Berlin Hyp AG

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1+
Viability Rating (VR)	bbb
Support Rating	1
Long-Term Deposit Ratings	A+
Short-Term Deposit Rating	F1+

Sovereign Risk

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency Rating	AAA

Outlooks

Long-Term Foreign-Currency Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Berlin Hyp AG

	9M17	2016
Total assets (USDbn)	31,354	27,779
Total assets (EURbn)	26,558	26,354
Total equity (EURbn)	1,119	1,089
Net interest margin (%)	1.1	1.0
Cost/income ratio (%)	36.6	45.7
Operating ROAE (%)	13.5	12.6
Operating profit/ risk-weighted assets (%)	1.7	1.7
Loan impairment charges/ gross loans (%)	0.4	0.3
Non-performing loan ratio (%)	2.1	1.9
Fitch Core Capital ratio (%)	13.0	13.5
Common equity Tier 1 ratio (phased-in) (%)	12.6	13.5
Loans/client deposits (%)	650	947

Related Research

Berlin Hyp AG - Ratings Navigator (February 2018)

Fitch Affirms Berlin Hyp's IDR at 'A+' & VR at 'bbb' (February 2018)

Global Housing and Mortgage Outlook – 2018 (January 2018)

Fitch 2018 Outlook: Western European Banks (December 2017)

Basel IV Agreement is Positive for Bank Creditors (December 2017)

Analysts

Roger Schneider, CIIA
+49 69 768 076 242
roger.schneider@fitchratings.com

Sebastian Schrimpf, CFA
+49 69 768 076 136
sebastian.schrimpf@fitchratings.com

Key Rating Drivers

Savings Banks' Support Drives IDRs: Berlin Hyp AG's Issuer Default Ratings (IDRs) are equalised with those of the German savings banks (Sparkassen-Finanzgruppe (Sparkassen), SFG), which collectively own Berlin Hyp's parent, Landesbank Berlin Holding AG (LBBH). This reflects Fitch Ratings' view that extraordinary support from SFG is extremely likely, if needed.

High Probability of Support: We believe SFG has a very high propensity to support Berlin Hyp as failure to do so would significantly damage SFG's reputation and question the strength of the group's cohesion. In our view, Berlin Hyp's small size relative to SFG means that any necessary support would be modest relative to SFG's strong financial profile and that SFG would be able to put in place adequate support measures. Berlin Hyp's Viability Rating (VR) also includes significant ordinary support from its cooperation with the savings banks.

Sound Risk Appetite: We expect SFG to ensure that Berlin Hyp's appetite for credit risk will remain sound despite margin pressure. This implies a moderate share of foreign business, which is unlikely to exceed 25%-30% of the bank's new lending. Berlin Hyp's vulnerability to rising interest rates is highlighted by the increased interest-rate risk in its banking book in 2017.

Adequate Capitalisation: Berlin Hyp's fully loaded common equity Tier 1 (CET1) ratio (12.6% at end-3Q17) and total capital ratio (15.9%) are in line with peers and we expect the bank to continue building up capital. Its focus on secured property financing and intensive use of internal rating models results in a leverage ratio that, while improving, is among the sector's lowest.

Basel III Output Floor Manageable: The risk-weighted-asset (RWA) output floor decided by global regulators in 4Q17 will significantly inflate Berlin Hyp's RWAs due to the bank's low RWA density. However, the bank's adequate capitalisation and profitability should enable it to manage the floor's slow phasing-in until 2027 without disrupting its strategic objectives.

Sound Asset Quality: Berlin Hyp's domestic focus contributes to a stronger asset quality than those of most specialised commercial real estate (CRE) lenders. The bank has wound down its legacy portfolio, reduced non-performing loans (NPLs) and increased NPL coverage. However, like its peers, Berlin Hyp's high concentration on the volatile CRE asset class constrains its VR.

Resilient Performance: Berlin Hyp's adequate profitability is commensurate with its risk profile. Effective cost management and high volumes of loan origination supported its operating performance in 9M17, which remained resilient despite lasting margin pressure from low interest rates. We expect, however, the bank to face challenges from fierce competition and rising margin pressure. Its cost/income ratio close to 40% is adequate for a monoline CRE lender, in our view.

Sound Funding Mix: Berlin Hyp's wholesale funding base is well diversified across domestic and foreign institutional investors. The bank significantly benefits from SFG's ordinary support through its privileged access to the group's structurally large excess liquidity, funding from other SFG members and savings banks facilitating the bank's access to their CRE clients.

Rating Sensitivities

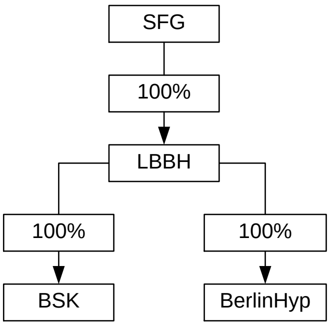
SFG's IDRs, Integration within SFG: Berlin Hyp's IDRs are primarily sensitive to changes in SFG's ratings or in the bank's ownership structure or relationship with SFG, including its membership in SFG's mutual support scheme. We see limited upside for the bank's VR given its monoline business model. Material stress in CRE markets that affects the bank's profitability and, ultimately, its capital would put downside pressure on its VR.

Operating Environment

Stable CRE Investment Volume in Continental Europe

CRE investments in Europe rose by 13% yoy to EUR130 billion in 1H17 (EUR274 billion in the 12 months to end-1H17). Similar to 2016, Germany has attracted the largest investment volume in Europe, well ahead of the UK, even though investors are increasingly returning to the UK despite uncertainty over Brexit.

