### Berlin Hyp AG

#### Peer Ratings

<table>
<thead>
<tr>
<th>Operating Environment</th>
<th>Company Profile</th>
<th>Management &amp; Strategy</th>
<th>Risk Appetite</th>
<th>Asset Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>aaa</td>
<td>aaa</td>
<td>a</td>
<td>A+</td>
<td>A+</td>
</tr>
<tr>
<td>aa+</td>
<td>aa-</td>
<td>a</td>
<td>A</td>
<td>A-</td>
</tr>
<tr>
<td>a</td>
<td>a+</td>
<td>a</td>
<td>A+</td>
<td>A</td>
</tr>
<tr>
<td>bb-</td>
<td>bb+</td>
<td>b</td>
<td>B-</td>
<td>B+</td>
</tr>
<tr>
<td>b</td>
<td>b+</td>
<td>b</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>bbb+</td>
<td>bbb</td>
<td>bb</td>
<td>BB+</td>
<td>BB+</td>
</tr>
<tr>
<td>bbb</td>
<td>bbb-</td>
<td>bb</td>
<td>BB-</td>
<td>BB-</td>
</tr>
<tr>
<td>ccc</td>
<td>ccc+</td>
<td>c</td>
<td>CCC+</td>
<td>CCC+</td>
</tr>
<tr>
<td>ccc</td>
<td>ccc-</td>
<td>c</td>
<td>CCC-</td>
<td>CCC-</td>
</tr>
<tr>
<td>cc</td>
<td>cc</td>
<td>c</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>c</td>
<td>c+</td>
<td>c</td>
<td>C+</td>
<td>C+</td>
</tr>
<tr>
<td>f</td>
<td>f+</td>
<td>f</td>
<td>FF+</td>
<td>FF+</td>
</tr>
<tr>
<td>nf</td>
<td>nf</td>
<td>nf</td>
<td>NF</td>
<td>NF</td>
</tr>
</tbody>
</table>

#### Operating Environment

- **Bar Chart Legend**
  - Higher Influence
  - Moderate Influence
  - Lower Influence

- **Bar Colors**
  - Influence on final VR

- **Bar Arrows**
  - Rating Factor Outlook

- **Support Rating Floor (SRF)**
  - Higher Influence
  - Moderate Influence
  - Lower Influence

#### Bar Chart Values

- **Total Adjustments (notches)**: +1
- **Institutional Support**: A+

#### Drivers & Sensitivities

- **Institutional Support**: Berlin Hyp’s IDRs are equalised with those of its ultimate parent, Sparkassen-Finanzgruppe (SFG, A+/Stable/F1+), the German savings banks. In Fitch’s view, Berlin Hyp benefits from an extremely high probability of support from the savings banks, if required.

- **Monoline Business Model**: Berlin Hyp’s VR reflects its commercial real estate (CRE)-focused business model, predominantly in Germany. The bank’s strong asset quality, resilient performance and sound risk appetite mitigate the risks associated with the cyclical CRE sector and support the VR.

- **Sound Asset Quality**: The bank’s asset-quality indicators are stronger than those of most peers and of the German banking sector, supported by prudent underwriting standards. However, the bank’s high single-borrower concentration constrains our assessment of Berlin Hyp’s asset quality.

- **Margin Pressure to Weigh on Performance in the Medium Term**: Berlin Hyp’s profitability is adequate and commensurate with its level of risk, but we believe its operating profit peaked in 2018. We expect margin pressure in the German CRE lending market to continue to weigh on the bank’s performance in the medium term, given Berlin Hyp’s domestic focus.

- **Capitalisation & Leverage**: Berlin Hyp stabilised its common equity Tier 1 ( CET1) ratio at 13.1% at end-2019 by retaining half of its operating profits to match the rise in its risk-weighted assets (RWAs). We expect the bank to continue to retain a large share of its profits to mitigate RWA inflation from the revised Basel III framework.

- **Sound Funding and Liquidity**: The bank is purely wholesale-funded (unsecured debt and Pfandbriefe) and relies on a diversified institutional investor base, including other members of the savings bank sector. Its membership in SFG’s mutual support scheme also provides it with privileged access to SFG’s vast excess liquidity.

- **IDRs Sensitive to Changes in SFG’s Support**: Berlin Hyp’s IDRs are primarily sensitive to changes in the bank’s ownership structure or contractual relationship with the savings banks, particularly its membership in SFG’s mutual support scheme. The ratings are also sensitive to changes in SFG’s ratings.

- **CRE-Focused Business Model Constrains VR**: The bank’s CRE-focused business model, supported by its prudent underwriting standards, mitigates the risks associated with the cyclical CRE sector and supports the VR.

### Bank Rating History

- **Issuer Default Rating (IDR)**
  - 10 Jan 20: bb+ Affirmed
  - 21 Jan 19: bb+ Affirmed
  - 02 Feb 18: bb+ Affirmed

- **AAA**
  - Stable
  - Last action: 19 Jul 19 Affirmed
  - Country ceiling: AAA
  - Macro prudential indicator: 1
  - Bank systemic indicator: a
  - Bank Rating History
  - **Viability Rating (VR)**
    - 10 Jan 20: bb+ Affirmed
    - 21 Jan 19: bb+ Affirmed
    - 02 Feb 18: bb+ Affirmed

- **Support Rating Floor (SRF)**
  - bb+ to bbb
  - Support Factors (negative)
    - Parent IDR
    - Parent group regulation
    - Relative size
    - Country risks
    - Parent Propensity to Support
    - Role in group
    - Implication of subsidiary default
    - Integration
    - Size of ownership stake
    - Support track record
    - Subsidiary performance and prospects
    - Branding
    - Legal commitments
    - Cross-default clauses

### ESG Relevance:

- **Drivers & Sensitivities**: Berlin Hyp’s IDRs are equalised with those of its ultimate parent, Sparkassen-Finanzgruppe (SFG, A+/Stable/F1+), the German savings banks. In Fitch’s view, Berlin Hyp benefits from an extremely high probability of support from the savings banks, if required.

