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Annual Report 2019

Key Performance Indicators at a Glance

Excerpt from the Profit and Loss Account in € m	2019	2018
Net interest income	309.7	315.4
Net commission income	17.8	23.2
Staff expenditure	92.4	83.8
Other operating expenditure	67.5	61.5
of which: Expenditure for bank levy	12.0	10.6
Write-offs on fixed assets	12.4	5.9
Operating expenditure	172.3	151.2
Other operating result	-1.6	-4.4
Risk provisioning	-2.2	-37.4
Valuation result of lending business	7.5	-15.5
Valuation result of securities business	-9.7	-21.9
Operating result	155.8	220.4
Net income from investments	-4.0	1.2
Provision for general banking risks	90.0	105.0
Other taxes	0.2	0.2
Operating result before income taxes and profit transfer	61.6	116.4
Profit transfer	61.0	116.4
Net income for the year	0.0	0.0
Cost-income ratio in %	52.9	45.2
Return on equity in %	11.6	18.2

Excerpt from the Balance Sheet in € m	31.12.2019	31.12.2018
Balance sheet total	27,021	27,178
of which: mortgage loans	21,774	20,223
NPL ¹	181	183

¹ Screening of NPL portfolio by rating (previously: risk class) in accordance with EBA guidelines from 2017 onwards; comparable figure for previous year adjusted.

Business development in € m	2019	2018
New lending	6,253	4,893
Extensions (capital employed ≥ 1 year)	1,023	1,226

Regulatory-law key indicators ²	31.12.2019	31.12.2018
RWA in € m	9,991	9,215
CET1 ratio in %	13.3	13.5
Total capital ratio in %	16.0	16.8
Leverage ratio in %	4.6	4.3

² After adoption.

Issue ratings	31.12.2019	31.12.2018
Moody's		
Pfandbriefe	Aaa (stable)	Aaa (stable)
Senior preferred	Aa2 (stable)	Aa2 (stable)
Senior non-preferred	A2	A2
Fitch		
Pfandbriefe	-	-
Senior preferred	A+ (stable)	A+ (stable)
Senior non-preferred	A+ (stable)	A+ (stable)

Sustainability ratings	oekom	Sustainalytics
	B-(Prime)	86/100 (Leader)

Other	31.12.2019	31.12.2018
Number of employees (as at the reporting date)	606	601

11.6 %

Return on equity

€ 7.3 billion

New lending (including extensions with capital employed ≥ 1 year)

Aaa

(Moody's)
Pfandbrief issue rating

Bodies of the Bank and Other Important Functions

Supervisory Board

Helmut Schleweis

- Chair (since 26 March 2018)
- President of Deutscher Sparkassen- und Giroverband e.V.

Jana Pabst

- Deputy Chair
- Bank employee
- Employee representative
- Deputy Chair of the Works Council of Berlin Hyp AG

Joachim Fechteler

- Bank employee (until 31 December 2019)
- Employee representative

Bernd Fröhlich

- Chair of the Board of Management of Sparkasse Mainfranken Würzburg

Gerhard Grandke

- Managing President of 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 Mang

- President of Savings Banks Association of Lower Saxony

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 Germersheim-Kandel
- Landesobmann of the Rhineland-Palatinate Savings Banks Board of Management Members

Reinhard Sager

- President of German Administrative District Parliament
- County Council Chairman of East Holstein District

Andrea Schlenzig

- Bank employee
- Employee representative

Peter Schneider

- President of Savings Banks Association of Baden-Wuerttemberg

Walter Strohmaier

- Chair of the Board of Management of Sparkasse Niederbayern-Mitte
- Bundesobmann of the German savings banks

René Wulff

- Bank employee (until 31 August 2019)
- Employee representative

Board of Management

Sascha Klaus

Chair

Gero Bergmann

Roman Berninger (until 31 December 2019)

Chief Representative

Alexander Stuwe (from 1st January 2020)

Supervisory Board Committees

→ **Staff and Strategy Committee**
(until 17 June 2019)

→ **Presiding and Nomination Committee**
(since 17 June 2019)

Helmut Schleweis
Chair

Walter Strohmaier
Deputy Chair

Dr. Harald Langenfeld

Thomas Mang

Thomas Meister

Andrea Schlenzig

→ **Loans Committee**

Walter Strohmaier
Chair

Dr. Harald Langenfeld
Deputy Chair

Bernd Fröhlich

Artur Grzesiek

René Wulff

→ **Audit Committee**

Thomas Mang
Chair

Gerhard Grandke
Deputy Chair

Joachim Fichteler

Siegmar Müller

Peter Schneider

→ **Compensation Control Committee**
(since 17 June 2019)

Helmut Schleweis
Chair

Walter Strohmaier
Deputy Chair

Thomas Mang

Jana Pabst

Cover Pool Monitor

Christian Ax

Deputy Cover Pool Monitor

Wolfgang Rips

Philip Warner

2019 Supervisory Board Report of Berlin Hyp AG

Berlin Hyp is a subsidiary of Landesbank Berlin Holding AG and an independent commercial real estate financier within the S-Group of the Sparkassen-Finanzgruppe. According to the regulations of the German One-Third Participation Act, its Supervisory Board comprises five members on the staff side and ten on the shareholder side. Apart from the five employee representatives, the Supervisory Board is made up entirely of representatives of the Sparkassen-Finanzgruppe and a representative of the local authorities. It advises and monitors the Board of Management and particularly supports the Board of Management in the networking with savings banks throughout Germany.

Berlin Hyp was able to continue its successful business development in 2019. Despite the persistently low level of interest rates, the intense competition in commercial real estate financing and the continuing high regulatory requirements combined with the need to further strengthen equity, Berlin Hyp is satisfied with the course and results of the 2019 financial year. The Supervisory Board regards Berlin Hyp's performance and its ability to hold its own ground in a difficult market environment while adhering to a conservative risk strategy and culture as steadfast and highly favourable.

In accordance with the legal requirements, the Supervisory Board once again concerned itself promptly, regularly and comprehensively with the position and the development of Berlin Hyp, the planning situation, the risk situation, risk management as well as compliance, both orally and in writing, in 2019. It constantly monitored the actions of the Board of Management and satisfied itself that it was acting properly, deliberated on all relevant aspects in this context and provided recommendations. In particular, the Supervisory Board intensively discussed and reviewed the plausibility of business transactions of importance to the company on the basis of written and oral reports of the Board of Management.

Focus of the Supervisory Board's Activities

The subject of all Supervisory Board meetings in 2019 was the detailed reporting of the Board of

Management on current business development, including its underlying conditions and projects, the risk situation of Berlin Hyp and the status of the strategic investments. In addition, the Board of Management regularly reported on S-Group business development and on the external audits currently being carried out at Berlin Hyp.

Following the reports made by the Board of Management and the auditors and after intensive consultation and review, the annual accounts and Management Report as at 31 December 2018 were approved and adopted in the **balance sheet meeting of the Supervisory Board on 28 March 2019**. In the course of this meeting, the annual reports of Internal Audit and the Compliance Officer as well as the report on the effectiveness of the Internal Control System (IKS) were also discussed and acknowledged.

The Supervisory Board's Report, the Corporate Governance Report and the Non-Financial Statement (sustainability report) were discussed and adopted.

The Supervisory Board also passed the necessary resolutions regarding the agenda of the Annual General Meeting of Berlin Hyp. Adjustments to the risk strategy were discussed and acknowledged by the Supervisory Board.

In accordance with the provisions of the German Remuneration Ordinance for Institutions (IVV), the Supervisory Board took note of the overall bonus pool for employees set by the Board of Management and established the total amount of variable remuneration for the Board of Management. Subsequently, on the basis of the individual achievement of targets, a decision was made on the individual target bonuses of the individual members of the Board of Management and on the payment of conditional bonuses. The Supervisory Board also dealt with regulatory issues and their effects on the Bank. In this context, the separation of the Nomination Committee and Remuneration Control Committee was discussed and prepared.

Due to the expiry of Roman Berninger's employment contract as a member of the Board of Management on 31 December 2019,

the Supervisory Board discussed the further procedure. The Staff and Strategy Committee was instructed to act as an Appointment Committee to identify suitable candidates for the succession.

In its **meeting on 17 June 2019**, the Supervisory Board took note of reports on donations and sponsorships as well as on the status of implementation of the SAP-HANA IT project, on the strategic resource planning project and on the targeted management of risk-weighted assets (RWA management) in addition to the regular reports (current business development, risk situation, S-Group business, status update on various audits), all of which it discussed with the Board of Management. The Supervisory Board updated the selection and diversity strategy, as well as job descriptions and applicant profiles for future members of the Supervisory Board and the Board of Management. In addition, the Supervisory Board decided on the procedure for its efficiency review and suitability examination and made amendments to its rules and regulations (mainly for clarification).

Due to regulatory requirements, the tasks of the Staff and Strategy Committee were split into two committees. The tasks of the Remuneration Control Committee required by law were separated and transferred to the independently formed Remuneration Control Committee. The former Staff and Strategy Committee was renamed the Presiding and Nomination Committee.

In its **meeting on 23 September 2019**, the Supervisory Board defined the key audit issues for the financial year 2019 based on a proposal from the Audit Committee. Within the framework of the reporting by the Board of Management, the Supervisory Board also discussed the draft bill for the rent cap in question, which shall be adopted by the Senate of Berlin at the beginning of 2020. The Supervisory Board discussed in detail the project to construct a new energy-efficient building as the headquarters for Berlin Hyp at its current location and commissioned the Board of Management to implement the plans. The Chair of the Supervisory Board presented a summary report of the findings from the efficiency review and suitability

examination of the Supervisory Board and the Board of Management. The review revealed that the Supervisory Board's work is effective and that the members of the Board of Management and Supervisory Board possess the necessary expertise, skills and experience.

Subject to ECB's approval, the Supervisory Board appointed Alexander Stuwe to succeed Roman Berninger as a full member of the Board of Management and approved his appointment as Chief Representative for the induction period. In the course of the impending change in the composition of the Board of Management, the Supervisory Board took note of the reallocation of Board responsibilities in line with MaRisk.

In the **meeting on 29 November 2019**, the regular reports of the Board of Management were supplemented by a presentation on Treasury activities, the status of implementation of the SAP-HANA IT project, and the final report on the IT Compliance project. The updates of the strategy documents were discussed on a regular basis. Subsequently, the Supervisory Board addressed the projections for 2019 and the medium-term planning for the years 2020 to 2023.

In order to improve the results of the core business, a discussion of principles was held on the possible expansion of the Bank's sales activities abroad.

Berlin Hyp's remuneration systems were also reviewed on a regular basis and considered appropriate. At the same time, the Supervisory Board updated the Declaration of Compliance in accordance with the German Corporate Governance Code (DCGK). Corporate and individual targets for 2020 were agreed for the members of the Board of Management.

Committees of the Supervisory Board

The work of the Supervisory Board of Berlin Hyp is supported by three committees – the Audit Committee (PA), the Staff and Strategy Committee (PSA) and the Loans Committee (KA). In accordance with regulatory requirements, the PSA was split into the Presiding and Nomination

Committee (PNA) and the Remuneration Control Committee (VKA) on 17 June 2019. Each committee convenes approximately 10 to 14 days prior to Supervisory Board meetings. Afterwards, written committee reports are presented in the Supervisory Board meetings.

The main objective of the PA is to assist in the review and preparation of the adoption of the annual financial statements. Moreover, it is responsible for monitoring the accounting process, the efficacy of the risk management system, the internal management and controlling system, and the functionality of the Internal Audit division. It also deals with compliance issues. The PA comprises five members.

The PSA is tasked with HR issues, strategy, planning and fundamental company issues, and it regularly reviews compliance with the German Corporate Governance Code (DCGK). It also acted as a remuneration control and nomination committee. On 17 June 2019, the PSA was renamed the Presiding and Nomination Committee (PNA). Since then, the PNA has dealt with HR and strategy issues, evaluated the efficiency and suitability of the members of the Board of Management and regularly reviewed the application of the DCKG. The PNA comprises five members.

The VKA, which was formed independently on 17 June 2019, monitors the remuneration systems of the members of the Board of Management and employees, paying particular attention to the effects on risks and risk management at Berlin Hyp. It consists of four members.

The KA has its own loan approval powers and also acts as the Risk Committee. It therefore primarily deals with loan decisions, which exceed the powers of the “overall Board of Management”, as well as with the risk strategy, the regular risk reports and the principles of the loan business policy. Apart from its meetings, written circulation procedures and teleconferences – on credit decisions, which are within its competence – also regularly take place in the KA. The KA comprises five members.

The committees reported regularly and in detail to the Supervisory Board on their work.

Corporate Governance

As an unlisted company, Berlin Hyp is generally not subject to the regulations of the German

Corporate Governance Code (DCGK). However, in light of its activities on the capital market, Berlin Hyp has decided to follow the principles of good corporate governance defined in the German Corporate Governance Code (DCGK) and to report on it. Berlin Hyp has been following the Code since 2002 and has published a Declaration of Compliance each year since then. Details are available in the Corporate Governance Report.

Meetings and Attendance

A total of four plenum meetings and nineteen committee meetings – of which four were teleconferences – were held in the 2019 financial year. There were no issues that triggered the Supervisory Board to issue a circular resolution. In 17 circulation procedures of the KA, 22 loan resolutions were made. In one case, the KA took note of a loan resolution that the Board of Management had passed within the scope of its power to act in urgent matters.

Committee meetings were always held 10 to 14 days prior to the plenum meetings. Members prevented from attending usually participated in the passing of resolutions through voting instructions. With the exception of Reinhard Sager, all Supervisory Board members took part in more than half of the meetings of the plenum and the committees to which they belong. Reinhard Sager sent apologies in advance of each meeting which he was unable to attend, stating his reasons, and delivered a voting message.

Conflicts of Interest and How They are Handled

The Supervisory Board has passed regulations designed to prevent conflicts of interest. In the 2019 financial year, a total of five committee members abstained from voting on three resolutions to avoid the appearance of a conflict of interest.

Personnel Issues of the Supervisory Board

There were no changes in the composition of the Supervisory Board in the 2019 financial year. The Supervisory Board is comprised of 15 members – 10 shareholder representatives and five employee representatives.

Personnel Issues of the Board of Management

In 2019, the Board of Management continues to comprise three members – Sascha Klaus, Gero Bergmann and Roman Berninger. Roman Berninger’s employment contract as a member of the Board of Management expired on

31 December 2019. The Supervisory Board would like to thank Roman Berninger for his extremely successful work on the Board of Management of Berlin Hyp and wishes him every success and all the best for the future.

Since 1 January 2020, the Board of Management has comprised two members, Sascha Klaus and Gero Bergmann. Subject to the ECB's approval, Alexander Stuwe has been appointed as a member of the Board of Management, probably with effect from 1 July 2020. For the familiarisation period, he has been appointed Chief Representative.

2019 Annual Financial Statements

The annual financial statements of Berlin Hyp and the Management Report for the 2019 financial year have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, appointed by the Annual General Meeting, taking into account the auditing focus defined by the Supervisory Board, and have received an unqualified audit certificate. The Supervisory Board has acknowledged the audit certificate.

The annual accounts of Berlin Hyp were prepared in accordance with the provisions of the German Commercial Code (HGB). The annual accounts, the Management Report and the auditor's reports were presented to the Supervisory Board before its meetings in time. The Board of Management explained the financial statements and the risk management system in detail at the two meetings of the PA in preparation for the balance sheet meeting and also at the Supervisory Board's balance sheet meeting. The auditor attended these three meetings and reported on the scope, focus and material results of the audit. The auditor came to the overall conclusion that there were no major weaknesses in the internal control system or the risk management system.

The KA also dealt with the audit reports for the 2019 annual accounts, to the extent that they contain statements on the lending business and risk situation of Berlin Hyp, and raised no objections.

The PA closely examined the documents and recommended that the Supervisory Board approve the annual financial statements. The Supervisory Board approved the results of the audits following inspection of the auditor's reports and detailed discussion and determined that there were no objections to be raised

even after the final results of its own audits. It approved the annual financial statements prepared by the Board of Management. The 2019 annual financial statements are thereby adopted. According to the profit transfer agreement, the earnings for 2019 are transferred to Landesbank Berlin Holding AG. During the audit of the annual financial statements, the Chair of the PA regularly informed himself of the audit's status in consultation with the auditor KPMG.

Sustainability Report (Non-Financial Declaration)

The PA and the Supervisory Board also addressed the 2019 non-financial declaration prepared by the Board of Management. In its role as auditor, KPMG performed an audit with limited certainty and found no grounds for objection. In the PA meeting in preparation for the balance sheet meeting as well as in the balance sheet meeting of the Supervisory Board, the Board of Management provided a detailed explanation of the documents, while the representatives of KPMG reported on the material findings of their audit and answered follow-up questions by members of the Supervisory Board. The Supervisory Board had no objections after performing its review.

Education and further training

In principle, the members of the Supervisory Board were independently responsible for obtaining the necessary education and further training required for their duties and were supported in this process by the Bank. At least once a year, further training is provided by means of lectures by external or internal speakers prior to a committee meeting. In 2019, the committee members dealt with the topics of monitoring risk factors in IT implementations and IT compliance, among others.

The Supervisory Board would like to thank the members of the Board of Management as well as all employees for the successful results and for their enormous personal dedication in the 2019 financial year.

Berlin, March 2020

For the Supervisory Board

Helmut Schleweis
Chair

2019 Corporate Governance Report

Corporate governance stands for the responsible, transparent management and control of an enterprise that is directed at the long-term creation of added value. Corresponding guidelines have been prepared. These are summarised for German companies in the German Corporate Governance Code (Deutscher Corporate Governance Kodex, DCGK) and were updated on 7 February 2017.

The Board of Management and the Supervisory Board believe firmly that good corporate governance, which is manifested in compliance with the DCGK, is a material part of the foundation on which the lasting success of the company and the confidence of business partners and employees, as well as the trust of financial markets in our company, is built. The Management Board and Supervisory Board therefore continue to observe the DCGK principles, even though not all of the Code's provisions have been applicable since the Berlin Hyp shares ceased to be listed on the stock exchange, e.g. with regard to the organisation of general meetings with free float.

Board of Management

Berlin Hyp's Board of Management leads the Bank at its own responsibility with the objective of sustainable value creation and in the best interests of the company. It is committed to the principles of good, responsible and efficient business management and control. It manages the Bank in compliance with statutory provisions, the Articles of Association, the Rules of Procedure and the internal company guidelines. The Board of Management develops the strategic orientation of the Bank, agrees on it in consultation with the Supervisory Board and ensures its implementation.

In the 2019 financial year, the Board of Management continued to comprise three persons. On page 4 of the Annual Report – Report of the Supervisory Board – the changes in the Board of Management as of 1 January 2020 are presented. Regardless of the overall responsibility of the Board of Management, the individual members lead the divisions assigned to them by the business organisation plan at their own responsibility. The members consistently act

for the benefit of the company as a whole. The members of the Board of Management inform each other about all material developments in their divisions and coordinate all measures affecting multiple spheres of responsibility.

The varied expertise of the individual Board of Management members ensures that the Board of Management remains sufficiently diversified. On 26 June 2017, the Supervisory Board set a target of zero per cent for the proportion of women on the Board of Management based on the current contractual relationships. The target is initially valid until 30 June 2022. The target will be reviewed upon termination of an employment contract or before a new appointment, most recently in the context of the appointment of Alexander Stuwe, probably with effect from 1 July 2020.

Supervisory Board

Pursuant to its Articles of Association, the Supervisory Board of Berlin Hyp comprised 15 members in 2019. It advises and monitors the Board of Management in the management of the Bank, works jointly with the Board of Management to safeguard long-term succession planning and ensures a degree of diversity in the composition of both the Board of Management and the Supervisory Board that is appropriate to the Bank's business activities. According to the regulations of the German One-Third Participation Act, it comprises five Supervisory Board members on the staff side and ten on the shareholder side. The Chair of the Supervisory Board coordinates the work within the Supervisory Board, chairs its meetings and represents the interests of the Supervisory Board in relation to third parties. The Supervisory Board has formed four committees from its own members. Its functioning is governed by Rules of Procedure.

The employees vote for their representatives in their own election in accordance with the provisions of the German One-Third Participation Act. The Supervisory Board cannot influence the nomination of employee candidates.

The Supervisory Board has decided to pursue the following objectives when new Super-

visory Board shareholder representatives are nominated:

The diversity of the Board is established so that the qualifications and personalities of the individual members guarantee optimal supervision of the company in accordance with legal stipulations, including the German Corporate Governance Code, and in the interests of the company, its shareholders and the employees. This requires that all Supervisory Board members have knowledge, in particular, of Berlin Hyp's relevant market environment and its banking business.

The Supervisory Board has recorded the detailed requirements in writing in a selection and diversity strategy. It describes details of the knowledge, skills and experience required for effective monitoring of the Board of Management. These include, in particular, knowledge and experience in the fields of securities, real estate, the capital market and accounting. Independence rules are also defined pursuant to the German Corporate Governance Code. Furthermore, Supervisory Board members should be able to devote sufficient time to the performance of their duties.

In the opinion of the Supervisory Board, all members of the Supervisory Board are independent within the meaning of the DCGK. The members of the Supervisory Board are not subject to any conflicts of interest, particularly any that could result from an advisory function or board membership on behalf of customers, suppliers, lenders or other business partners of the company. Members of the bodies do not participate in the discussion and passing of resolutions by the bodies if conflicts of interest or the impression of a conflict of interest exist in individual cases. In the financial year 2019, no conflict of interest requiring disclosure arose. In three cases, a total of five members of the body abstained from voting on a resolution to avoid the appearance of a conflict of interest.

According to the equality law provisions of the General Act on Equal Treatment relevant for Berlin Hyp, the Supervisory Board set a target for itself in a resolution dated 26 June 2017 to

maintain the status quo of 13 % (two women) with regard to the proportion of women on the Supervisory Board until 30 June 2022. At present, two women are represented on the Supervisory Board. This means the quota has been met.

Attention is given to potential conflicts of interest and compliance with the age limit of 70 years as stipulated in the Rules of Procedure. The age diversity at the end of the financial year was between 52 and 65 years.

As at 31 December 2019, all objectives set by the Supervisory Board with regard to its composition had been implemented.

The Supervisory Board submits itself to efficiency reviews each year. The most recent review was conducted at the Supervisory Board meeting on 23 September 2019 and was based on a detailed questionnaire, as in the past, which addressed relevant topics according to the German Corporate Governance Code and Section 25d (11) Nos. 3 and 4 German Banking Act (KWG) and which each Supervisory Board member was able to individually fill out before the meeting. The findings of the evaluation were then presented by the Chair of the Supervisory Board at the meeting and jointly discussed and debated. The 2019 review indicated that the efficiency of Supervisory Board activity was given. Furthermore, the Supervisory Board noted that its members have the required knowledge, abilities and experience for the activities of the Supervisory Board and its committees. Suggestions from within the members of the Supervisory Board have been and will be taken into account for future work. The thematic delimitation of the committees over the course of time as well as the elected appointments with representatives from the shareholder and employee sides, which allow Supervisory Board decisions to be prepared in a purposeful manner, were mentioned as positive. The written reports from the committees provide the Supervisory Board members with comprehensive information about the discussions of the committees in advance of each meeting.

The members of the Supervisory Board are responsible for obtaining the necessary training and continuing education for their duties at their own responsibility and are supported in this process by Berlin Hyp. The company regularly informs the Supervisory Board about the latest changes in statutory law and offers opportunities for further training within the framework of in-house events.

Furthermore, the Presiding and Nomination Committee also reviewed compliance with the DCGK using an analysis report prepared internally. This took place at the meeting on 13 November 2019. No objections were raised.

Close Cooperation between the Board of Management and the Supervisory Board

Berlin Hyp's Board of Management and Supervisory Board work together closely based on mutual trust. At least four Supervisory Board meetings usually take place during the financial year, as in 2019. The Supervisory Board monitors and advises the Board of Management with regard to company management. The Board of Management informs the Supervisory Board extensively and promptly on all issues relevant to the company relating to strategy, planning, business development, the risk situation, risk management and compliance of the Bank. The Supervisory Board coordinates the company strategy and its implementation with the Board of Management. It explores deviations in business performance from plans and goals and states the reasons for these.

The Supervisory Board reviews and approves the annual financial statements in consideration of the auditor's reports and decides on the proposed resolutions to be submitted to the Annual General Meeting.

The Board of Management's reporting obligations and duties to inform are stated in specific terms in the Rules of Procedure for the Board of Management. The Supervisory Board has also defined material transactions that the Board of Management may only conduct with the Supervisory Board's consent. The Board of Management continuously exchanges information with the Chair of the Supervisory Board.

The approach to risks in connection with the Bank's business activity is material to the Board of Management and the Supervisory Board. Both bodies require regular reports about risks and their development. Berlin Hyp's risk

management system is continually developed further by the Bank and is examined by the auditors. The Board of Management passes on information that is material with regard to the risk aspects to the Chair of the Supervisory Board without undue delay.

The work of both bodies and of the four Supervisory Board committees is regulated in the Rules of Procedure. These are checked regularly to safeguard that they are up to date. In 2019, amendments were made within the context of the formation of new committees and after revision of the competencies for shareholding matters (mainly for clarification).

The composition of the Board of Management and the Supervisory Board, as well as the spheres of responsibility of the individual members of the Board of Management, is presented on pages 2 and 98 of the Annual Report.

Efficiency Improvement by Committees

Until the middle of the year, the Supervisory Board was assisted by three formed committees: the Staff and Strategy Committee, the Audit Committee and the Loans Committee. In accordance with regulatory requirements and in order to increase efficiency, the Staff and Strategy Committee was divided into the Presiding and Nomination Committee and the Remuneration Control Committee. Thus, the Supervisory Board is now supported by four formed committees. The Loans Committee is also active as the Risk Committee pursuant to the German Banking Act (KWG). Written and additional oral reports are used at the Supervisory Board meetings to provide information about the work of the committees. The Chair of the Supervisory Board does not chair the Audit Committee. For details regarding the responsibilities of the various committees and the areas they focused on in 2019, see the Supervisory Board Report in this Annual Report.

Annual General Meeting of the Sole Shareholder

The sole shareholder exercises its rights at the Annual General Meeting. The Annual General Meeting decides on the tasks incumbent upon it by law, including the appropriation of net earnings, discharge of the Board of Management and the Supervisory Board, appointment of the auditor, election of Supervisory Board members, amendments to the Articles of Association and capital measures. Berlin Hyp's shares are held by Landesbank Berlin Holding

AG. As a result, the Annual General Meeting of Berlin Hyp takes place as a plenary meeting behind closed doors.

Transparency

The Bank's website provides information about all material developments and events related to the Bank. For example, the planned publication dates for financial reporting are found in the financial calendar. All annual reports and interim reports are also archived and available on the website. All compliance declarations hitherto provided by the Board of Management and the Supervisory Board pursuant to Section 161 Stock Corporation Act can also be accessed on the company website. Almost all information published by the Bank online is also published in English.

Accounting and Auditing the Annual Financial Statements

Berlin Hyp's annual financial statements in the reporting year were produced in accordance with the German national provisions (German Commercial Code), as there is no statutory duty for Berlin Hyp to produce consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The annual financial statements, the half-year financial report and any interim reports are published within 90 days after the end of the financial year or 45 days after the end of the respective reporting period.

Before the proposal for selection of the auditor is submitted to the General Meeting, the Supervisory Board obtains a declaration from the auditor as regards existing relations with the Bank or its bodies. The current declaration of independence of the auditor dates from 16 March 2020. According to this declaration, there is no doubt about the independence of the auditor. The Supervisory Board has agreed with the auditor that the auditor will report without undue delay on all findings and occurrences that become evident during the conduct of the audit and are material for the Supervisory Board's tasks. Likewise, it was established that the auditor should inform the Supervisory Board or make a notation in the audit report if divergences from the German Corporate Governance Code and the Declaration of Compliance issued jointly by the Board of Management and the Supervisory Board are found. No such divergences were found.

Essential Features of the Remuneration System for Board of Management Members and Supervisory Board Members

The remuneration of the members of the Board of Management and the Supervisory Board is published in a separate remuneration report as part of the Management Report. Furthermore, in accordance with the stipulations of the German Corporate Governance Code, the remuneration of the members of the Board of Management and the Supervisory Board is shown individually in the Notes and is broken down into fixed and variable elements.

Directors' and officers' insurance exists for the members of the Board of Management and the Supervisory Board. In order to emphasise the Bank's responsibility and attitude towards the shareholders, a reasonable deductible of at least 10 % of the damage up to one and a half times the fixed annual remuneration was agreed.

Joint Compliance Declaration by the Board of Management and the Supervisory Board

The compliance declaration of the Board of Management and the Supervisory Board pursuant to Section 161 Stock Corporation Act was updated in November 2019. It reads as follows:

1. Berlin Hyp AG has complied with all recommendations of the Government Commission on the German Corporate Governance Code, as revised on 7 February 2017 and announced by the Federal Ministry of Justice in the official part of the electronic Federal Gazette, with the exceptions specified in Section 2.
2. Berlin Hyp AG deviates from the following recommendations of the German Corporate Governance Code:
 - a) At the time of the conclusion or extension of Board of Management contracts, such contracts have not always included and do not always include a severance cap stipulating that, in the case of premature termination of work for the Board of Management without good cause, severance payments are limited to an amount corresponding to two years' remuneration including ancillary benefits (Section 4.2.3 German Corporate Governance Code).

The general agreement of severance caps removes the possibility of considering the circumstances of each individual case, in case

of contract agreements or extensions. For this reason, decisions should be made in each individual case as to whether a severance cap should be agreed.

b) The Supervisory Board has not decided to impose a general maximum term limit for the length of membership of the Supervisory Board (Section 5.4.1 German Corporate Governance Code).

The general establishment of a maximum term for the duration of membership restricts the possibility of flexible succession regulation. For this reason, nomination is instead decided in the respective individual case regardless of the length of membership duration to date.

3. Since the last Declaration of Compliance was issued on 30 November 2018, Berlin Hyp AG has again complied with all recommendations of the Government Commission on the German Corporate Governance Code, as revised on 07 February 2017 and announced by the Federal Ministry of Justice in the official part of the electronic Federal Gazette, with the exceptions specified in Section 2.

Berlin, 26 March 2020

**Board of Management and Supervisory Board
of Berlin Hyp AG**

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I Principles of the Bank Business Model

Organisational Structure

Berlin Hyp AG (Berlin Hyp) is a stock corporation (Aktiengesellschaft) and forms part of the Landesbank Berlin Holding AG Group (Landesbank Berlin Holding), Berlin, the majority of whose shares are held by the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG. As a subsidiary of Landesbank Berlin Holding, Berlin Hyp is included in the consolidated annual accounts of the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG (smallest and largest consolidation group as defined in Section 285 Nos. 14 and 14a of the German Commercial Code [HGB]). A profit and loss transfer agreement is in place between Berlin Hyp and Landesbank Berlin Holding. The Group structure as at 31 December 2019 is as follows¹:

¹The names Landesbank Berlin AG and Berliner Sparkasse are used synonymously in the following.



Until 31 December 2019, the Berlin Hyp Board of Management comprised three members who had the following areas of responsibility:

Sascha Klaus (Chair)

- Governance
- Communications and Marketing
- Lending (Real Estate and Capital Market)
- Human Resources
- Internal Audit
- Company Strategy
- Valuation

Gero Bergmann

- Portfolio Management
- Treasury
- Sales Real Estate Financing

Roman Berninger

- Finance and Banking Operations
- Information Technology
- Risk Controlling
- Company Organisation

Roman Berninger resigned from the Board of Management of Berlin Hyp at the end of 31 December 2019. Since 1 January 2020, the Board of Management has been composed of two members, with the departments being divided up among them as follows:

Sascha Klaus (Chair)

- Finance and Banking Operations
- Governance
- Information Technology
- Communications and Marketing
- Lending (Real Estate and Capital Market)
- Human Resources
- Internal Audit
- Risk Controlling
- Company Organisation
- Company Strategy
- Valuation
- Risk Management department

Gero Bergmann

- Portfolio Management
- Treasury
- Sales Real Estate Financing

Since 1 January 2020, the Management Board has been supported by Alexander Stuwe, Managing Director, to whom the Lending, Risk Controlling and Valuation divisions and the Risk Management department are assigned.

Berlin Hyp is divided overall into 14 divisions with 45 departments and 11 teams.

At the beginning of the year, the Supervisory Board of Berlin Hyp had three committees: the Loan Committee, the Staff and Strategy Committee and the Audit Committee.

