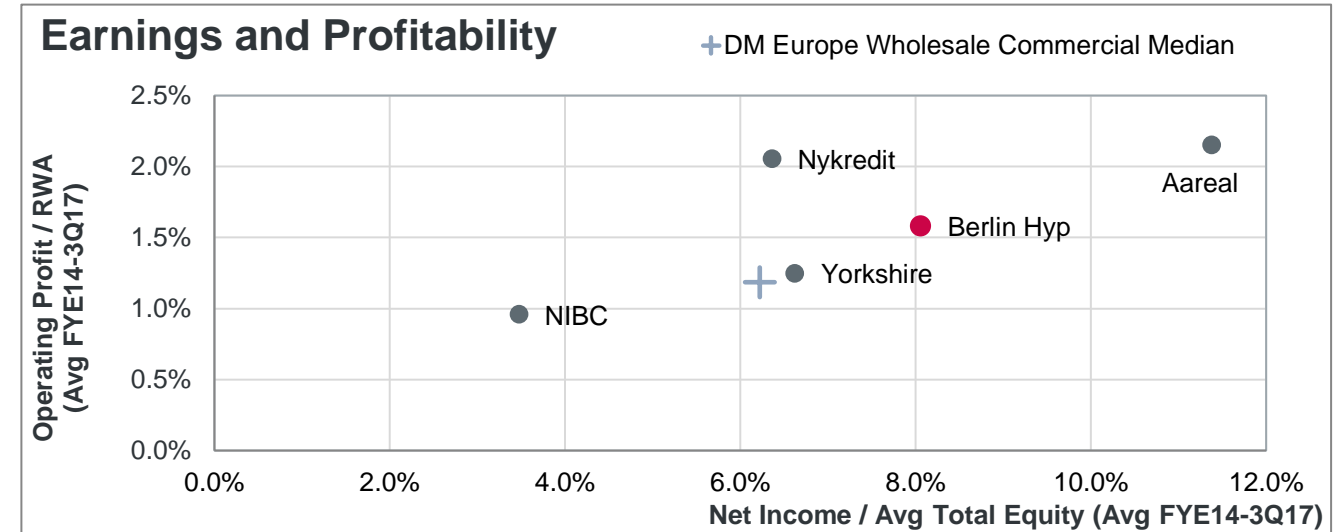
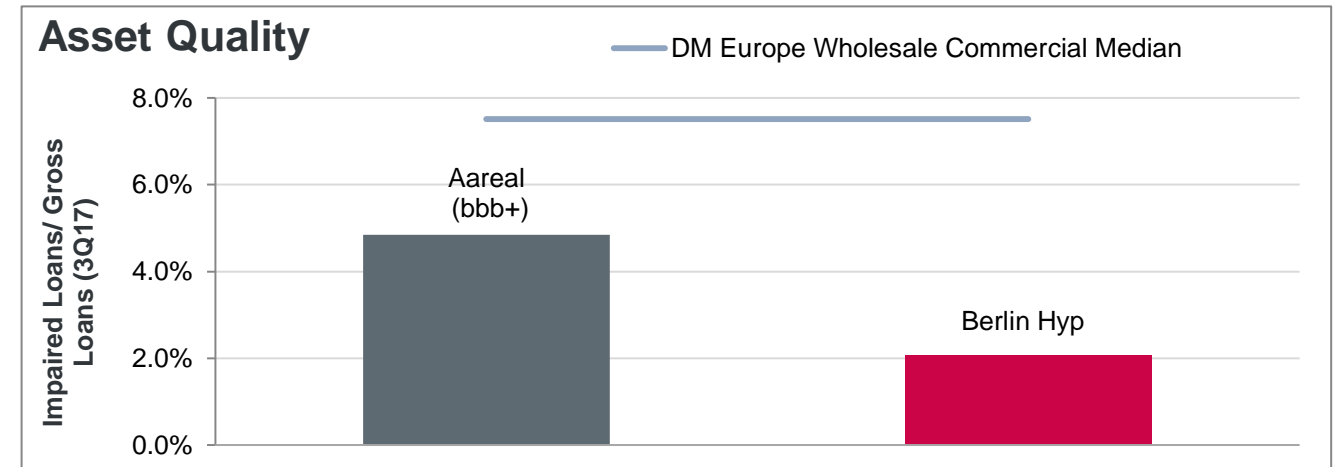
Relevant Criteria & References	
Global Bank Rating Criteria (Nov 2016)	
Macro-Prudential Risk Monitor (Aug 2017)	

