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**Annual Report 2018**

**Annual Accounts**



# Content

## Annual Accounts

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# Balance Sheet of Berlin Hyp AG as at 31 December 2018

Assets	€	31.12.2018 €	31.12.2017 T€
<b>1. Cash reserves</b>			
a) Cash in hand	0.00		3
b) Central bank credit balances	1,814,606,799.93		543,467
of which: at Deutsche Bundesbank € 1,814,606,799.93 (2017: T€ 543,467)		<b>1,814,606,799.93</b>	543,470
<b>2. Public-sector debt and bills of exchange admitted for refinancing at central banks</b>		<b>0.00</b>	0
<b>3. Claims against banking institutions</b>			
a) Mortgage loans	0.00		0
b) Public-sector loans	0.00		51,957
c) Other claims	1,011,103,503.09		390,443
of which: due on demand € 2,470,468.39 (2017: T€ 2,046) with securities as collateral € 0.00 (2017: T€ 0)		<b>1,011,103,503.09</b>	442,400
<b>4. Claims against customers</b>			
a) Mortgage loans	20,223,377,494.13		20,081,590
b) Public-sector loans	554,547,193.54		763,983
c) Other claims	86,827,231.87		128,631
of which: with securities as collateral € 0.00 (2017: T€ 0)		<b>20,864,751,919.54</b>	20,974,204
<b>5. Debentures and other fixed-interest securities</b>			
a) Money market securities			
aa) Issued by public institutions	0.00		0
of which: eligible as security at Deutsche Bundesbank € 0.00 (2017: T€ 0)			
ab) From other issuers	0.00		0
of which: eligible as security at Deutsche Bundesbank € 0.00 (2017: T€ 0)			
	0.00		0
b) Bonds and debentures			
ba) Issued by public institutions	598,228,831.57		1,922,010
of which: eligible as security at Deutsche Bundesbank € 598,228,831.57 (2017: T€ 1,922,010)			
bb) From other issuers	2,468,525,706.73		2,702,102
of which: eligible as security at Deutsche Bundesbank € 2,453,573,283.44 (2017: T€ 2,702,102)			
	<b>3,066,754,538.30</b>		4,624,112
c) Own debentures	0.00		0
Nominal amount € 0.00 (2017: T€ 0)		<b>3,066,754,538.30</b>	4,624,112
<b>6. Shares and other non-fixed-interest securities</b>		<b>0.00</b>	0
<b>6a. Trading portfolio</b>		<b>0.00</b>	0
<b>7. Interests</b>		<b>5,181,575.84</b>	2,253
of which: in banking institutions € 0,00 (2017: T€ 0) in financial services institutions € 0,00 (2017: T€ 0)			
Carryover		<b>26,762,398,336.70</b>	<b>26,586,439</b>

## Liabilities

	€	31.12.2018 €	31.12.2017 T€
<b>1. Liabilities to banking institutions</b>			
a) Registered mortgage Pfandbriefe issued	254,684,464.19		251,360
b) Registered public Pfandbriefe issued	59,178,962.15		251,258
c) Other liabilities	3,719,395,003.87		4,452,945
of which: due on demand € 1,246,458.32 (2017: T€ 1,078)		<b>4,033,258,430.21</b>	4,955,563
Registered mortgage Pfandbriefe delivered to the lender as collateral for loans taken up € 0.00 (2017: T€ 0) and public registered Pfandbriefe delivered € 0.00 (2017: T€ 0)			
<b>2. Liabilities to customers</b>			
a) Registered mortgage Pfandbriefe issued	1,880,713,160.30		2,376,272
b) Registered public Pfandbriefe issued	550,212,895.89		665,686
c) Other liabilities	2,475,848,226.17		3,051,882
of which: due on demand € 387,182,427.24 (2017: T€ 259,961)		<b>4,906,774,282.36</b>	6,093,840
Registered mortgage Pfandbriefe delivered to the lender as collateral for loans taken up € 0.00 (2017: T€ 0) and public registered Pfandbriefe delivered € 0.00 (2017: T€ 0)			
<b>3. Securitised liabilities</b>			
a) Debentures issued			
aa) Mortgage Pfandbriefe	9,816,071,641.75		8,629,738
ab) Public Pfandbriefe	720,422,659.51		720,423
ac) Other debentures	5,217,922,329.90		4,201,537
	15,754,416,631.16		13,551,698
b) Other securitised liabilities	0.00		0
of which: money market securities € 0.00 (2017: T€ 0)		<b>15,754,416,631.16</b>	13,551,698
<b>3a. Trading portfolio</b>		<b>0.00</b>	0
<b>4. Trust liabilities</b>		<b>0.00</b>	0
of which: trustee loans € 0.00 (2017: T€ 0)			
<b>5. Other liabilities</b>		<b>475,144,288.84</b>	589,230
<b>6. Prepaid income</b>			
a) From issue and loan business	128,066,371.32		170,125
b) Other	0.00		0
		<b>128,066,371.32</b>	170,125
<b>6a. Deferred tax liabilities</b>		<b>0.00</b>	0
<b>7. Reserves</b>			
a) Provisions for pensions and similar obligations	160,945,996.00		141,964
b) Tax provisions	37,500.00		891
c) Other provisions	74,465,609.12		77,885
		<b>235,449,105.12</b>	220,740
<b>8. Subordinated liabilities</b>		<b>380,734,384.61</b>	383,298
Carryover		<b>25,913,843,493.62</b>	<b>25,964,493</b>

# Balance Sheet of Berlin Hyp AG as at 31 December 2018

Assets	€	31.12.2018 €	31.12.2017 T€
Carryover		<b>26,762,398,336.70</b>	<b>26,586,439</b>
<b>8. Shares in affiliated enterprises</b>		<b>667,104.59</b>	<b>26</b>
of which: in banking institutions € 0.00 (2017: T€ 0)			
in financial services institutions € 0.00 (2017: T€ 0)			
<b>9. Trust assets</b>		<b>0.00</b>	<b>0</b>
of which: trustee loans € 0.00 (2017: T€ 0)			
<b>10. Equalisation claims against public-sector institutions, including debentures arising from their exchange</b>		<b>0.00</b>	<b>0</b>
<b>11. Intangible investment assets</b>			
a) Internally produced industrial property rights and similar rights and values	0.00		0
b) Purchased concessions, industrial property rights and similar rights and values as well as licences for such rights and values	7,580,547.00		5,749
c) Goodwill	0.00		0
d) Payments in advance	12,533,150.71		6,221
		<b>20,113,697.71</b>	<b>11,970</b>
<b>12. Tangible assets</b>		<b>56,793,240.86</b>	<b>58,331</b>
<b>13. Unpaid called-up contributions to the subscribed capital</b>		<b>0.00</b>	<b>0</b>
<b>14. Other assets</b>		<b>181,254,938.14</b>	<b>273,228</b>
<b>15. Prepaid expenses</b>			
a) From issue and loan business	154,863,280.80		192,231
b) Others	1,656,051.95		1,172
		<b>156,519,332.75</b>	<b>193,403</b>
<b>16. Deferred tax assets</b>		<b>0.00</b>	<b>0</b>
<b>17. Surplus arising from offsetting</b>		<b>0.00</b>	<b>0</b>
<b>18. Deficit not covered by equity</b>		<b>0.00</b>	<b>0</b>
<b>Total assets</b>		<b>27,177,746,650.75</b>	<b>27,123,397</b>

## Liabilities

	€	31.12.2018 €	31.12.2017 T€
Carryover		<b>25,913,843,493.62</b>	<b>25,964,493</b>
<b>9. Profit-sharing rights capital</b>		<b>0.00</b>	<b>0</b>
of which: due within two years € 0.00 (Vj. T€ 0)			
<b>10. Fund for general bank risks</b>		<b>328,000,000.00</b>	<b>223,000</b>
<b>11. Equity</b>			
a) Called-up capital			
aa) Subscribed capital	753,389,240.32		753,389
ab) Less unpaid contributions not called up	0.00		0
	753,389,240.32		753,389
b) Capital reserve	158,316,268.74		158,316
c) Profit reserves			
ca) Statutory reserve	22,022,655.29		22,023
cb) Reserve for own shares in companies with a controlling or majority holding	0.00		0
cc) Articles of Association reserve	0.00		0
cd) Other profit reserves	2,174,992.78		0
	24,197,648.07		22,023
d) Balance sheet profit	0.00		2,175
		<b>935,903,157.13</b>	<b>935,903</b>
<b>Total liabilities</b>		<b>27,177,746,650.75</b>	<b>27,123,397</b>
<b>1. Contingent liabilities</b>			
a) Liabilities from guarantees and warranty contracts		<b>163,610,309.08</b>	<b>206,964</b>
<b>2. Other obligations</b>			
a) Irrevocable loan commitments		<b>2,214,281,895.72</b>	<b>2,177,925</b>

# Profit and Loss Account

of Berlin Hyp AG for the period from 1 January to 31 December 2018

Expenditure	€	2018 €	2017 T€
<b>1. Interest expenditure</b>	82,202,675.79		131,093
less positive interest	28,727,467.39	<b>53,475,208.40</b>	14,021
<b>2. Commission expenditure</b>		<b>5,877,294.06</b>	5,518
<b>3. Net expenditure of the trading portfolio</b>		<b>0.00</b>	0
<b>4. General operating expenditure</b>			
a) Staff expenditure			
aa) Wages and salaries	56,787,190.78		56,001
ab) Social security contributions and expenditure for retirement pensions and support of which: for retirement pensions € 19,516,037.56 (2017: T€ 10,136)	27,036,219.17		17,593
	<b>83,823,409.95</b>		73,594
b) Other administrative expenses of which: expenditure for bank levy € 10,553,458.35 (2017: T€ 10,062)	61,523,495.89		55,873
		<b>145,346,905.84</b>	129,467
<b>5. Depreciations and valuation adjustments on intangible investment assets and tangible assets</b>		<b>5,869,407.12</b>	5,281
<b>6. Other operating expenditure</b>		<b>16,772,522.64</b>	53,395
<b>7. Depreciations and valuation adjustments on claims and specific securities and additions to provisions made for lending</b>		<b>0.00</b>	0
<b>8. Depreciations and valuation adjustments on participations, shares in affiliated enterprises and securities held as investment assets</b>		<b>0.00</b>	0
<b>9. Expenditure for loss assumptions</b>		<b>0.00</b>	0
<b>10. Allocation to the fund for general bank risks</b>		<b>105,000,000.00</b>	70,000
<b>11. Extraordinary expenditure</b>		<b>0.00</b>	0
<b>12. Taxes on income and earnings</b>		<b>40,416.71</b>	428
<b>13. Other taxes not shown under Item 6</b>		<b>175,541.14</b>	182
<b>14. Profits transferred on the basis of a profit pool, a profit transfer or partial profit transfer agreement</b>		<b>116,407,629.08</b>	117,023
<b>15. Net income for the year</b>		<b>0.00</b>	0
<b>Total expenditure</b>		<b>448,964,924.99</b>	498,366
<b>1. Net income for the year</b>		<b>0.00</b>	0
<b>2. Profit/loss carryforward from the previous year</b>		<b>0.00</b>	2,175
<b>3. Balance sheet profit</b>		<b>0.00</b>	2,175