Hitherto, the Staff and Strategy Committee has also performed the functions of a nomination committee and remuneration controlling committee. The range of responsibilities was adjusted in line with the tasks of the Remuneration Controlling Committee. In this context, the committees were also reorganised. The statutory tasks of the Remuneration Controlling Committee were removed from the Staff and Strategy Committee and transferred to the newly formed Remuneration Controlling Committee. The Staff and Strategy Committee was renamed the Presiding and Nomination Committee. Since 17 June 2019, there are now four committees of the Supervisory Board: the Loans Committee, the Audit Committee, the Presiding and Nomination Committee and the Remuneration Controlling Committee.

Business Activities

Berlin Hyp is a banking institution specialising in commercial real estate financing. More than 150 years of experience in the industry and the membership in the Sparkassen-Finanzgruppe have established Berlin Hyp as one of Germany's leading real estate and Pfandbrief banks.

Under the umbrella of Landesbank Berlin Holding, Berlin Hyp is the S-Group partner and competence centre for the commercial real estate financing operations of the German savings banks. In constructive exchanges, we provide the institutions with a comprehensive spectrum of products and services. In addition to its offering of syndicate financing, support in valuation and restructuring problematic loans, above all products such as the secured "ImmoSchuldschein", "ImmoAval" and "ImmoKonsortial" generate particular added value to savings banks. As an S-Group partner, Berlin Hyp wants to make a contribution to the success of the Sparkassen-Finanzgruppe.

As a real estate sector partner, Berlin Hyp is one of the first ports of call for investors from the private and commercial real estate sector. In addition to capital investment companies and real estate funds, this also includes housing construction companies and cooperatives as well as selected project developers. The Bank offers its customers individual solutions for

all aspects of real estate financing, serving all common asset classes as individual properties or in a portfolio. In addition to classic mortgage loans, the range of products includes guarantee loans as well as property developer and development financing. Through its business model, Berlin Hyp focuses on real estate financing in economic centres in Germany and select foreign markets.

On the capital market, Berlin Hyp is highly valued as a recognised and reliable partner. Here, the Bank acts as an issuer of mortgage Pfandbriefe and senior unsecured and subordinated bonded bonds. Both Mortgage Pfandbriefe and senior unsecured bonds can also be issued as green bonds. As a bank specialising in commercial real estate, Pfandbriefe are the primary refinancing instruments. These are issued both as benchmark bonds as well as private placements in the form of bearer bonds or registered bonds. By issuing the first green Pfandbrief, Berlin Hyp is a pioneer and has thus set standards on the capital market. Berlin Hyp is the most active issuer of green bonds in the commercial banking segment in Europe.

Locations

Berlin Hyp is headquartered in Berlin. It also has domestic sales offices in Dusseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart, as well as abroad in Amsterdam, Warsaw and Paris.

Products and Services

Berlin Hyp develops individual financing solutions for its customers. A broad range of products is used to meet customers' requirements. Among other products, this includes fixed-interest loans, reference interest rate loans, cash loans and sureties, framework lines, interest hedge products, financing products for construction work (construction enterprises and developers), business current accounts, operating equipment loans and overnight money/term money, as well as valuations and payment transaction services. These enable the Bank to offer a full range of customer care as a real estate financier.

To manage risks and optimise returns, many financing transactions are processed together

Locations

Germany and throughout Europe



with partners. For the most part, Berlin Hyp's product range is therefore consequently suitable for syndicates. The Agency Desk service unit provides special services relating to the syndicate business.

With the standardised products "ImmoSchuld-schein", which enables savings banks to participate in potential returns offered by commercial real estate financing, and "ImmoAval", which provides for liability sharing via a guarantee with simple documentation, as well as "ImmoGarant", which was newly developed in 2019, Berlin Hyp has launched a product range that is consistently tailored to the needs of savings banks. In line with the Bank's strategic orientation, these products are to be offered in the future via a digital portal solution. Berlin Hyp's product portfolio for German savings banks is rounded off by traditional syndicated financing, investment products such as Pfandbriefe and debentures, and the offer of support in the area of valuation and restructuring ("ImmoRiskDialog"). In addition, Berlin Hyp is continually expanding its product portfolio in order to position itself as a long-term and sustainable service provider for the German savings banks in all aspects of real estate.

In order to strengthen the S-Group concept, the sales structure for German savings banks is organised on a decentralised basis and geared to the needs of the savings banks. Regional savings bank advisors and valuation experts advise the savings banks from their offices in Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart. Twice a year, the Savings Bank Advisory Board, which is composed of members of the Board of Management of selected savings banks, advises Berlin Hyp on all questions relating to the S-Group business.

OnSite ImmoAgent GmbH, a company founded by Berlin Hyp, offers services related to commercial property inspection both for savings banks and on the market in general.

Sustainability is a central aspect of Berlin Hyp's company strategy. Since 2015, Berlin Hyp's value chain has included an important element of sustainability – green bonds for the

refinancing of green assets – and thus offering investors added value beyond the credit-worthiness of the Bank and its cover funds. Green bonds are issued in the form of green Pfandbriefe and green senior unsecured bonds. The financing of green buildings, among other things, represents an element of the Bank's sustainability activities that relate directly to its core business, commercial real estate financing.

Medium and long-term refinancing is generally carried out by issuing mortgage Pfandbriefe, as well as through unsecured issues.

Objectives and Strategies

The Berlin Hyp Board of Management has summarised the company strategy in a strategy document. It describes the business strategy that forms a binding strategic framework for the Bank's business activities. The operating targets and functional strategies are derived from this.

Berlin Hyp continues to pursue two strategic goals:

1. Berlin Hyp is the most modern commercial real estate financier in Germany;
2. Berlin Hyp is the S-Group Partner of the German savings banks.

That objective is supported in particular by the development of sustainable products (e.g. green bonds), efforts to promote the financing of sustainable real estate, cooperation with innovative companies/start-ups (e.g. Carbon Delta) and the implementation of a comprehensive sustainability and environmental management system as well as the promotion of employees' social commitment.

With the objective of modernising the traditional business model and increasing efficiency, Berlin Hyp has launched an innovation and digitisation initiative. In this context, the Bank continuously examines and develops additional business models and checks cooperation with suitable companies.

As S-Group partner for commercial real estate financing, Berlin Hyp uses its expertise to develop products and services that contribute to the success of the Sparkassen-Finanzgruppe.

Furthermore, Berlin Hyp positions itself on the market as a sustainable company, and thereby aspires to take a leading position (sustainability rating ranking) in its industry. The Bank has set itself the objective of increasing the share of green financing in its overall portfolio to 20 per cent by the end of 2020.

Berlin Hyp underpins its strategic orientation with four guiding principles:

1. We are all innovation drivers.
2. We advise holistically and form an ecosystem with our customers and business partners.
3. We promote excellence in old and new ways.
4. #sharinginspiration.

Objectives by 2020



of the loan volume should be composed of so-called green building financing by 2020

Management System

Berlin Hyp's business policies are managed on the basis of annually recurring strategy and planning processes, in compliance with regulatory requirements and the risk strategy approved by the Board of Management. The management is therefore risk- and value-oriented, and is generally based on the process stages of planning, implementation, assessment and adjustment. The Bank's central management tools are the financial statements and budgets, the financial and risk reports, as well as liquidity, new lending and portfolio reports as prepared in accordance with German commercial law and regulations. Potential deviations and their causes are continuously analysed on the basis of budget/actual comparisons.

Financial Performance Indicators

Berlin Hyp has defined the following most significant financial performance indicators to manage its business activities:

- Transfer of profit to Landesbank Berlin Holding
- Net interest and commission income
- Cost-income ratio: ratio of operating expenditure to net interest and commission income, plus other operating income
- Return on equity: ratio of operating results before income tax and profit transfer, plus the change in the special item for general banking risks pursuant to Section 340g German Commercial Code (HGB) and the average balance sheet equity including the special item for general banking risks pursuant to Section 340g German Commercial Code (HGB)
- Common equity Tier 1 ratio: ratio of Common equity tier 1 capital allocable under regulatory requirements to the total risk-weighted assets
- New lending volume

Other financial indicators are also included in the management, such as the liquidity coverage ratio (LCR) and the leverage ratio not yet mandatory at the moment. Both indicators will gain in importance in the future.

Non-Financial Performance Indicators

The Bank has defined the following most

significant non-financial performance indicators for the management of its business activities:

- New customer recruitment: the Bank defines as new customers all new business partners that cannot be assigned to any group of connected customers in the portfolio. The indicator "New customer recruitment" describes the share of business concluded with new customers in new business.
- S-Group Business: The volume of business conducted with S-Group partners and, since the 2019 financial year, the number of active business relationships within the Sparkassen-Finanzgruppe. The portfolio of S-Group products and services forms an essential basis for the achievement of objectives in the S-Group business. The relevant portfolio of products and services is therefore regularly presented in relevant internal reports and discussed with the Board of Management.

In further, additional non-financial performance indicators are included in management, such as the market-related target portfolio and staff capacity measured in FTEs (full time equivalents). When it comes to sustainability, the non-financial performance indicators green bonds, green financing and the sustainability rating are worth mentioning.

We will address the most significant financial and non-financial performance indicators in more detail, particularly in the Economic Report.

II Economic Report – Macroeconomic and Sector-Related Underlying Conditions

Macroeconomic Development²

Global economic growth in 2019 was restrained. This was due in particular to the ongoing tensions in the trade policy dispute between the USA and China. The increase in protectionist measures on both sides has not only significantly reduced bilateral trade, but has also further increased the already prevailing uncertainties in the global economic environment. The announcement of a “deal” in this dispute did not produce any significant signs of an improvement in the slowed economic development by the end of the year.

The expansion of the dispute to other trading partners such as the European Union was also intensified by the United States. Uncertainties about the design of the United Kingdom’s exit from the EU continued to exist in 2019. All in all, the economic development in the eurozone continued to deteriorate noticeably as a result. The already recently weak investment activity and a negative foreign trade contribution significantly attenuated growth in the eurozone.

The overall growth rates of the German economy in 2019 were again significantly weaker than in the previous year. Nevertheless, the indicators for the second half of the year pointed to a stabilisation, after a sharp decline in the second quarter. However, with a rise in price-adjusted gross domestic product of only about 0.5 % for the year as a whole, economic output is virtually stagnant. The main reason for the weak development is the cooled-down global economy, which affected the export-oriented German industry. This was also evident from the continued reluctance to invest in equipment. Supported by the continued upward trend on the labour market and flanked by tax relief and strong pension increases, private consumption, on the other hand, again grew strongly. Construction investments also remained on an upward trend and, in addition to private consumption, were a major pillar of economic activity. In particular, residential and public sector construction continued on a

strong expansionary path, benefiting not only from growth in real income and the increased public investment budget, but also and above all from the continued favourable financing conditions and lack of alternative investment opportunities for market participants.

Industry Development

In the reporting year, the monetary policy signs on both sides of the Atlantic again pointed to expansion, albeit at significantly different speeds. While the FED responded to emerging economic concerns by cutting key interest rates three times from 2.25 - 2.50 % to 1.50 - 1.75 %, the ECB decided on a comprehensive package of measures in September on the basis of low inflation and deteriorating economic prospects. On the one hand, the package includes a reduction of the deposit rate by ten basis points to - 0.50 %. On the other hand, a multi-tier system for reserve remuneration was introduced in order to mitigate the negative impact of negative interest rates on banks’ earnings. Thus, an amount of six times the minimum reserve requirements is excluded from the negative deposit rate. Furthermore, the terms of the third targeted longer-term refinancing operations (TLTRO III), which were decided in the first half of 2019, were subsequently eased. Another expansionary measure is the resumption of the Asset Purchase Programme (APP), which was not discontinued until 2018. Since November, the ECB has again been buying bonds worth € 20 billion every month. Together with the reinvestment of maturing bonds, securities with an average monthly volume of around € 40 billion are thus being purchased. The programme is initially of unlimited duration and will be based on future inflation developments.

Driven by the expansive monetary policy, various areas of political conflict such as the trade dispute between the USA and China, Brexit and weaker economic prospects, yields on ten-year German federal bonds fell from 0.24 % to - 0.18 % in the course of the year, with interim record lows of - 0.71 %. Ten-year swap rates also began to slide at the beginning of the year, falling from 0.81 % to an annual low of - 0.33 % in August. Subsequently, swap

²Sources for macroeconomic underlying conditions: German Institute for Economic Research (DIW), Kiel Institute for the World Economy (IfW).

yields recovered to some extent and closed the year at 0.21 %. On the one hand, the recovery in yields from their lows is based on slightly improved economic prospects and, on the other hand, on the market's declining expectations of further extensive measures by the ECB.

The risk premiums of European covered bonds narrowed across jurisdictions in the period under review, with spreads of bonds from peripheral countries falling more sharply than those of their core European counterparts. The premiums for German Pfandbriefe were spread just below zero at the end of the year, and thus continued to have the lowest spreads of all covered bonds. For the first time since 2017, the combination of low risk premiums and a negative swap curve resulted in Pfandbriefe being issued with negative returns. At times, more than 95 per cent of the outstanding bonds in the Iboxx Covered Bonds Index yielded negative returns. Spreads on uncovered bank bonds narrowed significantly in the euro area, both in the preferred (- 21 basis points) and the non-preferred format (- 54 basis points), with the latter benefiting particularly from the search for positive yields. In a comparison of German banks, Berlin Hyp bonds continue to feature as those with the lowest risk premiums.

Like the years before it, 2019 was characterised by further tightening and expansion of regulatory requirements. One example is the entry into force of CRR II, which, in addition to the introduction of new methods for determining the risk exposure of derivatives (SA-CCR), now contains final requirements for the additional minimum longer-term or net stable funding ratio (NSFR) and the maximum leverage ratio. Furthermore, the requirements for equity capital and eligible liabilities were tightened.

Fulfilment of the expanded reporting obligations – including but not limited to Non Performing Exposure (NPE), AnaCredit, Supervisory Benchmarking Portfolio and regulatory disclosure, respectively – resulted in significant implementation work. In addition, banking institutions had to deal

with considerable Single Resolution Board (SRB) data requests regarding the creation of individual winding-up plans for each institution. As part of the finalisation of the Basel III package ("Basel IV"), the proposed regulatory amendments were simulated using a range of scenario calculations. The capital/output floor envisaged in the final resolutions of the Basel Committee will significantly burden the capital ratios of the Bank as a FIRB (foundation internal ratings-based approach) institution by increasing the total risk weighted assets. As with previous regulations, a phase-in is planned. It is expected to become effective from 2022, following implementation in the European regulations.

Parallel to the positive developments in private consumption and construction investments, the German commercial real estate investment market registered a historically high level in 2019 with a transaction volume of around € 68.3 billion, exceeding the previous year's result of around € 60.2 billion by around 13 per cent. Commercially traded residential real estate also continued to benefit from progressive urbanisation and a virtually non-existent vacancy rate in most major German cities. Thus, the transaction volume at the end of the year reached a level of around € 16.3 billion, which in view of the controversially discussed state regulations, including but not limited to the draft bill on rent cap in Berlin, represents a decline of only about 6 percentage points compared to the previous year's volume. Despite the strong uncertainty among private investors, there was largely no decline in transaction volumes due to massive public sector purchases. Municipal housing associations in Berlin played a special role in this respect.

The very high transaction volumes in 2019 also confirm the strong dynamics on the German real estate investment market expected by Berlin Hyp. Nevertheless, against the backdrop of limited product availability and the diverse economic policy conflicts such as the trade dispute between the USA and China and the turbulence surrounding a "hard" Brexit at the beginning of 2019, it was not foreseeable that investment volumes, particularly in the office,

but also in the hotel investment market would so significantly exceed expectations.

Robust labour market data and further increases in office employment figures formed the basis for an office investment volume of almost € 40 billion. This represents an increase of around 25 per cent compared to the previous year. Office properties are thus once again the most important real estate segment with a market share of 47 per cent – ahead of commercially traded residential properties (19 per cent) and retail properties (12 per cent). With regard to the various types of retail businesses, it is the specialist retail warehouses and specialist retail parks that are particularly in the focus of investors, accounting for 44 per cent of all types of businesses. The main beneficiaries of their robustness against e-commerce are (local) food retail properties, and they continue to be in strong demand in Germany due to there already existing a large number of specialist retail warehouses and specialist retail parks in various investment sizes.

When it comes to the location criterion for real estate investments, it is true that German A-locations will have gained in importance again in 2019. The investment volume allocated to the top 7 cities was around 56 per cent in 2018 and inclined to 58 per cent in 2019. This trend was driven by foreign investors in particular, as can be seen from the example of Berlin. With an investment volume of more than € 14 billion, the German capital leads the list of the top 7 cities by a wide margin. Foreign investors are now responsible for 57 per cent of the investment volume.³

³Sources for the sector-related environment: BNP Paribas Real Estate, CBRE, Savills.

Business Development

New lending

including long-term extensions



2019

€ 7.3 billion

Berlin Hyp was able to continue its successful business development in 2019. Despite the low interest rate environment, strong competition in commercial real estate financing and regulatory requirements, the Bank transferred a profit to Landesbank Berlin Holding, which exceeded expectations. Berlin Hyp has further consolidated its position in the market and established itself as one of the leading real estate and Pfandbrief banks. In selecting borrowers, the Bank remained true to its conservative risk strategy and continued to focus on financing valuable real estate.

In 2019, the Bank made important progress in implementing its “berlinhyp21” future-oriented process. The alignment of its IT landscape to a uniform SAP solution was consistently further developed in order to meet the ever-increasing regulatory requirements in the future and to safeguard rapid availability of data and reports while maintaining the same high quality. Berlin Hyp is supervised by the ECB, as it is an institution in the regulatory group of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG. All relevant regulatory capital and liquidity ratios were met by Berlin Hyp in the financial year. As part of the optimisation of lending processes, the focus was on further streamlining processing procedures by means of extensive automation and better networking of front and back office units.

By establishing and intensifying cooperations with young PropTech companies, Berlin Hyp has simultaneously examined new business approaches and established itself as one of the pioneers in the industry. Examples include the investment in the VC fund “PropTech1”, which was subscribed for in the first half of 2019, and the joint continuation of the company “OnSite ImmoAgent GmbH” founded by the Bank with another strategic investor. Berlin Hyp also holds an interest in “21st Real Estate GmbH”. The partnership with the investment crowdfunding platform “BrickVest” was terminated at the end of 2019 due to its insolvency. As at the reporting date, Berlin Hyp therefore still held three strategic investments.

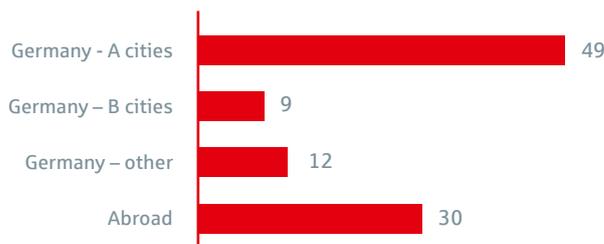
New Lending Business Significantly Above Previous Year's Level

Berlin Hyp reports contracted new lending to be at € 6.3 billion for 2019 due to market conditions and despite increased regulatory requirements, which is significantly higher than the previous year's new lending (€ 4.9 billion). With realised extensions (capital employed ≥ 1 year) of € 1.0 billion (€ 1.2 billion), this put the total new lending volume at € 7.3 billion (€ 6.1 billion). It thus exceeded the target, even with an improved risk structure.

Of Berlin Hyp's new lending, 70 per cent was attributable to properties located in Germany, 49 per cent of which were in A cities, nine per cent in B cities and twelve per cent in the remaining locations within Germany; 30 per cent was attributable to financing of foreign properties. It was distributed among the lending regions of Benelux (12 per cent), France (nine per cent) and Poland (nine per cent). At 78 per cent, most new lending related to the investors customer group. Another 29 per cent was realised with developers and builders. Contracts with housing construction societies accounted for five per cent of new lending.

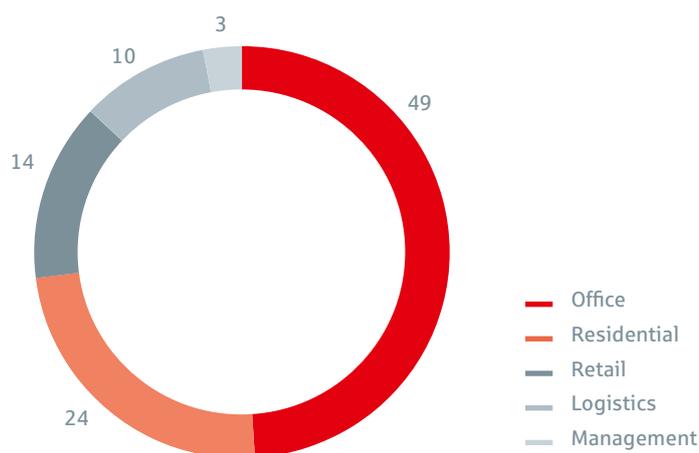
The distribution of new lending by property types is as follows:

Regions in %



New real estate financing business (without extensions) by property type

in %



Public Sector Lending Reduced Further in Line with Strategy

The Bank no longer actively pursues new public sector lending in accordance with its strategy. As in previous years, no new loans were issued in the financial year 2019. Loan volume decreased by € 0.1 billion to € 0.5 billion and is being reduced further as and when individual loans become due.

Business with German Savings Banks Intensified

In 2019, the business realised jointly with the German savings banks was further expanded. With S-Group partners, a total volume of € 1.9 billion (€ 2.9 billion) was realised. Although it was not possible to tie up with the very positive result of the previous year, which was characterised by one-off effects, networking within the Sparkassen-Finanzgruppe was further intensified by means of active business relationships with 151 German savings banks (134 savings banks) from all S-Group regions.

Joint syndicated business with savings banks accounted for € 1.6 billion (€ 1.5 billion) in the financial year. In addition to the ImmoAval transactions already launched in the previous

year, two further ImmoAval transactions with a total volume of € 212 million were placed. For the development of the new ImmoGarant product, two pilot transactions with a total volume of € 67 million were realised in the financial year together with savings banks.

By expanding the range of products and services offered to savings banks, Berlin Hyp is responding to the requests of the savings banks for further diversification of investment opportunities and additional services and is consolidating its position as S-Group partner of the German savings banks.

Excellent Refinancing Position

Mortgage Pfandbriefe and unsecured bond issues are generally used for the medium-to-long-term refinancing of Berlin Hyp. In 2019, the Bank borrowed € 3.8 billion in external capital (€ 4.6 billion) using these instruments. The Bank had market access at all times. Berlin Hyp continues to benefit from the reputation it has built up over many years as a reliable and sound issuer, and its involvement in the Sparkassen-Finanzgruppe. With a total of five benchmark transactions, the Bank was a regular issuer on the syndicated bond market.

These included the issue of a ten-year mortgage Pfandbrief for the first time and, later in the year, its first Jumbo Pfandbrief with a volume of € 1 billion since 2013. With a green senior preferred bond and a green Pfandbrief, Berlin Hyp also issued two green bonds in one year for the third time in succession. 60 per cent of the green Pfandbriefe were allocated to foreign investors, demonstrating the above-average international interest in the issue.

Equity Position Strengthened through Further Additions

The common equity tier capital 1 ratio after adoption of the annual financial accounts is 13.3 % (13.5 %) and total capital ratio is 16.0 % (16.8 %). By adding a further € 90.0 million (€ 105.0 million) to the special item for general banking risks pursuant to Section 340g German Commercial Code (HGB), the capital ratios could be kept almost constant despite the growth in risk assets. The Bank's objectives were thus exceeded.

Earnings Situation

Profit Transfer Significantly Below Previous Year

Profit before profit transfer amounted to € 61.0 million and was thus, as planned, noticeably lower than the exceptionally good comparable figure for the previous year (€ 116.4 million). Against the backdrop of the continuing low interest rate environment, high regulatory requirements and the intense competition in commercial real estate financing, the Bank is therefore satisfied with the development in earnings. Operating result after risk provisioning declined significantly to € 155.8 million (€ 220.4 million), due in part to the positive risk provisioning result in the previous year, which was characterised by special factors. However, it still exceeded expectations. The Bank strengthened the special item pursuant to Section 340g of the German Commercial Code (HGB) by allocating a further € 90.0 million (€ 105.0 million) using its own resources, thereby increasing regulatory equity. The reasons for this development are described in the following sections.

Slight Decrease in Net Interest Income

In comparison to the previous year, net interest income decreased by € 5.7 million to € 309.7 million. It was thus slightly below expectations. In addition to lower new lending and portfolio margins and the growth in the mortgage loan portfolios, which was only selectively implemented at the beginning of the year, the result from one-off effects also declined. In order to avoid future interest charges, prepayment charges in connection with unplanned repayments and other one-off interest income were neutralised by compensatory measures, e.g. by closing interest rate swaps with negative fair values. Positive effects resulted from the partial mapping of processing fees in the interest margins and their distribution over the term as a result of contract adjustments in new lending.

Decline in Net Commission Income

Compared to the previous year, net commission income declined by € 5.4 million to € 17.8 million despite good new lending. The expected decline is mainly due to the fact that, as a result of contract adjustments in new lending,

the processing fees are largely mapped in the interest margins and their distribution over the term on the basis of the rulings of Germany's Federal Court of Justice (BGH) on loan processing fees issued in 2017.

Operating Expenditure Increased

Operating expenditure includes staff expenditure, other operating expenditure as well as depreciation of tangible assets and amortisation of intangible assets. With an increase of € 21.1 million, it amounted to € 172.3 million and was significantly higher than expected compared to the previous year's figure.

Staff expenditure improved by € 8.6 million to € 92.4 million. The increase is mainly due to the increase in pension reserves as a result of lower discount rates and other pension obligations.

Other operating expenditure developed in line with expectations. At € 67.5 million, it was € 6.0 million higher than in the previous year and essentially comprises IT expenditure, legal and consulting costs, the expenses from the annual payment of the European bank levy and the allocation of the administrative holding costs of the managing institution under regulatory law. The strategic measures implemented in the financial year 2019, including the continued digitisation activities to optimise and improve business processes, led in particular to an increase in consulting and IT costs. Given the large number of strategic projects as well as the increasing demands on information technology and due to regulatory reporting requirements, this can positively be seen as an investment in the future. Compared to the previous year, the bank levy increased by € 1.4 million to € 12.0 million.

Depreciation of property, plant and equipment and amortisation of intangible assets increased by more than expected, up € 6.5 million to € 12.4 million. This is due to the significantly reduced remaining useful life of the existing building in connection with the planned new construction at the Berlin headquarters' site.

Operating result

(after risk provisioning)

€ 155.8 million



€ 220.4 million

Other Operating Result Affected by Special Effects

The other operating result amounted to - € 1.6 million after - € 4.4 million in the previous year. It was mainly characterised by income from the partial release of the reserve for legal risks arising from the ruling of the Federal Court of Justice (BGH) of 4 July 2017 on loan processing fees and the adjustment of the reserve for strategic resource planning. A further significant component is the expenditure from the ongoing compounding of pension reserves. The fees for the Detailed Agreement concluded with the State of Berlin in 2001 are included for the last time in 2019 due to the repayment of the loans shielded by guarantees.

Higher Cost-Income Ratio

The cost-income ratio expresses the relationship of operating expenditure to net interest and commission income, including the other operating income. Operating expenditure and slightly lower net interest income and net commission income, which were partly burdened by one-off effects such as higher depreciation on the Bank's main building and investments in future projects, led to an increase in the cost-income ratio by 7.7 percentage points to 52.9 %, which was above expectations despite the improvement in other operating income.

Risk Provisioning Increased

Risk provisions of € 7.5 million were formed for the lending business in the reporting year following a release of € 15.5 million in the previous year. The amount allocated includes a further increase in the provision reserves to take account of future market risks in the real estate sector. Active risk management of the Bank and the positive development of the cyclical and business environment had a positive effect on the need for risk provisioning for the lending business. A detailed overview of the development of risk provisioning for the lending business can be found in the notes.

The positive valuation result for securities in the liquidity reserve amounted to € 9.7 million. This is € 12.2 million lower than the previous year's figure. It primarily includes realised gains on disposal from the sale of debentures as well as valuation results of securities in the liquidity reserve at the lower of cost or market.

Net Income from Financial Investments Affected by One-Off Depreciation

The net income from financial investments of - € 4.0 million mainly includes the unscheduled depreciation on the investment in the investment crowdfunding platform Brickvest. In the previous year, net income from financial investments was € 1.2 million.

Fund for General Banking Risks Consolidated

The Bank took advantage of the good economic development to consolidate the fund for general banking risks pursuant to § 340g of the German Commercial Code (HGB) by a further € 90.0 million (€ 105.0 million). The fund amounts to € 418.0 million as at the reporting date and expands the Bank's regulatory equity capital.

Significant Decline in Operating Result before Income Taxes and Profit Transfer

As expected, the operating result before income taxes and profit transfer decreased significantly by € 54.8 million to € 61.6 million (€ 116.4 million).

Profit and loss transfer agreement

On the basis of the profit and loss transfer agreement concluded with Landesbank Berlin Holding, Berlin Hyp transfers a profit of € 61.0 million (€ 116.4 million).

Return on Equity Declined

Including the increase in the special item for general banking risks pursuant to Section 340g German Commercial Code (HGB), Berlin Hyp's return on equity was 11.6 %. As expected, it was significantly below the previous year's figure of 18.2 per cent.

Earnings development	2019	2018	Change	Change
	€ m	€ m	€ m	%
Net interest and commission income	327.5	338.6	-11.1	-3.3
Net interest income	309.7	315.4	-5.7	-1.8
Net commission income	17.8	23.2	-5.4	-23.3
Operating expenditure	172.3	151.2	21.1	14.0
Staff expenditure	92.4	83.8	8.6	10.3
Other operating expenditure	67.5	61.5	6.0	9.8
<i>of which Expenditure for bank levy</i>	12.0	10.6	1.4	13.2
Write-offs on fixed assets	12.4	5.9	6.5	-
Other operating revenue/expenditure	-1.6	-4.4	2.8	-63.6
Operating result before risk provisioning	153.6	183.0	-29.4	-16.1
Risk provisioning	2.2	37.4	-35.2	-94.1
Valuation result of lending business	-7.5	15.5	-23.0	-
Valuation result of securities business	9.7	21.9	-12.2	-55.7
Operating result after risk provisioning	155.8	220.4	-64.6	-29.3
Net income from investments	-4.0	1.2	-5.2	-
Fund for general bank risks	90.0	105.0	-15.0	-14.3
Other taxes	0.2	0.2	0.0	0.0
Operating result before income taxes and profit transfer	61.6	116.4	-54.8	-47.1
Income taxes ("-" = earnings)	0.6	0.0	0.6	-
Profits transferred on the basis of the profit transfer agreement	61.0	116.4	-55.4	-47.6
Net income for the year	0,0	0,0	0,0	-

Net Assets Position

Balance Sheet Total Slightly Declined

Compared to the previous year, the balance sheet total as of 31 December 2019 declined slightly by € 0.2 billion to € 27.0 billion. On the assets side, the robust increase in the portfolio of mortgage loans was offset by an even greater decrease in cash reserves. Overall, the individual balance sheet items developed in line with the strategic orientation of the Bank.

Changes in Major Balance Sheet Items

Claims against banking institutions decreased by € 0.7 billion to € 0.3 billion. The decline is mainly due to lower time deposits.

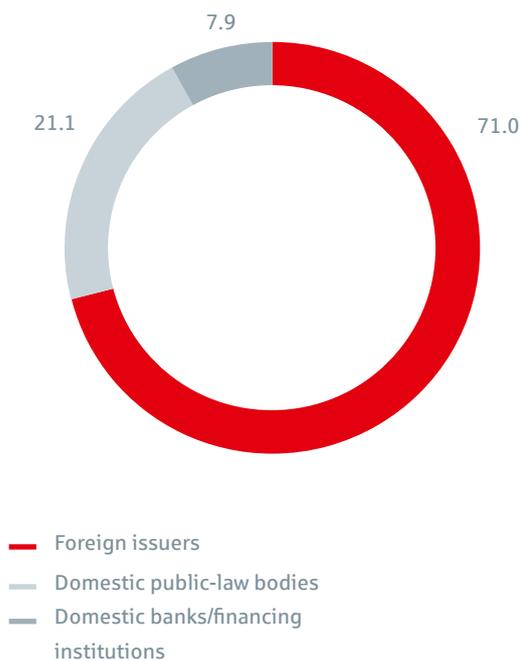
Claims against customers increased by € 1.5 billion to € 22.4 billion. As part of the reduction of public sector lending in line with the Bank's strategy, the portfolio was reduced

by € 0.1 billion to € 0.5 billion. This was offset by the pleasing growth in the mortgage loan portfolios by € 1.6 billion to € 21.8 billion. Additions to new lending were offset to a lesser extent by planned and extraordinary outflows through early repayments. When compared to the previous year, the amount of loan commitments not yet disbursed also increased significantly by € 0.8 billion to € 3.0 billion.

