

# #sharing inspiration

Annual Report 2019

Annual Accounts



# Content

## Annual Accounts

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# Balance Sheet of Berlin Hyp AG as at 31 December 2019

Assets	€	31.12.2019 €	31.12.2018 T€
<b>1. Cash reserves</b>			
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)		<b>25,578,287.64</b>	1,814,607
<b>2. Public-sector debt and bills of exchange admitted for refinancing at central banks</b>		<b>0.00</b>	0
<b>3. Claims against banking institutions</b>			
a) Mortgage loans	0.00		0
b) Public-sector loans	0.00		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)		<b>261,835,629.29</b>	1,011,104
<b>4. Claims against customers</b>			
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)		<b>22,403,278,196.02</b>	20,864,752
<b>5. Debentures and other fixed-interest securities</b>			
a) Money market securities			
aa) Issued by public institutions	0.00		0
of which: eligible as 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)			
	<b>3,698,666,443.18</b>		3,066,755
c) Own debentures	0.00		0
Nominal amount € 0.00 (previous year: T€ 0)		<b>3,698,666,443.18</b>	3,066,755
<b>6. Shares and other non-fixed-interest securities</b>		<b>0.00</b>	0
<b>6a. Trading portfolio</b>		<b>0.00</b>	0
<b>7. Interests</b>		<b>5,716,140.41</b>	5,182
of which: in banking institutions € 0.00 (previous year: T€ 0) in financial services institutions € 0.00 (previous year: T€ 0)			
Carryover		<b>26,395,074,696.54</b>	<b>26,762,400</b>

## Liabilities

	€	31.12.2019 €	31.12.2018 T€
<b>1. Liabilities to banking institutions</b>			
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)		<b>4,026,547,247.07</b>	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)			
<b>2. Liabilities to customers</b>			
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)		<b>4,324,620,206.65</b>	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)			
<b>3. Securitised liabilities</b>			
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)		<b>16,152,551,013.33</b>	15,754,417
<b>3a. Trading portfolio</b>		<b>0.00</b>	0
<b>4. Trust liabilities</b>		<b>0.00</b>	0
of which: trust loans € 0.00 (previous year: T€ 0)			
<b>5. Other liabilities</b>		<b>442,013,237.36</b>	475,144
<b>6. Accruals and income collected in advance</b>			
a) From issue and loan business	121,983,603.18		128,066
b) Other	0.00		0
		<b>121,983,603.18</b>	128,066
<b>6a. Deferred tax liabilities</b>		<b>0.00</b>	0
<b>7. Provisions</b>			
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
		<b>259,838,567.14</b>	235,450
<b>8. Subordinated liabilities</b>		<b>339,697,809.37</b>	380,734
Carryover		<b>25,667,251,684.10</b>	25,913,844

# Balance Sheet of Berlin Hyp AG as at 31 December 2019

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

**Liabilities**

	€	31.12.2019 €	31.12.2018 T€
Carryover		<b>25,667,251,684.10</b>	<b>25,913,844</b>
<b>9. Profit-sharing rights capital</b>		<b>0.00</b>	<b>0</b>
of which: due within two years € 0.00 (previous year: T€ 0)			
<b>10. Fund for general banking risks</b>		<b>418,000,000.00</b>	<b>328,000</b>
<b>11. Equity</b>			
a) Called-up capital			
aa) Subscribed capital	753,389,240.32		753,389
ab) Less unpaid contributions not called up	0.00		0
	753,389,240.32		753,389
b) Capital reserve	158,316,268.74		158,316
c) Profit 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
		<b>935,903,157.13</b>	<b>935,903</b>
<b>Total liabilities</b>		<b>27,021,154,841.23</b>	<b>27,177,747</b>
<b>1. Contingent liabilities</b>			
a) Liabilities from guarantees and warranty contracts		<b>258,890,387.10</b>	<b>163,610</b>
<b>2. Other obligations</b>			
a) Irrevocable loan commitments		<b>2,958,659,024.49</b>	<b>2,214,282</b>

# Profit and Loss Account

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

Expenditure	€	2019 €	2018 T€
<b>1. Interest expenditure</b>	91,860,661.55		82,202
less positive interest	18,109,188.82	<b>73,751,472.73</b>	28,727
<b>2. Commission expenditure</b>		<b>8,767,509.50</b>	5,877
<b>3. Net expenditure of the trading portfolio</b>		<b>0.00</b>	0
<b>4. General operating expenditure</b>			
a) Staff expenditure			
aa) Wages and salaries	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
	<b>92,364,896.75</b>		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
		<b>159,922,727.60</b>	145,347
<b>5. Depreciations and valuation adjustments on intangible investment assets and tangible assets</b>		<b>12,387,916.92</b>	5,869
<b>6. Other operating expenditure</b>		<b>10,198,979.80</b>	16,773
<b>7. Depreciations and valuation adjustments on claims and specific securities and additions to provisions made for lending</b>		<b>0.00</b>	0
<b>8. Depreciations and valuation adjustments on participations, shares in affiliated enterprises and securities held as investment assets</b>		<b>4,000,384.33</b>	0
<b>9. Expenditure for loss assumptions</b>		<b>0.00</b>	0
<b>10. Contribution to the fund for general banking risks</b>		<b>90,000,000.00</b>	105,000
<b>11. Extraordinary expenditure</b>		<b>0.00</b>	0
<b>12. Taxes on income and earnings</b>		<b>609,306.90</b>	40
<b>13. Other taxes not shown under Item 6</b>		<b>174,582.36</b>	176
<b>14. Profits transferred on the basis of a profit pool, a profit transfer or partial profit transfer agreement</b>		<b>61,007,150.67</b>	116,408
<b>15. Net income for the year</b>		<b>0.00</b>	0
<b>Total expenditure</b>		<b>420,820,030.81</b>	448,965