Income	€	2018 €	2017 T€
<b>1. Interest income from</b>			
a) Lending and money market business	370,544,513.17		376,955
less negative interest from loan and money market transactions	6,532,893.75	364,011,619.42	3,019    373,936
b) Fixed interest securities and book-entry securities	4,914,498.39		14,001
		<b>368,926,117.81</b>	<b>387,937</b>
<b>2. Current income from</b>			
a) Shares and other non-fixed interest securities	0.00		0
b) Interests	0.00		0
c) Shares in affiliated companies	0.00		0
		<b>0.00</b>	<b>0</b>
<b>3. Income from profit pooling, profit transfer or     partial profit transfer agreements</b>		<b>0.00</b>	<b>0</b>
<b>4. Commission income</b>		<b>29,036,009.18</b>	<b>44,611</b>
<b>5. Net earnings of the trading portfolio</b>		<b>0.00</b>	<b>0</b>
<b>6. Income from attributions to claims and     specific securities and the dissolution of reserves     for lending</b>		<b>37,415,304.55</b>	<b>56,257</b>
<b>7. Income from attributions to interests,     shares in affiliated enterprises and securities treated     as investment assets</b>		<b>1,244,313.12</b>	<b>3,187</b>
<b>8. Other operating income</b>		<b>12,343,180.33</b>	<b>6,374</b>
<b>9. Income from the dissolution of the fund     for general bank risks</b>		<b>0.00</b>	<b>0</b>
<b>10. Net loss for the year</b>		<b>0.00</b>	<b>0</b>
<b>Total income</b>		<b>448,964,924.99</b>	<b>498,366</b>

# Statement of Changes in Equity and Cash Flow Statement

T€	Subscribed capital	Capital reserve	Profit reserves	Balance sheet profit	Total equity
<b>As at 01.01.2018</b>	<b>753,389</b>	<b>158,316</b>	<b>22,023</b>	<b>2,175</b>	<b>935,903</b>
Capital increases	0	0	0	0	0
Dividend payments	0	0	0	0	0
Other changes pursuant to Section 152 Abs. 3 No. 1 AktG	0	0	2,175	-2,175	0
<b>As at 31.12.2018</b>	<b>753,389</b>	<b>158,316</b>	<b>24,198</b>	<b>0</b>	<b>935,903</b>

The cash flow statement provides information on the status and development of the Bank's funds, separated according to the divisions of operating business activities, investment activities and finance activities. It is prepared in accordance with German Accounting Standard No. 21 (DRS 21).

Cash flows for operating business activities are allocated by separating them from operating results. The cash flow from investment activities largely results from deposits and withdrawals in connection with the sale or acquisition of financial and/or tangible assets. In assessing net cash from financing activity, changes in subordinated liabilities are taken in consideration alongside relations to equity suppliers.

The cash and cash equivalent shown includes the cash reserve, which is composed of cash holdings and credit balances with central banks. There are no restrictions on the disposal of cash and cash equivalents.

Expenses from the profit transfer agreement with Landesbank Berlin Holding AG, Berlin of € 116.4 million are reported separately. The transfer of profits for the financial year 2017 is reported in cash flow from financing activities.

Cash Flow Statement in T€ (+ = cash inflow, - = cash outflow)	2018	2017
<b>Net income for the year</b>	<b>0</b>	<b>0</b>
Depreciations, value adjustments/attributions to claims and items of investment assets	7,630	-27,748
Increase/decrease in reserves	14,709	57,553
Other expenditure/income without payment effect	0	0
Profit/loss from the sale of investment asset items	-14,478	-23,715
Profit and loss transfer agreement	116,409	117,023
Other adjustments (on balance)	-4,653	5,950
Increase/decreases in		
claims against banking institutions	-590,412	69,980
claims against customers	113,183	-1,582,187
of the securities (unless they are financial investments)	1,277,083	825,808
Other assets from current business operations	128,869	107,160
Liabilities to banking institutions	-894,982	174,372
to customers	-1,191,684	606,611
Asset-backed liabilities	2,207,413	-24,210
Other liabilities from current business operations	-152,987	-27,842
Interest expenditure/interest income	-315,451	-270,865
Expenditure/income from extraordinary items	0	0
Income tax expenditure/earnings	40	428
Interest payments and dividend payments received	422,956	466,097
Interest paid	-83,416	-178,068
Extraordinary in-payments	0	0
Extraordinary disbursements	0	0
Income tax payments	-893	-202
<b>Cash flow from operating activities</b>	<b>1,039,337</b>	<b>296,144</b>
In-payments from disposals of the		
financial investment assets	262,431	321,221
tangible assets	7	0
intangible investment assets	12	0
Disbursements for investments in		
financial investment assets	-3,570	-2,253
tangible assets	-1,459	-3,097
intangible investment assets	-11,034	-4,082
Change of funds from other investment activity (balance)	0	0
In-payments from extraordinary items	0	0
Disbursements from extraordinary items	0	0
<b>Cash flow from investment activities</b>	<b>246,387</b>	<b>311,789</b>
In-payments from equity contributions by shareholders of the parent company	0	0
In-payments from equity contributions by other shareholders	0	0
Disbursements from reductions in equity to shareholders of the parent company	0	0
Disbursements from reductions in equity to other shareholders	0	0
In-payments from extraordinary items	0	0
Disbursements from extraordinary items	0	0
Dividends paid to shareholders of the parent company	0	0
Dividends paid to other shareholders	0	0
Change of funds from other capital (balance)	102,436	-289
Change of funds from previous year's profit and loss transfer	-117,023	-73,023
<b>Cash flow from financing activities</b>	<b>-14,587</b>	<b>-73,312</b>
<b>Cash and cash equivalents at the end of the previous period</b>	<b>543,470</b>	<b>8,849</b>
Cash flow from operating activities	1,039,337	296,144
Cash flow from investment activities	246,387	311,789
Cash flow from financing activities	-14,587	-73,312
<b>Cash and cash equivalents at the end of the period</b>	<b>1,814,607</b>	<b>543,470</b>

# Notes

Berlin Hyp AG is a public company under German law and is headquartered in Berlin. It is registered in the Commercial Register of the District Court of Charlottenburg under HRB 56530 and is licensed to provide banking business and financial services.

## General Information on the Structure of the Annual Accounts and on the Balance Sheet and Evaluation Methods

The annual accounts of Berlin Hyp are prepared according to the provisions of the German Commercial Code (HGB), supplemented by the German Stock Corporation Act (AktG) and taking into consideration the German Pfandbrief Act (PfandBG) and the German Credit Institutions Accounting Regulation (RechKredV).

The balance sheet and the statement of profit and loss are structured in accordance with the requirements of German Credit Institutions Accounting Regulation (RechKredV). They were supplemented by the items mandatory for Pfandbrief banks.

Berlin Hyp holds shares in two subsidiaries and two participations that have no material influence on the representation of the financial, assets and earnings situation of Berlin Hyp either individually or as a whole. Berlin Hyp has no legal obligation to produce consolidated annual accounts according to Section 290 German Commercial Code (HGB).

## Reporting and Valuation Principles

The valuation of assets and liabilities occurs according to the provisions of Sections 252 et seq. German Commercial Code (HGB), taking into account the special regulations for banking institutions pursuant to Sections 340f German Commercial Code (HGB).

The same reporting and valuation principles were applied in the annual accounts as at 31 December 2018 as were applied in the annual accounts for the previous year.

## Claims and Liabilities

Claims are shown at their nominal amount, and liabilities are shown at their settlement amount. The difference between amounts paid out and

par value where claims in the lending business are concerned is reported as prepaid expenses and prepaid income, respectively, to the extent that it is classified as interest and released over their term according to schedule.

Discounted debentures are displayed with their issue amount including accrued interest on the basis of issue yields.

Recognisable risks in the lending business were taken into proper consideration through the formation of specific valuation allowances, lump-sum specific valuation allowances and reserves. Lump-sum value adjustments are in place for latent risks in the accounts receivable – in addition to the fund for general banking risks in accordance with Section 340g German Commercial Code (HGB) reported in the balance sheet. The lump-sum specific valuation allowances and the lump-sum value adjustments are determined using mathematical statistical procedures on the basis of the expected loss concept. When identifying income and expenses related to risk provisioning, the right to choose full compensation is exercised (Section 340f (3) German Commercial Code (HGB)). Interest is not recognised for irrecoverable claims.

## Repurchase Agreements

The financial instruments that the Bank, in its capacity as a pension provider, transfers within the framework of genuine repurchase agreements are entered in the balance sheet and evaluated according to their classification. The corresponding liability is carried in the amount of the agreed redemption price, taking into account accrued interest. The difference between the redemption price and the amount received is considered in the interest result on a pro rata basis.

## Securities

With the exception of the accounting units pursuant to Section 254 German Commercial Code (HGB) and the investment portfolio, the amounts included in the “Debentures and other fixed-interest securities” item were evaluated according to the strict lower-of-cost-or-market principle (Section 253 German Commercial Code (HGB)). The accounting units pursuant to

Section 254 German Commercial Code (HGB) and the investment portfolio were consequently recognised at fair value to the extent it does not exceed the amortised cost. Fair value in active markets corresponds to the stock market or market price on the reporting date.