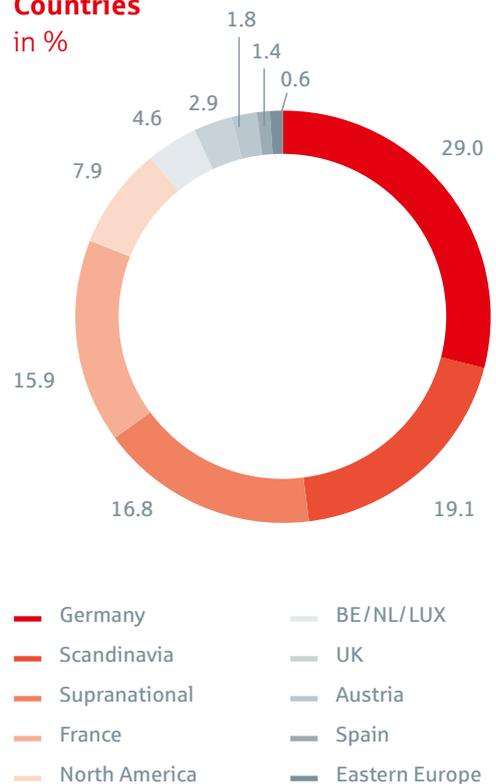
The portfolio of debentures and other fixed-interest securities increased by € 0.6 billion to € 3.7 billion. Additions of a nominal € 1.9 billion were offset by disinvestments of € 1.3 billion.

As at 31 December 2019, the issuer structure of the securities portfolio was as follows:

Issuer structure
in %



Countries
in %



Securities with a nominal volume of € 0.2 billion (€ 0.3 billion) are valued as fixed assets, since they are not classified as a liquidity reserve and partially serve to cover Pfandbriefe issued by the bank.

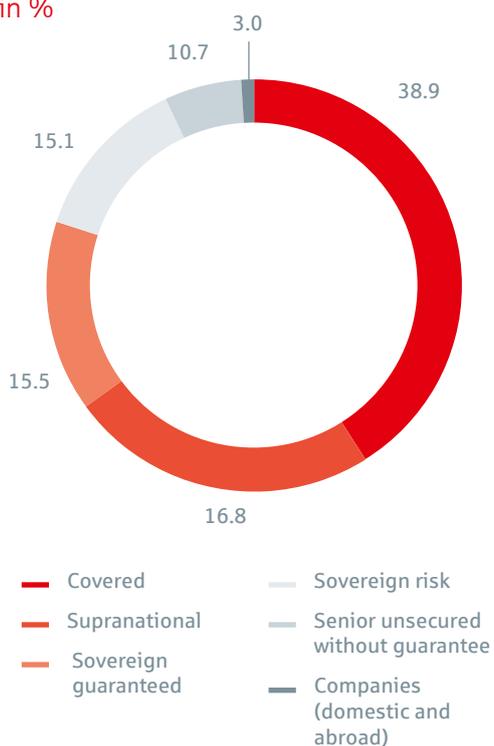
Liabilities to banking institutions remained virtually unchanged at € 4.0 billion. The increase by € 0.5 billion in Lombard liabilities was largely offset by the decrease in liabilities from fixed-term deposits.

Compared to the previous year, liabilities to customers decreased by € 0.6 billion to € 4.3 billion, mainly due to the decreased portfolio of registered mortgage Pfandbriefe.

Securitised liabilities increased by € 0.4 billion to € 16.2 billion. New issues of € 4.5 billion were offset by maturities of € 4.1 billion.

Lending risk

in %



Equity

Berlin Hyp's subscribed capital amounted to € 753,389,240.32 as at 31 December 2019. It is fully paid up and divided into 294,292,672 bearer shares. The shares have a theoretical par value of € 2.56. Furthermore, the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) was € 418.0 million (€ 328.0 million) as at 31 December 2019. Subordinated capital of € 217.3 million can also be taken into consideration as available under regulatory law.

During the reporting year, the requirements with respect to regulatory capitalisation (CRR/CRD IV, Solvency Regulation) were complied with on the reporting deadlines. Berlin Hyp identifies regulatory capital backing for counterparty default risk with the aid of the Internal Ratings-Based Approach (IRBA). Operational risk is calculated using the Advanced Measurement Approach (AMA). After adoption, the common equity tier 1 capital was € 1,323.8 million, equity was € 1,597.2 million, and total risk-weighted assets (RWA) amounted to € 9,990.6 million as at 31 December 2019. The capital ratios were 13.3 % for the common equity tier 1 capital ratio and 16.0 % for the total capital ratio. In the financial year, the capital ratios fluctuated in the range of 13.0 % to 13.4 % and 15.8 % to 16.7 % respectively.

Additional Performance Indicators

The leverage ratio calculated according to the Delegate Regulation (EU) 2015/62 was 4.6 % after adoption as at 31 December 2019. The balance-sheet-oriented minimum requirement for eligible liabilities (MREL) will probably not become relevant for reporting until 2020 by means of a decision by the liquidation authority. As of 31 December 2019, it amounted to 23.4 per cent based on the balance sheet total (comparable to TLOF) and 66.6 per cent based on the total risk-weighted assets (RWA).

Financial Position

Berlin Hyp pursues forward-looking liquidity planning and maintains a liquidity reserve to safeguard its ability to pay on a daily basis. The Bank's refinancing deals with short-term maturities involving deposits from institutional investors, interbank transactions, commercial paper issues, bond issues and repo transactions. Deposits from the mortgage business play only a minor role. Repo transactions are mainly used to manage liquidity positions.

The solvency of Berlin Hyp was safeguarded at all times. Further and more detailed information on the liquidity position can be found in the Risk Report.

In the reporting period, the longer-term refinancing funds raised amounted to € 3.8 billion, of which € 2.1 billion were attributable to mortgage Pfandbriefe and € 1.7 billion to unsecured bank bonds, which were obtained at very favourable conditions. Of these, around € 0.1 billion covered and € 0.7 billion uncovered securities were placed as private placements.

During the year, the Bank issued three mortgage Pfandbriefe and two senior preferred bonds in benchmark format. The Pfandbrief issues were all characterised by special features. In order to meet the high demand of investors for positive yields, Berlin Hyp launched its first covered ten-year bond in May. In August, the Bank again took advantage of the low supply of short-term issues on the market and placed its first jumbo bond since 2013 with a volume of € 1 billion. The three-year bond was priced at around 19 basis points below the ECB deposit rate and, according to information published in the magazine "Global Capital" in August 2019⁴, with a yield of - 0.588 per cent is the most expensive covered bond issue of all time worldwide. In July, the Bank also issued its fourth green Pfandbrief, and with a share of 59 per cent, demand from abroad was again above average. The eight-year bond was priced at mid-swap - 3 basis

points and has a yield of zero per cent. In the unsecured segment, both the seven-year issue of February and the ten-year green senior preferred bond, each with over 100 orders, met with great interest. The majority of the issue was sold domestically, at 77 per cent and 66 per cent respectively. For the third time in a row, the Bank managed to issue two green bonds within one year and, with eight outstanding issues, remains the most active issuer of green bonds in Europe in the commercial bank segment.

Once again, the Bank's commitment to the green Bond market won several GlobalCapital Sustainable and Responsible Capital Market Awards this year for the best impact reporting and being the best issuer of green covered bonds as well as best green bank issuer. In the first two categories, Berlin Hyp was able to prevail against renowned competitors for the third time in a row.

Berlin Hyp's issuer ratings remained stable in the reporting period. Moody's ratings for Berlin Hyp's senior preferred and senior non-preferred bonds remain unchanged at Aa2 and A2 respectively. Fitch rated both categories with an A+. In each case, the outlook is stable. Moody's rating for Berlin Hyp's mortgage Pfandbriefe also remained unchanged at Aaa with a stable outlook.



Pfandbrief issue rating

⁴BHH sets new boundary for negative yielding covered bonds", Global Capital, 22. August 2019

Capital market refinancing *
in € m

	Portfolio without pro rata interest 31 December 2018	New issues**		Maturities***	Portfolio excluding accrued interest 31 December 2019
	€ m	€ m	%	€ m	€ m
Mortgage Pfandbriefe	9,795.0	2,100.0	54.6	1,610.0	10,285.0
Public Pfandbriefe	699.6	-	-	679.6	20.0
Other bearer debentures	4,779.0	1,545.0	40.1	855.0	5,469.0
Registered mortgage Pfandbriefe	2,099.5	28.1	0.7	353.7	1,773.9
Registered public Pfandbriefe	590.0	-	-	158.0	432.0
Borrower's note loans	519.3	55.0	1.4	61.0	513.3
Registered debentures	1,498.3	121.2	3.1	113.3	1,506.2
Subordinated bearer debentures	6.0	-	-	-	6.0
Subordinated borrower's note loans	259.2	-	-	40.0	219.2
Subordinated registered debentures	108.0	-	-	-	108.0
Total	20,353.9	3,849.3	100.0	3,870.6	20,332.6

* Zero balances.

** New issues in 2019, including capitalisations at zero.

*** Maturities and early repayments incl. terminations.

Financial and Non-Financial Performance Indicators

Financial Performance Indicators

The profit transfer to Landesbank Berlin Holding, taking into account the allocation of € 90.0 million to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB), amounted to € 61.0 million and was therefore € 55.4 million lower than in the previous year. Due to the significantly lower than expected risk provisioning, the decline was not as severe as forecast in last year's Management Report. Nevertheless, it was affected by the difficult underlying conditions described in the Business Development section.

Compared to the previous year, net interest and commission income decreased by € 11.1 million to € 327.5 million. The interest income, which we had expected to be on the level of the previous year, developed slightly worse and amounted to € 309.7 million (€ 315.4 million in the previous year). The somewhat higher than expected decline in net commission income by € 5.4 million to € 17.8 million was due in particular to the fact that processing fees were largely mapped in the interest margins as a result of contract adjustments in new lending. Despite the fact that new lending exceeded expectations, the previous year's figure and the planned figure were not achieved.

The cost-income ratio increased more strongly than expected and amounted to 52.9 per cent as at the reporting date. Higher operating expenditure combined with lower net interest income and net commission income led to an increase in the cost-income ratio of 7.7 percentage points. The improved other operating result could only partially offset the increase.

Return on equity developed in line with planning and was above the target value of 10.0 per cent at 11.6 per cent as at the reporting date. Due to the lower profit transfer to Landesbank Berlin Holding and the lower allocation to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) compared to the previous year, the exceptionally good figure of 18.2 per cent for the previous year was not achieved.

At 13.3 % (13.5 %), the common equity tier 1 capital ratio after the addition to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) of € 90.0 million and after adoption exceeded the internal target value, even taking into consideration the strict equity requirements according to CRR/CRD IV.

At € 6.3 billion, the contracted volume of new lending was significantly higher than the previous year's figure (€ 4.9 billion) due to market conditions and above expectations. Including long-term extensions, new lending even increased by € 1.2 billion to € 7.3 billion (€ 6.1 billion).

Non-Financial Performance Indicators

In 2019, the share of business concluded with new customers amounted to 41 per cent of new lending. It was thus well above the targets.

The market penetration among the German savings banks, i.e. the number of savings banks with which Berlin Hyp maintains business relations, reflects both the Bank's strategic objective of positioning itself as S-Group partner of the savings banks and its brand essence being based on partnership. Furthermore, Berlin Hyp is striving to consistently expand its portfolio of products and services in order to further enhance its attractiveness as S-Group partner. In 2019, the volume of S-Group business was € 1.9 billion (€ 2.9 billion) and therefore exceeded expectations. Although the previous year's result, which was characterised by one-off effects, was not achieved again, active business relationships with 151 German savings banks (134 savings banks) from all G-Group regions further increased networking within the Sparkassen-Finanzgruppe. This was mostly driven by Berlin Hyp's product portfolio which has been expanded by ImmoAval and ImmoGarant products. Since the launch of the ImmoAval product in 2017, a total of 59 savings banks have participated in the underlying transactions. The pilot transactions of the ImmoGarant product, which has been added to the product portfolio in 2019, were realised with three savings banks.

For the market segment, the target portfolio for management purposes has become

established in recent years. This includes the following aggregation groups: property types, customer groups, lending regions and rating classes. The specified target portfolio values, which reflect the Bank's conservative risk strategy, were complied with overall in 2019. Individual deviations were analysed and taken into account in portfolio management. Regular internal research studies are employed to analyse and evaluate Berlin Hyp's markets.

In addition to market conditions, Berlin Hyp's performance depends largely on its employees. Since the 2018 reporting year, staff numbers in full-time equivalents (FTE) have been a non-financial performance indicator.

As of 31 December 2019, the number of employees amounted 564 FTEs (558 FTEs), including 23 FTEs of junior staff. These rejuvenate the staff and enrich the bank through their generation-specific way of thinking and working. Taking into account the underlying conditions, the staffing level is appropriate in terms of quality and quantity.

Strategic resource planning is intended to ensure the functional and future viability of Berlin Hyp and was adjusted in 2019 due to new regulatory requirements and structural organisational changes. The main part of the FTE reduction as forecast in the strategic resource planning will be achieved by the increase in efficiency that is to be achieved by the major projects currently underway at Berlin Hyp.

Currently, the project ORZ (organisation and role profiles of the future) is validating the changes in strategic resource planning that have taken place so far, and measuring the impacts of the major projects on FTEs in their qualitative, quantitative and temporal dimensions more precisely. As an accompanying measure, the organisational structure will be reconsidered in order to support the major projects and their results. Against this background, employee qualification will become increasingly important.

To support strategic resource planning, early retirement and termination agreements are

offered in individual cases on the basis of a works agreement. In the medium to long term, the Bank's age structure will lead to an increasing number of employees leaving Berlin Hyp when reaching retirement age. Due to the transfer of expertise, succession solutions often result in temporary double staffing.

HR reporting is prepared every six months and provides a comprehensive overview of performance indicators regarding staff structure, including a department-specific target-actual comparison of the workforce and the demographic staff development. If necessary, measures to change these indicators are initiated.

Through the financing of sustainable, climate-friendly properties (green buildings), and their refinancing via green bonds, Berlin Hyp has actively supported the dynamic development of the market for sustainable bonds since 2015. After the Bank made its debut with the world's first green Pfandbrief in 2015, eight green bonds with a total volume of € 4 billion have now been issued. In addition, the financing of energy efficient buildings and their refinancing with green bonds has been a permanent objective of the Bank's company strategy since the spring of 2016.

Berlin Hyp plans to publish its sustainability report for 2019 in accordance with the standards of the Global Reporting Initiative (GRI) by the third quarter of 2020.

In October 2019, ISS ESG (previously oekom research) confirmed the prime status of Berlin Hyp with an overall grade of B-. In July 2019, Berlin Hyp scored 87 points out of 100 in the sustainability rating by Sustainalytics. This made the Bank move up from "outperformer" to "leader", ranking sixth in the industry at the international level among the 340 financial institutions rated. In November 2019, the rating agency MSCI raised Berlin Hyp's sustainability rating from previously "BBB" to "A". These very good rating results from the rating agencies document Berlin Hyp's outstanding commitment to sustainability management, honour its investment products – green bonds – and recognise its responsible attitude to people and the environment.

Overall Statement

Despite unchanged intense competition in commercial real estate financing, the continuing low-interest environment and additional regulatory requirements, Berlin Hyp is satisfied with the course of the 2019 financial year. The development of new lending exceeded expectations.

The Bank transferred result after taxes of € 61.0 million (€ 116.4 million), and thus more than planned, to Landesbank Berlin Holding as profit.

Letter of Comfort of Landesbank Berlin AG

The letter of comfort issued by Landesbank Berlin AG in favour of Berlin Hyp AG expired on 31 December 2014 and remains in force for obligations entered into up to 31 December 2014.

III Opportunities, Forecast and Risk Report

Opportunities and Forecast Report

Assumptions Relating to Macroeconomic Development⁵

We expect the restrained growth of the global economy to continue next year, possibly with a slightly positive trend. With regard to the risks for positive development, which are mainly caused by trade and geopolitical conflicts, a sustained easing of tensions is not yet in sight.

For the eurozone, economic growth in 2020 is expected to be as weak as in 2019. Although favourable financing conditions are expected to stimulate and consumption is expected to remain strong, the uncertainties weigh heavily. In addition to the relatively weak global economic momentum, which has a negative impact on export-oriented sectors of the economy, and the trade conflict with the USA, domestic economic uncertainties must also be mentioned. Also in the year to come, the main reasons for this continue to be the uncertainties regarding the surrounding conditions of the UK's exit from the EU and the weakness of the Italian administration.

Next year, we expect the economic development in Germany to stabilise initially and to regain some momentum as the year progresses. Private consumption and construction investments will continue to be an important support for growth rates. In the second half of the year we expect an increase in foreign demand, which will have a positive effect on exports. Investment in equipment should also increase more strongly again after the rather weak last two years. The positive working-day effect arising in 2020 is expected to lead to a noticeable increase in growth rates.

Assumptions Relating to Industry Development

Despite signs of relaxation at the end of the year on the part of the negotiating parties in the trade war between the USA and China and the EU and Great Britain, geopolitical issues are also expected to influence market activity in 2020. The prevailing low interest rate environment and the further policy of the European Central Bank for the coming year will be no less decisive. It is to be expected that significant spread widening in the European covered bond

market will remain limited by the purchasing programme, while on the other hand further spread narrowing will be limited by the low interest rate level.

The preparations by institutions for the regulatory tightening on the horizon as a result of "Basel IV" tie up both financial and capacitive resources. The modelling of the respective risk parameters adopted by the Basel Committee on Banking Supervision (BCBS), especially with regard to equity requirements and the introduction of the capital/output floor, is already clearly showing that real estate financiers will feel an above-average impact.

In view of a currently stabilising economy with a forecast growth in gross domestic product of around 1.1 per cent, interest rates remaining low for the year as a whole and the continuing pressure from investors to invest, Berlin Hyp expects the real estate investment market to once again be highly dynamic in 2020. The continued good financing environment will safeguard, among other things, that even with low real estate yields there will be an unchanged spread to AAA government bonds, which means that the real estate market will remain attractive from the investor's perspective compared to alternative investments. A transaction volume that matches or even exceeds the very high result of 2019 does not seem realistic against the background of a continuing product shortage. Nevertheless, the € 70 billion mark should be reached again.⁶

Business Development

The Bank further consolidated its position as a leading commercial real estate financier in 2019. Positioning, innovative strength and the sound refinancing strategy remain a good basis for Berlin Hyp to continue its successful business activities. With its involvement in the Sparkassen-Finanzgruppe and its stable shareholder background, as well as its professional and motivated workforce, Berlin Hyp should be

⁵ Sources for assumptions relating to macroeconomic development: German Institute for Economic Research (IDW), Kiel Institute for the World Economy (IfW).

⁶ Sources for assumptions relating to macroeconomic development: BNPPRE, CBRE, EZB, ifo.

well positioned for the future in a very challenging environment. We want to develop and exploit business potential that fits with us.

As the “berlinhyp21” future-oriented process progresses, Berlin Hyp is planning to come closer to its objective of becoming Germany’s most modern real estate financier. The future-oriented process is a key driver for the above-average innovative strength we are striving for and for actively shaping the digital transformation of our industry.

The IT architecture of the Bank consistently follows a standardised path to becoming an integrated SAP bank. Flexibility, security, quality and availability of data and reporting will thus attain a new dimension. Combined with process optimisations, even faster possibilities to react to customer requirements shall thus be created. Furthermore, within the framework of the digitisation strategy, intensive efforts are to be made to generate new business approaches or develop models in order to benefit from them. We will continue to be open to value-added extensions to our value chain in the future.

Berlin Hyp’s core business, i.e. individual financing structures with risk-adequate pricing and a high proportion of domestic business, remains a sound starting point. Financing and consideration with regard to the activities in selected foreign markets will continue to be carried out with a view to achieving a balanced risk/return-oriented portfolio diversification. The newly established portfolio management at Berlin Hyp should enable further improvements in the management and optimisation of the loans portfolio in future, taking into account the respective equity tie-up.

Berlin Hyp also continues to increasingly integrate itself into the Sparkassen-Finanzgruppe as a partner for commercial real estate financing. In addition to the ImmoSchuldschein, which enables German savings banks to participate in the potential returns of commercial real estate financing, and ImmoAval, which combines liability participation via a guarantee with simple documentation and at the same time highly professional processing, the ImmoGarant product has been supplementing the Immo product range of Berlin Hyp for German savings banks since 2019. ImmoGarant builds on the predecessor product ImmoAval by taking up its basic structure of a participation in a loans consortium. However, Berlin Hyp participates

here via liability participation, while the German savings banks provide the refinancing. The product range for savings banks is rounded off by the classic syndicate business, valuation services and the ImmoRiskDialog. Berlin Hyp is consistently expanding its product and service portfolio for savings banks. In the future, the Immo products will be offered completely by means of a digital portal solution.

In 2020, Berlin Hyp aims to establish business relationships in the S-Group business with ten additional German savings banks and, compared with the previous year, to moderately increase the volume of S-Group business. However, due to the regional principle and the individual business focus of each savings bank, the growth rates in terms of market penetration are limited in general. Failure to achieve this objective does not entail any discernible risks for the Bank’s business model or business success. On the contrary, achieving or exceeding the above-mentioned objective increases Berlin Hyp’s chances of positioning itself as a sustainable S-Group partner within the Sparkassen-Finanzgruppe.

The public-sector lending business is not part of the Bank’s core business and will continue to be hived off.

Due to capital market conditions, the securities portfolio has increased again in 2019. Taking regulatory requirements into account, any earnings potential that arises should continue to be used to support net interest income while maintaining the conservative investment strategy. Berlin Hyp does not expect any significant increase in the securities portfolio in 2020.

Net interest and commission income in 2020 is expected to be significantly below the good level of the 2019 financial year. Berlin Hyp is assuming stable interest income in its core business on the basis of planned increasing portfolios. However, the unchanged low and flat yield curve will continue to be a burden in 2020. For 2020, Berlin Hyp expects lower margins in new lending and prolongations compared to the previous year. Net interest income will probably continue to benefit from the compensatory contributions to earnings resulting from the partial mapping of processing fees in the interest margins and their distribution over the term of the contracts as a result of contract adjustments in new lending. We see opportunities in the good market position of Berlin Hyp, its reliabil-

ity and expertise as a commercial real estate financier. The consistent implementation of the digitisation strategy also offers the opportunity to exceed the sales targets and thus also the planned net interest income. Potential risks may arise from the course of unscheduled loan repayments, which depend on the development of the real estate market and interest rates. There are also earnings risks if, compared to the plan, in the core business only lower interest margins can be agreed due to strong competition or if delays in the implementation of the digitisation strategy mean that less lending potential is acquired than expected.

The new lending volume achieved in 2019, which is significantly higher than expected, will be significantly reduced in 2020 according to planning. The continuing good conditions on the real estate markets are offset by intense competition on the financiers' side. In this context, Berlin Hyp will continue to adhere to its restrictive risk policy. Depending on the development of new lending, syndication activities will be intensified accordingly. On this basis, net commission income in 2020 is expected to be at the same level as in the previous year, taking into account slightly higher processing fees. Depending on the respective contract set-up, processing fees continue to be partially mapped in net interest income, which makes it difficult to forecast net commission income.

For new customer acquisition, a share of 20 per cent of new lending is expected for 2020, a significant decrease compared to the previous year (41 per cent). A higher proportion of new customers increases the diversification of the portfolio and thus its quality in terms of improved risk diversification and a broader customer base. In addition to the increased independence from existing customer relationships, the latter also offers the opportunity to expand new business relationships.

Berlin Hyp will continue to pay particular attention to the development of operating expenditure in 2020. The unchanged high level of cost awareness and the intensive optimisation activities with regard to the adjustment of staff resources are offset by high expenditures from strategy projects, such as the optimisation and digitisation of the credit process, the establishment of an integrated SAP bank or the construction of the new company headquarters. The implementation of these essential change projects forms a basis for Berlin Hyp to maintain

its leading position in the industry with regard to digitisation during and after the transformation process. This is a major contribution to the objective of becoming Germany's most modern real estate financier for customers and employees. Based on the current state of knowledge, Berlin Hyp's workforce is expected to decline in the medium to long term. At the same time, demographic aspects are in focus. Since January 2019, a works agreement has been the essential basis for the corresponding resource management. The resulting individual measures are matched by the recruitment of junior staff. The development of staff expenditure will also be affected by the charges in connection with the additions to pension reserves due to falling average interest rates as well as the results of future collective wage agreements.

Overall, Berlin Hyp expects operating expenditure in 2020 to be at the same level as last year. For the reasons mentioned above, the cost-income ratio will rise noticeably again in 2020. With the achievement of the implementation successes from the projects and the other measures initiated, significant reductions can be expected again in the following years.

The continuation of the "berlinhyp21" future-oriented process will ensure that Berlin Hyp remains well-equipped for the challenges ahead. In order to safeguard that this process remains successful in the coming years, appropriate measures will be taken in 2020 to further increase its impact and radiance. Within berlinhyp 21, additional successes were achieved in 2019. Important future topics have been addressed and corresponding projects and plans have been set up, such as:

- Berlin Hyp's positioning as an innovative, digital pioneer and sustainable financier;
- Continuation of the strategy projects KPO 4.0 (lending process optimisation) and SAP-HANA (SAP Bank) as well as start of the PM portfolio management project to optimise portfolio management in the core business;
- Implementation of the B-One project, aggregating all employees in one building at the Berlin headquarters and establishing new working environments;
- Examination of the effects of the major projects within the new project ORZ (organisation and role profiles of the future) with regard to the need to adapt the organisational structure, roles and use of resources;

- Scouting sustainable business models, products and markets;
- Establishment of a Cultural Change-Management and a Culture Board;
- Participatory development of new communication formats for managers – exchange, cultural development, uniform understanding of leadership;
- Workshops for the establishment of new working environments;
- “Leading in change” management training courses and development of new “learning worlds for managers”;
- Introduction of rotation and secondments to foster “thinking outside the box”;
- Implementation of a new target agreement process.

In this respect, cultural change, the improvement of the IT systems and the implementation of the new digitisation strategy remain of particular importance.

The calculation of the contributions to the European bank levy is carried out by the banking supervisory authority. Berlin Hyp assumes that the contributions will not see any major adjustments compared to the 2019 level.

Berlin Hyp expects the other operating result, which has improved compared with the previous year mainly as a result of one-off effects, to be in the negative single-digit million range again in 2020.

Risk provisioning in the lending business was influenced by a good economic environment in the financial year 2019. The very satisfactory development of risk provisioning in the securities business is largely attributable to the exploitation of market opportunities and the resulting sale of securities. In line with its cautious planning, Berlin Hyp is assuming a noticeable increase in risk provisioning in 2020. If the current good market and portfolio development continues, there will arise corresponding earnings opportunities. Due to the rent cap, there is a fundamental risk of a negative impact on demand for real estate projects in Berlin and thus on the regional transaction volume. In addition, potential refurbishment measures could be postponed followed by a deterioration in ratings and collaterals. According to an internal analysis, the Bank does not expect any significant additions to risk provisioning from the rent cap.

In terms of planning, Berlin Hyp assumes that operating profit after risk provisioning, which is negatively impacted in particular by interest rate levels and future investments, will decline significantly, taking into account the cautious risk provisioning planning. As a consequence, the result before profit transfer after the realisation of planned notable additions to the special item pursuant to Section 340g of the German Commercial Code (HGB) will also be significantly lower than in the good year 2019.

With an expected decline in the planned result, the average equity capital available will rise primarily due to the additions to provision reserves pursuant to Section 340g German Commercial Code (HGB) to be taken into account. The return on equity will therefore decline, but will still be able to achieve a good value within the target corridor of 8 to 10 per cent.

The bank is expecting a common equity Tier 1 (CET1) ratio of 12.5 per cent for the next 12 months. Additional stricter regulatory requirements, such as Basel IV, are planned in the coming years, which will also have a strong negative impact on Berlin Hyp. In addition to further additions to provision reserves, the newly created Portfolio Management division will make a significant contribution to achieving the targeted capital ratios. Risks with regard to the achievement of objectives exist, for example, in the event of an increase in RWA as a result of reduced collateral values and rating changes due to increasing regulation of rents. Opportunities for a higher common equity Tier 1 (CET1) ratio exist, among other things, if the collateral values of properties continue to rise.

Overall Statement

The underlying conditions remain very challenging for the economy as a whole, the industry and thus also for Berlin Hyp.

Stiff competition in real estate financing, the continued low interest phase and the volatile capital and financial market environment, combined with the need to further strengthen equity capital and additional regulatory requirements, continue to present major challenges.

Opportunities arise from Berlin Hyp’s positioning and the resulting potential. The future-oriented process and the results from the implementation of the strategic major projects will be able to further strengthen the positioning and also open up the opportunities

for a further improvement of the CIR. Combined with a sound and sustainable refinancing strategy, there is a good basis for the successful implementation of the transformation process at Berlin Hyp and for the further development of its successful business activities.

In the S-Group business, the range of products and services will continue to be geared towards the needs of the savings banks. Beyond the German savings banks, we want to take advantage of the opportunities that may arise, for example, from new, customer-oriented products or from activities in new markets.

By testing agile and efficient working methods and procedures, Berlin Hyp safeguards its stability and sustainability, thus offering its employees a reliable perspective.

Berlin Hyp expects to be able to continue the positive development in the business with its customers in 2020. Provided there are no unforeseen distortions on the capital and real estate markets and risk provisioning remains at the planned cautious level, return on equity (without taking into account the utilisation of earnings in the form of additions to the special item) is expected to remain at a good level within the internal target of 8 to 10 per cent. Taking into account a notable addition to the special item pursuant to section 340g of the German Commercial Code (HGB), which is also planned for 2020, and against the background of the costs of future-oriented projects and investments, Berlin Hyp expects a significant decline in the result before profit transfer.

Risk Report

Risk Management System

Underlying Conditions

Berlin Hyp's risk management system comprises an extensive range of tools to deal with risks the Bank entered into as part of the Board of Management's strategy in view of economic and regulatory risk-bearing capacity.

The internal control procedures form the core components of the system of risk-oriented Bank controlling and in particular comprise risk management and risk controlling processes with no conflicts of interest and internal auditing. The objective of risk management is to maintain the risk-bearing capacity and compliance with specified minimum ratios through the specific limitation of economic risks and by establishing upper limits for fixed capital.

Berlin Hyp is part of Landesbank Berlin Holding. Landesbank Berlin Holding assumed the function of a financial holding company that does not transact bank business and is not a banking institution in the reporting year. Landesbank Berlin Holding is integrated into the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG (Group). Uniform risk policy principles for the Group and Group-wide risk management have been implemented.

Group Risk Management System

A number of interlinked principles and rules make up the Group-wide risk management system.

As the superordinate regulation, the business strategy outlines strategic underlying conditions. It defines that the controlled incurrence of risks within the scope of a risk strategy is an elementary aspect of the banking business. Standardised Group risk policies shall safeguard that assumed risks remain acceptable. For example, special reporting requirements are part of these policies when certain utilisation levels are reached in the individual risk types, but also at the level of overall limit utilisation across all risk types. All companies and organisational units have to ensure that all risks are transparent and measurable under the uniform Group-wide methodology.

The Group's risk strategy details these requirements. It is the responsibility of the Board of Management of Landesbank Berlin Holding. Risks that do not conform to the strategy and therefore have to be avoided on principle are defined within the scope of this strategy. Compliance with the risk strategy is continuously monitored.

The Group risk manual that establishes the framework for operational risk controlling defines detailed underlying conditions, responsibilities and methods for the individual risk management phases. Applied methods determine how risks are measured. Limit systems and escalation processes are defined for each major risk type.

Berlin Hyp Risk Management System

Risk Policy Principles

The aim of risk management is the conscious acceptance of strategic risks in order to gain access to earning opportunities and, in doing so, generate appropriate and sustainable revenues. Risks are accepted in view of profitability and a constant improvement in the quality of results. One parameter used in this regard is return on equity on the basis of regulatory and balance sheet capital. In terms of pricing, the Bank ensures that the revenues are in a reasonable proportion to the risks entered into. Financing is structured appropriately so that opportunities and risks are appropriately distributed over the course of time.