Group Structure



Source: Berlin Hyp

In continental Europe, Germany remains the driving force, with EUR61 billion of investments (22% of the European total) in the 12 months to end-1H17. In France, investments remained stable at EUR25 billion in 2017 thanks to a strong fourth quarter that reversed the early year's slow-down. However, overall prime yields dropped to a historic low. In Poland, the investment volume increased as well in 2017, thanks to a stabilisation of the political and tax situation, but prime yields' compression continues.

Demand for German CRE Remains High

Germany's attractiveness for international investors reflects the country's good fundamentals, robust economy, resilient real-estate market and perception as a haven for long-term investments amid geopolitical uncertainties. CRE investments in Germany increased by 18% yoy to EUR48 billion in 9M17, half of which came from foreign investors, which contributed to drive up valuation. Demand for office properties remains strong. Limited supply and strong competition among buyers continue to erode rental yields, especially in the premium segment.

Strong German Economic Environment

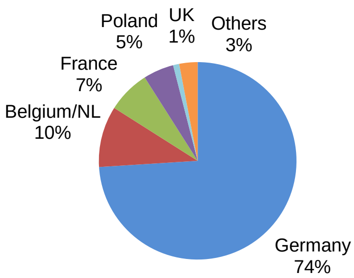
In 4Q17, Fitch raised its 2017 GDP growth forecast for Germany to 2.5%, the highest since 2011. Unemployment is at an historic low and job vacancies at a record high. Despite rising labour market participation of older workers and inflows of migrants, the tighter labour market is rapidly inflating nominal wages, with growth at rates last seen in 2011. Retail lending is increasing by 3% a year, with credit standards loosening in 2017. With greater access to credit and a buoyant labour market, consumer spending should continue to support economic growth.

Company Profile

Monoline CRE Lender Integrated into the German Sparkassen Organisation

Berlin Hyp's total assets of EUR27 billion amounted to 2% of SFG's total at end-3Q17. Like all monoline CRE lenders, its business is highly cyclical and exposed to concentration risk. Its core clients are professional CRE investors, investment funds, housing societies, cooperatives, and, increasingly, savings banks, to which Berlin Hyp notably offers bespoke products, such as debenture notes ("IMMOSchuldscheine"). These notes allow savings banks to participate in collateralised lending outside their regions without violating the regional principle under the Sparkassen law, or other standardised lending products, such as syndicated transactions.

Real Estate Portfolio
Breakdown by country (9M17)



Source: Berlin Hyp

Focus on Standard Property Types in Germany

Berlin Hyp is headquartered in Berlin and has five offices across Germany. Traditionally, it has targeted a business mix of investments in office, residential, retail and other properties. It has remained conservative when adding non-core property types, such as hotels or logistics. It focuses on larger German cities and has a relatively large exposure to the Berlin area. New business in the residential segment in Berlin is covered by Berlin Hyp's sister bank, Berliner Sparkasse (BSK), if this fits BSK's large exposure limits.

Moderate Foreign Exposure; Lower Risk Profile

Berlin Hyp's foreign exposure is concentrated in France, Benelux and Poland. Its direct market coverage and expertise in other regions is more limited. Foreign exposures account for 25%-30% of the bank's total, which limits its capacity to mitigate the low margins prevailing in the German CRE financing market. However, the lower-risk profile of its foreign business, primarily in terms of loan-to-value (LTV) ratios, mitigates the higher volatility of most foreign markets.

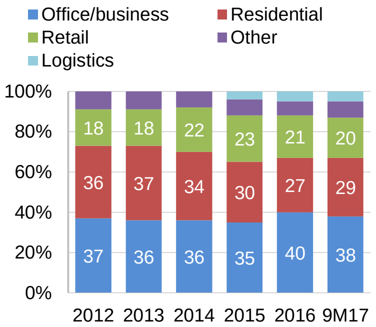
Related Criteria

Bank Rating Criteria (November 2016)

Sparkassen Are Essential Part of Berlin Hyp's Business Model

Berlin Hyp's company profile benefits from its repositioning (completed in 2015) from Landesbank Berlin's CRE lending arm to SFG's strategic partner and central CRE financing provider. The bank's solid results in 2016 and 9M17 support our view that its business model is well established in its domestic market, underpinned by its solid and long-term second pillar as a distinct member of SFG. We expect Berlin Hyp to continue to benefit from its specialisation and improved distribution model despite the fierce competition in German CRE financing.

Real Estate Portfolio
Breakdown by type



Source: Berlin Hyp

Management and Strategy

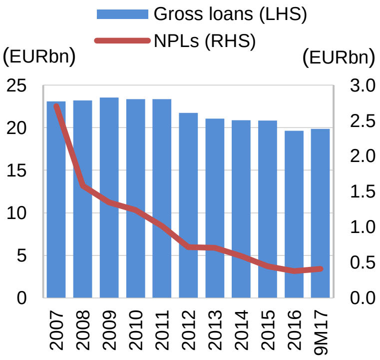
Main Strategic Targets Achieved

Berlin Hyp's chief executive and chief operating officer are also members of LBBH's management board, together with two members of BSK's board. The bank has materially deleveraged and reduced NPLs in recent years while increasing new business and maintaining its profitability targets, supported by benign economic conditions. Its improved bespoke service for savings banks lays a solid foundation for further business growth. The bank has also been adapting to the evolving demands of its investor base, notably by initiating the issuance of green Pfandbriefe and bonds.