Securities valued like assets were evaluated as amortised costs and, providing there are no grounds for sustained impairment, they are written up or off at the nominal value in case of purchase prices that deviate from the nominal value at consistent interest rates up to the respective due date. Reversal of an impairment loss in the fixed assets of rededicated securities is presented in the net income from investments.

#### **Participations and Shares in Affiliated Companies**

Participations and shares in affiliated enterprises are included at cost. Where a loss of value is expected to be permanent, they are written down to the lower fair value. If the reasons for the decrease in value no longer exist, write-ups are undertaken to an amount which may not exceed the amortised cost.

#### **Tangible Assets and Intangible Assets**

Tangible and intangible assets with limited useful lives are reported at amortised cost, less impairment losses to the lower fair value. Planned amortisation and depreciation are spread over the useful economic life of the assets. The creation of collective items for low-value fixed assets (Geringwertige Wirtschaftsgüter, GWG) has been waived since 1 January 2018. Up to a net amount of € 800, these are immediately written off with an effect on expenses for reasons of simplification. Fixed assets from € 800 net are capitalised and depreciated on a straight-line basis over their regular useful lives. The period of amortisation for the software and licences listed under "Intangible investment assets" ranges between three and five years. Payments in advance are recognised at their nominal amounts.

#### **Reserves**

For contingent liabilities, reserves were formed for the settlement amounts required according

to prudent commercial judgement, taking into account expected price and cost increases. The Bank determines the amount of these liabilities using estimates, which take into account the respective circumstances and relevant determining factors appropriately. Reserves for the legal risks arising from the Federal Court of Justice ruling on 4 July 2017 concerning credit processing fees are calculated on the basis of an evidence list that contains all relevant processing fees agreed in Germany. Reserves for strategic resources planning are based on the results of the related works agreement and operative procedural planning.

The materiality of the discounting of reserves with residual terms of more than one year is reviewed regularly. Material items with a remaining term of over one year are discounted.

Pension reserves are assessed based on actuarial principles employing a discount rate of 3.21 % (3.68 %) of the cash value of the obligations already accrued. The actuarial interest rate refers to the interest rate determined by the Deutsche Bundesbank as at 31 December 2018, which results as a ten-year average interest rate from an assumed residual term of 15 years (Section 253 (2) Sentence 2 German Commercial Code (HGB)). The difference between the recognition of reserves in accordance with the actuarial interest rates of the past ten financial years and the recognition of reserves in accordance with the corresponding average market interest rates for the past seven financial years (discount rate of 2.32 % (2.80 %)) amounts to € 29.8 million (€ 25.0 million); the difference is not taken into account as being suspended for payment.

The valuation of pension obligations is based on the projected unit credit method. The 2018 G Heubeck Guideline tables were used as the biometric basis for calculation. A salary and career trend of 2.5 % per annum is calculated. The projected pension trend has accordingly been set at between 1.0 % and 2.0 % per annum, depending on the pension scheme involved. For active board members, a salary and career trend between 0.0 % and 5.0 % is calculated. The age-dependent turnover has

been considered at a rate of 2.0 % (over 50 years) to 4.3 % (up to 30 years).

As at 1 January 2010, the revaluation of pension reserves in accordance with the German Accounting Law Modernisation Act (BilMoG) resulted in an adjustment amount in the sum of € 31.8 million which, pursuant to Article 67 (1) Introductory Act to the German Commercial Code (EGHGB), was to be distributed over a period of up to 15 years. In 2016, the then-unretained difference of € 19.1 million was allocated in full and recognised in profit and loss. The reserve for early retirement obligations is set at cash value calculated using a maturity-linked discounting factor of future earnings. The 2018 G Heubeck Guideline Tables are used as a biometric accounting basis. The Bank reports income from the adjustment of parameters under the operating result.

### Derivatives

The reporting and entering of derivative financial instruments occurs in off-balance-sheet accounts. There are no trading positions. In terms of derivative contracts, both banking institutions and the Bank's borrowers (customer derivatives) are possible counterparties. Accrued interest from interest swaps and currency swaps is treated as deferred interest according to period; the entry occurs under the headings "Claims" and "Liabilities". Interest income and expenses from secured swap transactions are settled with the interest income and expenses of the respective secured item; thus the interest result from the entire hedging relationship is displayed in the corresponding item of the profit and loss account.

Among other instruments, the Bank uses swaptions and forward rate agreements to manage its interest-bearing operations at macro level. Paid option premiums are presented under the balance sheet heading "Other assets" and received option premiums under "Other liabilities" and are accrued on a time basis immediately following the termination of the option period in case of expiry or utilisation in respect of the term of the underlying transactions over prepaid expenses and deferred income. Paid and received non-recurring payments (upfront payments) and premiums for caps/floors/collars are entered in the balance sheet as deferred income and deferred on a pro-rata basis over their respective terms. The compensation payments due from forward rate agreements following the termination of the waiting period are entered

immediately. The Bank does not hold any credit derivatives.

The market values of the derivatives were calculated on the basis of a tenor-specific swap yield curve, taking into consideration counterparty risks.

### Accounting Units

Within the context of economic hedging relationships, the Bank hedges debentures and other fixed-income securities, book claims, short-term liabilities, securitised liabilities and pending transactions (payment obligations relating to irrevocable loan commitments) against the risk of a change in interest rates. As accounting units pursuant to Section 254 German Commercial Code (HGB), underlying debentures and other fixed-income securities are designated at the level of the individual transactions with a total nominal holding value of € 2.8 billion as at 31 December 2018 (€ 3.9 billion). Accounting units are only formed at the micro level, meaning that changes in values from the hedged risk are offset by the underlying transactions of the individual hedging instruments; the hedging relationships in question are perfect hedging relationships. No ineffectiveness relevant to the accounting can arise on account of the correlation of all factors affecting value between the hedged portion of the underlying transaction and the portion of the hedging instrument to be hedged. As a result, the critical term match method is used to assess the effectiveness of the accounting units. Risks hedged by the accounting units amounted to € 98.5 million as at the reporting date (€ 138.2 million). The Bank applies the net hedge presentation method. Changes in the value of underlying transactions and hedging instruments attributable to unsecured risks are not offset and recognised in accordance with general provisions.

### Loss-Free Evaluation of the Banking Book

Berlin Hyp conducts an audit of the loss-free evaluation of interest rate-related transactions on the banking book (interest book) on the basis of IDW RS BFA 3. As Berlin Hyp did not allocate any transactions to the trading book, the banking book includes all interest-bearing transactions, including derivative financial instruments. Taking a cash value approach, the audit yielded no provisioning requirements.

### Calculating Fair Values

In individual cases where prices for securities

and claims were not available as at the balance sheet date on the basis of active markets via external market suppliers, the market values for such financial instruments were determined on the basis of evaluation models. These are standard discounted cash flow procedures that consider issuer and asset class-specific interest curves and credit spreads.

### Currency Conversion

The valuation of assets, debts and off-balance-sheet transactions in foreign currencies is undertaken on the basis of Section 256a German Commercial Code (HGB) in connection with Section 340h German Commercial Code (HGB). The conversion is carried out at the reference prices provided on a daily basis by the Risk Con-

trolling division of Landesbank Berlin AG, Berlin. Currency swaps used to hedge interest-bearing balance sheet items denominated in foreign currencies are translated at the split forward rate, with the swap rate being discounted over the term of the swap and recognised as interest income on a pro rate basis. Currency effects from currency conversion are reported net and presented either under "Other operating income" or "Other operating expenses".

### Declaration of Compliance

The Bank has filed a declaration of compliance in accordance with Section 161 German Stock Corporation Act and has made it available on its website [www.berlinhyp.de](http://www.berlinhyp.de). Please refer to the Management Report.

## Explanations of the Profit and Loss Account and the Balance Sheet Profit and Loss Account

### Net interest income

Net Interest Income in T€	2018	2017
Interest income from		
Mortgage loans	369,464	372,859
Public-sector loans	-737	2,460
Other receivables	-4,715	-1,383
Fixed-income securities and book-entry securities	4,914	14,001
	<b>368,926</b>	<b>387,937</b>
Earnings from profit and loss transfer agreements	0	0
Interest expenditure for		
Deposits and registered Pfandbriefe	40,142	81,474
Securitised liabilities	6,414	24,010
Subordinated liabilities and profit-sharing rights	6,919	11,588
	<b>53,475</b>	<b>117,072</b>
Net interest income	<b>315,451</b>	<b>270,865</b>

Net interest income increased by € 44.5 million to € 315.4 million compared to the previous year. The increase on 2017 is due in particular to lower refinancing expenses and special effects, including the pro rata waiver of the interest payable for the Deutsche Bundesbank's targeted longer-term refinancing operations (TLTROs).

Interest income from balance sheet transactions that result from negative interest rates due to prevailing market conditions are reported under interest income at € 6.5 million (€ 3.9 million) and under interest expenses at € 28.7 million (€ 14.0 million). A preliminary column was

added to the profit and loss account to ensure transparent presentation.

The net interest income shows interest expenditure and interest income from derivatives entered in the balance together with the interest expenditure and interest income from the respective secured balance sheet items.

Net interest and commission income and other operating income were predominantly generated in Germany.

### Other operating expenditure

Other operating expenditure in T€	2018	2017
IT expenditure	15,099	14,217
Services by third parties	13,777	13,007
Bank levy	10,553	10,062
Group set-off	6,079	5,351
Building and premises costs	4,468	4,239
Staff-related material costs	4,238	3,158
Business operating costs	3,301	2,854
Advertising and marketing	3,232	2,249
Operating and business equipment	776	736
	<b>61,523</b>	<b>55,873</b>

The total fee calculated by the auditor and attributable to the financial year comprises the following (excluding VAT):

In T€	2018	2017
<b>Auditing the annual accounts</b>		
- Current financial year	673	609
- Over-endowment (-) / Under-endowment (+) previous year	64	-53
<b>Other certification services</b>		
- Current financial year	126	133
- Over-endowment (-) / Under-endowment (+) previous year	1	0
<b>Tax advisory services</b>		
- Current financial year	0	0
- Over-endowment (-) / Under-endowment (+) previous year	0	0
<b>Other services</b>		
- Current financial year	5*	9

\* Training from the auditor's network.