The risk and equity strategies are implemented by means of mid-term and operating planning. Planning takes place in consideration of all foreseeable risk and equity effects at the overall bank level.

Risk Controlling as an independent unit is responsible for identifying and evaluating risks, supporting risk management in the Bank and regularly informing management.

Documentation of the core elements of risk management at Berlin Hyp is centralised in the risk manual. This document contains a complete definition of the risk management process with its components: methods, identification,

evaluation, communication, management and monitoring. The risk management system encompasses both the evaluation of risks in accordance with regulatory requirements and a risk assessment from an economic perspective.

Both the Internal Audit division and the external auditor regularly evaluate the risk management system in the course of the annual financial statement audit. In addition, the methods used in the risk management system are reviewed by the Bank within the framework of the annual risk inventory.

Berlin Hyp Governing Bodies

The Board of Management together with the Supervisory Board defines the strategy, which is then used as a basis for decisions by all divisions of the company. Overall responsibility of management for all essential elements of risk management is explicitly defined for the Board of Management in the rules of procedure.

In accordance with the business policy focus and in consideration of the economic risk-bearing capacity and regulatory provisions, the Board of Management defines risk limits and risk allocations in the various business areas as well as risk types by establishing limits and structural requirements. It is informed regularly about Berlin Hyp's net assets, financial position, profitability and risk situation.

The Supervisory Board is informed regularly by the Board of Management about the overall risk profile. It receives the quarterly risk reports and the financial accounts according to the German Commercial Code (HGB). The Loan Committee consisting of members of the Supervisory Board consults with the Board of Management regarding the principles of business policy in the lending business regarding risk, in particular counterparty default, market price, liquidity and operational risks, and risk management.

Internal Audit is an essential element of the business and process-independent monitoring system. This encompasses a regular review and evaluation of the risk management processes for all types of risk. It audits the units that conclude, process and control transactions for

compliance with regulations. It is subject to the authority of the Chair in the organisation structure and reports independently to the Board of Management.

Berlin Hyp is represented in the Risk Management, OpRisk Committee and the Credit Risk Committee of the LBH Group.

Berlin Hyp Governing Bodies

- Supervisory Board, including its committees
- Board of Management
- Financial Steering Committee as a complement to Board of Management meetings
- Loans/Sales/Risk Management Early Warning Meeting
- Market Assessment Committee

Details regarding the tasks, spheres of competence and members are defined in the respective rules of procedure.

As a part of risk inventory, the Risk Controlling division separately proposes methods and models to identify, measure, aggregate and limit risks to the Board of Management separately on an annual basis in the light of the results. Operational risk controlling is handled by the division.

Responsibility for operational risk management, that is the acceptance of risks within the scope of the risk limits, is assigned to the defined managers. Overall Bank risk management, for example, is the responsibility of the entire Board of Management, while market price risk and liquidity risk management in compliance with the binding requirements of the Board of Management adopted on the basis of the proposals by the Financial Steering Committee is handled by the Treasury division. Risk management in the loan business is implemented by the respective decision maker according to the assigned spheres of competence, taking into consideration the implications for the loan portfolio.

Reporting

The objective of reporting is to provide data from risk management and risk evaluation for various internal and external target groups.

It represents a summary of content from the risk management cycle and encompasses all types of risks as well as a summary view of the Bank's risk-bearing capacity. Risk management measures are also defined and monitored within the scope of reporting; target/actual comparisons, change comments and other analyses are prepared.

Regular reporting at established intervals is differentiated from event-driven reporting, for example when previously defined risk or loss limits are exceeded (known as ad-hoc reporting).

Risks

Material Risk Types

The Bank performed a risk inventory and identified the following types of risks that were classified as material:

- Counterparty default risks (including country risks);
- Market price risks;
- Operational risks;

→ Liquidity risks.

Berlin Hyp also differentiates between monetary and non-monetary risks. Monetary risks are taken into account in the summary overview of the Bank's risk position (overall bank risk) and are compared to risk capital. Non-monetary risks (such as reputation risks, insolvency risk) on the other hand cannot be averted through backing with risk capital and are therefore not taken into account in this analysis. Every identified risk type is evaluated according to established criteria at least once a year. To do so, the probability of occurrence and magnitude of the risk on occurrence are taken into account, and the measurement results of the last period are analysed. The review also involves a recommendation being submitted to the Board of Management concerning classification as material or immaterial risks as well as the appropriateness of the applied methods. An overview of the aforementioned measurable risk types defined by Berlin Hyp is presented in the following illustration.

Reporting frequency	Report subject
Daily	→ Market price and liquidity risks
Monthly	→ Liquidity risks (price and solvency risk and survival period based on a Group-wide system) → Development of balance sheet items → Development of the earnings situation → Risks of counterparty default at portfolio level → Risk-bearing capacity
Quarterly	→ Quarterly German Commercial Code (HGB) reports → Summary risk report on all risk types → Development of existing mortgages (including new lending and extension volumes, margins) → Risk reporting of the cover funds

Risk Types of Berlin Hyp AG



The following overview shows the organisational implementation of risk management at Berlin Hyp for the material risk types:

Risk type	Risk management by the divisions/committees	Risk controlling by the divisions
Counterparty default risks	→ Loans → Risk Management → Sales	→ Risk Controlling
Market Price Risks	→ Financial Steering Committee → Treasury	→ Risk Controlling
Liquidity Risks (incl. Price Risks)	→ Financial Steering Committee → Treasury	→ Risk Controlling
Operational Risks	→ Divisions responsible for processes	→ Risk Controlling
Residual risk: shareholder risk	→ Corporate strategy	→ Governance
Residual risk: model risk		→ Risk Controlling

Risk Inventory

A review of the risks that can have a material impact on the net assets, earnings or liquidity position (risk inventory) is performed continuously through various specific analyses. The Board of Management is informed on the development of the risk management system at least once a year through the presentation of the risk inventory. A systematic reporting on the identified risks is also performed within the scope of regular reporting. In addition, through the involvement of the respective divisions, the New Product Process shall safeguard that risks relating to new or changing products can be properly reflected.

Risk-Bearing Capacity

The internal risk-bearing capacity concept ensures that the Bank is able to bear the risks of the identified risk types determined using statistical procedures. As the risk calculations are based on certain confidence intervals, there is a residual probability that the risks incurred are higher. The statistically established risk values are limited per (monetary) risk type.

The underlying assumptions as well as the corresponding limits are reviewed regularly, at least once a year, and adjusted by resolution of the Board of Management as needed.

The risk-bearing capacity is deemed to be given if the sum of the converted risk utilisation – based on a uniform level of probability of 99.9 % at a holding period of one year for the individual risk types – does not exceed the risk-covering assets. In addition, there is an early warning level for the overall risk utilisation across all risk types at 80 per cent of the available risk-covering assets. The evaluation of the overall risk position is completed by assessing the results of various stress tests that take the risks into account from an economic as well as a regulatory perspective. In principle, the risk-covering assets are derived from the regulatory equity capital.

The concept implemented at Berlin Hyp to determine the Bank's risk-bearing capacity is a capital concept, which is constantly being developed. In 2019, it was adjusted on the basis of the ECB's "Guide to the Internal Capital Adequacy Assessment Process (ICAAP)".

The calculation of risk-covering assets is still based on regulatory tier 1 capital. In line with the going concern approach, subordinated

liabilities (tier 2 capital) have no longer been taken into account since 1 January 2019. The treatment of hidden reserves and liabilities was also adjusted.

Deducted items (such as hidden liabilities due to avoided fixed asset write-offs triggered by a change in creditworthiness) and (if applicable) incurred or planned losses have a negative effect on the risk-covering assets.

Real estate risks and shareholder risks as well as the model risks classified as immaterial are summarised in the residual risk. The price risk in the liquidity risk is a risk classified as material and disclosed under "residual risk".

Both from an economic and a normative perspective, the risk-bearing capacity of the Bank was given in 2019 as at the reporting dates.

The changes in risk positions arising from the planned business performance as well as the risk-covering assets are analysed as part of the annual planning process. The results are incorporated, for instance, in the planning of capital measures.

In addition to the analyses described above, unusual economic developments as well as events specific to individual institutions are examined by means of stress tests for the counterparty default, market price, liquidity and operational risk types. One of the objectives here is to combine the monetary risk types into a stressed overall risk and to identify the effects on regulatory and economic capital.

Details of the risk-bearing capacity as at 31 December 2019 are disclosed in the section "Overall Statement on Risk Situation".

Risk Management System by Risk Type

Counterparty default risks

The risk of counterparty default is the risk of a loss, or loss of profit, due to a deterioration of a business partner's creditworthiness, as well as a loss in value of the security provided to the Bank. This is currently the most dominant type of risk for Berlin Hyp. Counterparty default risks are managed at the individual business partner and overall portfolio levels. Investment risk (shareholder risk) is considered to be an immaterial risk.

Individual commitment level

Adequate risk management of counterparty default risks is safeguarded through a loan

approval directive and defined processes and interfaces, from acquisition to new lending through to loan repayment (close integration of acquisition and subsequent market sphere). The lending processes are laid out in writing in the Bank's regulations. Lending processes are examined regularly by the Internal Audit division, which means that they are also subject to constant quality analysis.

The risk exposure on the individual borrower level is verified on the basis of regular analysis of creditworthiness. Rating procedures that take debtor-specific and business-specific characteristics into account are at the core of the risk assessment. Pricing as well as loan decisions are based on the rating of the borrower, taking into consideration the security provided. Real estate financing is largely determined using the SparkassenImmobilienGeschäftsRating (SIR) and the method for international commercial real estate financing (ICRE). At the same time, additional rating procedures developed in cooperation with other Landesbanks are used for specific customer groups. These procedures particularly pertain to the capital market business and specifically to bank ratings and ratings for international regional authorities, as well as the corporate rating and insurance business.

The rating procedures employed here have been derived from the framework of the banking supervisory authority approval system. Quality assurance along with validation and back-testing for rating procedures are the responsibility of the Risk Controlling division in conjunction

with the corresponding division at Berliner Sparkasse. Their continued development and maintenance is provided by Sparkassen Rating und Risikosysteme GmbH (S Rating) and RSU Rating Service Unit GmbH & Co. KG. Berlin Hyp is represented in the relevant working groups and bodies itself and through the Berliner Sparkasse.

Based on the rating class system, the counterparty default risk is divided into performing loans (rating classes 1 to 15) and non-performing loans (rating classes 16 to 18).

As at 31 December 2019, the share of non-performing loans in the overall portfolio was 0.8 per cent, as in the previous year, and thus continues to remain at a low level.

Loan commitments are in principle subject to annual resubmission and collateral is subject to a regular review.

Particular focus is placed on the process of real estate and portfolio valuation. Certified appraisers from an independent division of the Bank or certified and independent appraisers working on behalf of the Bank undertake valuations on a regular basis.

Berlin Hyp uses early warning systems with a variety of instruments in order to identify loan commitments with increased risk in time. Alongside the definition of quantitative early warning indicators as part of an early warning system, qualitative indicators also exist for the purposes of regular loan monitoring.

NPL ratio based on FinRep

in %

— Performing Loans
 — Non Performing Loans



The automated early warning procedure draws special attention to the criteria for rating deterioration, arrears of interest and principal and the deterioration of the debt service cover ratio in different degrees. Other parameters relate to the loan-to-value as well as the expiry of rental contracts and/or fixed interest rates. Early warning meetings take place each quarter, attended by the Sales, Loan and Risk Management divisions, at which the risk content of the identified commitments is discussed separately and further measures decided upon if necessary.

Risky real estate commitments are transferred to Risk Management. Competence for valuation adjustments is concentrated here. Upwards of a specific size, such valuation adjustments must be approved by the entire Board of Management. Value adjustments are made for an amount by which the outstanding loan, less any collateral, cannot be paid back with a high degree of probability. Collateral values are reviewed in this context and, if necessary, adjusted depending on the necessary measures.

The securities and public sector loan portfolio represents a significant aspect of the capital market business. In addition, there are counterparty risks from the derivatives business. The existing capital market exposure is reported on a regular basis to the Board of Management and the Supervisory Board, broken down according to country and rating class.

Derivatives transactions are not only concluded with capital market counterparties but also real estate customers in the course of property financing. Counterparty risks from the interbank business are in principle covered by collateral. The Bank aims to achieve a high proportion of centrally cleared derivatives. In the real estate customer business, the established mortgage liens for the underlying transaction generally also apply to the derivative through broad statements of collateral purpose.

Early warning indicators ensure daily risk-oriented communication regarding capital market counterparties as well as any potential measures to be undertaken by the Bank as a whole. As in the past, Berlin Hyp has no investments in structured products.

Portfolio Level

In addition to risk monitoring at individual borrower level, Berlin Hyp also examines credit risks at the portfolio level.

The loans portfolio model simulates potential borrower, issuer, counterparty and country defaults as well as value changes due to rating migrations in a one-year evaluation period on the basis of:

- Exposure data (availments, externally approved limits);
- Collateral values;
- Borrower, issuer and counterparty default probabilities;
- Country default probabilities;
- Industry correlations and volatilities;
- Country correlations;
- Income ratios to determine expected proceeds from security;
- Contribution ratios to value unsecured loan components;
- Ratios to value externally approved limits that have not been drawn yet.

Based on the assumption of no fundamental changes to the risk structure of the portfolio (constant level of risk, going concern approach), the credit default distribution that is determined makes it possible to make statements regarding the probability of credit defaults in the following year. Risk indicators (expected loss, credit value-at-risk and unexpected loss) can be determined from the credit default distribution.

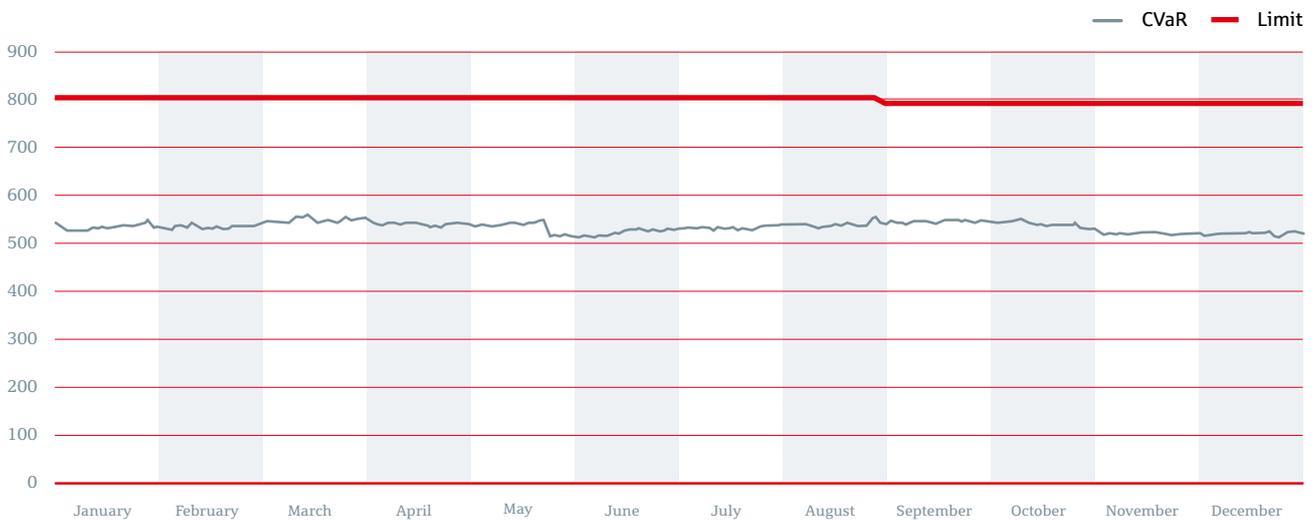
Management of counterparty default risks is based on unexpected loss at portfolio level. Berlin Hyp has limited the counterparty default risk. It has the risk indicators determined daily under an agency contract with Berliner Sparkasse. The risk indicators are monitored by Risk Controlling. Variance analyses and limit monitoring are performed here. The utilisation of limits at the portfolio level is monitored daily and reported weekly. Berlin Hyp has defined processes and options in the event that the pre-warning level (90 % of the credit limit) is exceeded and limits are exceeded.

The limit is reviewed at least once a year, adjusted if necessary and approved by the Board of Management as necessary.

As at 31 December 2019, the utilisation was € 526 million and the limit was € 795 million.

Responsibility for the methodology and validation of the credit value-at-risk model under consideration of Berlin Hyp's interests rests at the Group level. Internal and external audits are carried out at Group level as well. Credit Risk Controlling reviews the processing and controlling of the simulation results.

Credit value-at-risk development in total in 2019 in € m



Stress tests are performed within the scope of the credit portfolio model to simulate the change in a loans portfolio under the assumption of extreme scenarios in order to review the financial stability of an institution against macroeconomic crises. The definition of the scenarios and their parametrisation are based on the overall bank stress concept of Landesbank Berlin Holding and are in line with the requirements of MaRisk.

- The consideration of derivatives with the loan equivalent amount;
- The addition of valuation adjustments and;
- Balance sheet items not included in the overall loan exposure (including property, plant and equipment, other assets, other receivables excluding time deposits, Bundesbank balances).

As at 31 December 2019, Berlin Hyp's reported overall loan exposure was € 31.7 billion, as depicted below.

The overall loan exposure is broken down into mortgages of € 25.5 billion, money market and derivative transactions of € 2.0 billion and securities and public sector loans of € 4.2 billion. In its quarterly risk report, Berlin Hyp analyses the counterparty default risk from the mortgage lending business in particular.

The main divergences between the overall loan exposure and the balance sheet presentation are as follows:

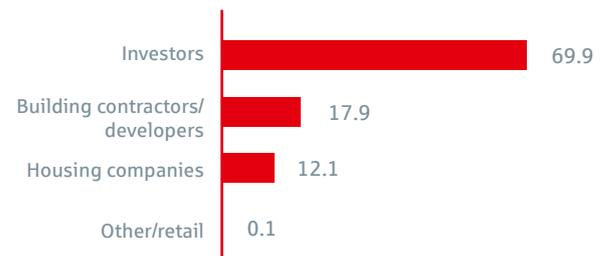
- The inclusion of off-balance-sheet business in the form of disbursement obligations and sureties;

The mortgage loan portfolio is broken down by ratings, customer groups, regions and real estate types as follows:

Rating classes in %



Customer groups in %



Regions

in %

**Property types**

in %

**Country and transfer risks**

Country and transfer risks are limited primarily through volume-based country limits, which are reviewed annually at least. Limits are determined in consideration of economic data and the cluster concept (concept of limiting risk concentrations) and resolved by the Board of Management. Country risks within the scope of new business activities are only entered into in countries with good or very good creditworthiness. As in the preceding year, it was therefore not necessary to recognise a bad country debt value provision for transfer risks. Individual exposures collateralised through property are classified depending on the location of the property. In all other cases, classification is based on the registered office of the business partner.

Market Price Risks

Berlin Hyp is a non-trading book institution. As a Pfandbrief bank, Berlin Hyp largely assumes market price risks in the form of interest and spread change risks. Except for peak amounts, the Bank does not have any open currency positions in the real estate financing business in accordance with its risk strategy. Mortgage business in foreign currencies is refinanced through directly attributable hedging transactions. In order to be able to take advantage of opportunities arising in refinancing via foreign currencies and to further diversify the investor base, it is planned to carry out foreign currency refinancing in selected foreign currencies in the coming financial year, even beyond the requirements of the mortgage bank business. The resulting refinancing revenue is converted into euros, thus hedging the foreign currency risk. The Bank does not incur share price risks.

The controlled incurrence of market price risks is based on a range of risk and earnings indicators. Within the scope of the limits, the interest rate change risk is always hedged with swaps, swaptions and securities. For disclosures regarding the forms of derivatives used as hedging instruments, see the Derivatives section in the Notes.

The Bank uses a combination of risk sensitivities, the value-at-risk approach and other stress tests to measure the risk of interest rate changes. For market price risks, a value at risk with a holding period of ten trading days and a 99.0 % confidence level is determined using a variance-covariance approach, taking into account linear and non-linear risks including volatility risks.⁷ The value at risk also takes credit spread risks and interest change risks from the Bank's pension reserves into account in addition to general interest rate change risks.

The Bank calculates a risk coefficient with which changes in the present value of non-trading activities in relation to equity capital are calculated in the event of an interest rate shift of +/- 200 basis points based on of the EBA Guidelines on the management of interest rate risk arising from non-trading activities. The stress scenarios for market price risk also include various non-parallel interest shocks and a net interest income simulation.

⁷ However, a period of one year at a confidence level of 99.9 % is decisive for the consideration within the framework of the risk-bearing capacity (ICAAP). Therefore, a corresponding scaling is carried out.

The value at risk and risk coefficient are limited. The cash value development of profit and loss and the change in net interest income while applying the six IRRBB interest rate scenarios stipulated under regulatory law come with warnings. Thresholds have been established ahead of the limits. Recourse in relation to the market price risk was significantly below the value-at-risk limit throughout 2019. As at the reporting date, the utilisation was € 28 million and the limit was € 45 million.

Market price risks are reported daily to the Board of Management. This includes among other things information about basis point values for the overall risk-bearing position, the risk coefficients, the value at risk utilisation and cash value profit and loss analyses. Communication and decision-making processes are triggered when warning thresholds or limits are reached or exceeded.

The monthly reports to the management also include comments on the results of back-testing. Outliers arose in 2019 in connection with event-driven market movements, particularly in LBB Group units with interest rate risks in the long-term maturity range. This was due to a significant increase in the volatility of interest rates in this maturity range in the course of the year as a result of global political uncertainties and in response to announcements by central banks. For 2020, an adjustment to the market price risk model is therefore planned in order to counter the observed backtest outliers. Until then, the issue is taken into account by adding a model risk surcharge to the residual risk.

Reports on the results of the stress tests are prepared periodically as part of the monthly and quarterly reports. Aside from predetermined

interest rate changes, these scenarios also include the results of actual, historical interest rate developments. Alongside interest curve modifications, stress simulations are also used to examine the effects of credit spread changes on the cash value. Besides the presentation of the cash value impact on these scenarios, the impact of six IRRBB scenarios on net interest income is also reported on.

Evaluating the effects of a long-term low-interest phase is also part of the interest rate change risk analyses. Berlin Hyp largely refinances itself in the capital market with secured and unsecured securities. The costs of this refinancing are generally passed on to the customer as part of the respective commitment. In this regard, the low-interest environment has no direct impact on the loan business. Nevertheless, long-term earnings risks exist because of a low equity yield and due to the valuation of long-term reserves. These risks are taken into account during the planning process.

Liquidity Risks

Berlin Hyp defines a liquidity risk as the risk that current and future payment obligations may not be met in full or on time. The liquidity risk is a material risk for Berlin Hyp. A distinction is made between procurement and price risks.

The Bank's current liquidity situation is analysed within the scope of the liquidity management system on the basis of a liquidity progress review.

The procurement risk (liquidity risk in the narrower sense) is the risk that Berlin Hyp may no longer be able to fulfil outstanding payment obligations that fall due in the short term (refinancing balances) in the next 30 days if access to the unsecured money market is eliminated. This is designed to ensure that the Bank will be able

Value-at-risk development in total in 2019

in € million



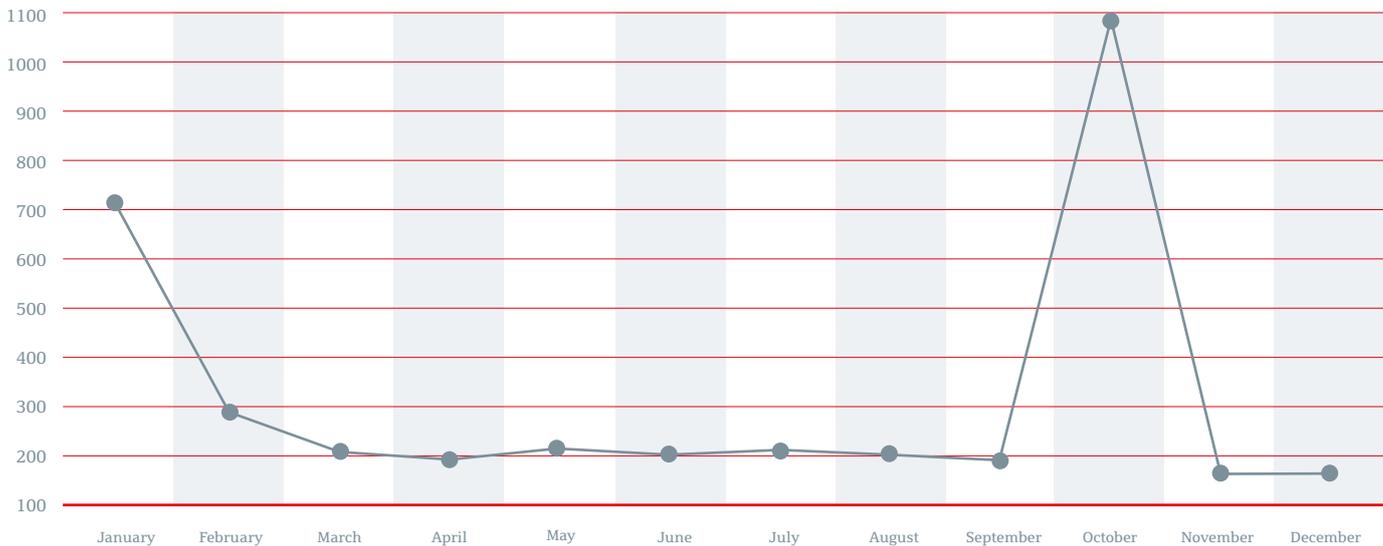
to fulfil all payment obligations within the next 30 days. The procurement risk is reported on a daily basis and the maintenance of the buffer to be maintained even under stress conditions is monitored.

As the Bank is classified as a capital market-oriented institution within the meaning of the MaRisk, daily checks are carried out to ensure that liquidity is guaranteed for seven or 30 days in accordance with defined MaRisk conditions (BTR 3.2).

In 2019, the minimum ratio for the regulatory LCR was 100 %. Internally, the LCR is controlled with a target ratio of at least 120 %. On the reporting date 31 December 2019, the LCR ratio was 157 % and therefore well above the minimum.

The following chart shows the development of regulatory LCR, in each case on the last day of the month:

Development of LCR in 2019 in %



The significant increase in the LCR ratio in January and October was due to a decrease in net outflows, in particular as a result of the outstanding value date of benchmark bonds with a volume of € 500 million.

Furthermore, the liquidity risk for the next 365 days is monitored by Landesbank Berlin Holding for the Group and the institutions. This is based on the illiquidity risk that is determined and reported daily. It is based on a risk/liquidity progress review and assumes intact access to the secured and unsecured capital market. In addition, the survival period is determined. It describes the period that the Bank can survive in terms of liquidity in a stressful environment without access to the unsecured capital market.

The price risk encompasses the risk that in case of existing incongruities with dates on which the capital falls due, the Bank can only carry out follow-up financing in the next 12 months on the basis of less favourable refinancing spreads. In addition, the effects of deteriorating refinancing spreads for forward loans already subject to conditions are also taken into account in the price risk. The price risk is considered within the framework of the risk-bearing capacity concept and is limited. As at 31 December 2019, this stood at € 10 million.

In addition to monitoring liquidity risk limits, the Board of Management is updated on a monthly basis on the concentration of secured and unsecured money market refinancing with individual counterparties.

Liquidity management occurs subject to economic limits/warning thresholds. Compliance with regulatory requirements represents a compelling constraint. Falling below a warning threshold or a limit triggers defined notifications and measures if necessary.

The liquidity buffer for safeguarding liquidity consists of diversified, almost exclusively ECB-eligible assets in the various categories in accordance with the CRR rules. As a matter of principle, the Bank does not enter into new commitments in insufficiently liquid markets.

Berlin Hyp's Treasury prepares monthly forecasts of liquidity developments for a period of at least 12 months. The assumed premises are regularly reviewed and adjusted if necessary.

The Bank makes use of various instruments for refinancing. In the money market field, this includes both unsecured borrowing by means of bilateral money market transactions and the issue of commercial papers, as well as secured borrowings, which are concluded both bilaterally and, in the case of repo transactions, via Eurex. Furthermore, the Bank participates selectively in ECB open market operations.

In the capital market field, funds are raised through Pfandbriefe and unsecured refinancing. This takes place both by means of private placements and the issue of bonds in benchmark format.

For the coming financial year, it is also planned to extend the capital market refinancing, which has so far only been carried out in euros, to selected foreign currencies. The objective is to take advantage of any funding opportunities arising in foreign currencies and to broaden the investor base.

A description of the development of the refinancing structure can be found in the notes on the financial position in the Economic Report.

Shareholder risks

In the reporting year, Berlin Hyp AG held shares in a total of five different companies, including three young companies based in Berlin from the so-called PropTech sector.

These include OnSite ImmoAgent GmbH, with its crowd-based real estate inspection service, amounting to 49 % following the sale of shares to a strategic partner in the reporting year. The

Bank holds a further minority interest in 21st Real Estate GmbH, which operates a system for the valuation and digital purchase process of real estate. In the 2019 financial year, the Bank acquired fund shares in a venture capital fund, PropTech1 Fund I GmbH & Co. KG, whose investment focus is on start-ups for the digitisation of the European real estate industry. As of 31 December 2019, the shareholding was 16.55 %.

The minority interest in BrickVest Ltd, London, is being wound up following its insolvency in the reporting year. Lastly, Berlin Hyp AG holds 100 % of the shares in Berlin Hyp Immobilien GmbH, which, besides its own brokerage activities, is also involved in real estate marketing but no longer has any active business operations. The entrepreneurial risk and currency risk related to the shareholding in London are taken into consideration in the shareholder risk. Furthermore, the senior management of Berlin Hyp is informed quarterly in a separate controlling report about the development of the strategic shareholdings and their economic situation.

Operational Risks

In accordance with the CRR, operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and systems, people or external events. In addition to operational risks, this definition includes legal risks but does not include strategic and reputational risks. It is a material risk.

The management of operational risks is regulated uniformly throughout the Group. Berlin Hyp has appointed an OpRisk Officer for the Group OpRisk Committee with respect to their function as an interface with Landesbank Berlin Holding Group. Together with the Group, Berlin Hyp has received regulatory approval for an internal OpRisk model (Advanced Measurement Approach = AMA model), which is used to measure and determine regulatory capital requirements.

The model is validated on a regular basis and the model assumptions are essentially confirmed. All violations of the model are rated as uncritical, plausible or materially minor; in each case, further measures are formulated to improve the results.

The Board of Management of Berlin Hyp is responsible for a systematic and consistent process involving the sequences of identification,

assessment, monitoring and management of operational risks. The Board of Management is informed about the correctness of the aligned risk parameters (self-assessment and scenario assessments) firstly in the quarterly Risk Report and secondly every six months by means of an extended presentation of the operational risk in the Risk Report. In the event of extraordinary events, in particular significant claims, ad hoc reporting is provided.

Overall responsibility for the operational implementation and monitoring of OpRisk results and developments has been transferred to the Head of Risk Controlling. Operational risks are managed in coordination with the individual specialist divisions, among other things. In particular, this responsibility also includes the initiation and implementation of countermeasures, the introduction of suitable internal procedures and measures and the conclusion of insurance policies. Berlin Hyp aims to minimise operational risks from an economic perspective.

Various instruments are used to manage operational risk efficiently. These include but are not limited to:

- Self-assessment using the bottom-up approach (qualitative OpRisk inventory);
- Scenario analyses to determine loss potential (quantitative OpRisk inventory);
- Claims collection (internal/external) as a basis for statistical evaluations for risk assessment (actuarial approach: loss distribution approach) and for defining business area-specific scenarios for scenario analyses;
- Early warning system (recording and monitoring risk indicators);
- Measures controlling (recording and monitoring of measures);
- Risk transfer through insurance cover.

In accordance with Sections 25a and 25h German Banking Act (Gesetz über das Kreditwesen, KWG) and the relevant circulars of the banking supervisory authorities, Berlin Hyp must create and update appropriate business and customer-related security systems to prevent money laundering, terrorist financing and other criminal acts at the expense of the institution. To ensure this, Berlin Hyp has five employees as contact persons. The Board of Management is informed once a year about the Bank's risk potential in the form of a risk analysis. As part of the 2019 risk analysis, the Money Laundering Officer came to the conclusion that the risk of exposure to

money laundering, terrorist financing and other criminal acts should be classified as "medium". According to internal analyses, the risk will be reduced to "low" when planned risk-minimising measures are taken into account.

Within the framework of the overall risk assessment derived from Berlin Hyp's risk-bearing capacity, the Board of Management of Berlin Hyp decides upon limits for operational risks that are based on the Group proposal but do not exceed it.