Loan Origination and Cost Management Remain Key

Despite the strong competition, Berlin Hyp is well positioned to meet its business targets in Germany, helped by its cooperation with SFG. Its foreign business is more challenging given the bank's moderate size, limited name recognition and potentially weaker access to off-market transactions. In our view, its main challenges remain loan growth at reasonable terms, significant loan prepayments driven by the low interest rates and sustainable cost reduction.

NPL Reduction Continues



Source: Berlin Hyp

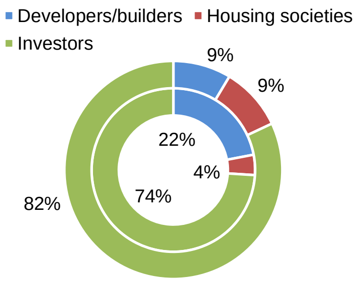
Risk Appetite

Prudent Approach to Higher-Risk Asset Class CRE

CRE is a volatile and cyclical asset class and competition is particularly strong in Germany. However, Berlin Hyp's underwriting standards are reasonably prudent. Most of the bank's lending has LTV ratios of 60%-80%, with stricter requirements for foreign exposure. Management avoids asset classes that are not identified as core areas of expertise. We view the bank's risk profile as consistent overtime and its risk-management framework as well established, adequately staffed and suitable to monitor a comprehensive range of related risks.

An independent advisory council ('Sparkassenbeirat') set up in 2016, which comprises board members of the shareholder savings banks, monitors Berlin Hyp's operations to ensure it maintains conservative risk standards. The council also reflects the positive influence of SFG's risk-averse corporate culture on Berlin Hyp's risk appetite.

New Lending Breakdown by Borrower Groups
Inner circle: New business in 9M17
Outer circle: New business in 2016



Source: Berlin Hyp

Cooperation Improves Diversification

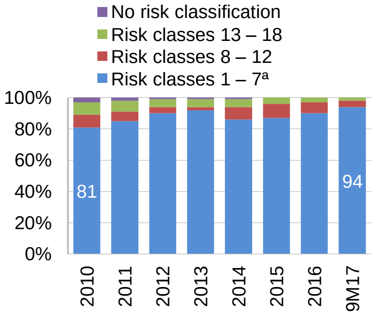
The business volume jointly generated with savings banks remained high in 9M17 and is likely to develop further, thus improving Berlin Hyp's regional diversification within Germany by providing access to the savings banks' strong local franchises. This cooperation also allows the savings banks to participate in transactions outside their regions.

Significant Structural Interest-Rate Risk

Berlin Hyp has no trading book. Its main value-at-risk drivers are interest-rate and credit-spread risks. The bank hedges its foreign-exchange exposures effectively and has no open currency positions. However, similar to savings banks but unlike other monoline CRE lenders, interest rate risk in its banking book is significant and increased in 9M17. This exposes the bank to a potential sudden rise in interest rates.

Loan Exposure

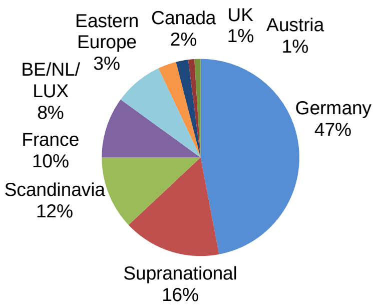
Breakdown by risk classes



[a] Investment grade
Source: Berlin Hyp

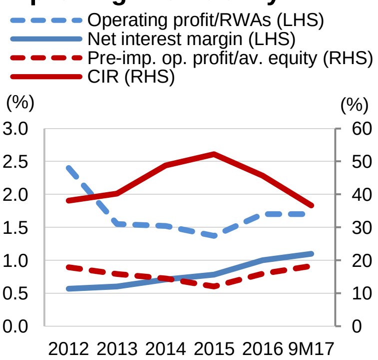
Security Portfolio Breakdown

By country (9M17: EUR4.6bn)



Source: Berlin Hyp

Improving Profitability



Source: Berlin Hyp, Fitch

Asset Quality

Sound, Gradually Improving Asset Quality

Berlin Hyp's NPLs have decreased in recent years despite a slight increase in 9M17 resulting from the first-time application of the European Banking Authority's NPL definitions. At end-3Q17, only 2% of its loan portfolio was in the rating classes 13 to 18, which include sub-performing loans and NPLs. Probabilities of default are declining and LTVs are stable. We understand that reasonable risk scores remain the most important criteria when making credit decisions, despite increasing earnings pressure and rising competition.

Berlin Hyp's high risk concentrations are inherent in its monoline CRE business model. This is mitigated, especially in its residential real estate portfolios, by granular tenant structures, conservative collateral valuation and the bank's focus on standard property in more resilient locations. The rising share of business jointly originated with savings banks should also reduce concentrations as it is typically more granular than Berlin Hyp's loan stock.

Above-Average NPL Coverage

NPL reserve coverage is well above the sector average, having increased to 70% from 49% in 2016, mainly driven by falling NPLs and a EUR46 million increase in (mainly general) loan-loss provisions. The exposure to loans in the rating classes 13 to 18 net of collateral and loan-loss provisions was low. The bank's positive net result from recoveries in recent years reflects a conservative valuation policy.