The other certification services mainly affect the audit of the Sustainability Report, the audit pursuant to Section 36 Securities Trading Act and the production of the letter of comfort for the basic project.

### Other Operating Result

The Other operating result, consisting of the items "Other operating expenses" and "Other operating income", includes expenses from additions to reserves of € 7.7 million (€ 26.1 million) relating to strategic resources planning. This item continues to include income from the reversal of other reserves totalling € 11.3 million (€ 3.4 million) – of which € 9.3 million is attributable to the reversal of reserves for legal risks relating to loan processing fees – and income from foreign currency valuation of € 0.1 million (€ 0.2 million) as well as expenses from the compounding of reserves of € 7.1 million (€ 5.3 million) and cost reimbursements for the Detailed Agree-

ment with the State of Berlin of € 1.8 million (€ 1.9 million). A total of € 5.1 million (€ 5.2 million) of the expenses from the compounding of reserves relates to the compounding of pension reserves, € 1.4 million to the compounding of provisions for strategic resource planning and € 0.5 million to the provision formed in connection with loan processing fees.

### Depreciation and Valuation Adjustments on Claims and Specific Securities as well as Additions to Provisions Made for Lending

The balance shown results from the settlement of expenditure and income items shown in the profit and loss account items "Depreciation and valuation adjustments on claims and specific securities as well as additions to provisions made for lending" and "Income from attributions to claims and specific securities and the dissolution of reserves for lending".



The balance of risk provisioning is comprised as follows:

In T€	2018	2017
Risk provisioning for lending business	-15,541	-33,544
Risk provisioning for securities business	-21,874	-22,713
	<b>-37,415</b>	<b>-56,257</b>

Earnings with negative advance signs

Risk provisioning for the lending business developed as follows:

In T€	Counterparty risk exposure						Profit and loss relevant	
	Direct write-down	Ind. value adjustment	Lump-sum value adjustment – other RP	RST	Total	Total	2018	2017
	2018	2018	2018	2018	2018	2017	2018	2017
<b>As at 1 January</b>		<b>114,633</b>	<b>103,683</b>	<b>7,146</b>	<b>225,462</b>	<b>266,688</b>		
Net allocations and write-backs		-16,507	7,134	-438	-9,811	-27,822	-9,811	-27,822
Utilisation		-8,233		0	-8,233	-13,119		
Direct write-downs	33						33	350
Receipts on written-off receivables	-5,764						-5,764	-6,072
Transfers								
Foreign currency effects		-59	0	0	-59	-285		
<b>As at 31 December</b>	<b>-5,731</b>	<b>89,833</b>	<b>110,817</b>	<b>6,708</b>	<b>207,359</b>	<b>225,462</b>	<b>-15,541</b>	<b>-33,544</b>

Earnings shown with a minus sign.

### Other Information

Services performed for third parties include, among other things, the preparation of property-specific expert opinions within the framework of real estate valuations.

The net income for the year includes a balance of aperiodic income and expenses of € 15.9 million (€ 9.8 million), which primarily includes income from the reversal of other reserves of € 11.3 million (€ 3.4 million) – of which € 9.8 million is attributable to the reversal of reserves for legal risks relating to loan processing fees – as well as receipts on receivables written off in the previous year of € 4.0 million (2016: € 5.9 million).

### Balance Sheet

Securities with a nominal volume of € 260.0 million are evaluated as fixed assets since they do not serve as a liquidity reserve and are partially used to cover Pfandbriefe issued by the Bank. The book value of the securities, which stands above their market value of € 88.9 million, amounts to € 90.8 million. This takes into account the valuation results from interest swaps. The Bank took into account latent default risks of the investment securities in the form of lump-sum value adjustments.

Negotiable Securities and Interests in T€	Listed	Listed	Unlisted	Unlisted
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Debentures and other fixed-interest securities	3,066,755	4,624,112	0	0

**Negotiable Securities and Interests**

Within the framework of the European System of Central Banks (ESCB), securities with a nominal value of € 2,817.2 million (€ 3,108.2 million) were pledged to Deutsche Bundesbank as collateral. The volume of related open market transactions at the balance sheet date was € 1,983.2 million (€ 2,000.0 million) and \$ 500 million (\$ 500 million), respectively. In

addition, the Bank repaid debentures with a total book value of € 489.2 million (€ 875.1 million).

**Intangible assets**

This item exclusively includes software and licenses used by the Bank.

**Development of Fixed Assets****Statement of Changes in Assets**

in T€	Acquisition/ manufacturing costs 1.1.2018	Additions 2018	Disposals 2018	Account transfers 2018	Acquisition/ manufacturing costs 31.12.2018	Cumulative Depreciations 1.1.2018	Attributions 2018	Depreciations 2018	Disposals 2018	Account transfers 2018	Cumulative Depreciations 31.12.2018	Residual book value 31.12.2018	Residual book value 31.12.2017
<b>Intangible investment</b>													
b) Concessions and licenses acquired commercially	58,114	1,426	564	3,285	62,261	52,365	0	2,879	564	0	54,680	7,581	5,749
d) Down-payments made	6,233	9,608	12	-3,258	12,544	11	0	0	0	0	11	12,533	6,221
<b>Sum of intangible investment assets</b>	<b>64,347</b>	<b>11,034</b>	<b>576</b>	<b>0</b>	<b>74,805</b>	<b>52,376</b>	<b>0</b>	<b>2,879</b>	<b>564</b>	<b>0</b>	<b>54,691</b>	<b>20,114</b>	<b>11,970</b>
<b>Tangible assets</b>													
a) Sites and buildings for own use	62,759	0	0	0	62,759	11,084	0	1,022	0	0	12,106	50,653	51,675
b) Operating and business equipment and installations under construction	14,573	1,459	168	0	15,864	7,917	0	1,968	161	0	9,724	6,140	6,656
<b>Total tangible assets</b>	<b>77,332</b>	<b>1,459</b>	<b>168</b>	<b>0</b>	<b>78,623</b>	<b>19,001</b>	<b>0</b>	<b>2,990</b>	<b>161</b>	<b>0</b>	<b>21,830</b>	<b>56,793</b>	<b>58,331</b>
<b>Total intangible investment assets and tangible assets</b>	<b>141,679</b>	<b>12,493</b>	<b>744</b>	<b>0</b>	<b>153,428</b>	<b>71,377</b>	<b>0</b>	<b>5,869</b>	<b>725</b>	<b>0</b>	<b>76,521</b>	<b>76,907</b>	<b>70,301</b>
	Book value					Changes*					Residual book value		
	1.1.2018										31.12.2018		31.12.2017
<b>Bonds and debentures</b>	503,757					-247,954					255,803		503,757
<b>Claims</b>	0					391					391		0
<b>Interests</b>	2,253					2,929					5,182		2,253
<b>Shares in affiliated enterprises</b>	26					641					667		26

\* Summary pursuant to Section 34 (3) Banking Institutions Accounting Ordinance

**Schedules of Shares Held under Section 285 Nos. 11 and 11a,  
Section 313 (2) German Commercial Code (HGB)**

Company	Share of capital Total %	Voting rights %	Equity	Result	Annual accounts diverging at 31 December 2018
<b>Affiliated enterprises</b>					
Berlin Hyp Immobilien GmbH, Berlin	100.00	100.00	T€ 61	T€ -19	31.12.2017
OnSite ImmoAgent GmbH, Berlin	100.00	100.00	T€ 639*	**	**
<b>Investments</b>					
BrickVest Ltd., London	6.06	6.15	T€ 1,921	T€ -1,947	31.12.2017
21st Real Estate GmbH, Berlin	10.15	10.15	T€ 2,621	T€ -1,030	31.12.2017

\* related to T€ 25 share capital and payments of T€ 614 into the free capital reserve of the GmbH

\*\* the GmbH was founded in the 2018 financial year; the opening balance sheet of 21 June 2018 is available.

**Other Assets**

These figures largely contain claims from collateral in relation to derivatives amounting to € 147.8 million (€ 250.5 million), paid option premiums of € 7.9 million (€ 8.4 million), as well as unrealised gains from forward exchange deals with with extra cover.

**Other Liabilities**

These include, amongst other things, liabilities from collateral received in relation to derivatives amounting to € 340.1 million (€ 445.8 million), received option premiums of € 13.9 million (€ 13.8 million) as well as profits of € 116.4 million (€ 117.0 million) transferable to Landesbank Berlin Holding AG, Berlin.

**Other Reserves**

Other reserves include:

In T€	31.12.2018	31.12.2017
Reserves for human resources	15,919	15,488
Reserves for litigation costs risks	1,911	2,443
Other	56,636	59,954
<b>Total</b>	<b>74,466</b>	<b>77,885</b>

Other reserves primarily include reserves for legal risks arising from the Federal Court of Justice rulings concerning loan processing fees of € 10.8 million (€ 19.6 million) and reserves for strategic resources planning of € 35.2 million (€ 26.1 million).

Nominal amount T€	Interest rate p. a. %	Repayment on
60,000	0.183*	21.7.2020
40,000	4.120	4.3.2024

\* Basis: three-month Euribor

**Subordinated Liabilities**

In the 2018 financial year, interest paid amounted to € 6.9 million.

The 10 % of the loans and debentures surpassing the total stock was assumed under the following conditions:

Interest is paid on subordinate liabilities at the nominal rate of between 0.183 % to 6.56 % and is only to be reimbursed in the case of the Bank's bankruptcy or liquidation after satisfaction of all non-subordinate creditors. Early repayment is excluded. The repayments are to occur in the years 2019 to 2034. Based on a stock of € 351.2 million, € 257.4 million fulfil the requirements of the CRR for recognition as applicable equity capital.

**Equity**

The subscribed capital of € 753.4 million is composed of 294,292,672 non-par value bearer shares with a rounded nominal value of € 2.56.

The Board of Management, with the Supervisory Board's consent, is authorised to increase the company's subscribed capital by issuing new

non-par shares in return for contributions in cash once or several times, but only up to € 205.8 million (authorised capital 2015), by 31 May 2020.