The Bank participates in a data consortium for the collection of OpRisk claims. This extension of the database to include external losses is a mandatory component of the Bank's Advanced Measurement Approach (AMA).

The limit is set at € 65 million as at 31 December 2019. It was raised by € 5 million in the course of the year due to a slight increase in utilisation. Pre-warning levels are not defined. The monthly utilisation of the limit is shown in the following table for 2019.

In the event of extraordinary events carrying a risk of far-reaching consequences (e.g. fire and water damage, bomb threats, explosions, hostage attacks and terrorist attacks), a crisis management team has been set up at Berlin Hyp to deal with such crises. The situations for which the crisis management team is responsible are characterised by the need for rapid decisions to avert or reduce significant (consequential) financial costs/losses.

Systemic Risks

The Bank has a functioning information security and IT risk management system for the continuous improvement of information security – taking into account the risk situation – and for effective risk management. No information or IT risks with a high residual risk (quotient of loss amount and probability of occurrence) are expected.

With the integrated SAP system, Berlin Hyp has an efficient IT system that corresponds to the type and scope of its business activities. The system in place was stable throughout the year. With the SAP system as a comprehensive banking solution, Berlin Hyp has a homogeneous, up-to-date IT landscape that takes account of the increasing importance of information technology as a competitive factor.

Utilisation of the limit

in € m



Through accompanying organisational measures, an access protection system has been implemented to prevent unauthorised or unwanted access to data, whether reading or writing. In addition, protective measures were established to ensure the integrity, authenticity and confidentiality of data by means of IT systems and processes.

Berlin Hyp and its IT service partners have drawn up current regulations to protect against possible catastrophes in its own computer centres and those operated by service providers. A key material component of these regulations are replacement environments which can be quickly switched to in the event of a disaster. The functionality of the measures was reviewed in 2019 together with the IT service partners and the utilising departments.

In order to limit information and IT risks, data security regulations and regularly updated and reviewed emergency procedures were defined as an integral part of the Bank's written rules on the basis of the identified critical business processes and assigned IT systems. In this way, the functionality of business processes in the event of technical faults is guaranteed with the help of replacement solutions available at short notice.

As part of IT security management under the direction of the IT Security Officer, further measures have been implemented to ensure IT security in accordance with the recommendations of the Bundesamt für Sicherheit in der Informationstechnik (German Federal Office for Information Security, BSI).

Legal Risks

Legal risks are risks arising from the violation of applicable and changing legal provisions, in particular contractual, statutory or judicially developed legal provisions. It includes the risk of infringements of legal provisions due to ignorance, insufficiently careful application of the law (negligent interpretation), negligent action or late implementation.

In addition to the specialist divisions, the compliance function and risk controlling, the Legal department (Governance division) is also responsible for identifying and preventing legal risks. In general, the Legal department is responsible for monitoring any legal risks that have arisen. Material projects are coordinated centrally from a legal point of view. For risk prevention purposes, the Legal department provides specimens and explanations for contracts and other legally significant declarations, where appropriate. In the case of deviating or new regulations, the involvement of the

Legal department is mandatory. To the extent that external law firms are included, the Legal department is responsible for managing them. Responsibility for labour court proceedings lies with HR.

In the event of unforeseen developments to the detriment of the Bank or errors occurring, the Legal department is involved in the detection, elimination and future prevention of errors. It is also responsible for examining and evaluating incidents on the basis of legally relevant facts and managing any litigation. This applies in particular to the defence of claims asserted against the Bank.

Material legal risks that qualify as pending or threatened legal proceedings of the Bank are reported to the Board of Management every six months. Ad hoc reporting is provided for events of particular significance.

Claims by Borrowers for Reimbursement of Administrative Fees

In 2017, the Federal Court of Justice (BGH) ruled that the agreement of administrative fees within the framework of general terms and conditions was also inadmissible for commercial loans. On the other hand, the Federal Court of Justice considers the pricing of an administrative fee into the interest margin or an individual agreement on administrative fees to be permissible in principle.

Loan agreements in which foreign law has been agreed are not affected by the jurisdiction of

the Federal Court of Justice. Corresponding claims for reimbursement of administrative fees were made against the Bank. The Bank has reviewed the amount of the reserve on the basis of the claims made to date. There was a need for a corresponding release.

Risk Management Pursuant to Section 27 German Pfandbrief Act (PfandBG)

Pursuant to Section 27 PfandBG, each Pfandbrief bank must implement a risk management system suitable for Pfandbrief business. In principle, the risk management of the cover funds is integrated into Berlin Hyp's overall bank risk management system for counterparty default, market price, liquidity, operational and other risks. In addition, there are limits in line with regulatory requirements. Compliance with these limits is monitored on a daily basis as part of the risk management of the cover funds and presented to the Board of Management in a separate monthly report.

Overall Statement on Risk Situation

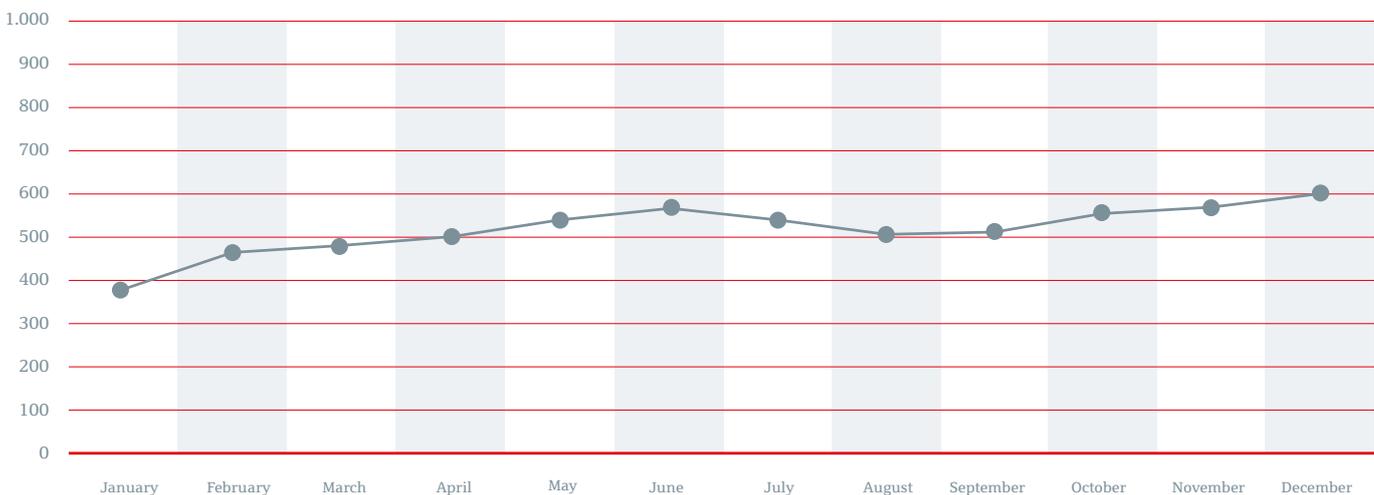
The risks assumed by Berlin Hyp in the financial year were in reasonable proportion to the risk-covering assets.

The risk-covering assets as at 31 December 2019 amounted to € 1,417 million.

The following chart shows the scope of financial flexibility and the development of the risk-covering assets within the framework of Berlin Hyp's risk-bearing capacity concept:

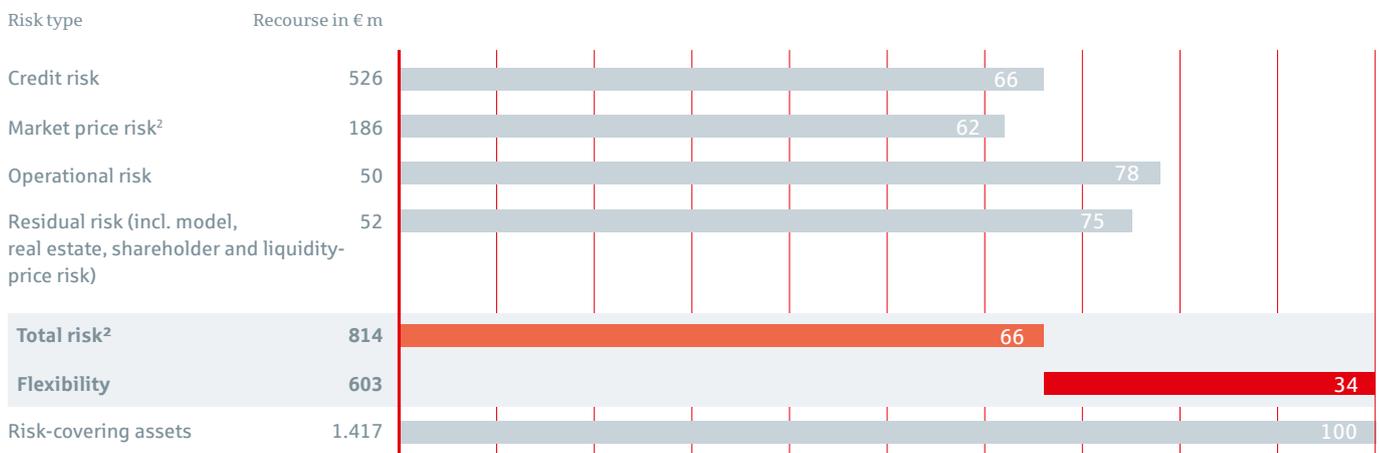
Development of financial flexibility in 2019

in Mio. €



Percentage of recourse per risk type as of 31 December 2019

in %¹



¹ The underlying holding period of the risk-bearing capacity concept is one year.

² The market price risk is scaled by multiplying VaR by a factor of 6.64.

By combining the specific stress tests in the individual risk types into several cross-risk type overall bank stress tests, it is possible to estimate the impact of macroeconomic changes on the risk-covering assets or on the regulatory capital ratios.

For this purpose, sufficient scenarios were defined in accordance with the requirements of MaRisk, which also take into account the interrelations between the individual risk types of the assumed developments.

By applying inverse stress tests, it is calculated to what extent the overall bank scenarios with the strongest effects would have to develop until the total risk-covering assets is exceeded or the minimum capital requirement is undercut.

Other Risks

Business Policy and Strategic Decisions

Strategic risk is the risk of failing to achieve long-term company objectives due to strategic decisions that are incorrect, inadequately prepared or based on incorrect assumptions. Managing strategic risks is the responsibility of the entire Board of Management; certain decisions also require the consent of the Supervisory Board.

In the reporting year, Landesbank Berlin Holding as the Group's parent company was responsible for strategic decision-making in

the Group. The overall bank strategy approved and regularly updated by the Landesbank Berlin Holding Board of Management represents the upper limit of the strategies of the Group companies and consists of the strategy document and planning. The long-term company objectives and strategic underlying conditions are established by the Board of Management in the annual strategy meeting.

Monitoring and controlling the strategic objectives for the strategic business areas, subsidiaries and divisions takes place once a year based on the defined target achievement indicators and target values. Selected financial and risk targets are also monitored during the year based on standardised reports.

Within the binding Group requirements, Berlin Hyp further defined the business strategy according to its specific requirements. These requirements are reviewed annually as well and serve as the subsequent basis for Berlin Hyp's planning.

Reputational Risks

The Bank monitors print and online media also with respect to potential reputational risks. In the event of negative media coverage, the Bank has installed an escalation procedure to ensure a suitable response. There were no events that involved reputational risks in 2019.

Human Resources Risks

Availability Risk

The quantitative and qualitative staffing of the Bank's divisions is controlled by strategic resource planning. This is intended to safeguard the functional and future viability of Berlin Hyp and is continuously adjusted. In order to keep planning up-to-date and realistic, megatrends (e.g. digitisation/automation, ageing society, knowledge culture, individualisation, developments in new and established business fields as well as regulatory requirements) are taken into account.

Berlin Hyp draws on different recruitment sources to cover its staffing requirements, with internal recruitment always taking precedence over external recruitment. Aside from the internal job market, Berlin Hyp also publishes job offers in appropriate, publicly accessible media. Specialised platforms are used for the required profile in order to fill the vacant position as quickly as possible. Berlin Hyp obtains targeted assistance from recruitment experts in the case of key positions. In addition, Berlin Hyp regularly attends selected career fairs to address junior staff.

Taking into account the Bank's existing staffing levels, the availability risk was assessed as low. Open positions could be adequately filled within a reasonable period of time. The availability risk is low.

Berlin Hyp is countering the megatrends in a number of ways. For example, the trainee programme was successfully re-implemented in 2019 in line with the needs of the target group and the company (including digitisation issues). On the basis of the new competency model, the selection procedures for trainees were redesigned. The selection procedures for managers were also adapted to the new competencies.

Motivation Risk

Staff motivation is fostered by sustainable workplaces and job contents as well as a lively corporate culture. The ongoing feedback serves as an indicator of this. Feedback is part of the corporate culture and is enshrined in the competency model of the Bank. It is specifically implemented in various processes and via various media. In 2019, leadership feedback was made binding for all managers as 270-degree feedback. A full online survey of staff was used as a medium several times

in the past fiscal year to provide feedback on various issues, and an impressive participation rate was regularly achieved. This is an indicator of the high level of staff identification with Berlin Hyp and the great motivation of the workforce to become involved in change processes. The operational integration management was redesigned in 2019. Through the integration of support by external specialists, Berlin Hyp provides its staff with even better support in overcoming incapacity for work, preventing renewed incapacity for work and maintaining the employment relationship in the long term. The motivation risk was assessed as low.

Qualification Risk

Due to the Bank's age structure, a number of employees will leave Berlin Hyp for reasons of age in the medium to long term. Here it must be ensured that the transfer of expertise from the departing employees to the remaining colleagues is successful. The efficiency gains from the major projects currently in progress lead to new working conditions and change the required employee competencies. Parallel to the transfer of expertise, employee qualification will therefore be stepped up. The Bank sees learning and development in the work context as a continuous process. The professional, methodological and personal requirements are defined in the Bank's competency model and the job profiles; they are specified and tracked by the managers and their staff. In the competence model, this is described in the "Kontinuierlich Neues lernen" (continuous learning of new things) competence by clearly defined behaviour anchors. The qualification measures offered are tracked in a dialogue between manager and employee. This managerial "supporting employees in their development" task is also defined in the competency model. The implementation of leadership competencies is measured by 270-degree feedback and tracked through individual development measures. The 270-degree feedback for managers is conducted every two years.

Berlin Hyp considers the qualification risk to be low due to a large number of customised in-house seminars and selected external training measures. The Bank has set an average target of 3.5 qualification days per employee. In 2018, employees received an average of 4.3 days of training and further training.

Based on the results of the management feedback as well as the demands on managers resulting from their roles in implementing the Bank's future issues, a programme for the holistic development of managers in the Bank was implemented in 2019, which also contributes to a low qualification risk.

IV Accounting-Related Internal Control System and Risk Management System

Accounting and annual accounts of Berlin Hyp are produced in accordance with the provisions of the German Commercial Code (HGB), supplemented by corporate law provisions and taking into consideration the Pfandbrief Act (Pfandbriefgesetz) and the Accounting Ordinance for Banking Institutions (Verordnung über die Rechnungslegung der Kreditinstitute). The German Accounting Standards (GAS) of the Accounting Standards Committee of Germany (ASCG) are applied. According to the IFRS, Berlin Hyp is not obliged to present consolidated annual accounts since the subsidiary has no material influence on the presentation of Berlin Hyp's earnings, financial and assets position.

The Finance and Banking Operations division is responsible for accounting. The division's organisational units carry responsibility for the general ledger and accounting and for technical matters and portfolio management in the subsidiary ledgers. Pursuant to the principle of the separation of functions, the assessment of financial instruments by the Risk Controlling division and the evaluation of credit risks by the Risk Management department is pursued on a case-by-case basis within the financial reporting process. Job descriptions are available for all relevant positions and sufficient human, technical and organisational resources are also available in order to ensure the sustainable and disruption-free handling of tasks. The divisions are assigned to the Board's back-office function sphere.

In their management reports, corporations as defined in Section 264d German Commercial Code (HGB) must describe the material characteristics of the internal control and risk management systems with regard to accounting processes. Berlin Hyp regards as "material" any legal violations as well as errors having a qualitative and quantitative influence on the validity of accounting processes that are relevant to decisions pertaining to the recipients of the information.

The accounting-related internal control system encompasses principles, measures and procedures for the regularity and reliability of accounting processes, compliance with relevant legal provisions and ensuring the effectiveness of the monitoring of accounting processes.

The accounting-related internal risk management system encompasses measures for the identification, assessment and limitation of risks opposing the objective of ensuring the regulatory conformity of the annual accounts.

The objective of the internal control system is to record, process and document business transactions and events in accordance with the legal regulations, the Articles of Association and other internal directives, in a complete, swift and correct manner as well as to accurately assess, show and evaluate assets and liabilities in the annual accounts, thus allowing for a correct identification of results. The controls also serve to provide this annual accounts information in a swift, reliable and complete manner.

The Board of Management is responsible for the structure and maintenance of the internal control system. The established accounting-related internal control system consists of process-integrated error prevention regulations and facilities as well as integrated, IT-supported and organisational controls. In addition, regular, case-related monitoring measures independent of processes have been implemented.

At Berlin Hyp, accounting processes are standardised and are subject to constant supervision. The processing, entry and documentation of relevant accounting data occurs using IT systems that keep accounting books and other records in electronic form. Berlin Hyp uses the SAP core application as an integrated comprehensive banking solution for the entire Bank. This system reduces interfaces between various data processing applications, weak links in the data flow as well as manual

interventions and processes. Regulations and measures regarding IT security, which are also of particular importance when it comes to accounting, have already been discussed. A thorough separation of functions along with organisational instructions and the allocation of technical roles and access rights shall ensure in advance that interventions in accounting processes can only be undertaken in accordance with official responsibilities and appropriate competence. Unless specialised, two-person integrity systems have been established at the system level, organisational control activities are undertaken on a standardised basis. Electronically generated raw data as well as the various interim and final processing results are analysed, tested for plausibility and randomly examined by the departments using a variety of system-supported comparisons, agreements, target-actual comparisons and time-series developments on an individual transaction basis. Both technical requirements and workflow descriptions are in place for the individual processing steps within the framework of the relevant preparation process.

Internal and external reporting is also subjected to a multistage quality-assurance process before annual accounts information is released.

Accounting processes are an integral component of the Internal Audit division's risk-oriented audit planning system. Audit focuses are changed on a regular basis. Audits take place as process audits and are, as a matter of principle, underpinned by case-by-case audits of samples.

In the 2019 financial year, audits were carried out for this purpose, among other things, on the reconciliation of customer derivatives, the process of foreign tax returns and the settlement of placements in account management. As in previous years, the Internal Audit division monitored and accompanied the process of reconciling loan accounts within the scope of the dispatch of annual account statements in its role as a neutral body.

As in the previous year, the audits by the Internal Audit division did not result in any material findings in the year under review.

Regarding special measures concerning the management and monitoring of valuation units that are to be depicted within the accounting framework, please refer to the comments on risks in the Risk report as well as the Notes.

A number of external audits were carried out at Berlin Hyp in the financial year 2019 alongside the audit of the annual accounts. These audits affected either Berlin Hyp directly as a separate financial institution or in its capacity as part of the regulatory group.

The Bank followed up and rectified the findings in a coordinated procedure led by the Internal Audit division.

V Remuneration Report

This Remuneration Report summarises the principles that were applied in determining the remuneration of the Board of Management at Berlin Hyp, and explains the levels and structure of Board of Management benefits. In addition, the principles and levels of the remuneration for the Supervisory Board and its committees are described. The report takes into consideration the recommendations of the German Corporate Governance Code in the version of 7 February 2017.

Remuneration of the Board of Management

The Supervisory Board establishes and annually reviews the remuneration system, including the major contractual elements, for the Board of Management at Berlin Hyp. Pursuant to Section 3 (2) of the German Remuneration Ordinance for Institutions (InstitutsVergV), the supervisory body is responsible for the structure of the remuneration systems for the members of the management. The specifics of the remuneration systems for the members of the management body were resolved by the Supervisory Board in the "Richtlinie des Aufsichtsrats der Berlin Hyp AG für die Festsetzung und Auszahlung der variablen Vergütung (Tantieme) der Vorstandsmitglieder" (Guidelines prepared by Berlin Hyp's Supervisory Board for establishing and paying out the variable remuneration (bonuses) for members of the Board of Management).

In accordance with its rules of procedure (as at 28 March 2017), the Staff and Strategy Committee performed the duties of the Remuneration Control Committee pursuant to Section 25d (12) of the German Banking Act (KWG) and Section 15 of the German Remuneration Ordinance for Institutions (InstitutsVergV) until 17 June 2019. Since 17 June 2019, the Bank has implemented a Remuneration Control Committee.

Landesbank Berlin Holding has concluded a lump-sum pecuniary loss third-party liability group insurance (D & O insurance) in favour of members of organs within the Group. This also covers the personal liability risk of the Berlin Hyp Board of Management members in case the relevant group of persons is called to account for pecuniary loss in connection with the

performance of its work. In accordance with the regulations contained in Section 93 (2) German Stock Corporation Act (AktG), the deductible is agreed as at least 10% of the claim up to a maximum amount of one and a half times the fixed annual remuneration. Landesbank Berlin Holding pays the premiums for this D & O insurance which is also in the interests of the Group.

During the reporting year, the Board of Management consisted of Sascha Klaus, Gero Bergmann and Roman Berninger. The individual rights and duties of members of the Board of Management resulting from their employment relationship are regulated for each member by his contract of employment. The following remuneration elements have been set:

Fixed annual salary: The fixed annual salary of the members of the Board of Management consists of a basic salary in the form of pensionable and non-pensionable components, which are payable in monthly instalments. In accordance with the employment contracts, the fixed payments are, in the event of effective collective wage increases, adjusted according to the salary increase of the respective highest salary group in terms of per cent in accordance with the collective bargaining agreement for the private banking trade and the public banks.

Variable remuneration: The members of the Board of Management can receive variable remuneration for their work in the respective past financial year.

Pursuant to Section 20 (5) of the InstitutsVergV, at least 50 % of variable remuneration must depend on the sustained development of the institution's value and be subject to an appropriate vesting period. For (listed) institutions organised as an Aktiengesellschaft (stock corporation), the sustainability requirement is also to be complied with using share-based forms of remuneration. If share-based forms of remuneration are not possible at institutions due to their legal form or are not suitable for other reasons in order to achieve the goal of sustainability, reference can be made to business ratios that reflect the enterprise value. However, a comprehensive company valuation

is not necessary. The issue of Berlin Hyp shares is not regarded as practical, as Berlin Hyp shares are not listed. In view of the ownership structure with LBBH as sole shareholder, the issue of new Berlin Hyp shares is not in the interest of the Group. Berlin Hyp shares, which cannot be traded on a liquid market, also do not represent a reasonable incentive instrument for Board of Management remuneration. Therefore, in the opinion of the members of the Supervisory Board, shares as a form of remuneration for Berlin Hyp and its parent company, LBBH, are not suitable for ensuring that the remuneration is geared to the sustainable performance of Berlin Hyp and LBBH as required by the regulatory authorities. The creation of share-based instruments (phantom stocks) does not bring any advantage over the fixing of a variable remuneration in cash. It is not possible to map a market price of shares that reflects sustainable performance and which could be linked to the fact that such share-based instruments would also be payable in cash and would have to be based on the same criteria as those used to determine the variable remuneration. Instead of using share-based forms of remuneration, the part of the variable remuneration which is to be structured pursuant to Section 20 (5) of the InstitutsVergV (sustainable instruments), is based on the development of equity capital as provided in Berlin Hyp's annual accounts in accordance with the German Commercial Code (HGB), as this adequately mirrors the development of Berlin Hyp's value.

The Supervisory Board stipulates the maximum amount of the variable remuneration to be paid to each member of the Board of Management in a financial year (so-called "target bonus"). Variable remuneration is measured using a multi-stage system:

The first prerequisite is that a total amount of variable remuneration within the meaning of Section 45 (2) Sentence 1 No. 5a German Banking Act (KWG) can be determined. This also includes bonuses for members of the Board of Management. Pursuant to Section 7 of the InstitutsVergV, the total amount of variable remuneration is to be determined in a formalised, transparent and comprehensible process

with appropriate participation of the control units in accordance with their area of responsibility. In addition, Section 7 (1) Sentence 3 of the InstitutsVergV stipulates that:

When determining the total amount, the risk-bearing capacity, the multi-year capital planning and the earnings situation of Berlin Hyp and the Group must be sufficiently taken into account and it must be safeguarded that Berlin Hyp and the Group are in a position to maintain or restore adequate capital and liquidity resources and the combined capital buffer requirements in accordance with Section 10i of the German Banking Act (KWG) on a permanent basis.

These preconditions are reviewed annually at the Group and institution level as part of the variable remuneration process. For this purpose, analyses are carried out on the basis of the current medium-term planning (MTP) with a time horizon of five years. For capital planning purposes, the MTP sets strategic minimum targets for the common equity tier capital 1 ratio for the Group and Berlin Hyp that exceed the regulatory requirements.

In the event of an inadequate earnings situation, the determination of a total amount is only conceivable in such situations in which there are immediate and concrete signs of a turnaround for the better. The intention to determine a total amount despite a negative earnings situation of the institution is to be substantiated in a plausible, comprehensive and comprehensible way to third parties and must be notified in advance to the supervisory authority. Section 45 of the German Banking Act (KWG) remains unaffected by this. However, if the conditions for the BaFin's powers of requirement pursuant to Section 45 of the German Banking Act (KWG) (in particular (2) Nos. 5a and 6) are met, no total amount may be determined and consequently no funds may be made available for allocation.

In order to determine the overall performance of the Group and the institution, remuneration parameters shall be used that take account of the objective of sustainable performance and take appropriate account of risks.

1. Determining the Group's Overall Success

The Group's overall success is determined at the level of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG. The size of the contribution to value, which fundamentally encompasses the operating result and capital costs and is determined based on the annual accounts of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG according to the German Commercial Code (HGB), is used as a parameter here. Determining the Group's overall success is the basis for other decisions at the level of individual Group institutions. Positive value contributions at Group level are a fundamental prerequisite for a group institution to be able to determine a total amount of variable remuneration on the basis of its own positive overall performance determined specifically for that institution.

2. Determining Berlin Hyp's Overall Success

Berlin Hyp's overall success is determined using the method as applied at Group level.

3. Determining the Total Variable Remuneration Amount

In determining the total variable remuneration amount for the Board of Management (total bonus pool), the Supervisory Board initially uses a bonus base value. This amounts to 20 % of the fixed remuneration (excluding other remuneration/compensation in kind) of the members of the Board of Management. The actual amount of the total volume of variable remuneration is derived from the success-adjusted amount of the bonus base value. In addition to the consideration of sustainable financial success, other non-qualitative factors are taken into account by the Supervisory Board.

4. Determining individual target bonuses

The individual success of each member of the Board of Management is determined by whether the member achieves the agreed targets (individual targets), taking into account both quantitative and qualitative remuneration parameters, which are inspired by the strategies and support the reaching of the strategic targets. In accordance with Section 18 (5) of the InstitutsVergV, negative deviations from agreed targets of the member of the Board of Management or of the departments for which he is responsible must reduce the amount of variable remuneration and also lead to its complete

loss (ex ante risk adjustment). The complete loss of a variable remuneration must occur in any case if:

- The member of the Board of Management has been significantly involved in or responsible for conduct that has resulted in significant losses for the institution or in material regulatory sanctions
- The member of the Board of Management has seriously violated relevant external or internal regulations with regard to suitability and conduct
- According to Section 19 (2) of the InstitutsVergV, immoral or improper conduct must lead to a reduction of the target bonus; there may be no compensation through positive performance contributions

The target bonus may not exceed half of the fixed annual salary (basic salary comprising pensionable and non-pensionable components) of the member of the Board of Management.

The total remuneration calculated in this way (basic salary plus target bonus) will be reviewed by means of a market comparison and considering the institution's remuneration structure to ensure that it is appropriate. The target bonus is then determined by the Supervisory Board.

Taking into account the position and the tasks of the Board of Management at Berlin Hyp, 40 % of the target bonus determined by the Supervisory Board will be paid immediately ("instant bonus"). The remaining 60 % of the target bonus will be spread over a period of five years and, after further determination by the Supervisory Board, may only be awarded in five instalments ("conditional bonuses") over the five financial years following the year in which the target bonus is determined. The Supervisory Board will resolve the conditional bonuses once the annual accounts have been prepared for each financial year, taking into account the requirements of Section 7 (1) of the InstitutsVergV, the sustained development of Berlin Hyp's value as well as personal performance contributions.

In each financial year following the year in which the target bonus is determined, a maximum conditional bonus of 12 per cent of the target bonus (corresponding to 1/5 of the retained bonus) may be determined for payment or grant. Each portion of the conditional bonus

still to be agreed on will be determined after reviewing the sustainability of the performance contributions for the financial year for which the target bonus had been intended at the time (base year). During the retention period, a backtesting of the initial determination of the target bonus and the achievement of the targets on which it is based must be carried out. If the result of the review deviates downwards from the result used to determine the target bonus and if the original risk adjustment proves to be insufficient, the difference in relation to the retained variable remuneration component must be deducted accordingly (malus). The performance, success and risk criteria originally used must be taken as a basis. The retained remuneration component shall be reduced to the level at which it would have been fixed if the failure and/or risk subsequently realised had already been taken into account in the original determination of the target bonus. If negative profit contributions are subsequently known, the entire conditional bonus must be reduced to "zero" for the relevant assessment period in accordance with Section 19 (1) InstitutsVergV. The conditional bonuses may only be granted if and to the extent that the requirements pursuant to Section 7 (1) Sentence 3 of the InstitutsVergV are met at the respective determination dates in the retention period. Berlin Hyp is entitled to reclaim bonuses paid out and to refuse to meet claims to the payment of bonuses of a member of the Board of Management ("right to reclaim") if he has been significantly involved in or responsible for conduct that has led to substantial losses or a material regulatory sanction for Berlin Hyp or has seriously violated relevant external or internal regulations with regard to suitability and conduct.

The right to reclaim exists both for the instant bonus and for the conditional bonus. It comprises all paid-out components of a target bonus that were granted for the financial year in which the member of the Board of Management's decisive action to trigger the right to reclaim took place. The right to reclaim expires two years after the end of the retention period for the last determined instalment, the target bonus for the financial year in which the relevant action was taken.

Fifty per cent of both the instant and conditional bonuses will be paid out immediately following their determination. The remaining 50 % of the instant and conditional bonuses are dependent on the sustained development of the company's value and are subject to a one-year

vesting period, after which they will be paid ("sustainable instruments"). The net asset value over time needs to be established for this. If a member leaves the Board of Management through termination of the appointment and/or termination of the employment relationship, the determination of instalments extending across the retention period will not be affected and other income will not be offset.

The Board of Management members did not receive any other remuneration components (subscription rights, other share-based remuneration components, etc.) in the financial year 2019. Board of Management members have not been promised or have not received payments from third parties in the financial year under review in connection with their work as Board of Management members.

Other remuneration: Company cars were also provided to Sascha Klaus, Roman Berninger and Gero Bergmann for company and private use in the financial year 2019, with chauffeurs also provided for company use.

Total remuneration: In the financial year 2019, the members of the Board of Management received remuneration totalling T€ 2,003 (previous year: T€ 1,839). This amount contains the performance-related elements of the remuneration for the financial years 2015, 2016 and 2017, totalling T€ 280, and for the financial year 2018 totalling T€ 136, disbursed in the financial year 2019.

In 2019, variable remuneration of T€ 680 was determined for the Board of Management for the financial year 2018.

The total amount of variable remuneration paid to the Board of Management in 2019 was determined in accordance with Section 7 of the InstitutsVergV.

The sum of variable remuneration for the financial year 2019 as well as the payable retention sums from the 2015, 2016 and 2017 financial years could not yet be determined at the time of the preparation of the annual accounts.

Pension and benefits commitments: In case of incapacity for work caused by accident or illness, the members of the Board of Management are entitled to full payment for the following periods: Gero Bergmann and

Sascha Klaus up to twelve months; Roman Berninger up to 18 months. However, in each case payment shall not be granted past the end of the respective employment relationship.

The Board of Management members Klaus, Bergmann and Berninger have a claim to retirement pension after the end of the contractual relationship upon reaching the age of 65. In the case of Roman Berninger, his claim for pension also applies upon expiry of the term of appointment or as a result of the Bank's termination of the contractual relationship, provided termination is not occasioned by cause connected with the person of the Board of Management member (Section 626 German Civil Code (BGB)).