High-Quality Securities Portfolio

We do not expect material risk to arise from Berlin Hyp's securities portfolio of EUR4.6 billion at end-3Q17. The portfolio did not contain any structured securities, non-investment-grade issuers or southern European sovereigns. Exposures to eastern Europe were 2% of the total. We also view the quality of Berlin Hyp's public-sector portfolio, which is in run-down, as sound, as most assets are in countries rated 'AAA' or 'AA'. The securities portfolio contains considerable net unrealised valuation gains resulting from the narrowing of credit spreads amplified by the ECB's asset purchases. Most financial institutions counterparties are either public-sector or systemically important banks.

Earnings and Profitability

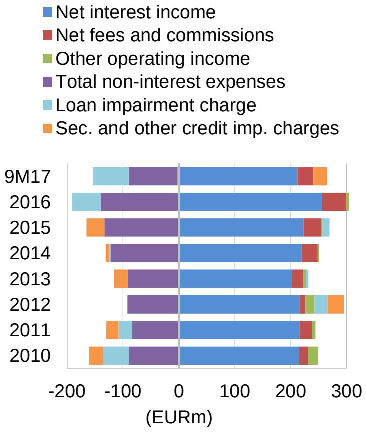
Adequate and Resilient Profitability

Despite its declining balance sheet in recent years, the fairly stable profitability of Berlin Hyp, which only reports under German GAAP, has been driven by slightly rising net interest income, mainly resulting from declining funding costs, reducing interbank and securities business, the reduction of lower-yielding public-sector business as well as increased exposure the developers/builders sector, which is in our view in general more risky. Its RoRWA has been broadly stable since 2013 as declining RWAs have mitigated lower earnings. In our view, its performance is appropriate for its risk profile and has shown good resilience to the margin pressure.

Thanks to large loan origination volumes including long-term extensions, declining funding costs and strict cost management, the bank's pre-tax profit increased to EUR74 million in 9M17 from EUR47 million in 9M16. The difference between the bank's pre-tax profit and operating profit mainly results from the allocations to the fund of general banking risks. Net commission income remains relatively low compared with peers but has recently benefitted from increased new lending, and the bank aims to gradually improve fee income by intensifying its cooperation with the savings banks.

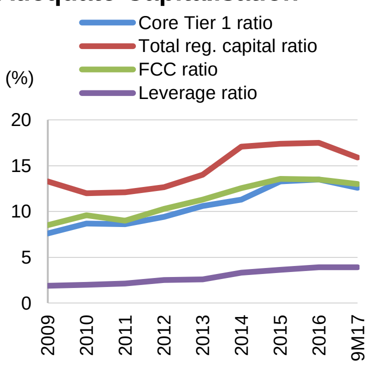
The bank's operating RoRWA rose to 1.7% from 1.4% (despite a 7% increase in RWAs) and its operating RoAE to 13.5% from 10.8%, which is well above the banking sector's average, although it is inflated by the bank's high leverage. The cost/income ratio (CIR) declined to 37% from 46% in 2016. We view a CIR of about 40% as adequate for a monoline CRE lender.

Performance Drivers



Source: Berlin Hyp

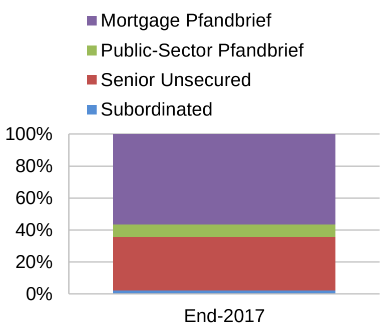
Adequate Capitalisation



Source: Berlin Hyp

Capital Market Funding Mix

Breakdown by instruments (End-2017)



Source: Berlin Hyp

Margin Pressure and Loan Prepayments Likely to Remain Challenging

We expect intense competition among CRE lenders to continue, which is likely to increase margin pressure. Large early repayments, which constrain net new business volumes, could exacerbate this, as the low-rate environment makes it challenging to substitute older high-yielding loans. Proceeds from prepayment penalties have only a marginal effect on Berlin Hyp's profitability as the bank uses them primarily to mitigate the effects of maturity mismatches that result from loan prepayments (by closing open derivatives positions). We expect balance-sheet growth to be moderate under these circumstances. This will make it challenging for Berlin Hyp to generate the economies of scale needed to mitigate its rising cost base.

Moderate Risk Provisioning

Berlin Hyp's moderate loan impairment charges of EUR64 million in 9M17 (EUR37 million in 9M16) continued to reflect the solid German economy and the bank's cautious risk management. The increase, however, was partly compensated by valuation gains of EUR24 million from securities disposals.

Capitalisation and Leverage

Adequate Capitalisation

Berlin Hyp's capital ratios have improved since 2010 thanks to cautious RWA management, earnings retention and several capital increases from SFG. Its capitalisation provides a sufficient buffer in light of its solid asset quality and its focus on German properties. The decline in its CET1 ratio to 12.6% in 9M17 is driven by a 7% rise in RWAs and the fact that the EUR30 million retained earnings accumulated during the period were not yet regulatory recognised at end-3Q17. Taking them into account, the CET1 ratio would have totalled 13%.

Berlin Hyp's regulatory leverage ratio of 3.9% at end-3Q17 is in line with its internal target but below peers and tighter than the broader banking sector. We expect leverage to continue to constrain the bank's potential balance-sheet growth. The regulator has yet to communicate its final individual requirements for own funds and eligible liabilities (MREL). The bank's pro-forma MREL ratio was 22.3% based on nominal values (73.7% based on RWAs) at end-3Q17.