In accordance with the resolution passed by the Annual General Meeting on 26 March 2018, the previous year's balance sheet profit of € 2.2 million was allocated in full to retained earnings.

Classification by Remaining Maturity in T€	31.12.2018	31.12.2017
<b>Assets</b>		
Claims against banking institutions		
a) Due on demand	2,470	2,046
b) Less than three months	569,398	440,354
c) Between three months and one year	439,236	0
d) Between one year and five years	0	0
e) More than five years	0	0
<b>Total</b>	<b>1,011,104</b>	<b>442,400</b>
Claims against customers		
a) Less than three months	197,886	694,395
b) Between three months and one year	1,275,168	1,224,591
c) Between one year and five years	6,086,375	4,704,879
d) More than five years	13,305,323	14,350,339
<b>Total</b>	<b>20,864,752</b>	<b>20,974,204</b>
of which: claims with an indefinite term	679	686
Bonds and debentures		
- due in the following year	20,172	639,744
<b>Liabilities</b>		
Liabilities to banking institutions		
a) Due on demand	1,246	1,078
b) Less than three months	1,185,517	2,131,707
c) Between three months and one year	229,264	251,764
d) Between one year and five years	2,425,487	2,423,487
e) More than five years	191,744	147,527
<b>Total</b>	<b>4,033,258</b>	<b>4,955,563</b>
Liabilities to customers		
a) Due on demand	387,182	259,961
b) Less than three months	371,789	980,712
c) Between three months and one year	490,400	769,138
d) Between one year and five years	637,562	911,262
e) More than five years	3,019,841	3,172,767
<b>Total</b>	<b>4,906,774</b>	<b>6,093,840</b>
Securitised liabilities		
a) Less than three months	1,396,451	1,256,098
b) Between three months and one year	2,208,966	1,257,000
c) Between one year and five years	7,519,000	6,393,600
d) More than five years	4,630,000	4,645,000
<b>Total</b>	<b>15,754,417</b>	<b>13,551,698</b>
- due in the following year	3,605,417	2,513,098

### Claims from and Liabilities to Affiliated Enterprises and Related Companies

in T€

	31.12.2018	31.12.2017
<b>Affiliated enterprises</b>		
Claims against banking institutions	4,844	3,930
Claims against customers	391	0
Other assets	9	9
Liabilities to banking institutions	11,430	157,390
Liabilities to customers	595	625
Securitised liabilities	0	0
Other liabilities	116,408	117,130
Subordinated liabilities	60,022	60,020

### Deferred income and accrued expenses

in T€

	31.12.2018	31.12.2017
<b>Deferred income from issuing and lending operations includes:</b>		
Discount from issuing lending operations	42,440	35,672
Premium from issuing and lending operations	18,347	27,998
Other	95,732	129,733
	<b>156,519</b>	<b>193,403</b>
<b>Prepaid expenses for issuing and lending operations include:</b>		
Premium from issuing and lending operations	8,292	8,065
Discount from lending operations	1,115	1,410
Other	118,660	160,650
	<b>128,067</b>	<b>170,125</b>

Deferred income recognised under “Other” includes accrued up-front payments and premium payments from caps, floors and collars of € 80.5 million (€ 122.3 million), which resulted from the transfer of customer derivatives from Landesbank Berlin AG, Berlin, to Berlin Hyp (portfolio transfer). Prepaid expenses recognised under “Other” particularly include accrued up-front payments and premium

payments from hedging derivatives concluded that mirror the customer derivatives.

Price risks are predominantly neutralised through fixed-term deposits, currency futures and currency swaps.

### Foreign Currency Volumes

in T€

	31.12.2018	31.12.2017
Assets	328,710	331,835
Liabilities	496,431	571,882
Irrevocable loan commitments	1,844	0

### Information Pursuant to Section 285 German Commercial Code (HGB) Regarding Obligations Arising from Transactions and Financial Obligations Not Included in the Balance Sheet

Irrevocable lending commitments as part of real estate and capital market business amounted to € 2,214.3 million (€ 2,177.9 million) as at the end of the year. Contingent liabilities consist of the assumption of guarantees for largely mortgage-backed loans of € 163.6 million (€ 207.0 million). Particularly due to collateralisation, off-balance sheet items do not present increased risks.

Berlin Hyp is an affiliated member of the security reserve of the Landesbanken and central savings banks (Girozentralen) and therefore also a member of the guarantee system of the Sparkassen-Finanzgruppe, which is recognised under the German Deposit Protection Act (EinSG). Berlin Hyp's annual contributions are calculated according to the amount of its covered deposits. In the event of compensation or support being reported by a member institution, one-off or additional payments can be levied; however, the amount of the payments is also calculated according to the amount of Berlin Hyp's covered deposits and is therefore not currently foreseeable.

According to the Detailed Agreement with the State of Berlin, in some cases joint and several liability for various companies has been established for the obligations of the companies with shares in the Bankgesellschaft Berlin AG Group (now Landesbank Berlin Holding AG). The apportionment of liability in the internal relationship arises through the agreement of August 2002, which was amended in August 2004. It is largely oriented towards the participation relationship of the liability-causing companies that were sold to the State of Berlin in 2006.

Landesbank Berlin Holding AG must pay a fixed annual amount of € 15.0 million to the State of Berlin for the assumption of the risk shield. The internal distribution of these costs is carried out through the agreement of August 2002, amended in August 2004, and provides for a partial reimbursement of costs through Berlin Hyp in accordance with the ratio of the volumes of the credits of Berlin Hyp that are shielded by loan guarantees to the total shielded credits. Expenses from reimbursements amounted to € 1.8 million in 2018 (€ 1.9 million).

### Derivatives as at 31.12.2018

#### Statement of changes in derivatives in € m

	Nominal amount / Remaining term			Total nominal value	Total negative values	Total positive values
	up to 1 year	1 to 5 years	over 5 years			
<b>Interest-related transactions</b>						
Interest rate swaps	3,714	20,604	22,753	47,071	-627	933
Swaptions	4,025	3,000	0	7,025	-11	7
Caps	601	1,974	233	2,808	-2	2
Floors	0	3,123	127	3,250	-5	0
	<b>8,340</b>	<b>28,701</b>	<b>23,113</b>	<b>60,154</b>	<b>-645</b>	<b>942</b>
<b>Currency-related transactions</b>						
Forward exchange dealings	530	0	0	530	-2	0
Interest and currency swaps	0	133	67	200	0	20
	<b>530</b>	<b>133</b>	<b>67</b>	<b>730</b>	<b>-2</b>	<b>20</b>
<b>Total</b>	<b>8,870</b>	<b>28,834</b>	<b>23,180</b>	<b>60,884</b>	<b>-647</b>	<b>962</b>

Completed business transactions largely serve to hedge exchange rate and credit risks of on-balance sheet underlying transactions. The market values of the derivative financial instruments are shown on the basis of the applicable interest rate on 31 December 2018 without taking into account interest accruals. The market values of the derivatives are counteracted by the valuation advantages of the balance sheet operations not assessed at market price.

All derivatives – with the exception of customer derivatives and transactions with Landesbank Berlin – are hedged using collateral agreements. Group affiliation means that the Bank does not provide collateral for transactions with LBB. In the case of customer derivatives, the land charges assigned as collateral for the underlying loans also serve as collateral for derivatives transactions.

### Number of Staff

Annual average	Male	Female	2018 Total	2017 Total
Full-time employees	275	172	447	449
Part-time employees	22	120	142	132
School-leaver trainees / BA students	6	1	7	4
<b>Total</b>	<b>303</b>	<b>293</b>	<b>596</b>	<b>585</b>

### Group Affiliation

Berlin Hyp is a subsidiary of Landesbank Berlin Holding AG and is included in the consolidated annual accounts of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG (smallest and largest consolidation group as defined in Section 285 Nos. 14, 14a German Commercial Code (HGB)). A profit and loss transfer agreement and a tax group for VAT and income tax purposes are in force between Berlin Hyp and Landesbank Berlin Holding AG, Berlin. The consolidated annual accounts of the acquiring company will be published in the electronic Federal Gazette.

bank Berlin AG to Landesbank Berlin Holding AG as at 31 December 2014/1 January 2015. Its share in the voting rights of the Bank's subscribed capital therefore amounted to 100.00% as at the balance sheet date.

### Letter of Comfort of Landesbank Berlin AG

The letter of comfort issued by Landesbank Berlin AG in favour of Berlin Hyp ended as at 31 December 2014. The guarantee remains in force for the obligation entered into until 31 December 2014.

### Information on a Reported Holding (Section 160 (1) No. 8 German Stock Corporation Act (AktG))

In a letter dated 7 January 2015, Landesbank Berlin Holding AG, Berlin, announced that it directly holds all shares in Berlin Hyp AG – following the transfer of Berlin Hyp from Landes-

## Bodies of Berlin Hyp

### Board of Management

**Sascha Klaus**, Chair of the Board of Management

**Gero Bergmann**, Chief Market Officer

**Roman Berninger**, Chief Financial Officer

### Supervisory Board

#### Helmut Schleweis

→ Chair (from 26 March 2018)

→ President of the Deutscher Sparkassen- und Giroverband e.V. (German Savings Banks and Giro Association)

#### Thomas Mang

→ Chair (until 25 March 2018)

→ Präsident of the Sparkassenverband Niedersachsen (Savings Banks Association of Lower Saxony)

#### Jana Pabst

→ Deputy Chair

→ Bank employee

→ Employee representative

→ Deputy Chair of the Works Council of Berlin Hyp AG

#### Joachim Fechteler

→ Bank employee

→ Employee representative

→ Member of the Works Council of Berlin Hyp AG

#### Bernd Fröhlich

→ (from 28 March 2018) Chair of the Board of Management of Sparkasse Mainfranken Würzburg

#### Gerhard Grandke

→ Managing President of the German Savings Banks and Giro Association of Hesse-Thuringia

#### Artur Grzesiek

→ Former Chair of the Board of Management of Sparkasse KölnBonn

#### Dr. Harald Langenfeld

→ Chair of the Board of Management of Stadt- und Kreissparkasse Leipzig

#### Thomas Meister

→ Bank employee

→ Employee representative

→ Chair of the Works Council of Berlin Hyp AG

#### Siegmar Müller

→ Chair of the Board of Management of Sparkasse Gernersheim-Kandel

→ Landesobmann of the Rhineland-Palatinate Savings Banks Board of Management Members

#### Reinhard Sager

→ President of the Deutscher Landkreistag (German County Council Association)

→ County Council Chairman of East Holstein District

#### Andrea Schlenzig

→ Bank employee

→ Employee representative

#### Peter Schneider

→ President of the Savings Banks Association of Baden-Württemberg

#### Walter Strohmaier

→ Chairman of the Board of Management of Sparkasse Niederbayern-Mitte

→ Bundesobmann of the German Saving Banks

#### René Wulff

→ Bank employee

→ Employee representative

→ Member of the Works Council of Berlin Hyp AG



### Loans to Members of Bodies

As in the previous year, there were no loans receivable from members of bodies.