Analysts	
Roger Schneider (+49 69 768076 242)	
Sebastian Schrimpf (+49 69 768 076 136)	

Institutional Support				Value
Parent IDR				A+
Total Adjustments (notches)				+0
Institutional Support:				A+
Support Factors (negative)		Equalised	1 Notch	2+ Notches
Parent Ability to Support				
Parent/group regulation			✓	
Relative size		✓		
Parent Propensity to Support				
Role in group			✓	
Potential for disposal			✓	
Implication of subsidiary default		✓		
Integration			✓	
Jurisdiction		✓		
Size of ownership stake		✓		
Support track record		✓		
Subsidiary performance and prospects		✓		
Branding		✓		
Legal commitments			✓	
Cross-default clauses				✓

Drivers & Sensitivities	
Institutional Support Drives IDRs	Berlin Hyp's IDRs are equalised with those of its ultimate owner, the German savings banks (SparkassenFinanzgruppe, A+/Stable), to reflect Fitch's view of an extremely high probability of institutional support.
Conservative Risk Appetite	We expect the bank's risk appetite to remain conservative despite increasing margin pressure. Foreign business is likely to remain between 25% and 30% of its new business. Interest-rate risk in the banking book, which we consider elevated, increased in 2017.
Adequate Capitalisation	At end-3Q17, Berlin Hyp's fully loaded CET1 ratio was 12.6%, in line with peers. We expect BerlinHyp to continue building capital in the medium term. Berlin Hyp's leverage ratio is at the lower end of peers' despite improvements because of a low RWA density.
Sound Asset Quality	Berlin Hyp's asset quality is sound and stronger than most of its peers'. Its legacy portfolio has been wound down, NPLs reduced further and coverage has increased. However, our assessment of asset quality also reflects high single-borrower concentration risk.
Resilient Performance	The bank's performance is commensurate with the level of risk it takes and proved to be resilient in 9M17 despite margin pressure thanks to cost management and good business growth. Berlin Hyp's cost/income ratio of about 40% is appropriate for its business profile.
Adequate Funding Mix	Berlin Hyp's funding and liquidity are adequate. The bank is wholesale-funded and has a diversified base of domestic and foreign institutional investors. The bank also benefits from access to the savings banks' excess liquidity.
Limited Upside Potential due to Business Model	We see limited upside for Berlin Hyp's Viability Rating because of its business model. Significant stress in property markets that affect profitability and, ultimately, capitalisation would put downside pressure on its VR.
Savings Banks Sector Counts	Berlin Hyp's IDRs, Support Rating and senior debt ratings are sensitive to changes in its ownership structure or relationship with the savings banks, including its membership in the mutual support scheme as well as the savings banks' ratings, with which they are equalised.