Capital Injections Support Growth

Due to its profit transfer agreement with LBBH, Berlin Hyp can improve its capital ratios only by managing RWAs and increasing its reserves for general banking risk. If this was not sufficient to support its balance-sheet growth, we believe SFG would inject capital as necessary. LBBH also manages BSK's capital requirements. Hence, a loss at BSK could make it more difficult for Berlin Hyp to obtain additional funds from LBBH in case retained earnings prove to be insufficient to continue its growth path. However, we expect this to be increasingly unlikely as BSK's restructuring is largely completed and its CET1 ratio is a strong 17.7%. Barring large losses or unexpected RWA inflation, we believe Berlin Hyp's loan growth is unlikely to be constrained in the next two years.

Potential Challenges from Basel III Amendments

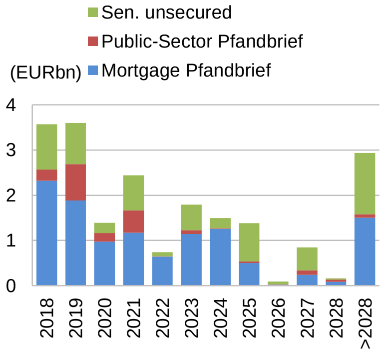
The RWA output floor decided by global regulators in 4Q17 will significantly inflate Berlin Hyp's RWAs due to the bank's focus on secured property lending and intensive use of internal rating models, which together result in low regulatory risk-weights. However, we expect the bank to be able to strengthen its capitalisation (either internally or via capital injections from SFG) before the output floor's full implementation in 2027.

Funding and Liquidity

Established Covered Bond Franchise Underpins Sound Funding Profile

Berlin Hyp is wholesale-funded but benefits from its privileged access to SFG's large excess liquidity. Savings banks buy a large proportion of its senior unsecured debt and covered bonds, incentivised by the fact that their exposures to members of SFG's mutual support scheme carry

Maturity Profile (End-2018)



Source: Berlin Hyp

0% regulatory risk-weighting. The low-interest-rate environment and the bank's membership in the support scheme have resulted in very low funding spreads over recent years. We expect these to continue as long as there are no indications of tighter monetary policy.

Berlin Hyp is an established issuer of mortgage covered bonds. It has ceased new business with public-sector clients and, consequently, no longer issues public-sector covered bonds. The net present value of outstanding mortgage and public-sector covered bonds were EUR13.6 billion and EUR1.8 billion at end-3Q17, respectively.

Moderate Capital Market Funding Volume Expected

Berlin Hyp comfortably met its capital market funding target in 9M17. During the year, it issued EUR1.3 billion of mortgage Pfandbriefe and EUR0.2 billion of senior unsecured instruments. In 2016 and 1H17, it participated in the ECB's targeted long-term refinancing operations programme (TLTRO) from which it received EUR2 billion from TLTRO-II.1 to further optimise funding cost and to support credit growth initiatives as well as to repay a maturing EUR0.5 billion TLTRO tranche. Pfandbrief issuance will remain its main refinancing instrument.

Comfortable Liquidity Ratios

Berlin Hyp's manages its liquidity prudently and maintains a minimum buffer of more than EUR1 billion over calculated outflows within a 30-day period. The current high level of early loan repayments further reduces the bank's liquidity risk. Its liquidity coverage ratio was 233% at end-2016. The bank does not report externally its net stable funding ratios, but we believe that the ratio exceeds the regulatory minimum requirement.

Support

SFG's Support Drives IDRs, Senior Debt and Support Ratings

Support for Berlin Hyp is likely to come collectively from the savings banks through LBBH, which is a non-operative holding without its own assets other than its stakes in Berlin Hyp and BSK. SFG's financial strength and large size drive its strong ability to support Berlin Hyp. No senior bondholder of SFG's members has ever incurred losses. SFG also has a strong propensity to provide support as its reputational damage from not doing so would be large. Berlin Hyp is a core service and product provider to SFG. It shares the same brand and its reorganisation underlines its strategic importance for (and high level of operational integration within) the group. Therefore, we view a sale of Berlin Hyp as highly unlikely in the foreseeable future, although a sale would not significantly alter SFG's franchise.

Deposit Ratings Equalised with IDRs

Berlin Hyp's Deposit Ratings are aligned with the bank's IDRs. We have not given any Deposit Rating uplift as, in Fitch's opinion, the bank's debt buffers do not afford any incremental probability of default benefit over and above the support benefit already factored into Berlin Hyp's IDRs. We have also not assigned any uplift for above-average recovery prospects in the event of default because of the limited visibility into recovery levels in such circumstances. Berlin Hyp's Deposit Ratings are primarily sensitive to changes in the bank's IDRs.