Gero Bergmann or the Bank may terminate his employment contract once he has reached the age of 62. In this case, he retains his claim to retirement pension even before the age of 65.

If Sascha Klaus, Gero Bergmann or Roman Berninger leave the Bank due to invalidity, they will receive a disability pension. A widow's or orphan's pension is also paid to the surviving dependants upon their death.

The retirement pension payable is determined by a certain percentage of their pensionable fixed salary, and increases by 1 % for Sascha Klaus and 2 % for Gero Bergmann and Roman Berninger, respectively, for each year of service as a Board of Management member, whereas a maximum limit of 75 % is contractually agreed for Roman Berninger and a maximum limit of 50 % for Sascha Klaus and Gero Bergmann. The valuation basis for the retirement pension is the full amount of pensionable fixed salary.

The pension claim acquired pursuant to this as at 31 December 2019 is 34.0 % of the pensionable salary for Sascha Klaus, 38 % for Gero Bergmann and 62 % for Roman Berninger. According to their contracts of employment, these Board of Management members have a claim to the adjustment of their current pension benefits once they have started receiving them. This adjustment is made in accordance with the percentage payment developments of the collective bargaining agreements for the private banking trade and the public banks.

The cash value of the pension reserves formed for the Board of Management was T€ 6,553

on the balance sheet date (T€ 4,763). In 2019, T€ 1,790 (T€ 1,156) was contributed to reserves in anticipation of pension commitments and similar obligations to members of the Board of Management.

In addition, a total of T€ 2,817 (T€ 2,756) was paid in the financial year 2019 in overall benefits (retirement pensions, surviving dependants' benefits and payments of a related nature) to former Board of Management members or their surviving dependants. The cash value of the obligations to pay such benefits for this group of persons is T€ 3,725 as at the balance sheet date.

The following overview of the remuneration of the members of the Board of Management in the 2019 financial year follows the disclosure requirements of the German Corporate Government Code (in T€):

**Amounts
in T€**

		Fixed annual remuneration	Ancillary benefits	Total	One-year variable remuneration	Multi-year variable remuneration	Conditional bonus for the 2015 FY (5-year term of the plan)	Instant bonus for the 2016 FY (1-year term of the plan)	Conditional bonus for the 2016 FY (5-year term of the plan)	Instant bonus for the 2017 FY (1-year term of the plan)	Conditional bonus for the 2017 FY (5-year term of the plan)	Total	Benefit expenditure ¹	Total remuneration
Sascha Klaus Chair of Board of Management 1.10.2016														
Benefits granted	2018	560	17	577	112		0	0	0	0	0	689	195	884
	2019	564	21	585	112		0	0	0	0	42	739	251	990
	2019 (min)	564	21	585	112		0	0	0	0	42	739	251	990
	2019 (max)	564	21	585	112		0	0	0	0	42	739	251	990
Alloca-tions	2018	560	17	577	56		0	0	0	0	0	633	195	828
	2019	564	21	585	56		0	0	0	56	21	718	251	969
Roman Berninger Board of Management 1 January 2010														
Benefits granted	2018	461	19	480	80		20	0	27	0	0	607	282	889
	2019	468	18	486	80		20	0	27	0	30	643	0	643
	2019 (min)	468	18	486	80		20	0	27	0	30	643	0	643
	2019 (max)	468	18	486	80		20	0	27	0	30	643	0	643
Alloca-tions	2018	461	19	480	40		20	36	14	0	0	590	282	872
	2019	468	18	486	40		20	0	27	40	15	628	0	628
Gero Bergmann Board of Management 1 January 2011														
Benefits granted	2018	481	25	506	80		20	0	27	0	0	632	118	750
	2019	489	27	516	80		20	0	27	0	30	673	153	826
	2019 (min)	489	27	516	80		20	0	27	0	30	673	153	826
	2019 (max)	489	27	516	80		20	0	27	0	30	673	153	826
Alloca-tions	2018	481	25	506	40		20	36	14	0	0	615	118	733
	2019	489	27	516	40		20	0	27	40	15	658	153	811

¹ For pension schemes and other benefits, the benefit expense, i.e. the service cost, is shown in accordance with IAS 19. The service cost to be recognised in profit or loss is calculated according to the Projected Unit Credit Method and corresponds to the actuarial present value of those payment elements, which are newly earned by the active staff in the current accounting period.

Remuneration of the Supervisory Board

The members of the Supervisory Board receive remuneration for their work; this amount is stipulated in the Articles of Association, which state that Supervisory Board members receive fixed annual remuneration. No variable remuneration is paid. Additional remuneration is paid for membership in the committees, for chairpersonship and deputy chairpersonship of the Supervisory Board and its committees. Remuneration of the Supervisory Board members is regulated as follows pursuant to Section 14 of the Articles of Association:

In addition to reimbursement of their expenditure, members of the Supervisory Board receive fixed annual remuneration. For individual members, this amounts to T€ 12 per annum; the Chair of the Supervisory Board receives double this amount, and each Deputy Chair receives one and a half times the stated figure.

Each member of the Supervisory Board committees receives fixed annual remuneration in addition to his or her Supervisory Board remuneration as follows:

- T€ 6 for activities on the Audit Committee and the Loans Committee;
- T€ 5 for activities on the Presiding and Nomination Committee;
- T€ 3 for activities on the remuneration Control Committee.

The respective committee chair receives one and a half times this amount, and each deputy chair receives one and a quarter times the stated figure.

In the event that members of the Supervisory Board acting in this capacity assume a particular duty in the interests of the company, the Supervisory Board can resolve to grant additional remuneration.

If a member only belongs to the Supervisory Board for part of the financial year, he/she receives the pro-rata share of the annual remuneration for this period.

The amounts owed to the members of the Supervisory Board pursuant to this Section 14 of the Articles of Association are exclusive of value added tax at the statutory rate, if applicable.

Members of the Supervisory Board receive remuneration for their work in the respective financial year in each case after the expiry of the financial year in question.

Total remuneration of T€ 313 (T€ 303), without value added tax, is payable to the members of the Supervisory Board of Berlin Hyp and its committees for 2019.

All employees' representatives on the Supervisory Board are employees of Berlin Hyp. They receive appropriate remuneration for this work and the usual bank pension commitment for staff. They receive no further pension commitments for their activity on the Supervisory Board. No remuneration or benefits for personal performance, particularly for consulting and referral services, were paid or granted to the members of the Supervisory Board.

VI Corporate Governance Statement Pursuant to Section 289f German Commercial Code (HGB)

Declaration of Compliance Pursuant to Section 161 German Stock Corporation Act (AktG) on the German Corporate Governance Code

The Declaration of Compliance pursuant to Section 161 German Stock Corporation Act (AktG) on the German Corporate Governance Code was published by Berlin Hyp in its Internet portal under <https://www.berlinhyp.de/bhyp/de/ueberuns/corporategovernance>.

Establishment of Targets for the Proportion of Women in the Supervisory Board, Board of Management and in Management Positions

Berlin Hyp is subject to representative participation according to the German One-Third Participation Act and, in accordance with the legal requirements, has established targets for the proportion of women on the Supervisory Board and Board of Management through its Supervisory Board.

Supervisory Board

Berlin Hyp's Supervisory Board is made up of ten shareholder representatives and five employee representatives. Berlin Hyp has currently met its target of having at least two women on the Supervisory Board.

Board of Management

The Board of Management currently has two members. The share of female representation of 0 % determined by the Supervisory Board continues to apply until the review on 30 June 2022 or the termination of current contracts of employment prior to reappointment.

First and Second Management Levels below the Board of Management

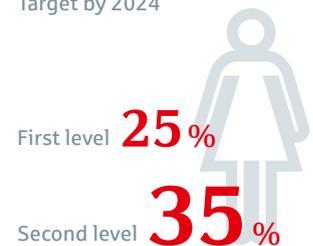
Berlin Hyp's Board of Management established a graduated scheme for raising the target for the first and second management levels. It calls for achieving targets for the first (divisional management) and second (department management) management levels below the Board of Management as follows: 23 % and 30 %, respectively, by 31 December 2020, 25 % and 35 %, respectively, by 31 December 2024.

As in the previous year, the target set for the first level of management below the Board of Management (divisional management) of 23 % by 2020 was exceeded as at 31 December 2019 at 28.6 %. At the second level of management below the Board of Management (department management), the proportion of women rose by around three percentage points to 24.4 % when compared to the previous year. This is further below the target figure of 30 per cent to be achieved by 2020. After completion of the project ORZ (organisation and role profiles of the future), the target figures will be reviewed and, if necessary, adjusted.

Overall, the percentage of women in management positions at all levels of management at Berlin Hyp is 27.4 %.

Women in management positions

Target by 2024



VII Non-Financial Statement pursuant to Sections 289b to 289c German Commercial Code (HGB)

Preface

Berlin Hyp AG (Berlin Hyp) is required by law to submit a non-financial declaration pursuant to Sections 289b to 289e German Commercial Code (HGB) annually.

The Bank fulfils this obligation – without making use of an exemption option – by publishing this “Non-Financial Declaration” (hereinafter also referred to as “declaration”). The declaration relates to the period from 1 January 2019 to 31 December 2019. In addition, Berlin Hyp will publish this declaration on its website at www.berlinhyp.de.

The declaration is based on the performance indicators in accordance with the standards of the Global Reporting Initiative (GRI SRS), insofar as its frameworks are adequate for Berlin Hyp in each individual case.

For better readability, the terms of the Global Reporting Initiative have been adapted to the terms of Section 289c German Commercial Code (HGB). The Supervisory Board of Berlin Hyp AG has voluntarily commissioned KPMG Wirtschaftsprüfungsgesellschaft AG to conduct a business audit of the report in accordance with ISAE 3000 (Revised) for the purpose of obtaining limited assurance in accordance with Sections 289b to 289e HGB. In addition to this non-financial declaration, Berlin Hyp publishes its sustainability activities in 2020 according to GRI SRS in the GRI balance sheet. It is planned to publish the GRI balance sheet in the second quarter of 2020. This provides further information on the Bank’s sustainability strategy and performance beyond the statutory requirements of the German Commercial Code (HGB).

All references to further reports are additional information and are not part of this declaration or its audit.

Business Model

Details of the business model can be found in the Management Report under section “1 Principles of the Bank – Business Model”.

General Information

1. Sustainability Concept

1.1 Strategic Analysis and Measures

Berlin Hyp is one of Germany’s leading real estate and Pfandbrief banks in commercial real estate financing. It uses risk management insights and a materiality matrix that must be updated annually to analyse its opportunities and risks. In its commitment to sustainability, Berlin Hyp is guided by the Ten Principles of the UN Global Compact, the Charta der Vielfalt, the DSGV’s sustainability guidelines and the sustainability code for the real estate sector published by the German Property Federation (Zentraler Immobilien Ausschuss, ZIA). Acting sustainably has also been firmly anchored in the company strategy. Requirements and procedures have been stipulated to manage environment, social and governance (ESG) risks responsibly during the course of ordinary business operations.

Furthermore, Berlin Hyp has excluded business activities relating to certain critical industries. For example, real estate is not financed if its construction or operation is directly related to the production of genetically modified organisms or the production of tobacco or alcohol. The strategic principles that create the framework for sustainability are presented in Chapter 1.3.

1.2 Materiality

In order to take the perspective of our stakeholder groups into account, Berlin Hyp conducts a stakeholder survey every two years. The materiality analysis based on the survey conducted in 2018 was reviewed in 2019 by Berlin Hyp’s sustainability management to ensure that it was up to date.

On the one hand, the extent to which Berlin Hyp’s business activities have an appreciable impact on the individual sustainability aspects was examined. On the other hand, whether or not the sustainability aspects were relevant for the understanding of Berlin Hyp’s business performance, results of operations and position was examined.

Overview of issues deemed to be material

		Material according to CSR-RUG	Relevant for Berlin Hyp
Employee-related matters	→ Promotion of an open and fair working environment	✓	✓
	→ Fair remuneration policy, appropriateness of commissions and bonuses		✓
Social issues	→ Consideration of social criteria when issuing bonds/loans	✓	✓
	→ Protection of personal information of employees, customers and business partners*		✓
	→ Offering secure/stable financial products	✓	✓
	→ Transparent presentation of impacts, opportunities and risks of the portfolio	✓	✓
Prevention of corruption	→ Prevention of corruption and anticompetitive behaviour*		✓
	→ Tax honesty		✓
	→ Prevention of money laundering and terrorist financing		✓
Environmental matters	→ Consideration of ecological criteria when issuing bonds/loans	✓	✓
	→ Consideration of climate protection criteria in the selection of financing projects	✓	✓
	→ Consideration of criteria for conserving resources and protecting biodiversity in the selection of financing projects	✓	✓
Human rights	→ Corporate human rights due diligence and consideration of social criteria when selecting financing projects*		✓
Other	→ Responsible design of the digitisation of processes**	✓	✓

* These topics do not have double materiality according to CSR-RUG. However, special attention will be paid to these issues within Berlin Hyp. As a result, these topics are dealt with in more detail in the following on a voluntary basis.

** The responsible design of the digitisation of processes has an impact on employee-related matters and social concerns and is explained in more detail below at the level of the individual aspects.

- **Employee-related matters**
Business operations are not possible without employees. These measures are intended to contribute to the further development of the employee situation. For this reason, appropriate measures have also been taken to promote an open and fair working atmosphere with regard to employee rights, equal opportunities and qualification. These measures are intended to contribute to the further development of the employee situation.
- **Social concerns**
Through its activities as a financial service provider, Berlin Hyp has an impact on social concerns, in particular through its products and services. Measures such as the integration of social criteria into our own investment business and the responsible design of the digitisation of processes also contribute to a positive business development.
- **Prevention of corruption and bribery**
The prevention of corruption and anticompetitive behaviour and compliance with legal requirements by Berlin Hyp's products and services have a decisive influence on the success of its business activities. According to a joint assessment with the stakeholders, this only has a non-material impact on the aspect of "prevention of corruption and bribery". However, special attention will be paid to this topic within Berlin Hyp.
- **Environmental concerns**
As Berlin Hyp as a financial services provider – in contrast to the manufacturing industry – consumes relatively few natural resources in its business activities and has no significant share of climate-relevant emissions, this declaration does not go into more detail about the Bank's internal operational ecology. Financing projects, products and services of Berlin Hyp are relevant for this report as they have an indirect impact on the environment and climate protection. We were able to expand our product range in this area and thus make a positive contribution to the development of the business situation.
- **Human rights**
Berlin Hyp acknowledges its responsibility with regard to the protection of human rights in all business activities. In order to guarantee this, Berlin Hyp has adopted several guidelines and joined the UN Global Compact as early as 2015. Since Berlin Hyp operates

predominantly in Germany and in selected European core markets, the likelihood of human rights violations in the course of our business activities is assessed as low.

The analysis of possible reportable risks in connection with the non-financial aspects has shown that after applying the net method, taking into account the risk limitation measures, no material risks associated with Berlin Hyp's own business activities and business relationships as well as its products and services have been identified that are very likely to have or will have serious negative effects on the above-mentioned aspects.

1.3 Objectives

In addition to the overall strategic objectives listed below, the chapters on the various aspects of sustainability contain objectives that are only assigned to the respective aspect and contribute to the achievement of the overall strategic objectives. Berlin Hyp's overall strategy is reviewed annually by the management and is geared to the following two objectives:

1. Berlin Hyp is the most modern commercial real estate financier in Germany.
2. Berlin Hyp is the S-Group Partner of the German savings banks.

In its sustainability mission statement, Berlin Hyp has set itself the following framework for action to support these goals: "In our actions, we take ecological and social as well as economic aspects into account. In this way, we assume a responsibility towards owners, customers, employees and society that goes beyond the legal requirements:

1. We pursue a long-term, responsible and risk-conscious business policy and thus make a reliable contribution to the positive development of the economy and society.
2. We welcome the voluntary integration of ecological and social aspects into the real estate industry and the capital market. We continuously improve our own ecological and social 'footprint'.
3. We take responsibility for the quality of our work. We behave fairly, comply with the law as well as orient ourselves to voluntary, relevant standards.

4. We offer our employees long-term career prospects in conjunction with a comprehensive range of further training opportunities. We promote social diversity and the preservation of health in our company and we support our employees in social emergencies.”

These overarching frameworks are, for example, concretised in directives. To support these objectives, the following catalogue of measures was developed, which is also presented in the Sustainability Report (sustainability programme).

The achievement of objectives is monitored by the Sustainability Management team. The results are made available to management for information and approval in the context of the sustainability report or GRI balance sheet.

1.4 Depth of the Value Chain

Due to the long useful life of real estate, Berlin Hyp has an explicit interest in ensuring that its customers build, acquire and operate real estate whose value is guaranteed in the long term by professional consideration of ecological, economic and social criteria. This interest is supported by a corresponding product guideline, according to which, for example, financing of buildings in connection with labour law and human rights violations must be rejected. In addition, Berlin Hyp requires its major suppliers to comply with the requirements of the ten principles of the UN Global Compact.

Sustainability programme (excerpts)

No.	Activity field	Measure	Sustainability aspect	Deadline	Status
1	Profitable business model	Development of a concept for a climate risk analysis of real estate portfolios	Environmental matters	12/2020	In implementation
		Project work with Carbon Delta	Environmental matters	12/2020	In implementation
		Review and, if necessary, concept development for extended impact measurement of the entire financed real estate portfolio	Social issues – social impact	12/2020	In implementation
2	Future-oriented customer relationship	Further development and process optimisation of the green bonds concept	Environmental matters	12/2020	In implementation

2. Process Management

2.1 Responsibility

Sustainability is anchored in Berlin Hyp across all divisions. This is ensured by the interaction between the Board of Management, Sustainability Management and the Sustainability Management Committee, as well as the Sustainability Board, consisting of permanent representatives from the divisions of Corporate Strategy, Treasury, Real Estate Financing, Finance, Valuation, Communications and Marketing, Human Resources, Organisation and Sales Management. The overall responsibility for the sustainability strategy lies with the Chair of the Board of Management.

2.2 Rules and Processes

In addition to economic aspects, the Bank also takes into account both environmental and social ones. Guidelines with corresponding specifications safeguard that these aspects are taken into account. These guidelines are put into operation through measures anchored in the business processes. Monitoring the constant application of the measures is primarily the task of management staff. The identification, assessment, management and monitoring of non-financial risks associated with the five sustainability aspects is the operational responsibility of the respective specialist departments. Overarching responsibility rests with the Risk Management team. The risk management approach and outcomes are described in detail in the management report under Section III Opportunities, Forecast and Risk Report and are therefore not addressed further here.

2.3 Control – Due Diligence

Within the framework of regular reports by material organisational units – namely Compliance, Human Resources and Internal Audit – an overview of the relevant non-financial performance indicators is presented to the Bank's Board of Management. The selected reports are listed along with the individual sustainability aspects in Chapter 3.

2.4 Stakeholder Engagement

Berlin Hyp uses its established discussion formats with its key stakeholders to identify and implement their sustainability requirements. In particular, stakeholders include customers, employees, society, competitors and owners.

Stakeholder dialogue is itself part of the Bank's day-to-day business processes in the form of discussions with customers, employee surveys or participation in association committees, to name a few examples.

In 2018, Berlin Hyp had used a digital stakeholder survey to identify the material sustainability issues from the stakeholders' perspective. On this basis, in-depth discussions were held with stakeholder groups in 2019. In general, Berlin Hyp sees the following sustainability aspects and issues as localised among its key stakeholder groups:

- The requirements of the owners and the customers are, above all, a profitable business model, responsible business operations, future-oriented customer relationships and the creation of unifying trust. In the context of this declaration, these requirements are reported – as far as legally required – primarily under the following aspects/issues: environmental concerns, social concerns and conduct in compliance with the law and regulations.
- The employee requirements relate to a profitable business model, a responsible business operation, an attractive employer and the creation of mutual trust. Within the scope of this declaration, these requirements are reported – as far as legally required – primarily under the following aspect: employee-related matters.
- From the company's point of view, a profitable business model, responsible business operations and the creation of mutual trust are particularly relevant. In the context of this declaration, these requirements are reported – as far as legally required – primarily under the following aspects/issues: social concerns and conduct in compliance with the law and regulations.
- For competitors, unifying trust is of relevance. In the context of this declaration, this requirement is reported – to the extent required by law – primarily under the following circumstances: conduct in compliance with laws and regulations.

3. Sustainability Aspects

3.1 Employee-Related Matters

Berlin Hyp's management culture aims to stand

out by esteem, goal orientation, long-term security as well as extensive decision-making and creative freedom for all employees. Managers have a special role in implementing the corporate mission statement and contribute to supporting employees in their development along their individual career and life phases.

This claim forms the basis of the human resources strategy, which thus supports the overall strategy of Berlin Hyp and, together with the corresponding guidelines and processes, covers the internal framework for the individual aspects listed below under 3.1.1 to 3.1.3.

The aim is to recruit the best employees from a personal and professional point of view and to ensure their long-term loyalty to the Bank. Systematic personnel planning is a prerequisite for this. It is the responsibility of the HR department. The effects of digitisation and automation on the one hand and demographic change on the other must be taken into account.

Internal and external resources are used to cover personnel requirements. Open positions are initially advertised internally in order to give qualified employees the opportunity for personal development. The recruitment of junior staff is ensured by hiring trainees, dual students, working students and interns.

Young talent management is constantly developing in line with the demands of the target groups and Berlin Hyp. Following feedback cycles, the trainee programme was further optimised in order to respond even more specifically to the needs of the target groups in 2019. In the programme, trainees take the journey of real estate financing to understand procedural and economic interrelationships, deepen their knowledge of digital topics and receive specific knowledge from experts in the Bank. This fosters a holistic assignment of one's own profit contribution in the future field of duty as well as cross-divisional cooperation. In addition to the trainee programme, Berlin Hyp also offers direct entry after academic graduation.

Digitisation and automation are changing working conditions in a very concrete way. Creative workspaces and mobile technical equipment help to relieve the strain on employees in their daily work and give them greater flexibility.

HR reporting is prepared every six months and provides a detailed overview of key employee indicators. Necessary measures to change these key indicators will be initiated.

3.1.1 Employee Rights

The employees of Berlin Hyp work almost exclusively in Germany and are therefore subject not only to EU regulations but also to German regulations on labour law, co-determination within the company and the rights to freedom of association. In addition, employees employed on the basis of collective bargaining agreements enjoy direct protection under the provisions of the collective bargaining agreement, as Berlin Hyp is a member of the employers' association that is party to the collective bargaining agreement.

The Works Council is responsible for a large number of sustainability issues in accordance with the German Works Constitution Act (BetrVG) (e.g. occupational health and safety, equal rights, protection against discrimination, compliance with employee protection rights). In its role as the representative body of the entire workforce (except senior executives), it therefore contributes to the involvement of employees in sustainability management. The Committee of Spokespersons performs this role for the senior executives. Through a series of agreements with the Works Council and the Committee of Spokespersons for executive employees, Berlin Hyp has regulated important issues relating to employee rights that go beyond the statutory requirements, including the organisation of the company, company pension schemes and mobile working. The two employee representatives have the right to monitor the implementation of the agreed measures.

Occupational health and safety and health management issues are also organised in accordance with legal requirements or regulated in works agreements. On behalf of the Board of Management of Berlin Hyp, the responsible divisions do not negotiate occupational safety and health protection issues directly with trade unions, but in accordance with legal requirements with the Works Council or the Committee of Spokespersons for senior executives. In addition, overarching issues of occupational safety and health protection can become the subject of collective agreements between the associations that conclude collective agreements.

3.1.2 Equal opportunities

Berlin Hyp is firmly convinced that diversity creates advantages from opposites. This attitude was underlined, inter alia, by the signing of the Charta der Vielfalt. In this context, the Human Rights, Diversity and Inclusion Directive provides employees and business partners with a clear orientation for their daily actions. It is based on national legislation and is oriented to international standards, such as, among others:

- Universal Declaration of Human Rights of the United Nations;
- United Nations Conventions Relating to Work and Employment;
- Convention for the Protection of Human Rights and Fundamental Freedoms of the European Union.

Berlin Hyp strives to integrate the equal consideration of women and men in the filling of management positions into its corporate culture to an even greater extent (see Management Report VI "Corporate Governance Declaration Pursuant to Section 289f German Commercial Code").

This will be supported, inter alia, by the following measures:

- Binding regulation on the inclusion of female applicants in recruitment by personnel consultants for the identification and promotion of female potential;
- Organisational anchoring of the equal involvement of female and male executives in central decision-making processes of the Bank, for example in the form of binding appointments to various selection and observer committees with at least one woman;
- Operational anchoring of the promotion of women by means of the assessment criterion of manager's behaviour in terms of the equality of employees.

The implementation of an applicant management tool, planned for 2020, will systematically record and evaluate the inclusion of female applicants in all of Berlin Hyp's recruitment procedures.

In addition, Berlin Hyp actively supports the compatibility of family and career and, as a result, equal opportunities through various instruments and measures such as trust-based working hours, mobile working and parent-child workplaces.

The "Competence Model" of Berlin Hyp forms the basis for the redesign of HR management instruments and supports equal opportunities. On this basis, the selection procedure for managers and trainees was redesigned in 2019, and a holistic development programme for managers, their deputies and project managers was implemented. We are not aware of any cases of discrimination in the 2019 reporting year.

3.1.3 Qualification

Through training and further education, the performance of managers and employees is maintained and individual motivation is promoted.

The change in the required employee competencies through digitisation and automation is supported by a large number of customised in-house seminars and selected external training measures. The functional cycle of HR development consists of the basic steps of needs identification, target setting, planning, implementation as well as success control and transfer safeguarding for the respective qualification measure. Managers generally control this process together with their teams and individual employees and are supported in this by the Human Resources department. On the basis of feedback discussions and the current and future task structure, they initiate and support needs-oriented development measures for employees and organisational units. The goal of all development measures, which were set at an average of 3.5 days per year for the workforce, is to achieve the following objectives:

- Securing qualified personnel to cover the company's specific personnel requirements;
- Increasing the adaptability of employees to structural changes in the organisation and organisational culture as well as;
- The flexibilisation of personnel deployment.

In 2019, employees and managers underwent training and further education for an average of 4.3 days.

As a further development of the "Cafeteria model", the "Lernwelt für Führungskräfte" (learning environment for managers) was implemented in 2019. The holistic development programme follows a systemic approach in which organisational learning is the main focus. Derived from the Bank's strategic changes in leadership, the individual needs of

managers from the 270° feedback as well as learning-theory findings, the objective is to provide support in current change processes by means of accompanied process learning based on concrete management situations, thereby strengthening a modern management culture that supports strategy in the long term.

The Board of Management and the Works Council are informed annually by the Human Resources department about the qualification measures of employees and managers in the form of the Training Report.

3.2 Environmental Concerns

Since Berlin Hyp's products and services have an influence on ecological or social factors, Berlin Hyp has concentrated on the sustainable development of its core business over the past three years. Today the Bank is the largest issuer of green bonds in benchmark format among European commercial banks and issues green bonds in two different asset classes. Accordingly, the Bank is following current developments under the European Action Plan for Financing Sustainable Growth, in particular the definition of a taxonomy and a green bond standard, with great interest. The Bank also participated in the consultations of the Technical Expert Group set up by the EU Commission.

By issuing green bonds, Berlin Hyp is making an active contribution to reducing CO₂ emissions. In the current CO₂ reporting (as of 28 February 2019) available at www.berlinhyp.de/de/investoren/green-bonds, the results and methodology for estimating saved CO₂ emissions from the green buildings financed are presented. On the basis of this methodology and depending on the model used, each million euro nominal value of the green bonds saves between 12.6 tonnes and 38.8 tonnes CO₂ per year compared to the benchmarks used.

Compared to the current EnEV reference values, the CO₂ savings have increased significantly year-on-year. The inclusion of the values for the demand of general-purpose electricity in the CO₂ calculation for the first time is the reason for this. In terms of plausibility, the CO₂ reporting was checked by oekom research (now ISS ESG) as part of the re-verification of 29 April 2019.

In 2019, Berlin Hyp issued two green bonds in benchmark format. In July, the fourth green Pfandbrief was successfully launched on the market; it was followed in October by the fourth green senior preferred bond. Both bonds each have a nominal volume of € 500 million and were placed on the market at very good terms. With a share of 59 %, the share of international investors in the green Pfandbrief was above average.

For Berlin Hyp, environmental protection is fundamentally an important issue. As a real estate financier, it has an indirect influence on the CO₂ emissions of the real estate it finances. Therefore, based on the overall bank strategy, the sustainability target was derived to increase the share of green financing in the Bank's loan portfolio to 20 % by 2020. This objective corresponds to the products for the green bond market.

The company management is informed quarterly about the development of the loans portfolio and the share of green financing and can thus take control measures. The target of 20 % set had already been reached by 31 December 2019.

A climate risk analysis is carried out every two years in order to identify and assess risks from climate change for the markets in which the projects financed by Berlin Hyp are located. In

Tonnes of CO ₂ /€m per year saved	100 % allocation to the financing of Berlin Hyp	Proportionate allocation pursuant to the amount of Berlin Hyp's initial interest in the financing
Comparison with current EnEV reference values (heat and electricity)	38.81 (PY: 15.7)	21.58 (PY: 8.7)
Comparison with European average (heat only)	22.20 (PY: 36.3)	12.57 (PY: 21.1)

order to gain deeper insights into how climate change could affect real estate valuation, Berlin Hyp already participated in a project with the Swiss-based start-up Carbon Delta (now MSCI Carbon Delta) in autumn 2018. At the beginning of 2019, the first results were available for three real estate portfolios synthetically compiled by Berlin Hyp in the retail, office and residential asset classes. In the further course of the financial year, the results were discussed with the experts from Carbon Delta and analysed by Berlin Hyp.

3.3 Social Concerns – Social Impact

Berlin Hyp, with its registered office in Berlin, contributes to economic and social well-being, particularly in the State of Berlin. Its business model generates income from interest and commission income and thus pays profits, employees' salaries and taxes. The profit will be transferred to the sole shareholder Landesbank Berlin Holding, also based in Berlin.

In addition, Berlin Hyp strives to achieve an appropriate anchoring in the region through its social commitment (corporate citizenship). Further information can be found on the website at <https://www.berlinhyp.de/de/%C3%BCber-uns/nachhaltigkeit/mitarbeiter-gesellschaft> and in the 2019 GRI balance sheet to be published in the second quarter of 2020.

Berlin Hyp also meets the social requirements for its own investments.

To this end, it has defined ethical investment criteria derived from the ten principles of the Global Compact, other internationally recognised sustainability standards and the Bank's compliance requirements. The filter used in Berlin Hyp for the Bank's own investments (portfolio A) is based on this. By applying it to the Bank's investment business, sustainable aspects are to be taken into account in financial investments on an equal footing with the economic objectives of investments in securities. The annual report of Sparkassenverband Baden-Württemberg in cooperation with the independent sustainability rating agency ISS ESG Research (formerly oekom research) forms the basis for the analysis of portfolio A and the basis for future investment decisions. If the half-yearly review of portfolio A by Sustainability Management reveals violations of the filter criteria, Treasury consults with Sustainability Management on the measures to be taken.

The Treasury and Sustainability Management divisions jointly discussed the anomalies that arose in 2019. Treasury is responsible for implementing the jointly agreed measures. The consideration of social criteria in the issuance of bonds and loans is currently under review and a result is expected by the end of 2020.

3.4 Prevention of Corruption and Bribery – Conduct in Compliance with Laws and Regulations

In order to ensure success in the markets, it is an important goal of the Bank to maintain and strengthen the trust of customers, employees, owners and supervisory authorities. The Bank's reputation therefore has a high priority. This also includes acting in the interests of customers and avoiding conflicts of interest. To this end, Berlin Hyp has created a comprehensive compliance organisation whose principles are summarised in a Code of Conduct and in numerous internal work instructions and are monitored by the Compliance Department under the direction of the Compliance Officer. Berlin Hyp has set itself the objective of preventing all attempts at fraudulent action or corrupt conduct. Within the framework of the following sub-aspects, the organisation and selected measures to combat corruption and bribery are discussed in more detail with the involvement of company management.

3.4.1 Political influence

In principle, Berlin Hyp does not exert any political influence. In the year under review, no entries were made in legislative procedures or in a lobby list. Benefits to political parties or politicians are prohibited at Berlin Hyp in accordance with the Corporate Citizenship Directive. Berlin Hyp makes its contribution to the public debate on developments relevant to the industry through its involvement in associations and industry institutions, which in turn have to act within the framework of their statutes and are monitored by their committees.