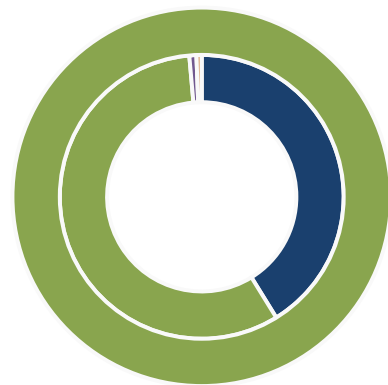
Key Financial Ratios (06 Feb 2018)	Berlin Hyp				Direct Peers Median				Region Sector Median							
	Number of Banks: Statement:				3	4	5	5	3Q17	FYE16	FYE15	FYE14	3Q17	FYE16	FYE15	FYE14
	3Q17	FYE16	FYE15	FYE14	3Q17	FYE16	FYE15	FYE14	3Q17	FYE16	FYE15	FYE14	3Q17	FYE16	FYE15	FYE14
Size (EURm)																
Total assets	26,558	26,354	28,544	30,428	43,267	36,282	51,948	48,304	54,530	18,830	17,443	15,869				
Risk weighted assets (RWA)	8,524	7,972	7,598	8,087	12,685	12,325	16,709	15,492	23,800	8,163	7,814	6,888				
Total equity	1,119	1,089	1,039	1,019	2,584	2,280	2,744	2,423	3,839	1,295	1,039	815				
Fitch core capital (FCC)	1,109	1,079	1,032	1,014	1,778	2,154	2,357	2,055	3,716	1,186	1,032	753				
Asset Quality																
Impaired loans/gross loans	2.1%	1.9%	2.2%	2.8%	3.5%	2.7%	2.2%	2.8%	7.5%	3.6%	3.9%	3.4%				
Growth of gross loans	1.1%	-5.7%	-0.3%	-0.9%	1.1%	-1.7%	3.4%	9.2%	-4.2%	5.8%	1.0%	11.9%				
Reserves for impaired loans/impaired loans	n.a.	69.8%	48.5%	42.0%	40.0%	34.8%	34.4%	37.1%	41.9%	55.9%	48.5%	42.0%				
Loan impairment charges/avg gross loans	0.4%	0.3%	-0.1%	0.0%	0.2%	0.3%	0.1%	0.2%	0.4%	0.3%	0.4%	0.8%				
Earnings and Profitability																
Operating profit/risk weighted assets	1.7%	1.7%	1.4%	1.5%	2.8%	1.4%	1.4%	1.4%	1.7%	1.0%	1.1%	1.0%				
Net interest income/average earning assets	1.1%	1.0%	0.8%	0.7%	1.1%	1.4%	1.3%	1.2%	1.1%	1.0%	1.2%	1.0%				
Non-interest expense/gross revenues	36.6%	45.7%	52.2%	48.8%	36.6%	56.1%	53.1%	50.6%	55.2%	64.2%	56.4%	53.5%				
Loans & secs imp charges/pre-imp op. profit	26.3%	21.1%	15.3%	6.5%	16.8%	22.6%	15.3%	34.1%	22.6%	19.5%	16.1%	34.6%				
Operating profit/average total assets	0.6%	0.5%	0.4%	0.4%	0.8%	0.5%	0.5%	0.4%	0.7%	0.4%	0.4%	0.4%				
Net income/average total equity	8.9%	6.8%	9.0%	7.5%	8.9%	6.1%	6.8%	7.5%	8.6%	4.1%	6.3%	5.8%				
Capital and Leverage																
FCC/FCC-adjusted risk weighted assets	13.0%	13.5%	13.6%	12.5%	16.2%	16.0%	14.2%	13.4%	17.7%	15.7%	13.6%	13.3%				
Basel leverage ratio	3.9%	3.9%	3.5%	n.a.	4.4%	5.4%	4.9%	5.9%	5.0%	6.4%	6.3%	5.7%				
Tangible common equity/tangible assets	4.2%	4.1%	3.6%	3.3%	5.3%	5.6%	5.0%	4.7%	6.1%	6.0%	6.5%	6.2%				
CET1 capital ratio	12.6%	13.5%	13.3%	11.3%	17.7%	15.6%	14.5%	13.8%	13.9%	13.4%	13.3%	13.1%				
Internal capital generation	0.0%	0.0%	0.0%	0.0%	8.5%	4.0%	5.2%	1.3%	6.8%	1.9%	3.8%	3.3%				
Imp loans less reserves for imp Loans/FCC	n.a.	10.5%	22.3%	33.8%	33.8%	16.7%	21.2%	29.0%	33.8%	14.4%	19.3%	18.4%				
Funding and Liquidity																
Loans/customer deposits	649.8%	947.1%	793.7%	697.3%	649.8%	188.9%	262.3%	233.7%	160.5%	155.3%	149.5%	156.0%				
Liquidity coverage ratio	n.a.	233.0%	441.0%	n.a.	325.0%	160.0%	237.5%	191.0%	192.9%	136.0%	106.4%	128.0%				
Customer deposits/total funding excl derivs	12.4%	8.5%	9.9%	10.5%	12.4%	47.3%	29.4%	30.7%	38.6%	46.4%	38.4%	41.3%				



Business Mix

(by profit or revenue)

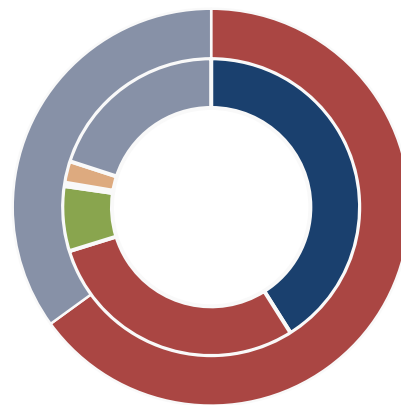
- Retail banking (0%)
- SME banking (0%)
- Corporate banking (100%)
- Investment banking (0%)
- Transaction banking (0%)
- Asset management (0%)
- Insurance (0%)
- Other (0%)



Outer: Berlin Hyp
Inner: Direct Peers Average

Lending Type

- Resi mortgages (0%)
- Comm mortgages (65%)
- Asset finance (0%)
- Other secured (0%)
- Personal unsecured (0%)
- Comm unsecured (0%)
- FIs & Sovs (35%)
- High yield (0%)
- Other unsecured (0%)



Outer: Berlin Hyp
Inner: Direct Peers Average

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