Berlin Hyp AG
Income Statement

	30 Sep 2017 9 Months - 3rd Quarter EURm Unaudited	31 Dec 2016 Year End EURm Audited - Unqualified	31 Dec 2015 Year End EURm Audited - Unqualified	31 Dec 2014 Year End EURm Audited - Unqualified	31 Dec 2013 Year End EURm Audited - Unqualified
1. Interest Income on Loans	280	413	479	608	535
2. Other Interest Income	11	43	77	100	134
3. Dividend Income	n.a.	n.a.	n.a.	n.a.	n.a.
4. Gross Interest and Dividend Income	**290**	**456**	**556**	**708**	**670**
5. Interest Expense on Customer Deposits	n.a.	n.a.	n.a.	n.a.	n.a.
6. Other Interest Expense	78	201	333	489	468
7. Total Interest Expense	**78**	**201**	**333**	**489**	**468**
8. Net Interest Income	**212**	**256**	**223**	**219**	**202**
9. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	n.a.	n.a.	n.a.
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	n.a.	n.a.	n.a.
12. Net Insurance Income	n.a.	n.a.	n.a.	n.a.	n.a.
13. Net Fees and Commissions	29	43	31	29	20
14. Other Operating Income	(3)	9	2	3	5
15. Total Non-Interest Operating Income	**26**	**51**	**33**	**32**	**25**
16. Personnel Expenses	50	63	77	63	38
17. Other Operating Expenses	37	78	57	60	53
18. Total Non-Interest Expenses	**87**	**140**	**134**	**123**	**92**
19. Equity-accounted Profit/ Loss - Operating	n.a.	3	1	3	2
20. Pre-Impairment Operating Profit	**151**	**170**	**123**	**131**	**138**
21. Loan Impairment Charge	64	51	(13)	1	(5)
22. Securities and Other Credit Impairment Charges	(24)	(16)	32	7	25
23. Operating Profit	**111**	**134**	**104**	**123**	**117**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.	n.a.
25. Non-recurring Income	n.a.	n.a.	n.a.	n.a.	n.a.
26. Non-recurring Expense	n.a.	0	2	2	2
27. Change in Fair Value of Own Debt	n.a.	n.a.	n.a.	n.a.	n.a.
28. Other Non-operating Income and Expenses	(37)	(61)	(9)	(55)	5
29. Pre-tax Profit	**74**	**73**	**93**	**66**	**120**
30. Tax expense	0	(0)	1	(2)	0
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
32. Net Income	**74**	**73**	**92**	**68**	**120**
33. Change in Value of AFS Investments	n.a.	n.a.	n.a.	n.a.	n.a.
34. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.	n.a.
35. Currency Translation Differences	n.a.	n.a.	n.a.	n.a.	n.a.
36. Remaining OCI Gains/(losses)	n.a.	n.a.	n.a.	n.a.	n.a.
37. Fitch Comprehensive Income	**74**	**73**	**92**	**68**	**120**
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	n.a.	n.a.	n.a.
39. Memo: Net Income after Allocation to Non-controlling Interests	74	73	92	68	120
40. Memo: Common Dividends Relating to the Period	74	73	92	68	120
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	0	0	n.a.

Berlin Hyp AG
Balance Sheet

	30 Sep 2017 9 Months - 3rd Quarter EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm
Assets					
A. Loans					
1. Residential Mortgage Loans	n.a.	n.a.	n.a.	n.a.	n.a.
2. Other Mortgage Loans	19,014	18,125	17,898	17,721	17,584
3. Other Consumer/ Retail Loans	n.a.	n.a.	n.a.	n.a.	n.a.
4. Corporate & Commercial Loans	n.a.	n.a.	n.a.	n.a.	n.a.
5. Other Loans	837	1,507	2,929	3,172	3,492
6. Less: Reserves for Impaired Loans	n.a.	262	217	248	270
7. Net Loans	**19,851**	**19,370**	**20,610**	**20,645**	**20,806**
8. Gross Loans	**19,851**	**19,632**	**20,827**	**20,893**	**21,076**
9. Memo: Impaired Loans included above	407	376	447	591	706
10. Memo: Loans at Fair Value included above	n.a.	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets					
1. Loans and Advances to Banks	785	552	673	891	2,261
2. Reverse Repos and Cash Collateral	n.a.	n.a.	n.a.	n.a.	n.a.
3. Trading Securities and at FV through Income	n.a.	n.a.	n.a.	n.a.	n.a.
4. Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
5. Available for Sale Securities	n.a.	n.a.	n.a.	n.a.	n.a.
6. Held to Maturity Securities	n.a.	n.a.	n.a.	n.a.	n.a.
7. Equity Investments in Associates	n.a.	0	0	0	0
8. Other Securities	4,619	5,782	6,485	8,325	9,637
9. Total Securities	**4,619**	**5,782**	**6,485**	**8,325**	**9,637**
10. Memo: Government Securities included Above	n.a.	2,940	2,793	2,977	3,084
11. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.	n.a.
12. Investments in Property	n.a.	n.a.	n.a.	n.a.	n.a.
13. Insurance Assets	n.a.	n.a.	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	n.a.	n.a.	n.a.	n.a.
15. Total Earning Assets	**25,255**	**25,703**	**27,768**	**29,862**	**32,704**
C. Non-Earning Assets					
1. Cash and Due From Banks	760	9	6	9	38
2. Memo: Mandatory Reserves included above	n.a.	n.a.	n.a.	n.a.	n.a.
3. Foreclosed Real Estate	n.a.	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	57	58	59	59	59
5. Goodwill	n.a.	0	n.a.	0	0
6. Other Intangibles	10	10	7	5	8
7. Current Tax Assets	n.a.	n.a.	n.a.	n.a.	n.a.
8. Deferred Tax Assets	n.a.	0	n.a.	0	0
9. Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
10. Other Assets	476	574	704	493	557
11. Total Assets	**26,558**	**26,354**	**28,544**	**30,428**	**33,367**
Liabilities and Equity					
D. Interest-Bearing Liabilities					
1. Customer Deposits - Current	n.a.	n.a.	n.a.	n.a.	n.a.
2. Customer Deposits - Savings	n.a.	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits - Term	3,055	2,073	2,624	2,996	3,079
4. Total Customer Deposits	**3,055**	**2,073**	**2,624**	**2,996**	**3,079**
5. Deposits from Banks	5,571	4,814	6,297	8,287	11,442
6. Repos and Cash Collateral	n.a.	n.a.	n.a.	n.a.	n.a.
7. Commercial Paper and Short-term Borrowings	n.a.	n.a.	n.a.	n.a.	25
8. Total Money Market and Short-term Funding	**8,626**	**6,887**	**8,920**	**11,283**	**14,545**
9. Senior Unsecured Debt (original maturity > 1 year)	n.a.	n.a.	n.a.	n.a.	n.a.
10. Subordinated Borrowing	453	454	443	466	351
11. Covered Bonds	12,165	13,084	13,301	12,931	14,752
12. Other Long-term Funding	3,319	3,935	3,807	3,762	2,236
13. Total LT Funding (original maturity > 1 year)	**15,937**	**17,472**	**17,551**	**17,159**	**17,339**
14. Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
15. Trading Liabilities	n.a.	n.a.	n.a.	n.a.	n.a.
16. Total Funding	**24,563**	**24,359**	**26,472**	**28,442**	**31,884**
E. Non-Interest Bearing Liabilities					
1. Fair Value Portion of Debt	n.a.	n.a.	n.a.	n.a.	n.a.
2. Credit impairment reserves	n.a.	n.a.	n.a.	n.a.	n.a.
3. Reserves for Pensions and Other	165	163	144	127	100
4. Current Tax Liabilities	n.a.	1	1	11	13
5. Deferred Tax Liabilities	n.a.	0	n.a.	0	0
6. Other Deferred Liabilities	n.a.	n.a.	285	n.a.	n.a.
7. Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
8. Insurance Liabilities	n.a.	n.a.	n.a.	n.a.	n.a.
9. Other Liabilities	711	743	603	829	507
10. Total Liabilities	**25,439**	**25,265**	**27,505**	**29,409**	**32,503**
F. Hybrid Capital					
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	n.a.	n.a.	0
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	n.a.	n.a.	n.a.
G. Equity					
1. Common Equity	1,119	1,089	1,039	1,019	864
2. Non-controlling Interest	n.a.	n.a.	n.a.	n.a.	n.a.
3. Securities Revaluation Reserves	n.a.	n.a.	n.a.	n.a.	n.a.
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	n.a.	n.a.	n.a.
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	n.a.	n.a.	n.a.
6. Total Equity	**1,119**	**1,089**	**1,039**	**1,019**	**864**
7. Total Liabilities and Equity	**26,558**	**26,354**	**28,544**	**30,428**	**33,367**
8. Memo: Fitch Core Capital	1,109	1,079	1,032	1,014	856