### Benefits of the Board Members

#### Remuneration for the Board of Management

The Board of Management members received the following remuneration in the financial year 2018:

Members of the Board of Management in T€	Annual remuneration					Other remuneration <sup>1</sup>		Total	
	Non-performance-related remuneration		Performance-related remuneration for the financial years			2018	2017	2018	2017
	2018	2017	2017	2016	2015				
Sascha Klaus	560	560	56	0	0	17	19	633	679
of which non-pensionable	80	560							
Roman Berninger	461	455	40	50	20	19	25	590	573
of which non-pensionable	155	149							
Gero Bergmann	481	455	40	50	20	25	33	616	581
of which non-pensionable	142	116							
<b>Total remuneration 2018</b>	<b>1,502</b>	<b>1,470</b>	<b>136</b>	<b>100</b>	<b>40</b>	<b>61</b>	<b>77</b>	<b>1,839</b>	<b>1,833</b>

<sup>1</sup> Other remuneration relating to benefits in kind (pecuniary benefits from company car use) of T€ 50 and the so-called net benefits employer's contribution (the assumption of tax payments on pecuniary benefits by the employer) of T€ 7. In addition, chauffeurs were also used under the usual tariff conditions.

in T€	Allocated or reserved amount in 2018	Recognised pensions reserves as at 31 December 2018	Present value of claim to retirement pension as at 31 December 2018
Sascha Klaus	412	412	412
Roman Berninger	438	2,467	2,467
Gero Bergmann	307	1,884	1,884
<b>Total</b>	<b>1,157</b>	<b>4,763</b>	<b>4,763</b>

In addition, a total of T€ 2,756 (T€ 2,919) was paid in the previous business year in overall benefits (retirement pensions, surviving dependants' benefits and payments of a related nature) to former members of the Board of Management or their surviving dependants.

The cash value of the obligations to pay such benefits for this group of persons is T€ 35,888 (T€ 34,425) on the balance sheet date.

### Remuneration for the Supervisory Board

The remuneration payable to the members of the Supervisory Board for the 2018 financial year, including committee activity, amounts to T€ 303 (excluding VAT).

Members of the Board of Management in T€	2018	2017
Helmut Schleweis, Chair from 26.03.2018	32	29
Jana Pabst, Deputy Chair	18	18
Joachim Fechteler	18	18
Bernd Fröhlich	13	0
Gerhard Grandke	19	19
Artur Grzesiek	18	18
Dr. Harald Langenfeld	26	26
Thomas Mang	31	28
Thomas Meister	18	18
Siegmar Müller	18	18
Reinhard Sager	12	12
Andrea Schlenzig	18	18
Peter Schneider	18	18
Walter Strohmaier	26	18
René Wulff	18	18
Supervisory Board members who left in 2017	0	30
<b>Total</b>	<b>303</b>	<b>306</b>
plus VAT	55	56
<b>Total expenditure</b>	<b>358</b>	<b>362</b>

### Major Mandates of Members of the Board of Management

#### Sascha Klaus

- Member of the Board of Management of Landesbank Berlin Holding AG, Berlin
- Member of the Board of Management of vdp – Verband Deutscher Pfandbriefbanken e. V.

#### Gero Bergmann

- No mandates requiring disclosure

#### Roman Berninger

- Member of the Board of Management of Landesbank Berlin Holding AG, Berlin
- Member of the Supervisory Board of DIIR Deutsches Institut für interne Revision e. V.

No legal representatives or employees had mandates in statutory supervisory boards of large corporations (with the exception of employees' representatives in Berlin Hyp's Supervisory Board) in the financial year 2018.

Statement of Cover Assets in € m	31.12.2018	31.12.2017
<b>A. Mortgage Pfandbriefe</b>		
Ordinary cover		
1. Claims against banking institutions		
Mortgage loans	0.0	0.0
2. Claims against customers		
Mortgage loans	12,861.4	12,347.0
3. Tangible assets (land charges on Bank-owned real estate)	0.0	0.0
Total	12,861.4	12,347.0
Additional cover		
1. Other claims against banking institutions	970.0	200.0
2. Debentures and other fixed-interest securities	900.6	1,568.5
Total	1,870.6	1,768.5
Total cover	14,732.0	14,115.5
Total mortgage Pfandbriefe requiring cover	14,200.1	13,494.5
<b>Excess cover</b>	<b>531.9</b>	<b>621.0</b>
<b>B. Public Pfandbriefe</b>		
Ordinary cover		
1. Claims against banking institutions		
a) Mortgage loans	0.0	0.0
b) Public-sector loans	0.0	50.0
2. Claims against customers		
a) Mortgage loans	54.3	85.3
b) Public-sector loans	538.5	742.2
3. Debentures and other fixed-interest securities	639.0	718.0
Total	1,231.8	1,595.5
Additional cover		
1. Other claims against banking institutions	0.0	0.0
2. Debentures and other fixed-interest securities	96.4	59.5
Total	96.4	59.5
Total cover	1,328.2	1,655.0
Total public Pfandbriefe requiring cover	1,289.7	1,586.7
<b>Excess cover</b>	<b>38.5</b>	<b>68.3</b>

**Information pursuant to Section 28 German Pfandbrief Act (Pfandbriefgesetz)****Section 28 (1) Nos. 1 to 3 German Pfandbrief Act (Pfandbriefgesetz)**

Amounts in € m

**a) Mortgage Pfandbriefe Outstanding and Cover Used**

	Nominal		Present value		Risk-adjusted present value*	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Mortgage Pfandbriefe	14,200.1	13,494.5	14,964.4	14,291.8	15,769.6	15,060.1
of which: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Cover funds	14,732.0	14,115.5	15,789.5	15,169.3	16,428.9	15,724.6
of which: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
<b>Excess cover</b>	<b>531.9</b>	<b>621.0</b>	<b>825.1</b>	<b>877.5</b>	<b>659.3</b>	<b>664.5</b>
Surplus cover pursuant to vdp differentiation model	531.9	621.0	825.1	877.5	-	-

\* For the calculation of the stress scenarios, the static amount reported is taken for currencies and the dynamic amount reported is taken for interest.

**On a) Maturity Structure (Remaining Term)**

	Mortgage Pfandbriefe		Cover funds	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Up to 6 months	1,459.5	1,465.0	1,428.2	1,098.2
Between 6 and 12 months	423.7	1,442.2	568.8	947.6
Between 12 and 18 months	275.0	1,459.0	589.1	603.1
Between 18 months and 2 years	947.0	423.7	796.5	670.2
Between 2 and 3 years	2,569.0	972.0	1,254.9	1,562.9
Between 3 and 4 years	2,546.0	1,739.0	1,528.6	1,592.7
Between 4 and 5 years	1,941.0	1,796.0	1,559.1	1,498.9
Between 5 and 10 years	3,125.0	3,159.0	6,548.3	5,735.5
Longer than 10 years	913.9	1,038.6	458.5	406.4

**b) Public Pfandbriefe Outstanding and Cover Use**

	Nominal		Present value		Risk-adjusted present value*	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Public Pfandbriefe	1,289.7	1,586.7	1,434.9	1,820.2	1,403.7	1,768.8
of which: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Cover funds	1,328.2	1,655.0	1,582.8	1,943.2	1,476.1	1,830.8
of which: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
<b>Excess cover</b>	<b>38.5</b>	<b>68.3</b>	<b>147.9</b>	<b>123.0</b>	<b>72.4</b>	<b>62.0</b>
Surplus cover pursuant to vdp differentiation model	38.5	68.3	147.9	123.0	-	-

\* For the calculation of the stress scenarios, the static amount reported is taken for currencies and the dynamic amount reported is taken for interest.

**On b) Maturity Structure  
(Remaining Term)**

	Public Pfandbriefe		Cover funds	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Up to 6 months	802.7	227.1	41.5	421.1
Between 6 and 12 months	5.0	20.0	1.2	34.9
Between 12 and 18 months	190.0	802.6	25.6	51.4
Between 18 months and 2 years	0.0	5.0	15.5	1.5
Between 2 and 3 years	50.0	190.0	238.5	16.1
Between 3 and 4 years	10.0	50.0	10.6	161.5
Between 4 and 5 years	9.0	10.0	110.6	0.8
Between 5 and 4 years	173.0	152.0	686.5	594.7
Longer than 10 years	50.0	130.0	198.2	373.1

**Section 28 (1) Nos. 4 to 11 German Pfandbrief Act (PfandBG)**

**Section 28 (1) Nos. 4 to 6 Pfandbrief Act (PfandBG) (Mortgage Pfandbriefe)  
Additional Cover for Mortgage Pfandbriefe**

**Section 28 (1) No. 4 PfandBG  
(Mortgage Pfandbriefe)**

Equalisation claims pursuant to Section 19  
(1) No. 1 German Pfandbrief Act (PfandBG)

	31.12.2018	31.12.2017
Total	<b>0.0</b>	<b>0.0</b>

**Section 28 (1)  
No. 5 PfandBG  
(Mortgage  
Pfandbriefe)**

Receivables as defined in Section 19  
(1) No. 2 PfandBG

of which: covered  
debentures as defined under Article  
129 of Regulation (EU)  
No. 575/2013