3.4.2 Conduct in compliance with laws and regulations

Our actions are based on compliance with the law, professional standards and internal rules, regulations and guiding principles. Employees are required to respect and comply with the laws and regulations applicable in the jurisdictions in which the Bank operates. Employees are trained and instructed in compliance with legal standards and internal regulations.

Since 2019, our Code of Conduct also includes an external Whistleblowing hotline.

report on the status of data protection in the company or ad hoc if necessary.

There were no known incidents of corruption at Berlin Hyp in 2019. The Compliance Department regularly informs company management about the status of compliance management in the company. In addition, ad hoc information is provided on a case-by-case basis in the event of serious violations of compliance regulations. The regular implementation of internal company requirements is also reviewed as planned – and if necessary, on an ad hoc basis – by Internal Audit, which reports directly to the Board of Management and is independent of instructions. There were no anomalies in this respect in the year under review.

No fines were imposed on Berlin Hyp in the year under review. Furthermore, no non-monetary sanctions were imposed against the Bank for non-compliance with laws and regulations.

3.4.3 Protection of the privacy of employees, customers and business partners

Berlin Hyp collects, processes and uses personal data of employees, customers and business partners. They are used for general business operations and enable us to provide customers with advice and support tailored to their needs.

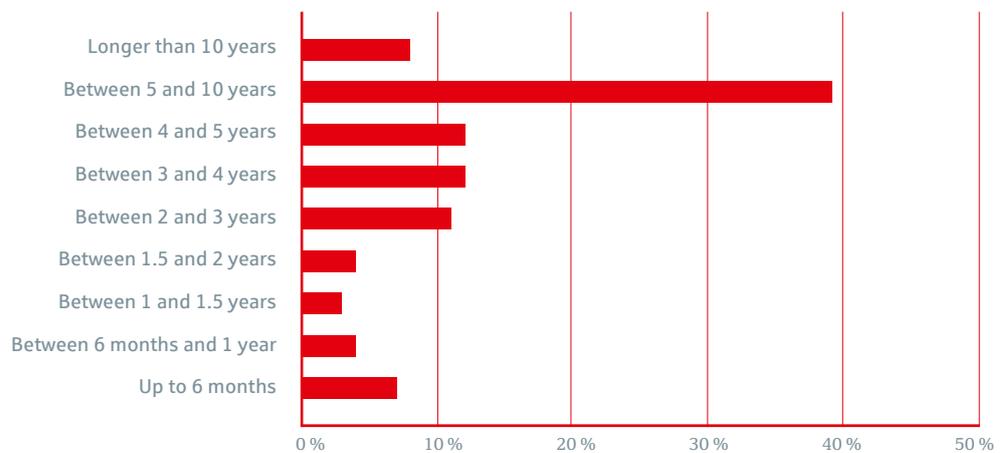
This personal data may only be handled with care, in compliance with the law and according to clear rules, in order to justify the trust placed in the Bank by customers. Within the company and vis-à-vis customers and business partners, we therefore pay attention to who receives what information. Customer data may only be passed on to third parties if the customers have consented to this, or if there is a legal permissibility or legal obligation to do so. The internal instructions define and describe the processes by which the implementation of the General Data Protection Regulation and other regulations on data protection at Berlin Hyp is to be promoted. Operational data protection is monitored by the Data Protection Officer. He acts on behalf of the Board of Management and is not subject to instructions in the tasks assigned to him. The Data Protection Officer works towards compliance with data protection and monitors and coordinates data protection measures. All Berlin Hyp employees regularly attend a web-based data protection training course. Company management is informed by the Data Protection Officer with an annual

VIII Further Information for Investors

Mortgage loans portfolio

The breakdown of the mortgage loans portfolio by maturity structure and loan-to-value ratio as at 31 December 2019 was as follows:

Maturity Structure of Loans



Loan to value according to countries (with exposure > 1 % of the reporting total) in %

Lending region	Ø LTV
Germany	56.3
BeNeLux	54.2
France	49.1
Poland/Czech Republic	59.6
Great Britain	43.6

Available Distributable Items (ADI) in € m

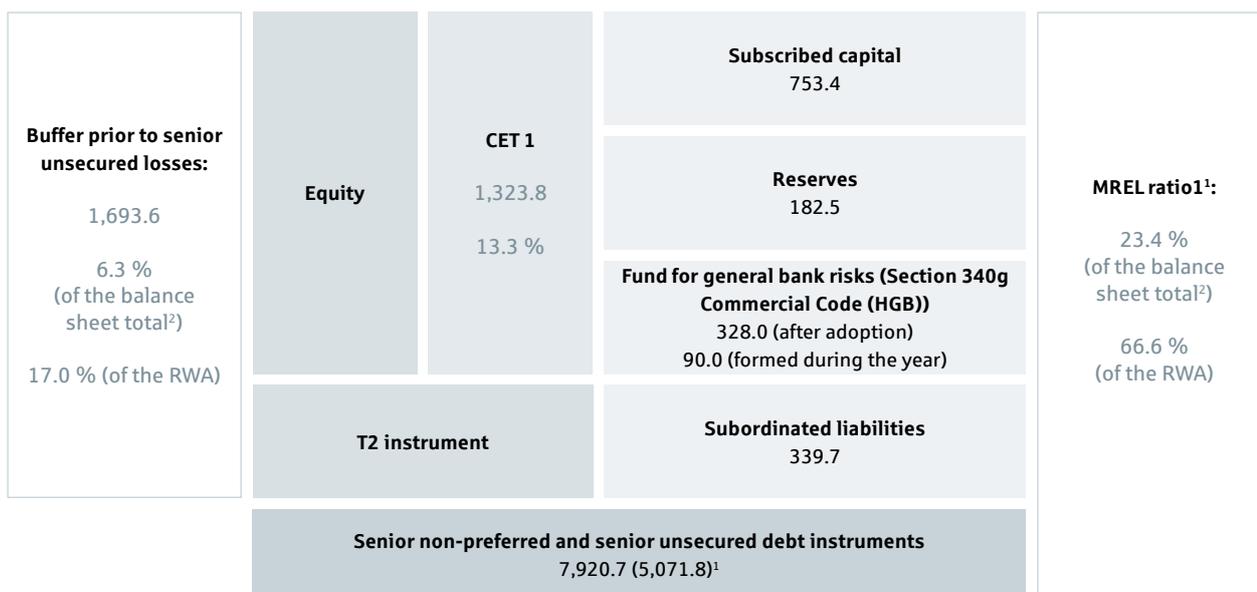
	31.12.2019	31.12.2018
Balance sheet profit	0.0	2.2
Net income/loss for the year	0.0	0.0
Profit/loss carry-forward from the previous year	0.0	2.2
Additions to/withdrawals from retained earnings	0.0	-2.2
Other profit reserves excluding statutory reserves*	2.2	2.2
Free capital reserves pursuant to Section 272 II No. 4 Commercial Code (HGB)	158.3	158.3
Less amounts blocked from distribution pursuant to Section 268 VIII Commercial Code (HGB)	-28.9	-29.8
Available items capable of distribution	131.6	132.9

* nach Einstellungen in die Gewinnrücklagen

Regulatory law key indicators
in € m

	31.12.2019	31.12.2018
Common equity tier 1 capital (CET1)	1,323.8	1,243.6
Additional tier 1 capital (AT1)	0.0	0.0
Tier 1 capital (T1)	1,323.8	1,243.6
Tier 2 capital (T2)	273.4	308.8
Equity/total capital	1,597.2	1,552.4
RWA	9,990.6	9,215.0
CET1 ratio in %	13.3	13.5
T1 ratio in %	13.3	13.5
Total capital ratio in %	16.0	16.8
Leverage ratio in %	4.6	4.3
MREL (balance sheet total)	23.4	25.2
MREL (RWA)	66.6	78.5
LCR	156,8	160.2

Insolvency hierarchy and protection of senior unsecured investors
in € m



¹ From a regulatory law point of view, structured debt instruments, money market securities and long-term securities with remaining terms of less than one year are not taken into account for the MREL ratio. Senior unsecured instruments are capped at 2.5 % of RWA.

² Comparable with TLOF.

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Balance Sheet of Berlin Hyp AG as at 31 December 2019

Assets	€	31.12.2019 €	31.12.2018 T€
1. Cash reserves			
a) Cash in hand	0.00		0.00
b) Central banks credit balances	25,578,287.64		1,814,607
of which: at Deutsche Bundesbank € 25,578,287.64 (previous year: T€ 1,814,607)		25,578,287.64	1,814,607
2. Public-sector debt and bills of exchange admitted for refinancing at central banks		0.00	0
3. Claims against banking institutions			
a) Mortgage loans	0.00		0
b) Public-sector loans	0.00		0
c) Other claims	261,835,629.29		1,011,104
of which: due on demand € 5,533,099.04 (previous year: T€ 2,470) with securities as collateral € 0.00 (previous year: T€ 0)		261,835,629.29	1,011,104
4. Claims against customers			
a) Mortgage loans	21,774,049,161.83		20,223,378
b) Public-sector loans	521,895,431.10		554,547
c) Other claims	107,333,603.09		86,827
of which: with securities as collateral € 0.00 (previous year: T€ 0)		22,403,278,196.02	20,864,752
5. Debentures and other fixed-interest securities			
a) Money market securities			
aa) Issued by public institutions	0.00		0
of which: eligible as securities at Deutsche Bundesbank € 0.00 (previous year: T€ 0)			
ab) From other issuers	0.00		0
of which: eligible as securities at Deutsche Bundesbank € 0.00 (previous year: T€ 0)			
	0.00		0
b) Bonds and debentures			
ba) Issued by public institutions	619,999,197.37		598,229
of which: eligible as securities at Deutsche Bundesbank € 619,997,033.16 (previous year: T€ 598,229)			
bb) From other issuers	3,078,667,245.81		2,468,526
of which: eligible as securities at Deutsche Bundesbank € 2,924,438,225.84 (previous year: T€ 2,453,573)			
	3,698,666,443.18		3,066,755
c) Own debentures	0.00		0
Nominal amount € 0.00 (previous year: T€ 0)		3,698,666,443.18	3,066,755
6. Shares and other non-fixed-interest securities		0.00	0
6a. Trading portfolio		0.00	0
7. Interests		5,716,140.41	5,182
of which: in banking institutions € 0.00 (previous year: T€ 0) in financial services institutions € 0.00 (previous year: T€ 0)			
Carryover		26,395,074,696.54	26,762,400

Liabilities

	€	31.12.2019 €	31.12.2018 T€
1. Liabilities to banking institutions			
a) Registered mortgage Pfandbriefe issued	177,517,940.97		254,685
b) Registered public Pfandbriefe issued	45,759,651.47		59,179
c) Other liabilities	3,803,269,654.63		3,719,395
of which: due on demand € 103,369,887.59 (previous year: T€ 1,246)		4,026,547,247.07	4,033,259
Registered mortgage Pfandbriefe delivered to the lender as collateral for loans taken up € 0.00 (previous year: T€ 0) and public registered Pfandbriefe delivered € 0.00 (previous year: T€ 0)			
2. Liabilities to customers			
a) Registered mortgage Pfandbriefe issued	1,622,346,482.77		1,880,713
b) Registered public Pfandbriefe issued	399,516,514.88		550,213
c) Other liabilities	2,302,757,209.00		2,475,848
of which: due on demand € 379,632,457.64 (previous year: T€ 387,182)		4,324,620,206.65	4,906,774
Registered mortgage Pfandbriefe delivered to the lender as collateral for loans taken up € 0.00 (previous year: T€ 0) and public registered Pfandbriefe delivered € 0.00 (previous year: T€ 0)			
3. Securitised liabilities			
a) Debentures issued			
aa) Mortgage Pfandbriefe	10,303,316,987.07		9,816,072
ab) Public Pfandbriefe	20,451,241.10		720,423
ac) Other debentures	5,828,782,785.16		5,217,922
	16,152,551,013.33		15,754,417
b) Other securitised liabilities	0.00		0
of which: money market securities € 0.00 (previous year: T€ 0)		16,152,551,013.33	15,754,417
3a. Trading portfolio		0.00	0
4. Trust liabilities		0.00	0
of which: trust loans € 0.00 (previous year: T€ 0)			
5. Other liabilities		442,013,237.36	475,144
6. Accruals and income collected in advance			
a) From issue and loan business	121,983,603.18		128,066
b) Other	0.00		0
		121,983,603.18	128,066
6a. Deferred tax liabilities		0.00	0
7. Provisions			
a) Provisions for pensions and similar obligations	186,085,398.00		160,946
b) Tax provisions	9,500.00		38
c) Other provisions	73,743,669.14		74,466
		259,838,567.14	235,450
8. Subordinated liabilities		339,697,809.37	380,734
Carryover		25,667,251,684.10	25,913,844

Balance Sheet of Berlin Hyp AG as at 31 December 2019

Assets	€	31.12.2019 €	31.12.2018 T€
Carryover		26,395,074,696.54	26,762,400
8. Shares in affiliated enterprises		25,646.61	667
of which: in banking institutions € 0.00 (previous year: T€ 0)			
in financial services institutions € 0.00 (previous year: T€ 0)			
9. Trust assets		0.00	0
of which: trust loans € 0.00 (previous year: T€ 0)			
10. Equalisation claims against public-sector institutions, including debentures arising from their exchange		0.00	0
11. Intangible investment assets			
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	9,551,597.00		7,580
c) Goodwill	0.00		0
d) Payments in advance	21,224,809.62		12,533
		30,776,406.62	20,113
12. Tangible assets		49,312,234.19	56,793
13. Unpaid called-up contributions to the subscribed capital		0.00	0
14. Other assets		409,039,541.53	181,255
15. Accruals and prepaid expenses			
a) From issue and loan business	135,513,720.58		154,863
b) Other	1,412,595.16		1,656
		136,926,315.74	156,519
16. Deferred tax assets		0.00	0
17. Surplus arising from offsetting		0.00	0
18. Deficit not covered by equity		0.00	0
Total assets		27,021,154,841.23	27,177,747

Liabilities

	€	31.12.2019 €	31.12.2018 T€
Carryover		25,667,251,684.10	25,913,844
9. Profit-sharing rights capital		0.00	0
of which: due within two years € 0.00 (previous year: T€ 0)			
10. Fund for general banking risks		418,000,000.00	328,000
11. Equity			
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 reserve			
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		2,175
	24,197,648.07		24,198
d) Balance sheet profit	0.00		0
		935,903,157.13	935,903
Total liabilities		27,021,154,841.23	27,177,747
1. Contingent liabilities			
a) Liabilities from guarantees and warranty contracts		258,890,387.10	163,610
2. Other obligations			
a) Irrevocable loan commitments		2,958,659,024.49	2,214,282

Profit and Loss Account

of Berlin Hyp AG for the period from 1 January to 31 December 2019

Expenditure	€	2019 €	2018 T€
1. Interest expenditure	91,860,661.55		82,202
less positive interest	18,109,188.82	73,751,472.73	53,475
2. Commission expenditure		8,767,509.50	5,877
3. Net expenditure of the trading portfolio		0.00	0
4. General operating expenditure			
a) Staff expenditure			
aa) Wages and salaries	57,276,972.22		56,787
ab) Social security contributions and expenditure for retirement pensions and support of which: for retirement pensions € 27,201,742.58 (previous year: T€ 19,516)	35,087,924.53		27,036
	92,364,896.75		83,823
b) Other administrative expenses of which: expenditure for bank € 12,039,500.66 (previous year: T€ 10,553)	67,557,830.85		61,524
		159,922,727.60	145,347
5. Depreciations and valuation adjustments on intangible investment assets and tangible assets		12,387,916.92	5,869
6. Other operating expenditure		10,198,979.80	16,773
7. Depreciations and valuation adjustments on claims and specific securities and additions to provisions made for lending		0.00	0
8. Depreciations and valuation adjustments on participations, shares in affiliated enterprises and securities held as investment assets		4,000,384.33	0
9. Expenditure for loss assumptions		0.00	0
10. Contribution to the fund for general banking risks		90,000,000.00	105,000
11. Extraordinary expenditure		0.00	0
12. Taxes on income and earnings		609,306.90	40
13. Other taxes not shown under Item 6		174,582.36	176
14. Profits transferred on the basis of a profit pool, a profit transfer or partial profit transfer agreement		61,007,150.67	116,408
15. Net income for the year		0.00	0
Total expenditure		420,820,030.81	448,965

Income		2019 €	2018 T€
	€		
1. Interest income from			
a) Lending and money market transactions	391,937,925.74		370,545
less negative interest from lending and money market transactions	5,815,020.75	386,122,904.99	6,533 364,012
b) Fixed-interest securities and book-entry securities	-2,664,995.41		4,914
		383,457,909.58	368,926
2. Current income from			
a) Shares and other non-fixed interest securities	0.00		0
b) Interests	0.00		0
c) Shares in affiliated companies	0.00		0
		0.00	0
3. Income from profit pooling, profit transfer or partial profit transfer agreements		0.00	0
4. Commission income		26,605,596.31	29,036
5. Net earnings of the trading portfolio		0.00	0
6. Income from attributions to claims and specific securities and the dissolution of provisions made for lending		2,178,044.33	37,415
7. Income from attributions to interests, shares in affiliated enterprises and securities treated as investment assets		0.00	1,245
8. Other operating income		8,578,480.59	12,343
9. Income from the dissolution of the fund for general bank risks		0.00	0
10. Net loss for the year		0.00	0
Total income		420,820,030.81	448,965

Statement of Changes in Equity and Cash Flow Statement

T€	Subscribed capital	Capital reserve	Profit reserves	Balance sheet profit	Total equity
As at 01.01.2019	753,389	158,316	24,198	0	935,903
Capital increases	0	0	0	0	0
Dividend payments	0	0	0	0	0
Other changes pursuant to Section 152 (3) No. 1 German Stock Corporation Act (AktG)	0	0	0	0	0
As at 31.12.2019	753,389	158,316	24,198	0	935,903

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.

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 disposal or acquisition of financial and/or tangible assets. In assessing the change of funds from financing activity, changes in subordinated liabilities are taken into 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 € 61.0 million are reported separately. The transfer of profits for the financial year 2018 is reported in cash flow from financing activities.

Cash Flow Statement in T€ (+ = cash inflow, - = cash outflow)	2019	2018
Net income for the year	0	0
Depreciation of tangible assets and amortisation of intangible assets, valuation adjustments on/attributions to claims and investment asset items	35,991	7,630
Increase/decrease in provisions	24,390	14,709
Other non-cash expenditure/income	0	0
Profit/loss from the sale of investment asset items	-3,936	-14,478
Profit and loss transfer agreement	61,007	116,409
Other adjustments (on balance)	-6,583	-4,653
Increase/decrease in		
claims against banking institutions	711,923	-590,412
claims against customers	-1,552,040	113,183
securities (unless they are financial investments)	-682,887	1,277,083
other assets from current business operations	-208,208	128,869
liabilities to banking institutions	-12,760	-894,982
liabilities to customers	-589,693	-1,191,684
securitised liabilities	428,198	2,207,413
other liabilities from current business operations	17,256	-152,987
Interest expenditure/interest income	-309,707	-315,451
Expenditure/income from extraordinary items	0	0
Income tax expenditure/earnings	609	40
Interest payments and dividend payments received	422,859	422,956
Interest paid	-91,296	-83,416
Extraordinary in-payments	0	0
Extraordinary disbursements	0	0
Income tax payments	-638	-893
Cash flow from operating activities	-1,755,515	1,039,337
In-payments from disposals of		
financial investment assets	54,600	262,431
tangible assets	3	7
intangible investment assets	26	12
Disbursements for investments in		
financial investment assets	-4,664	-3,570
tangible assets	-1,830	-1,459
intangible investment assets	-14,204	-11,034
Change of funds from other investment activity (balance)	0	0
In-payments from extraordinary items	0	0
Disbursements from extraordinary items	0	0
Cash flow from investment activities	33,931	246,387
In-payments from equity contributions by shareholders of the parent company	0	0
In-payments from equity contributions by other shareholders	0	0
Disbursement from reductions in equity to shareholders of the parent company	0	0
Disbursement 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)	48,964	102,436
Change of funds from previous year's profit and loss transfer	-116,409	-117,023
Cash flow from financing activities	-67,445	-14,587
Cash and cash equivalents at the end of the previous period	1,814,607	543,470
Cash flow from operating activities	-1,755,515	1,039,337
Cash flow from investment activities	33,931	246,387
Cash flow from financing activities	-67,445	-14,587
Cash and cash equivalents at the end of the period	25,578	1,814,607

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), supplementary stock corporation law provisions (AktG) and in consideration of the German Pfandbrief Act (PfandBG) and the Regulation on the Accounts of Banking Institutions (RechKredV).

The balance sheet and profit and loss account are structured in accordance with the RechKredV. They were supplemented by the items prescribed for Pfandbrief banks.

Berlin Hyp holds shares in a subsidiary and four investments that have no material influence on the representation of the financial, assets and earnings situation of Berlin Hyp either individually or as a whole. There is no legal obligation to produce consolidated annual accounts pursuant to Section 290 of the German Commercial Code (HGB).

Reporting and Valuation Principles

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

The same reporting and valuation principles were applied in the annual accounts as at 31 December 2019 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 loan 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 pursuant to Section 340g of the 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) of the 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 of the 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 of the German Commercial Code (HGB)). They 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.

Operating and business equipment are depreciated using the following depreciation periods:

IT equipment	3 - 5 years
Other operating and business equipment	5 - 13 years

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.

The depreciation period for the buildings at Budapest Strasse 1/Keithstrasse 45 was adjusted in the financial year to the demolition of the building planned for 2020.

Since 1 January 2018, there has been no compound item formation for low-value assets. For reasons of simplification, up to an amount of € 800 net, these assets are immediately depreciated with an effect on expenses.

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. The reserves for strategic resource planning is based on the results of the works agreement concluded in this regard and on 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 in accordance with Section 253 (2) of the German Commercial Code (HGB).

Pension reserves are assessed based on actuarial principles employing a discount rate of 2.71 % (previous year: 3.21 %) 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 2019, which results as a ten-year average interest rate from an assumed residual term of 15 years (Section 253 (2) Sentence 2 of the 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 1.97 % (2.32 %)) amounts to € 28.9 million (previous year: € 29.8 million); the difference is not taken into account as being suspended for payment.

The pension obligations are based on the projected unit credit method using the 2018 G Heubeck Guideline Tables 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. Active members of the Board of Management have a calculated salary and career trend of between 0.0 % and 5.0 %. The age-dependent turnover has been considered at a rate of 2.0 % (over 50 years) to 4.3 % (up to 30 years).

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 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 and currency swaps is treated as deferred interest according to period; the reporting occurs under the items "Claims" and "Liabilities".

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 item "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 recognised immediately in profit. The Bank does not hold any credit derivatives.

The market values of the derivatives are calculated on the basis of a tenor-specific swap yield

curve, taking into consideration counterparty risks; valuation techniques appropriate to the particular instrument are applied.

Accounting Units

Within the context of economic hedging relationships, the Bank hedges debentures and other fixed-income securities, book claims and 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 of the 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 € 3.4 billion (€ 2.8 billion) as at 31 December 2019. 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 questions 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 both the prospective and the retrospective effectiveness of the accounting units. Risks hedged by the accounting units amounted to € 137.5 million (€ 98.5 million) as at the reporting date. 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.

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.

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 translation

The valuation of assets, debts and off-balance-sheet transactions in foreign currencies is undertaken on the basis of Section 256a of the German Commercial Code (HGB) in connection with Section 340h of the German Commercial Code (HGB). The translation is carried out

at the ECB reference prices provided on a daily basis by the Risk Controlling 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 rata basis. Currency effects from currency translation are reported net either in the item "Other operating income" or in the item "Other operating expenditure".

Compliance Declaration

The Bank has filed a compliance declaration in accordance with Section 161 of the German Stock Corporation Act (AktG) and has made it available on its website www.berlinhyp.de.

Explanations of the Profit and Loss Account and the Balance Sheet

Profit and Loss Account

Net interest income

Net Interest Income in T€	2019	2018
Interest income from		
Mortgage loans	391,185	369,464
Public-sector loans	-587	-737
Other receivables	1,340	1,817
less negative interest	-5,815	6,533
Fixed-income securities and book-entry securities	-2,665	4,914
	383,458	368,926
Interest expenditure for		
Deposits and registered Pfandbriefe	5,538	14,914
less positive interest	-18,109	-28,727
Securitised liabilities	-14,628	6,414
Subordinated liabilities	5,584	6,919
Other liabilities	95,367	53,956
	73,751	53,475
Net interest income	309,706	315,451

Net interest income declined by € 5.7 million to € 309.7 million compared to the previous year. The year-on-year decline is attributable in particular to lower new lending business and portfolio margins and a reduction in net income from one-off effects.

The interest expenditures from other liabilities are essentially influenced by the negative

interest result from macro-level management derivatives in the amount of € 95.4 million (€ 54.0 million), which has risen significantly against the backdrop of the renewed lower level of interest rates in 2019. This includes expenditures for close-outs to compensate for the prepayment fees received in interest income from mortgage loans.

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€	2019	2018
Services by third parties	18,963	13,777
IT expenditure	15,142	15,099
Bank levy	12,040	10,553
Group set-off	5,940	6,079
Building and premises costs	5,182	4,468
Business operating costs	3,696	3,301
Staff-related material costs	3,658	4,238
Advertising and marketing	2,221	3,232
Operating and business equipment	715	776
	67,558	61,523

Auditor's fees

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the annual financial accounts of Berlin Hyp AG. The audit of a group-reporting package was integrated into the audit. In addition, audits in accordance with Section 89 of the WpHG (Securities Trading Act) and Section 16j of the FinDAG (Federal Financial Supervisory Authority Act), an audit in accordance with ISAE 3000 in connection with the non-financial statement, agreed-upon investigative procedures in accordance with ISRS 4400 in connection with the bank levy, the issue of a comfort letter in accordance with IDW PS 910, audit services in accordance with Sections 45, 46 of the framework statutes for the Institutional Protection Scheme of the Sparkassen-Finanzgruppe as well as quality assurance in connection with an accounting-related and a regulatory issue were carried out.

The disclosures pursuant to Section 285 no. 17 of the German Commercial Code (HGB) are not undertaken with reference to the inclusion of the Bank in the consolidated annual accounts of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG. The auditor's fees incurred by Berlin Hyp AG are taken into account in the corresponding disclosure in the consolidated annual accounts.

Other Operating Result

The Other operating result, consisting of the items "Other operating expenditures" and "Other operating income", includes expenditures from additions to provisions in the amount of € 2.1 million (€ 7.7 million) in connection with strategic resource planning as well as costs for the Detailed Agreement concluded with the State of Berlin in the amount of € 0.3 million (€ 1.8 million). In addition, the Other operating result includes income from the reversal of other provisions totalling € 7.6 million (€ 11.3 million) – € 6.3 million of which is attributable to the reversal of the provision for legal risks relating to administrative fees in loan agreements – and expenditures of € 0.4 million (€ -0.1 million) from the foreign currency valuation. Of the expenditures of € 6.9 million (€ 7.1 million) from the compounding of provisions, € 5.1 million (€ 5.1 million) is attributable to the compounding of pension reserves, € 1.6 million to the compounding of strategic resource planning reserves and € 0.2 million to the provision formed in connection with administrative fees in loan agreements.

Depreciation and Valuation Adjustments on Claims and Specific Securities and 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 and 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 expenditure is comprised as follows:

In T€	2019	2018
Risk provisioning for lending business	7,489	-15,541
Risk provisioning for securities business	-9,667	-21,874
Earnings with negative advance signs	-2,178	-37,415

Risk provisioning for the lending business developed as follows:

in T€	Direct write-down	Counterparty default risk					Profit and loss relevant	
		Ind. value adjustment	Lump-sum value adjustments – other RP	RST	Total	Total	2019	2018
		2019	2019	2019	2019	2018	2019	2018
As at 1 January		89,833	110,817	6,708	207,359	225,462		
Net allocations and write-backs		-6,141	17,809	583	12,251	-9,811	12,251	-9,811
Utilisation		-536		0	-536	-8,233		
Direct write-downs	218						218	33
Receipts on written-off receivables and capital gains	-4,980						-4,980	-5,764
Foreign currency effects		373	0	0	373	-59		
As at 31 December	-4,762	83,530	128,626	7,291	219,447	207,359	7,489	-15,541

Earnings with negative signs

Services performed for third parties

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

(€15.9 million), which primarily includes income from the reversal of other reserves of €7.6 million (€11.3 million) – of which the releasing the reserve for legal risks concerning administrative fees in loan agreements accounted for €6.3 million – as well as receipts on receivables written off in the previous year of €2.3 million (€4.0 million).

Other Information

The annual surplus includes a balance of aperiodic income and expenses of €9.3 million

Negotiable securities and interests in T€	Listed	Listed	Unlisted	Unlisted
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Debentures and other fixed-interest securities	3,698,666	3,066,755	0	0

Balance Sheet

Securities with a nominal volume of € 210.0 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 € 87.9 million, amounts to € 90.8 million. This takes into account the valuation results from interest swaps, which form a valuation unit with the securities. The Bank took into account latent default risks of the investment securities in the form of lump-sum value adjustments.

Security for the Bank's Own Liabilities

Within the European System of Central Banks

(ESCB), securities with a nominal value of € 2,628.3 million (€ 2,817.2 million) were pledged as security to Deutsche Bundesbank. The volume of the associated open market operations amounted to € 1,500.0 million (€ 1,983.2 million) and \$ 450 million (\$ 500.0 million) on the balance sheet date. At the same time, the Bank has provided debenture bonds with a book value totalling € 906.5 million (€ 489.2 million) in repurchase agreements.

Intangible investment assets

This item only shows the software and licences used by the Bank as well as payments in advance in connection therewith.

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

	Acquisition/ manufacturing costs 1.1.2019	Additions 2019	Disposals 2019	Account transfers 2019	Acquisition/ manufacturing costs 31.12.2019	Cumulative Deprecia- tions 1.1.2019	Attributions 2019	Depreciations 2019	Disposals 2019	Account transfers 2019	Cumulative Deprecia- tions 31.12.2019	Residual book value 31.12.2019	Residual book value 31.12.2018
Intangible investment assets													
b) Concessions and licenses acquired commercially	62,261	992	15,889	4,164	51,528	54,680	0	3,159	15,863	0	41,976	9,552	7,581
d) Down-payments made	12,544	13,212	356	-4,164	21,236	11	0	0	0	0	11	21,225	12,533
Total intangible investment assets	74,805	14,204	16,245	0	72,764	54,691	0	3,159	15,863	0	41,987	30,777	20,114
Tangible assets													
a) Sites and buildings for own use	62,759	139	0	-41	62,857	12,106	0	6,608	0	0	18,714	44,143	50,653
b) Operating and business equipment and installations under construction	15,864	1,691	1,941	41	15,655	9,724	0	2,621	1,859	0	10,486	5,169	6,140
Total tangible assets	78,623	1,830	1,941	0	78,512	21,830	0	9,229	1,859	0	29,200	49,312	56,793
Total intangible investment assets and tangible assets	153,428	16,034	18,186	0	151,276	76,521	0	12,388	17,722	0	71,187	80,089	76,907
	Book value						Changes*				Residual book value		
	1.1.2019										31.12.2019		31.12.2018
Bonds and debentures	255,803						-50,011				205,792		255,803
Claims	391						-391				0		391
Investments	5,182						534				5,716		5,182
Shares in affiliated enterprises	667						-641				26		667

* Summary pursuant to Section 34 (3) of the RechKredV

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

Company	Share of capital Total %	Voting rights %	Equity	Result	Annual accounts diverging at 31 December 2019
Affiliated enterprises					
Berlin Hyp Immobilien GmbH, Berlin	100	100	40 T€	-21 T€	31 December 2018
Investments					
OnSite ImmoAgent GmbH, Berlin	49.00	49.00	621 T€	-18 T€	31 December 2018
PropTech 1 Fund I GmbH & Co. KG, Berlin	16.55	16.55	4,592 T€	-558 T€	31 December 2018
BrickVest Ltd., London*	13.75	13.83	1,921 T£	-1,947 T£	31 December 2017
21st Real Estate GmbH, Berlin	10.15	10.15	5,770 T€	-1,514 T€	31 December 2018

* The company has been under British insolvency administration since 7 November 2019.

Other assets

These figures largely contain claims from collateral in relation to derivatives amounting to € 396.9 million (€ 147.8 million), paid option premiums of € 5.5 million (€ 7.9 million), as well as unrealised gains from forward exchange deals with extra cover amounting to € 5.7 million (€ 17.6 million).