- **Monoline Business Model**: Berlin Hyp’s VR reflects its commercial real estate (CRE)-focused business model, predominantly in Germany. The bank’s strong asset quality, resilient performance and sound risk appetite mitigate the risks associated with the cyclical CRE sector and support the VR.

- **Sound Asset Quality**: The bank’s asset-quality indicators are stronger than those of most peers and of the German banking sector, supported by prudent underwriting standards. However, the bank’s high single-borrower concentration constrains our assessment of Berlin Hyp’s asset quality.

- **Margin Pressure to Weigh on Performance in the Medium Term**: Berlin Hyp’s profitability is adequate and commensurate with its level of risk, but we believe its operating profit peaked in 2018. We expect margin pressure in the German CRE lending market to continue to weigh on the bank’s performance in the medium term, given Berlin Hyp’s domestic focus.

- **Capitalisation & Leverage**: Berlin Hyp stabilised its common equity Tier 1 ( CET1) ratio at 13.1% at end-2019 by retaining half of its operating profits to match the rise in its risk-weighted assets (RWAs). We expect the bank to continue to retain a large share of its profits to mitigate RWA inflation from the revised Basel III framework.

- **Sound Funding and Liquidity**: The bank is purely wholesale-funded (unsecured debt and Pfandbriefe) and relies on a diversified institutional investor base, including other members of the savings bank sector. Its membership in SFG’s mutual support scheme also provides it with privileged access to SFG’s vast excess liquidity.

- **IDRs Sensitive to Changes in SFG’s Support**: Berlin Hyp’s IDRs are primarily sensitive to changes in the bank’s ownership structure or contractual relationship with the savings banks, particularly its membership in SFG’s mutual support scheme. The ratings are also sensitive to changes in SFG’s ratings.

- **CRE-Focused Business Model Constrains VR**: The bank’s CRE-focused business model, supported by its prudent underwriting standards, mitigates the risks associated with the cyclical CRE sector and supports the VR.
Berlin Hyp AG has 5 ESG potential rating drivers

Berlin Hyp AG has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.

Goverance is minimally relevant to the rating and is currently not a driver.

### Environmental (E)

<table>
<thead>
<tr>
<th>General Issues</th>
<th>E Score</th>
<th>Sector-Specific Issues</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG Emissions &amp; Air Quality</td>
<td>1</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Energy Management</td>
<td>1</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Water &amp; Wastewater Management; Ecological Impacts</td>
<td>1</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Exposure to Environmental Impacts</td>
<td>2</td>
<td>Impact of extreme weather events on assets and/or operations and corresponding risk appetite &amp; management; catastrophe risk; credit concentrations</td>
<td>Company Profile; Management &amp; Strategy; Risk Appetite; Asset Quality</td>
</tr>
</tbody>
</table>

### Social (S)

<table>
<thead>
<tr>
<th>General Issues</th>
<th>S Score</th>
<th>Sector-Specific Issues</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights, Community Relations, Access &amp; Affordability</td>
<td>2</td>
<td>Services for underbanked and underserved communities; SME and community development programs; financial literacy programs</td>
<td>Company Profile; Management &amp; Strategy; Risk Appetite</td>
</tr>
<tr>
<td>Customer Welfare - Fair Messaging, Privacy &amp; Data Security</td>
<td>3</td>
<td>Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)</td>
<td>Operating Environment; Company Profile; Management &amp; Strategy; Risk Appetite</td>
</tr>
<tr>
<td>Labor Relations &amp; Practices</td>
<td>2</td>
<td>Impact of labor negotiations, including board/employee compensation and composition</td>
<td>Company Profile; Management &amp; Strategy</td>
</tr>
<tr>
<td>Employee Wellbeing</td>
<td>1</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Exposure to Social Impacts</td>
<td>2</td>
<td>Shift in social or consumer preferences as a result of an institution’s social positions, or social or political disapproval of core banking practices</td>
<td>Company Profile; Financial Profile</td>
</tr>
</tbody>
</table>

### Governance (G)

<table>
<thead>
<tr>
<th>General Issues</th>
<th>G Score</th>
<th>Sector-Specific Issues</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Strategy</td>
<td>3</td>
<td>Operational implementation of strategy</td>
<td>Management &amp; Strategy</td>
</tr>
<tr>
<td>Governance Structure</td>
<td>3</td>
<td>Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions</td>
<td>Management &amp; Strategy; Earnings &amp; Profitability; Capitalisation &amp; Leverage</td>
</tr>
<tr>
<td>Group Structure</td>
<td>3</td>
<td>Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership</td>
<td>Company Profile</td>
</tr>
<tr>
<td>Financial Transparency</td>
<td>3</td>
<td>Quality and frequency of financial reporting and auditing processes</td>
<td>Management &amp; Strategy</td>
</tr>
</tbody>
</table>

### How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the number of general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.
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.