	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Germany	1,085.0	365.0	85.0	135.0
Denmark	17.5	0.0	0.0	0.0
Finland	10.0	10.0	0.0	0.0
France	20.0	0.0	20.0	0.0
Canada	100.5	10.0	65.5	0.0
Netherlands	10.0	125.0	10.0	0.0
Sweden	97.1	90.5	97.1	90.5
Total	<b>1,340.1</b>	<b>600.5</b>	<b>277.6</b>	<b>225.5</b>

**Section 28 (1) No. 6 German Pfandbrief Act  
(PfandBG) (Mortgage Pfandbriefe)**

Receivables as defined in  
Section 19 (1) No. 3 PfandBG

	31.12.2018	31.12.2017
Germany	153.0	989.5
European Union (EU)	322.5	80.5
France	0.0	25.0
Canada	10.0	73.0
Austria	45.0	0.0
Total	<b>530.5</b>	<b>1,168.0</b>

## Amounts in € m

**Section 28 (1) Nos. 4 to 6 PfandBG  
(Mortgage Pfandbriefe)**

	Total amount Additional cover for mortgage Pfandbriefe	
	31.12.2018	31.12.2017
Total	<b>1,870.6</b>	<b>1,768.5</b>

**Section 28 (1) Nos. 4 and 5 PfandBG (regarding public Pfandbriefe)  
Additional Cover for Public Pfandbriefe****Section 28 (1) No. 4 PfandBG  
(Public Pfandbriefe)**

	Equalisation claims pursuant to Section 20 (2) No. 1 PfandBG	
	31.12.2018	31.12.2017
Total	<b>0.0</b>	<b>0.0</b>

**Section 28 (1)  
No. 5 PfandBG  
(Public Pfandbriefe)**

	Claims as defined in Section 20 (2) No. 2 PfandBG		Of which: covered debentures as defined in Article 129 Regulation (EU) No. 575 / 2013	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Germany	49.0	34.0	25.0	10.0
Denmark	7.5	7.5	0.0	0.0
France	15.0	0.0	0.0	0.0
Netherlands	0.0	18.0	0.0	0.0
Sweden	24.9	0.0	24.9	0.0
Total	<b>96.4</b>	<b>59.5</b>	<b>49.9</b>	<b>10.0</b>

**Section 28 (1) Nos. 4 and 5 PfandBG  
(Public Pfandbriefe)**

	Total amount Additional cover for public Pfandbriefe	
	31.12.2018	31.12.2017
Total	<b>96.4</b>	<b>59.5</b>

**Section 28 (1) Nos. 7 to 11 PfandBG  
Other Disclosures on the Cover Funds  
and on the Pfandbriefe Outstanding**

**Section 28 (1) No. 7 PfandBG  
(Mortgage Pfandbriefe)**

Total claims exceeding the threshold  
defined under Section 13(1)  
PfandBG

	31.12.2018	31.12.2017
Total	<b>0.0</b>	<b>0.0</b>

**Section 28 (1) No. 8 PfandBG  
(regarding mortgage Pfandbriefe)**

Total claims exceeding  
the percentages pursuant to  
Section 19 (1) No. 2 PfandBG

	31.12.2018	31.12.2017
Total	<b>0.0</b>	<b>0.0</b>

**Section 28 (1) No. 8 PfandBG  
(regarding mortgage Pfandbriefe)**

Total claims exceeding  
the percentages pursuant to  
Section 19 (1) No. 3 PfandBG

	31.12.2018	31.12.2017
Total	<b>0.0</b>	<b>0.0</b>

**Section 28 (1)  
No. 9 PfandBG  
(regarding mortgage  
Pfandbriefe)**

Percentage share of  
fixed-interest cover funds in terms of  
cover assets

Percentage share of fixed-interest  
Pfandbriefe in terms of liabilities to be  
covered

	31.12.2018	31.12.2017	31.12.2018	31.12.2017
In %	<b>70.3</b>	<b>66.1</b>	<b>80.3</b>	<b>78.8</b>

**Section 28 (1) No. 10 PfandBG  
(regarding mortgage Pfandbriefe)**

Net present value pursuant to value  
regulations for each foreign currency

	31.12.2018	31.12.2017
CHF	<b>38.6</b>	<b>38.4</b>
GBP	<b>199.7</b>	<b>204.5</b>

Amounts in € m

**Section 28 (1)  
No. 11 PfandBG**For mortgage cover: volume-weighted  
average of the elapsed term since  
lending

	31.12.2018	31.12.2017
In years	3.8	4.0

**Section 28 (1) No. 8 PfandBG  
(regarding public Pfandbriefe)**Total claims  
exceeding the percentages pursuant  
to Section 20 (2) No. 2 PfandBG

	31.12.2018	31.12.2017
Total	0.0	0.0

**Section 28 (1)  
No. 9 PfandBG  
(regarding public  
Pfandbriefe)**Percentage share of  
fixed-interest cover funds in terms  
of cover assetsPercentage share of  
fixed-interest Pfandbriefe  
in terms of liabilities to be covered

	31.12.2018	31.12.2017	31.12.2018	31.12.2017
In %	98.8	93.0	100.0	100.0

**Section 28 (1) No. 10 PfandBG  
(regarding public Pfandbriefe)**Net present value pursuant to Section  
6 Pfandbrief Net Present Value  
Regulation (PfandBarwertV)  
per foreign currency

	31.12.2018	31.12.2017
---	0.0	0.0

**Section 28 (2) Nos. 1 to 3 German Pfandbrief Act (PfandBG)****Section 28 (2) No. 1 a German Pfandbrief Act (PfandBG)  
Payments in Arrears on Receivables Used as Cover for  
Mortgage Pfandbriefe\***

Cover Mortgages	31.12.2018	31.12.2017
Up to and including € 300,000	53.1	69.2
From € 300,000 up to and including € 1 million	117.3	137.0
From € 1 million up to and including € 10 million	2,479.2	2,591.8
More than € 10 million	10,211.8	9,549.0
Total	12,861.4	12,347.0

\* Without further cover pursuant to Section 19 (1) PfandBG.



**Section 28 (2) No. 1 b and c German Pfandbrief Act (PfandBG) Claims Used as Cover for Mortgage Pfandbriefe Classified According to Areas in which the Mortgaged Property is Allocated and Type of Use\***

Cover – total	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
Flats		19.0		20.6
Single- and two-family houses		41.9		39.2
Residential buildings for several families		3,994.9		3,704.1*
Office buildings	4,650.7		4,509.5	
Retail buildings	2,873.5		2,803.1	
Industrial buildings	105.9		92.0	
Other commercially used buildings	1,062.8		1,087.3*	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	106.2	6.5	78.8	12.4
<b>Total</b>	<b>8,799.1</b>	<b>4,062.3</b>	<b>8,570.7*</b>	<b>3,776.3*</b>

\* Adjustment of the figures for the previous year due to a new allocation of the mixed use properties

Belgium	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
Flats		0.0		0.0
Single- and two-family houses		0.0		0.0
Residential buildings for several families		0.0		0.0
Office buildings	206.2		194.7	
Retail buildings	0.0		0.0	
Industrial buildings	0.0		0.0	
Other commercially used buildings	0.0		0.0	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
<b>Total</b>	<b>206.2</b>	<b>0.0</b>	<b>194.7</b>	<b>0.0</b>

Federal Republic of Germany	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
Flats		18.8		20.6
Single- and two-family houses		14.4		15.6
Residential buildings for several families		3,820.4		3,631.7*
Office buildings	2,179.0		2,341.6	
Retail buildings	1,694.0		1,699.0	
Industrial buildings	77.0		92.0	
Other commercially used buildings	839.2		926.9*	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	106.2	6.5	78.8	12.4
<b>Total</b>	<b>4,895.4</b>	<b>3,860.1</b>	<b>5,138.3*</b>	<b>3,680.3*</b>

\* Adjustment of the figures for the previous year due to a new allocation of the mixed use properties

\* Without further cover pursuant to Section 19 (1) PfandBG.

## Amounts in € m

France	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
Flats		0.0		0.0
Single- and two-family houses		0.0		0.0
Residential buildings for several families		0.0		0.0
Office buildings	651.2		527.4	
Retail buildings	312.8		343.8	
Industrial buildings	0.0		0.0	
Other commercially used buildings	31.1		19.1	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
<b>Total</b>	<b>995.1</b>	<b>0.0</b>	<b>890.3</b>	<b>0.0</b>

UK	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
Flats		0.0		0.0
Single- and two-family houses		0.0		0.0
Residential buildings for several families		0.0		0.0
Office buildings	158.0		159.4	
Retail buildings	31.5		31.7	
Industrial buildings	0.0		0.0	
Other commercially used buildings	0.0		0.0	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
<b>Total</b>	<b>189.5</b>	<b>0.0</b>	<b>191.1</b>	<b>0.0</b>

Netherlands	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
Flats		0.2		0.0
Single- and two-family houses		27.5		23.6
Residential buildings for several families		174.5		72.4*
Office buildings	801.5		799.5	
Retail buildings	344.2		200.2	
Industrial buildings	28.9		0.0	
Other commercially used buildings	192.5		141.3*	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1,367.1</b>	<b>202.2</b>	<b>1,141.0*</b>	<b>96.0*</b>

\* Adjustment of the figures for the previous year due to a new allocation of the mixed use properties

**Poland**

	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
Flats		0.0		0.0
Single- and two-family houses		0.0		0.0
Residential buildings for several families		0.0		0.0
Office buildings	479.1		342.9	
Retail buildings	403.4		374.4	
Industrial buildings	0.0		0.0	
Other commercially used buildings	0.0		0.0	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
<b>Total</b>	<b>882.5</b>	<b>0.0</b>	<b>717.3</b>	<b>0.0</b>

**Czech Republic**

	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
Flats		0.0		0.0
Single- and two-family houses		0.0		0.0
Residential buildings for several families		0.0		0.0
Office buildings	175.7		144.0	
Retail buildings	87.6		154.0	
Industrial buildings	0.0		0.0	
Other commercially used buildings	0.0		0.0	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
<b>Total</b>	<b>263.3</b>	<b>0.0</b>	<b>298.0</b>	<b>0.0</b>

**Section 28 (2) No. 2 German Pfandbrief Act (PfandBG)**  
**Payments in Arrears on Receivables Used as Cover for**  
**Mortgage Pfandbriefe**