Other Liabilities

These include, amongst other things, liabilities from collateral received in relation to derivatives amounting to € 360.9 million

(€ 340.1 million), received option premiums of € 8.3 million (€ 13.9 million) as well as profits of € 61.0 million (€ 116.4 million) transferable to Landesbank Berlin Holding AG, Berlin.

Other Reserves

Other reserves primarily include reserves for legal risks arising from the Federal Court of Justice rulings on administrative fees in loan agreements of € 4.3 million (€ 10.8 million) and reserves for strategic resources planning of € 32.4 million (€ 35.2 million).

Other Reserves

In T€	31.12.2019	31.12.2018
Reserves for human resources	22,418	15,919
Reserves for litigation costs risks	2,572	1,911
Other	48,754	56,636
Total	73,744	74,466

Subordinated liabilities

Interest is paid on subordinate liabilities at the nominal rate of between 0.09 % and 6.53 % 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 2020 to 2034. Based on a stock of € 318.2 million (€ 351.2 million), € 217.3 million (€ 257.4 million) fulfil the requirements of the CRR for recognition as applicable equity capital.

In the financial year 2019, interest paid amounted to € 5.6 million (€ 6.9 million). The ten per cent of the loans and debentures surpassing the total stock was assumed under the following conditions:

Nominal amount T€	Interest rate p. a. %	Repayment on
60,000	0.09*	21.7.2020
40,000	4.12	4.3.2024

* Basis: three-month Euribor

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.

Classification by Remaining Maturity

in T€

	31.12.2019	31.12.2018
Assets		
Claims against banking institutions		
a) Due on demand	5,533	2,470
b) Less than three months	131,391	569,398
c) Between three months and one year	124,912	439,236
d) Between one year and five years	0	0
e) More than five years	0	0
Total	261,836	1,011,104
Claims against customers		
a) Less than three months	504,441	197,886
b) Between three months and one year	1,394,863	1,275,168
c) Between one year and five years	7,047,560	6,086,375
d) More than five years	13,456,414	13,305,323
Total	22,403,278	20,864,752
of which: claims with an indefinite term	679	679
Bonds and debentures		
- due in the following year	174,560	20,172
Liabilities		
Liabilities to banking institutions		
a) Due on demand	103,370	1,246
b) Less than three months	1,726,254	1,185,517
c) Between three months and one year	138,177	229,264
d) Between one year and five years	1,786,918	2,425,487
e) More than five years	271,828	191,744
Total	4,026,547	4,033,258
Liabilities to customers		
a) Due on demand	379,632	387,182
b) Less than three months	295,910	371,789
c) Between three months and one year	281,200	490,400
d) Between one year and five years	606,262	637,562
e) More than five years	2,761,616	3,019,841
Total	4,324,620	4,906,774
Securitised liabilities		
a) Less than three months	646,455	1,396,451
b) Between three months and one year	1,136,096	2,208,966
c) Between one year and five years	8,905,000	7,519,000
d) More than five years	5,465,000	4,630,000
Total	16,152,551	15,754,417
- due in the following year	1,782,551	3,605,417

Claims from and Liabilities to Affiliated Enterprises and Related Companies

in T€	31.12.2019	31.12.2018
Affiliated enterprises		
Claims against banking institutions	4,487	4,844
Claims against customers	0	391
Other assets	31	9
Liabilities to banking institutions	10,311	11,430
Liabilities to customers	580	595
Securitised liabilities	0	0
Other Liabilities	65,962	116,408
Subordinated liabilities	60,011	60,022

Deferred income and accrued expenses

in T€	31.12.2019	31.12.2018
Deferred income from issuing and lending operations includes:		
Discount from issuing and lending operations	44,218	42,440
Premium from issuing and lending operations	13,887	18,347
Other	77,409	94,075
	135,514	154,863
Prepaid expenses for issuing and lending operations include:		
Premium from issuing and lending operations	24,057	8,292
Discount from lending operations	593	1,115
Other	97,334	118,660
	121,984	128,067

Deferred income recognised under “Other” includes accrued up-front payments and premium payments from caps, floors and collars of € 62.1 million (€ 80.5 million), which resulted from the transfer of customer derivatives from Landesbank Berlin AG, Berlin, to Berlin Hyp (portfolio transfer) in 2015. 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€	31.12.2019	31.12.2018
Assets	335,655	328,710
Liabilities	461,564	496,431
Irrevocable loan commitments	0	1,844

Information Pursuant to Section 285 of the 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 € 2,958.7 million (€ 2,214.3 million) as at the end of the year. Contingent liabilities consist of the assumption of guarantees for largely mortgage-backed loans of € 258.9 million (€ 163.6 million). Particularly due to collateralisation, off-balance-sheet items do not present increased risks.

Berlin Hyp has concluded rental and leasing agreements for buildings used for banking operations as well as for the vehicle fleet and certain operating and business equipment. No significant risks with an impact on the assessment of the Bank's financial position arise from these agreements. All contracts concluded by the Bank in this form are within the normal scope of business, both individually and in total.

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 (EinSiG). 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. This internal settlement agreement was cancelled in the 2019 financial year.

Landesbank Berlin Holding AG paid € 15.0 million for the assumption of the risk shield in 2019. 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 loans of Berlin Hyp that are shielded by loan guarantees to the total shielded loans. As part of the internal settlement agreement, Berlin Hyp reimbursed Landesbank Berlin Holding AG the pro rata costs of € 0.3 million (€ 1.8 million).

Derivatives as at 31.12.2019

Statement of changes in derivatives in € m	Nominal amount / Remaining term			Total nominal value	Total negative values	Total positive values	Total negative book values (liabilities)	Balance sheet items (liabilities)	Total positive book values (assets)	Balance sheet items (assets)
	up to 1 year	1 to 5 years	over 5 years							
Interest-related transactions										
Interest rate swaps	3,705	23,958	24,177	51,840	-1,120	1,323	-79	P6	74	A15
of which in valuation units	86	1,328	2,051	3,465	-168	8	0		0	
Swaptions	1,275	1,500	0	2,775	-10	8	-8	P5	5	A14
Caps	491	1,577	150	2,218	-1	1	-4	P6	3	A15
Floors	1,000	4,123	627	5,750	-7	1	-4	P6	1	A15
	6,471	31,158	24,954	62,583	-1,138	1,333	-95		83	
Currency-related transactions										
Currency futures	495	0	0	495	-5	0	-5	A14	0	A14
Interest and currency swaps	0	199	0	199	0	11	0		11	
	495	199	0	694	-5	11	-5		11	
Total	6,966	31,357	24,954	63,277	-1,143	1,344	-100		94	

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	Total negative book values (liabilities)	Balance sheet items (liabilities)	Total positive book values (assets)	Balance sheet items (assets)
	up to 1 year	1 to 5 years	over 5 years							
Interest-related transactions										
Interest rate swaps	3,714	20,604	22,753	47,071	-627	933	-99	P6	90	A15
of which in valuation units	0	1,220	1,612	2,832	-108	4	0		0	
Swaptions	4,025	3,000	0	7,025	-11	7	-14	P5	8	A14
Caps	601	1,974	233	2,808	-2	2	-5	P6	4	A15
Floors	0	3,123	127	3,250	-5	0	-4	P6	0	A15
	8,340	28,701	23,113	60,154	-645	942	-122		102	
Currency-related transactions										
Currency futures	530	0	0	530	-2	0	-2	A14	0	A14
Interest and currency swaps	0	133	67	200	0	20	0		20	
	530	133	67	730	-2	20	-2		20	
Total	8,870	28,834	23,180	60,884	-647	962	-124		122	

Completed business transactions largely serve to hedge interest and exchange rate risks of financial underlying transactions. The market values of the derivative financial instruments are shown on the basis of the interest rate applicable on 31 December 2019 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. No collateral agreements are used in transactions with Landesbank Berlin due to the group affiliation. In the case of customer derivatives, land charges pledged in relation to the underlying loans also apply as collateral for the derivative transaction.

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 and 14a of the German Commercial Code (HGB)). Berlin Hyp and Landesbank Berlin Holding AG have a profit and loss transfer agreement and constitute a tax unity for sales and income tax purposes. The consolidated annual accounts of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG will be published in the electronic Federal Gazette.

Number of Staff

Annual average	Male	Female	2019 Total	2018 Total
Full-time employees	278	172	450	447
Part-time employees	22	122	144	142
School-leaver trainees / BA students	7	0	7	7
Total	307	294	601	596

Information on a Reported Holding (Section 160 (1) No. 8 of the 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 Landesbank 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 obligations entered into until 31 December 2014.

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 (until
31 December 2019)

General Managers

Alexander Stuwe, Managing Director
Until the appointment as a Member of the
Board of Management comes into effect – at the
earliest on 1 July 2020 – Mr Stuwe will assume
his new duties as Managing Director from
1 January 2020.

Supervisory Board

Helmut Schleweis

- Chair
- President of Deutscher Sparkassen- und Giroverband e.V.

Jana Pabst

- Deputy Chair
- Bank employee
- Employee representative
- Member of the Works Council of Berlin Hyp AG

Joachim Fechteler

- Bank employee (until 31 December 2019)
- Employee representative

Bernd Fröhlich

- Chair of the Board of Management of Sparkasse Mainfranken Würzburg

Gerhard Grandke

- Managing President of Sparkassen- und Giroverband Hessen-Thüringen

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 Mang

- President of Sparkassenverband Niedersachsen

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 Germersheim-Kandel
- Landesobmann of the Board of Management members of the Rhineland-Palatinate savings banks

Reinhard Sager

- President of Deutscher Landkreistag
- Ostholstein county District Administrator

Andrea Schlenzig

- Bank employee
- Employee representative

Peter Schneider

- President of Sparkassenverband Baden-Württemberg

Walter Strohmaier

- Chair of the Board of Management of Sparkasse Niederbayern-Mitte
- Bundesobmann of the German savings banks

René Wulff

- Bank employee (until 31 August 2019)
- Employee representative

Loans to Members of the Bodies

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

Remuneration of the Members of the Bodies

Remuneration for the Board of Management

The Board of Management members received the following remuneration in the financial year 2019:

Members of the Board of Management in T€	Annual remuneration						Other remuneration ¹		Total	
	Non-performance-related remuneration		Performance-related remuneration for the financial years				2019	2018	2019	2018
	2019	2018	2018	2017	2016	2015				
Sascha Klaus	564	560	56	77	0	0	21	17	718	633
of which non-pensionable	84	80								
Roman Berninger	468	461	40	55	27	20	18	19	628	590
of which non-pensionable	162	155								
Gero Bergmann	489	481	40	55	27	20	27	25	658	616
of which non-pensionable	150	142								
Total remuneration	1,521	1,502	136	187	54	40	66	61	2,004	1,839

¹ Other remuneration relating mostly to benefits in kind (pecuniary benefits from company car use) of T€ 49 (T€ 50) and the so-called net benefits employer's contribution (the assumption of tax payments on pecuniary benefits by the employer) of T€ 8 (T€ 7). In addition, chauffeurs were also used under the usual tariff conditions.

in T€	Allocated or reserved amount in 2019	Recognised pension reserves as at 31 December 2019	Present value of the pension claim acquired as at 31 December 2019	Allocated or reserved amount in 2018	Recognised pension reserves as at 31 December 2018	Present value of the pension claim acquired as at 31 December 2018
Sascha Klaus	226	638	638	412	412	412
Roman Berninger	1,131	3,598	3,598	438	2,467	2,467
Gero Bergmann	433	2,317	2,317	307	1,884	1,884
Total	1,790	6,553	6,553	1,157	4,763	4,763

In addition, a total of T€ 2,817 (T€ 2,756) was paid in the past financial year in overall benefits (retirement pensions, surviving dependants' benefits and payments of a related nature) to former Board of Management members or their

surviving dependants. The cash value of the obligations to pay such benefits for this group of persons is T€ 37,525 (T€ 35,888) as at the balance sheet date.

Remuneration for the Supervisory Board

The remuneration payable to the members of the Supervisory Board for the 2019 financial year, including committee activity, amounts to T€ 313 (excluding VAT).

Members of the Supervisory Board in T€	2019	2018
Helmut Schleweis, Chair	35	32
Jana Pabst, Deputy Chair	20	18
Joachim Fechteler	18	18
Bernd Fröhlich	18	13
Gerhard Grandke	20	19
Artur Grzesiek	18	18
Dr Harald Langenfeld	26	26
Thomas Mang	28	31
Thomas Meister	17	18
Siegmar Müller	18	18
Reinhard Sager	12	12
Andrea Schlenzig	17	18
Peter Schneider	18	18
Walter Strohmaier	30	26
René Wulff	18	18
Total	313	303
plus VAT	57	55
Total expenditure	370	358

Major Mandates of the Board of Management Members

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 (until 31 December 2019)

- 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 2019.

Statement of Cover Assets in € m	31.12.2019	31.12.2018
A. Mortgage Pfandbriefe		
Ordinary cover		
1. Claims against banking institutions		
Mortgage loans	0.0	0.0
2. Claims against customers		
Mortgage loans	13,578.7	12,861.4
3. Tangible assets (land charges on Bank-owned real estate)	0.0	0.0
Total	13,578.7	12,861.4
Additional cover		
1. Other claims against banking institutions	125.0	970.0
2. Debentures and other fixed-interest securities	536.5	900.6
Total	661.5	1,870.6
Total cover	14,240.2	14,732.0
Total mortgage Pfandbriefe requiring cover	13,784.5	14,200.1
Excess cover	455.7	531.9
B. Public Pfandbriefe		
Ordinary cover		
1. Claims against banking institutions		
a) Mortgage loans	0.0	0.0
b) Public-sector loans	0.0	0.0
2. Claims against customers		
a) Mortgage loans	16.8	54.3
b) Public-sector loans	408.0	538.5
3. Debentures and other fixed-interest securities	15.0	639.0
Total	439.8	1,231.8
Additional cover		
1. Other claims against banking institutions	0.0	0.0
2. Debentures and other fixed-interest securities	26.5	96.4
Total	26.5	96.4
Total cover	466.3	1,328.2
Total public Pfandbriefe requiring cover	452.0	1,289.7
Excess cover	14.3	38.5

Information pursuant to Section 28 of the German Pfandbrief Act (PfandBG)**Section 28 (1) Nos. 1 to 3 of the PfandBG**

Amounts in € m

a) Mortgage Pfandbriefe Outstanding and Cover Used

	Nominal		Present value		Risk-adjusted present value*	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Mortgage Pfandbriefe	13,784.5	14,200.1	14,803.7	14,964.4	15,667.3	15,769.6
of which: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Cover funds	14,240.2	14,732.0	15,576.2	15,789.5	16,278.9	16,428.9
of which: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Excess cover	455.7	531.9	772.5	825.1	611.7	659.3
Surplus cover pursuant to vdp differentiation model	455.7	531.9	772.5	825.1	-	-

* 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Up to 6 months	275.5	1,459.5	705.6	1,428.2
Between 6 and 12 months	947.0	423.7	680.6	568.8
Between 12 and 18 months	564.0	275.0	452.1	589.1
Between 18 months and 2 years	2,005.0	947.0	506.9	796.5
Between 2 and 3 years	2,391.0	2,569.0	1,392.3	1,254.9
Between 3 and 4 years	2,091.0	2,546.0	1,889.6	1,528.6
Between 4 and 5 years	1,673.0	1,941.0	1,930.8	1,559.1
Between 5 and 10 years	2,982.0	3,125.0	5,990.8	6,548.3
Longer than 10 years	855.9	913.9	691.4	458.5

b) Public Pfandbriefe Outstanding and Cover Use

	Nominal		Present value		Risk-adjusted present value*	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Public Pfandbriefe	452.0	1,289.7	543.1	1,434.9	521.5	1,403.7
of which: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Cover funds	466.3	1,328.2	668.6	1,582.8	608.7	1,476.1
of which: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Excess cover	14.3	38.5	125.5	147.9	87.3	72.4
Surplus cover pursuant to vdp differentiation model	14.3	38.5	125.5	147.9	-	-

* 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Up to 6 months	190.0	802.7	10.0	41.5
Between 6 and 12 months	0.0	5.0	0.5	1.2
Between 12 and 18 months	25.0	190.0	2.3	25.6
Between 18 months and 2 years	25.0	0.0	9.1	15.5
Between 2 and 3 years	10.0	50.0	0.7	238.5
Between 3 and 4 years	9.0	10.0	61.2	10.6
Between 4 and 5 years	10.0	9.0	0.8	110.6
Between 5 and 4 years	133.0	173.0	186.6	686.5
Longer than 10 years	50.0	50.0	195.2	198.2

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 of the PfandBG
(Mortgage Pfandbriefe)**

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

	31.12.2019	31.12.2018
Total	0.0	0.0

**Section 28 (1) No. 5
of the PfandBG (Mort-
gage Pfandbriefe)**

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

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

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Germany	256.0	1,085.0	60.0	85.0
Denmark	0.0	17.5	0.0	0.0
Finland	10.0	10.0	0.0	0.0
France	0.0	20.0	0.0	20.0
Canada	117.0	100.5	88.0	65.5
The Netherlands	0.0	10.0	0.0	10.0
Norway	15.0	0.0	0.0	0.0
Sweden	16.5	97.1	16.5	97.1
Total	414.5	1,340.1	164.5	277.6

**Section 28 (1) No. 6 of the PfandBG
(Mortgage Pfandbriefe)**

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

	31.12.2019	31.12.2018
Germany	193.0	153.0
European Union (EU)	0.0	322.5
Canada	0.0	10.0
Austria	30.0	45.0
Poland	24.0	0.0
Total	247.0	530.5

Amounts in € m

**Section 28 (1) Nos. 4 to 6 of the PfandBG
(Mortgage Pfandbriefe)**Total amount of the additional
cover for Mortgage Pfandbriefe

	31.12.2019	31.12.2018
Total	661,5	1.870,6

**Section 28 (1) Nos. 4 and 5 PfandBG
(regarding public Pfandbriefe)
Additional Cover for Public Pfandbriefe****Section 28 (1) No. 4 of the PfandBG
(Public Pfandbriefe)**Equalisation claims pursuant to
Section 20 (2) No. 1 of the PfandBG

	31.12.2019	31.12.2018
Total	0.0	0.0

**Section 28 (1) No. 5
of the PfandBG
(Public Pfandbriefe)**Claims as defined in Section 20 (2)
No. 2 of the PfandBGOf which covered debentures as defined
under Article 129 of Regulation (EU)
No. 575/2013

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Germany	8.0	49.0	0.0	25.0
Denmark	2.5	7.5	0.0	0.0
France	0.0	15.0	0.0	0.0
Canada	16.0	0.0	0.0	0.0
Sweden	0.0	24.9	0.0	24.9
Total	26.5	96.4	0.0	49.9

**Section 28 (1) Nos. 4 and 5 of the PfandBG
(Public Pfandbriefe)**Total amount
Additional cover for public
Pfandbriefe

	31.12.2019	31.12.2018
Total	26.5	96.4

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

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

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

	31.12.2019	31.12.2018
Total	0.0	0.0

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

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

	31.12.2019	31.12.2018
Total	0.0	0.0

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

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

	31.12.2019	31.12.2018
Total	0.0	0.0

**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

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
In %	69.3	70.3	85.3	80.3

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

Net present value pursuant to Section
6 of the Pfandbrief Net Present Value
Regulations for each foreign currency

	31.12.2019	31.12.2018
CHF	39.2	38.6
GBP	207.0	199.7

Amounts in € m

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

	31.12.2019	31.12.2018
In years	4.0	3.8

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

	31.12.2019	31.12.2018
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

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
In %	100.0	98.8	100.0	100.0

**Section 28 (1) No. 10 PfandBG
(regarding public Pfandbriefe)**Net present value pursuant to Section
6 of the Pfandbrief Net Present Value
Regulations for each foreign currency

	31.12.2019	31.12.2018
---	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)
Claims Used as Cover for Mortgage Pfandbriefe Classified
According to Size ***

Cover Mortgages	31.12.2019	31.12.2018
Up to and including € 300,000	42.9	53.1
From € 300,000 up to and including € 1 million	109.7	117.3
From € 1 million up to and including € 10 million	2,463.5	2,479.2
More than € 10 million	10,962.6	10,211.8
Total	13,578.7	12,861.4

* 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	31.12.2019		31.12.2018	
	Commercial	Residential	Commercial	Residential
Flats		18.4		19.0
Single- and two-family houses		89.4		41.9
Residential buildings for several families		4,096.9		3,994.9
Office buildings	4,921.5		4,650.7	
Retail buildings	2,905.4		2,873.5	
Industrial buildings	123.6		105.9	
Other commercially used buildings	1,281.6		1,062.8	
Unfinished, as yet unprofitable new buildings	108.6	0.0	0.0	0.0
Building sites	27.0	6.4	106.2	6.5
Total	9,367.7	4,211.7	8,799.1	4,062.3

Belgium	31.12.2019		31.12.2018	
	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	152.6		206.2	
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
Total	152.6	0.0	206.2	0.0

Federal Republic of Germany	31.12.2019		31.12.2018	
	Commercial	Residential	Commercial	Residential
Flats		18.1		18.8
Single- and two-family houses		11.8		14.4
Residential buildings for several families		3,896.0		3,820.4
Office buildings	2,276.3		2,179.0	
Retail buildings	1,836.4		1,694.0	
Industrial buildings	94.7		77.0	
Other commercially used buildings	954.5		839.2	
Unfinished, as yet unprofitable new buildings	108.6	0.0	0.0	0.0
Building sites	27.0	6.4	106.2	6.5
Total	5,297.4	3,932.3	4,895.4	3,860.1

* Without further cover pursuant to Section 19 (1) of the PfandBG

Amounts in € m

France	31.12.2019		31.12.2018	
	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	818.8		651.2	
Retail buildings	295.6		312.8	
Industrial buildings	0.0		0.0	
Other commercially used buildings	54.5		31.1	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
Total	1,168.9	0.0	995.1	0.0

Great Britain	31.12.2019		31.12.2018	
	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	166.1		158.0	
Retail buildings	33.1		31.5	
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
Total	199.2	0.0	189.5	0.0

The Netherlands	31.12.2019		31.12.2018	
	Commercial	Residential	Commercial	Residential
Flats		0.2		0.2
Single- and two-family houses		77.7		27.5
Residential buildings for several families		200.9		174.5
Office buildings	909.6		801.5	
Retail buildings	361.9		344.2	
Industrial buildings	28.9		28.9	
Other commercially used buildings	205.5		192.5	
Unfinished, as yet unprofitable new buildings	0.0	0.0	0.0	0.0
Building sites	0.0	0.0	0.0	0.0
Total	1,506.0	278.8	1,367.1	202.2

Poland

	31.12.2019		31.12.2018	
	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	422.4		479.1	
Retail buildings	291.0		403.4	
Industrial buildings	0.0		0.0	
Other commercially used buildings	67.1		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
Total	780.5	0.0	882.5	0.0

Czech Republic

	31.12.2019		31.12.2018	
	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		175.7	
Retail buildings	87.3		87.6	
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
Total	263.0	0.0	263.3	0.0

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Germany	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0

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

	Amounts in %	
	31.12.2019	31.12.2018
Average weighted loan-to-value ratio (based on the respective loan values)	56.0	55.6

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	31.12.2019	31.12.2018
Up to and including € 10 million	2.2	10.0
From € 10 million up to and including € 100 million	336.5	777.2
More than € 100 million	101.1	444.6
Total	439.8	1,231.8

**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	31.12.2019		31.12.2018	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	65.0	0.0	57.5	0.0
Regional authority	357.3	17.3	773.8	59.7
Local authority	0.0	0.3	0.0	0.3
Other	0.0	0.0	340.5	0.0
Total (direct claims and warranties)	439.8		1,231.8	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

Federal Republic of Germany	31.12.2019		31.12.2018	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	0.0	0.0	7.5	0.0
Regional authority	357.3	17.3	702.8	59.7
Local authority	0.0	0.3	0.0	0.3
Other	0.0	0.0	55.0	0.0
Total (direct claims and warranties)	374.8		825.3	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

Canada	31.12.2019		31.12.2018	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	0.0	0.0	0.0	0.0
Regional authority	0.0	0.0	71.0	0.0
Local authority	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Total (direct claims and warranties)	0.0		71.0	
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).

Austria	31.12.2019		31.12.2018	
	Direct receivables	Warranties	Direct receivables	Warranties
Federal government	65.0	0.0	50.0	0.0
Regional authorities	0.0	0.0	0.0	0.0
Local authorities	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Total (direct claims and warranties)	65.0		50.0	
Included herein: warranties for reasons of export promotion	0.0		0.0	

EU Institutions	31.12.2019		31.12.2018	
	Direct receivables	Warranties	Direct receivables	Warranties
Central government	0.0	0.0	0.0	0.0
Regional authorities	0.0	0.0	0.0	0.0
Local authorities	0.0	0.0	0.0	0.0
Other	0.0	0.0	285.5	0.0
Total (direct claims and warranties)	0.0		285.5	
Included herein: warranties 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
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
Total	0.0	0.0	0.0	0.0

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	31.12.2019		31.12.2018	
	Commercial	Residential	Commercial	Residential
No. 4a Pending foreclosures	2	1	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	31.12.2019		31.12.2018	
	Commercial	Residential	Commercial	Residential
No. 4c Total interest in arrears	0.0	0.0	0.0	0.0

Berlin, 18 February 2020



Sascha Klaus

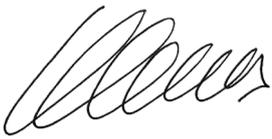


Gero Bergmann

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, 18 February 2020



Sascha Klaus



Gero Bergmann

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 2019, 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 2019, 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 2019. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's 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 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 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 those components of the management report specified in the "Other Information" section of the auditor's report.

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 2019. 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.

Angemessenheit der gebildeten Einzelwertberichtigungen auf Forderungen an Kunden aus gewerblichen Immobilienfinanzierungen

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 21.8 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 for commercial real estate financing requires judgements and estimates of expected amounts and dates of borrower payments 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 amounts and dates of borrower payments or the use of the loan collateral provided result in the claims being inaccurately measured and thus 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 Berlin Hyp AG 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 following components of the management report, whose content was not audited:

- the remuneration report in Section V of the management report,
- the corporate governance statement in Section VI of the management report,
- the non-financial statement in Section VII of the management report and
- the reference to the separate declaration of compliance pursuant to Section 161 of the German Stock Corporation Act [AktG] on the German Corporate Governance Code (GCGC) in Section VI of the management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the annual financial statements, the management report information audited for content and our auditor's report thereon.

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 information audited for content 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 disclosing, 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 17 June 2019. We were engaged by the Chairperson of the Supervisory Board on 20 June 2019. 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).

**German Public Auditor Responsible for the
Engagement**

The German Public Auditor responsible for the engagement is Rainer Thiede.

Berlin, 18 February 2020

KPMG AG Wirtschaftsprüfungsgesellschaft

Thiede
Wirtschaftsprüfer

Ginzinger
Wirtschaftsprüfer

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List of Important Abbreviations

Abs.	Absatz (paragraph)	HQE	Haute Qualite Environnementale (High Quality Environmental standard)
AG	Aktiengesellschaft (stock corporation)	HRB	Handelsregister Teil B (Commercial Register)
AktG	Aktiengesetz	IA	Inanspruchnahme (called to account)
AMA	Advanced Measurement Approach	iBoxx	Index family for bond market indices
APP	Asset Purchase Programme	IDW	Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany)
AReG	Abschlussprüferreformgesetz (German Audit Reform Act)	IF	Immobilienfinanzierung (real estate financing)
AT	non-tariff	IFRS	International Financial Reporting Standards
BA	Berufsakademie (University of Cooperative Education)	InstitutsVergV	Verordnung über die aufsichtsrechtlichen Anforderungen an Vergütungssysteme von Instituten (Institutional Remuneration Ordinance)
BCBS	Basel Committee on Banking Supervision	IREBS	International Real Estate Business School
BGB	Bürgerliches Gesetzbuch (German Civil Code)	IRRBB	Interest Rate Risk in the Banking Book
BGH	Bundesgerichtshof (Federal Court of Justice)	IT	Information technology
BilMoG	Bilanzrechtsmodernisierungsgesetz (German Accounting Law Adjustment Act)	IWF	Internationaler Währungsfonds (International Monetary Fund)
BIP	Bruttoinlandsprodukt (gross domestic product)	KA	Kreditausschuss (Loans Committee)
BL	Bereichsleiter (division head)	K-Fälle	Katastrophenfälle (catastrophe case)
BREEAM	Building Research Establishment Environment Assessment	KR	Kredit (loan)
BRRD	Bank Recovery and Resolution Directive	KWG	Kreditwesengesetz (German Banking Act)
BSG	Betriebssportgemeinschaft (Company Sports club)	LCR	Liquidity Coverage Ratio
BSI	Bundesamt für Sicherheit in der Informationstechnik (Federal Office for Information Technology Security)	LGD	lost given defaults
CBPP III	Covered Bond Purchase Program	LEED	Leadership in Energy and Environmental Design
CCF	Credit Conversion Factor	LMA	Loan Market Association
CD	Corporate Design	LR	Leverage Ratio
CRD	Capital Requirements Directive	LTV	Loan-to-Value
CRR	Capital Requirements Regulation	MaRisk	Mindestanforderungen an das Risikomanagement (Minimum Requirements for Risk Management)
CSR	Corporate Social Responsibility	MaSan	Mindestanforderungen an die Ausgestaltung von Sanierungsplänen (Minimum Requirements for the Structure of Restructuring Plans)
D & O	Directors & Officers	MREL	Minimum Requirement for Eligible Liabilities
DCGK	Deutscher Corporate Governance Kodex (German Corporate Government Code)	NPL	Non-Performing Loans
DGNB	Deutsche Gesellschaft für Nachhaltiges Bauen (German Sustainable Building Council)	NSFR	Net Stable Funding Ratio
DIIR	Deutsches Institut für Interne Revision (German Institute of Internal Auditors)	OHG	Offene Handelsgesellschaft (private partnership)
DRS	Deutscher Rechnungslegungs Standard (German Accounting Standard)	OI	Organisation/Informationstechnologie (organisation/information technology)
DSGV	Deutscher Sparkassen- und Giroverband (German Savings Bank Association)	OpRisk	Operationelle Risiken (operational risks)
DV	Datenverarbeitung (data processing)	PA	Prüfungsausschuss (Audit Committee)
EGHGB	Einführungsgesetz zum Handelsgesetzbuch (Introductory Law to the German Commercial Code)	PE	Personal (staff)
EstG	Einkommensteuergesetz (German Income Tax Code)	PfandBG	Pfandbriefgesetz (Pfandbrief Act)
ESZB	Europäisches System der Zentralbanken (European System of Central Banks)	PSA	Personal- und Strategieausschuss (Staff and Strategy Committee)
EU	European Union	PWB	Pauschalwertberichtigung (lump-sum value adjustments)
EURIBOR	Euro Interbank Offered Rate	RechKredV	Verordnung über die Rechnungslegung der Kreditinstitute (Regulation on the Accounts of Banking Institutions)
EWB	Einzelwertberichtigung (specific valuation allowances and reserves)	RST	Rückstellungen (reserves)
EZB	Europäische Zentralbank (European Central Bank)	RWA	Risk-weighted asset
FED	Federal Reserve Bank	SAG	Sanierungs- und Abwicklungsgesetz (Restructuring and Winding-Up Act)
FRA	Forward Rate Agreement	SAP	Systems, applications, products
GbR	Gesellschaft bürgerlichen Rechts (civil law partnership)	SEPA	Single Euro Payments Area
GmbH	Gesellschaft mit beschränkter Haftung (private limited company)	SolvV	Solvabilitätsverordnung (Solvency Regulation)
GuV	Gewinn- und Verlustrechnung (profit and loss account)	SRB	Single Resolution Board
HGB	Handelsgesetzbuch (German Commercial Code)	SRM	Single Resolution Mechanism
		SSM	Single Supervisory Mechanism
		TLTRO	Targeted longer-term refinancing operations
		TR	Treasury
		VaR	Value-at-Risk
		vdp	Verband deutscher Pfandbriefbanken e.V., Berlin
		ZIA	Zentraler Immobilien Ausschuss (German Property Federation)

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Important company information is available immediately after publication at www.berlinhyp.de

Publications for our business partners in 2020

- Annual Report 2019
(German/English)
- Half-Year Financial Report as at 30 June 2020
(German/English)
- Interim Report as at 30 September 2020
(German/English)

In this Annual Report, reference to the masculine form naturally also includes the feminine form.

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