Berlin Hyp AG
Summary Analytics

	30 Sep 2017 9 Months - 3rd Quarter	31 Dec 2016 Year End	31 Dec 2015 Year End	31 Dec 2014 Year End	31 Dec 2013 Year End
A. Interest Ratios					
1. Interest Income on Loans/ Average Gross Loans	1.9	2.0	2.3	2.9	2.5
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.	n.a.
3. Interest Income/ Average Earning Assets	1.5	1.7	1.9	2.3	2.0
4. Interest Expense/ Average Interest-bearing Liabilities	0.4	0.8	1.2	1.6	1.4
5. Net Interest Income/ Average Earning Assets	1.1	1.0	0.8	0.7	0.6
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.8	0.8	0.8	0.7	0.6
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.1	1.0	0.8	0.7	0.6
B. Other Operating Profitability Ratios					
1. Non-Interest Income/ Gross Revenues	11.0	16.7	12.8	12.7	11.0
2. Non-Interest Expense/ Gross Revenues	36.6	45.7	52.2	48.8	40.3
3. Non-Interest Expense/ Average Assets	0.4	0.5	0.5	0.4	0.3
4. Pre-impairment Op. Profit/ Average Equity	18.3	15.9	12.0	14.5	15.8
5. Pre-impairment Op. Profit/ Average Total Assets	0.8	0.6	0.4	0.4	0.4
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	26.3	21.1	15.3	6.5	14.8
7. Operating Profit/ Average Equity	13.5	12.6	10.2	13.5	13.5
8. Operating Profit/ Average Total Assets	0.6	0.5	0.4	0.4	0.3
9. Operating Profit / Risk Weighted Assets	1.7	1.7	1.4	1.5	1.6
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	8.9	6.8	9.0	7.5	13.8
2. Net Income/ Average Total Assets	0.4	0.3	0.3	0.2	0.4
3. Fitch Comprehensive Income/ Average Total Equity	8.9	6.8	9.0	7.5	13.8
4. Fitch Comprehensive Income/ Average Total Assets	0.4	0.3	0.3	0.2	0.4
5. Taxes/ Pre-tax Profit	0.4	(0.1)	1.3	(3.2)	0.2
6. Net Income/ Risk Weighted Assets	1.2	0.9	1.2	0.8	1.6
D. Capitalization					
1. FCC/FCC-Adjusted Risk Weighted Assets	13.0	13.5	13.6	12.5	11.3
2. Tangible Common Equity/ Tangible Assets	4.2	4.1	3.6	3.3	2.6
3. Tier 1 Regulatory Capital Ratio	12.6	13.5	13.3	12.4	n.a.
4. Total Regulatory Capital Ratio	15.9	17.5	17.4	17.1	14.0
5. Common Equity Tier 1 Capital Ratio	12.6	13.5	13.3	11.3	10.6
6. Equity/ Total Assets	4.2	4.1	3.6	3.4	2.6
7. Cash Dividends Paid & Declared/ Net Income	100.0	100.0	100.0	100.0	100.0
8. Internal Capital Generation	0.0	0.0	0.0	0.0	0.0
E. Loan Quality					
1. Growth of Total Assets	0.8	(7.7)	(6.2)	(8.8)	(2.5)
2. Growth of Gross Loans	1.1	(5.7)	(0.3)	(0.9)	(3.1)
3. Impaired Loans/ Gross Loans	2.1	1.9	2.2	2.8	3.4
4. Reserves for Impaired Loans/ Gross Loans	n.a.	1.3	1.0	1.2	1.3
5. Reserves for Impaired Loans/ Impaired Loans	n.a.	69.8	48.5	42.0	38.3
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	n.a.	10.5	22.3	33.8	50.9
7. Impaired Loans less Reserves for Impaired Loans/ Equity	n.a.	10.4	22.2	33.7	50.4
8. Loan Impairment Charges/ Average Gross Loans	0.4	0.3	(0.1)	0.0	(0.0)
9. Net Charge-offs/ Average Gross Loans	n.a.	0.1	0.2	0.7	0.5
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	2.1	1.9	2.2	2.8	3.4
F. Funding and Liquidity					
1. Loans/ Customer Deposits	650	947	794	697	685
2. Interbank Assets/ Interbank Liabilities	14	11	11	11	20
3. Customer Deposits/ Total Funding (excluding derivatives)	12	9	10	11	10
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.	n.a.