	Total amount of payments in arrears for at least 90 days		Total claims, where the respective arrears amount to at least 5 % of the claim	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Germany	0.0	0.1	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>

**Section 28 (2) No. 3 PfandBG**  
**Average weighted loan-to-value ratio**

	Amounts in %	
	31.12.2018	31.12.2017
Average weighted loan-to-value ratio (based on the respective loan values)	<b>55.6</b>	<b>55.8</b>

**Section 28 (3) Nos. 1 to 3 PfandBG****Section 28 (3) No. 1 PfandBG  
Claims Used as Cover for Public Pfandbriefe  
Classified According to Size\***

Amounts in € m

Cover	31.12.2018	31.12.2017
Up to and including € 10 million	10.0	5.9
From € 10 million up to and including € 100 million	777.2	738.3
More than € 100 million	444.6	851.3
<b>Total</b>	<b>1,231.8</b>	<b>1,595.5</b>

**Section 28 (3) No. 2 PfandBG  
Claims Used as Collateral for Public Pfand-  
briefe Classified According to Country and  
Type of Debtor or Guarantor\***

Total Cover	31.12.2018		31.12.2017	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	57.5	0.0	198.0	0.0
Regional authority	773.8	59.7	1,144.2	91.0
Local authority	0.0	0.3	0.0	0.3
Other	340.5	0.0	162.0	0.0
<b>Total (direct claims and warranties)</b>	<b>1,231.8</b>		<b>1,595.5</b>	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

Federal Republic of Germany	31.12.2018		31.12.2017	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	7.5	0.0	0.0	0.0
Regional authority	702.8	59.7	1,119.2	91.0
Local authority	0.0	0.3	0.0	0.3
Other	55.0	0.0	162.0	0.0
<b>Total (direct claims and warranties)</b>	<b>825.3</b>		<b>1,372.5</b>	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

Canada	31.12.2018		31.12.2017	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	0.0	0.0	0.0	0.0
Regional authority	71.0	0.0	25.0	0.0
Local authority	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
<b>Total (direct claims and warranties)</b>	<b>71.0</b>		<b>25.0</b>	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

\* Without further cover pursuant to Section 20 (2) German Pfandbrief Act (PfandBG).

Lithuania	31.12.2018		31.12.2017	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	0.0	0.0	3.0	0.0
Regional authority	0.0	0.0	0.0	0.0
Local authority	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
<b>Total (direct claims and warranties)</b>	<b>0.0</b>		<b>3.0</b>	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

Austria	31.12.2018		31.12.2017	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	50.0	0.0	95.0	0.0
Regional authority	0.0	0.0	0.0	0.0
Local authority	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
<b>Total (direct claims and warranties)</b>	<b>50.0</b>		<b>95.0</b>	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

Poland	31.12.2018		31.12.2017	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	0.0	0.0	100.0	0.0
Regional authority	0.0	0.0	0.0	0.0
Local authority	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
<b>Total (direct claims and warranties)</b>	<b>0.0</b>		<b>100.0</b>	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

EU Institutions	31.12.2018		31.12.2017	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	0.0	0.0	0.0	0.0
Regional authority	0.0	0.0	0.0	0.0
Local authority	0.0	0.0	0.0	0.0
Other	285.5	0.0	0.0	0.0
<b>Total (direct claims and warranties)</b>	<b>285.5</b>		<b>0.0</b>	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

**Section 28 (3) No. 3 PfandBG**  
**Payments in Arrears on Claims Used as Cover**  
**for Public Pfandbriefe**

Amounts in € m

	Total amount of payments in arrears for at least 90 days		Total claims, where the respective arrears amount to at least 5 % of the receivable	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Central government	0.0	0.0	0.0	0.0
Regional authority	0.0	0.0	0.0	0.0
Local authority	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Section 28 (2) No. 4 PfandBG**

**Section 28 (2) No. 4 a to c German Pfandbrief**  
**Act (PfandBG) Information on Foreclosures and**  
**Administrative Receivership Proceedings, Overdue**  
**Interest and Repayments of Mortgage Loans**

Number

	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
No. 4a Pending foreclosures	1	0	1	0
Pending administrative receiverships	1	0	1	0
Of which included in the pending foreclosures	1	0	1	0
Foreclosures carried out	0	0	0	0
No. 4b Cases in which property has been seized to prevent losses	0	0	0	0


Amounts in € m

	31.12.2018		31.12.2017	
	Commercial	Residential	Commercial	Residential
No. 4c Total interest in arrears	0.0	0.0	0.1	0.0

### Statement of the Legal Representatives

“To the best of our knowledge, we give the assurance that, in accordance with the applicable accounting principles, the corporate accounts provide an accurate picture of the actual circumstances of the net assets, financial and earnings situation of the Bank, and that the course of business, including the results, and the Bank’s position are shown in the Management Report in such a way that the picture conveyed corresponds to the actual circumstances, and the material opportunities and risks of the probable development of the company are described.”

Berlin, 11 February 2019



Sascha Klaus



Gero Bergmann



Roman Berninger

# Reproduction of the independent auditor's report

To Berlin Hyp AG, Berlin

## Report on the Audit of the Annual Financial Statements and of the Management Report

### Opinions

We have audited the annual financial statements of Berlin Hyp AG, Berlin, which comprise the balance sheet as at 31 December 2018, the statement of profit and loss, the statement of cash flows and the statement of changes in equity for the financial year from 1 January to 31 December 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Berlin Hyp AG, Berlin, for the financial year from 1 January to 31 December 2018. In accordance with German legal requirements, we have not audited the content of the corporate governance statement, the non-financial statement or the additional information for investors, which are included in section VI, VII and VIII of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to banks and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the non-financial statement, the corporate governance statement and the additional information for investors mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

### Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report' section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

### Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.



### **Adequacy of specific valuation allowances formed for claims against customers for commercial real estate financing.**

Please refer to the section "Accounting policies" in the notes to the financial statements for information on the accounting policies of Berlin Hyp AG.

#### **THE FINANCIAL STATEMENT RISK**

Under claims against customers, the Company records, among other things, mortgage loans in the amount of EUR 20.2 billion, which relate to commercial real estate financing and which constitute the focus of the Company's lending activities.

Determining the amount of specific valuation allowances on commercial real estate financing requires judgements and estimates of future cash flows from principal and interest payments by borrowers and/or the use of loan collateral provided. The cash flows are estimated taking into account the expected development of key value-determining assumptions and parameters. These include, in particular, the future development of rental income from the financed properties as well as the expected recoverable value of the collateral.

Inaccurate assumptions regarding the amount of the expected cash flows from the borrower's principal and interest payments or the use of the loan collateral provided result in the claims being inaccurately measured and thus in the counterparty default risks not being adequately taken into account. In this context, it was of particular significance with respect to our audit that specific valuation allowances were recognised in the necessary and sufficient amount and that appropriate assumptions were made when determining specific valuation allowances with regard to the borrowers' capacity to repay principal and interest and regarding the amount of revenue generated from the use of loan collateral.

#### **OUR AUDIT APPROACH**

Based on our risk assessment and evaluation of the risks of material misstatement, we used

both control-based and substantive audit procedures for our audit opinion.

In a first step, we gained a better understanding of the performance of the loan portfolio and the related counterparty default risks. To identify particular risk characteristics, we conducted an IT-based analysis of the entire loan portfolio according to the various product types and with respect to the presence of early warning indicators pointing to increased default risk.

Within the scope of control-based audit procedures, we conducted surveys, gained insight into the procedural and process documentation and assessed the design, implementation and effectiveness of relevant controls established by the Bank to ensure the adequacy of specific valuation allowances for commercial real estate financing. With the involvement of our IT experts, we verified the effectiveness of the general IT controls as well as automated process controls for the IT systems deployed.

We audited a representative sample of commercial real estate financing to determine whether the ratings and collateral values were appropriately recorded in the financial reporting system.

We examined the appropriateness of the calculated specific valuation allowances for commercial real estate financing using deliberate sampling of individual exposures from the perspective of materiality and risk. In so doing, we primarily assessed the estimates of future cash flows based on the borrower's capacity to repay principal and interest as well as the expected recoverable value of the collateral.

#### **OUR OBSERVATIONS**

The underlying approach for the determination of specific valuation allowances formed for claims against customers for commercial real estate financing is appropriate and in line with the accounting policies. The Bank has made appropriate assumptions regarding borrowers' capacity to repay principal and interest and the amount of cash flows from the use of collateral.

**Other information**

Management is responsible for the other information. The other information comprises:

- the non-financial statement, the corporate governance statement, and the further information for investors, and
- the remaining parts of the annual report, with the exception of the audited annual financial statements and management report and our auditor's report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

**Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report**

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to banks, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in compliance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for dis-

closing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for preparing a management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

**Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

**Other Legal and Regulatory Requirements  
Further Information pursuant to Article 10 of  
the EU Audit Regulation**

We were elected as auditor by the annual general meeting on 28 March 2018. We were engaged by the Chair of the Supervisory Board on 10 April 2018. We have been the auditor of Berlin Hyp AG, Berlin, without interruption since financial year 2016.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we provided to the Company or its subsidiaries the following services that are not disclosed in the annual financial statements or in the management report:

In addition to the annual financial statements of Berlin Hyp AG, we also audited the annual financial statements of the subsidiary Berlin Hyp Immobilien GmbH, Berlin. An audit review pursuant to IDW PS 900 of the interim financial statements of Berlin Hyp AG, Berlin, as of 30 June 2018, was integrated into the audit. Furthermore, we also conducted audits pursuant to Section 36 of the German Securities Trading Act [WpHG] and Section 16j of the Financial Services Supervision Act [FinDAG], audits pursuant to ISAE 3000, agreed-upon investigative procedures pursuant to ISRS 4400, the issuing of a comfort letter in accordance with IDW PS 910, as well as audit services pursuant to Sections 45, 46 of the Framework for the protection scheme of the Savings Banks Finance Group (Sparkassen-Finanzgruppe)

**German Public Auditor Responsible  
for the Engagement**

The German Public Auditor responsible for the engagement is Jörg Kügler.

Berlin, 19 February 2019  
KPMG AG  
Wirtschaftsprüfungsgesellschaft

Kügler	Ludwig
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]