Berlin Hyp AG
Reference Data

	30 Sep 2017 9 Months - 3rd Quarter EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm
A. Off-Balance Sheet Items					
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	n.a.	n.a.	n.a.
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	n.a.	n.a.	n.a.
3. Guarantees	161	130	124	99	79
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	n.a.	n.a.	n.a.
5. Committed Credit Lines	2,198	1,895	1,303	938	908
7. Other Off-Balance Sheet items	n.a.	n.a.	n.a.	n.a.	n.a.
8. Total Assets under Management	n.a.	n.a.	n.a.	n.a.	n.a.
B. Average Balance Sheet					
Average Loans	19,570	20,410	20,870	20,913	21,398
Average Earning Assets	25,377	27,071	28,804	31,064	33,770
Average Assets	26,247	27,844	29,419	31,684	34,328
Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.	n.a.
Average Interest-Bearing Liabilities	24,257	25,822	27,475	30,008	32,960
Average Common equity	1,106	1,067	1,024	908	870
Average Equity	1,106	1,067	1,024	908	870
Average Customer Deposits	2,569	2,179	2,611	3,119	2,979
C. Maturities					
Asset Maturities:					
Loans & Advances < 3 months	n.a.	604	420	415	449
Loans & Advances 3 - 12 Months	n.a.	1,435	2,333	853	835
Loans and Advances 1 - 5 Years	n.a.	3,972	4,106	6,074	5,839
Loans & Advances > 5 years	n.a.	13,358	13,751	13,304	13,683
Debt Securities < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities 3 - 12 Months	n.a.	826	1,574	1,860	1,749
Debt Securities 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities > 5 Years	n.a.	4,956	4,911	6,467	7,888
Loans & Advances to Banks < 3 Months	n.a.	391	282	387	1,729
Loans & Advances to Banks 3 - 12 Months	n.a.	111	123	23	3
Loans & Advances to Banks 1 - 5 Years	n.a.	50	269	481	527
Loans & Advances to Banks > 5 Years	n.a.	0	n.a.	n.a.	3
Liability Maturities:					
Retail Deposits < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Deposits from Banks < 3 Months	n.a.	2,699	3,873	5,531	8,645
Deposits from Banks 3 - 12 Months	n.a.	197	271	415	1,073
Deposits from Banks 1 - 5 Years	n.a.	1,732	1,747	1,649	964
Deposits from Banks > 5 Years	n.a.	186	406	691	760
Senior Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing 3-12 Months	n.a.	2,644	1,918	1,881	3,438
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing > 5 Years	n.a.	10,971	11,465	10,763	9,038
Total Senior Debt on Balance Sheet	n.a.	13,615	13,383	12,644	12,476
Fair Value Portion of Senior Debt	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Total Subordinated Debt on Balance Sheet	453	454	443	466	351
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.	n.a.
D. Risk Weighted Assets					
1. Risk Weighted Assets	8,524	7,972	7,598	8,087	7,584
2. Fitch Core Capital Adjustments for Insurance and Securitisation RWA	n.a.	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital Adjusted Risk Weighted Assets	8,524	7,972	7,598	8,087	7,584
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	8,524	7,972	7,598	8,087	7,584
E. Equity Reconciliation					
1. Equity	1,119	1,089	1,039	1,019	864
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	n.a.	n.a.	n.a.
3. Add: Other Adjustments	n.a.	n.a.	n.a.	n.a.	n.a.
4. Published Equity	1,119	1,089	1,039	1,019	864
F. Fitch Core Capital Reconciliation					
1. Total Equity as reported (including non-controlling interests)	1,119	1,089	1,039	1,019	864
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0	0	0	0	0
3. Non-loss-absorbing non-controlling interests	0	0	0	0	0
4. Goodwill	0	0	0	0	0
5. Other intangibles	10	10	7	5	8
6. Deferred tax assets deduction	0	0	0	0	0
7. Net asset value of insurance subsidiaries	0	0	0	0	0
8. First loss tranches of off-balance sheet securitizations	0	0	0	0	0
9. Fitch Core Capital	**1,109**	**1,079**	**1,032**	**1,014**	**856**

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.