Income		2019 €	2018 T€
	€		
<b>1. Interest income from</b>			
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
		<b>383,457,909.58</b>	<b>368,926</b>
<b>2. Current income from</b>			
a) Shares and other non-fixed interest securities	0.00		0
b) Interests	0.00		0
c) Shares in affiliated companies	0.00		0
		<b>0.00</b>	<b>0</b>
<b>3. Income from profit pooling, profit transfer or     partial profit transfer agreements</b>		<b>0.00</b>	<b>0</b>
<b>4. Commission income</b>		<b>26,605,596.31</b>	<b>29,036</b>
<b>5. Net earnings of the trading portfolio</b>		<b>0.00</b>	<b>0</b>
<b>6. Income from attributions to claims and     specific securities and the dissolution of     provisions made for lending</b>		<b>2,178,044.33</b>	<b>37,415</b>
<b>7. Income from attributions to interests,     shares in affiliated enterprises and     securities treated as investment assets</b>		<b>0.00</b>	<b>1,245</b>
<b>8. Other operating income</b>		<b>8,578,480.59</b>	<b>12,343</b>
<b>9. Income from the dissolution of the fund     for general bank risks</b>		<b>0.00</b>	<b>0</b>
<b>10. Net loss for the year</b>		<b>0.00</b>	<b>0</b>
<b>Total income</b>		<b>420,820,030.81</b>	<b>448,965</b>

# Statement of Changes in Equity and Cash Flow Statement

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

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

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
<b>Net income for the year</b>	<b>0</b>	<b>0</b>
Depreciation of tangible assets and amortisation of intangible assets, valuation adjustments on/attribution 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
<b>Cash flow from operating activities</b>	<b>-1,755,515</b>	<b>1,039,337</b>
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
<b>Cash flow from investment activities</b>	<b>33,931</b>	<b>246,387</b>
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
<b>Cash flow from financing activities</b>	<b>-67,445</b>	<b>-14,587</b>
<b>Cash and cash equivalents at the end of the previous period</b>	<b>1,814,607</b>	<b>543,470</b>
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	<b>25,578</b>	<b>1,814,607</b>

# Notes

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

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

The annual accounts of Berlin Hyp are prepared according to the provisions of the German Commercial Code (HGB), 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](http://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
	<b>383,458</b>	<b>368,926</b>
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
	<b>73,751</b>	<b>53,475</b>
Net interest income	<b>309,706</b>	<b>315,451</b>

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
	<b>67,558</b>	<b>61,523</b>

### 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	<b>-2,178</b>	<b>-37,415</b>

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
<b>As at 1 January</b>		<b>89,833</b>	<b>110,817</b>	<b>6,708</b>	<b>207,359</b>	<b>225,462</b>		
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		
<b>As at 31 December</b>	<b>-4,762</b>	<b>83,530</b>	<b>128,626</b>	<b>7,291</b>	<b>219,447</b>	<b>207,359</b>	<b>7,489</b>	<b>-15,541</b>

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
<b>Intangible investment assets</b>													
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
<b>Total intangible investment assets</b>	<b>74,805</b>	<b>14,204</b>	<b>16,245</b>	<b>0</b>	<b>72,764</b>	<b>54,691</b>	<b>0</b>	<b>3,159</b>	<b>15,863</b>	<b>0</b>	<b>41,987</b>	<b>30,777</b>	<b>20,114</b>
<b>Tangible assets</b>													
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
<b>Total tangible assets</b>	<b>78,623</b>	<b>1,830</b>	<b>1,941</b>	<b>0</b>	<b>78,512</b>	<b>21,830</b>	<b>0</b>	<b>9,229</b>	<b>1,859</b>	<b>0</b>	<b>29,200</b>	<b>49,312</b>	<b>56,793</b>
<b>Total intangible investment assets and tangible assets</b>	<b>153,428</b>	<b>16,034</b>	<b>18,186</b>	<b>0</b>	<b>151,276</b>	<b>76,521</b>	<b>0</b>	<b>12,388</b>	<b>17,722</b>	<b>0</b>	<b>71,187</b>	<b>80,089</b>	<b>76,907</b>
	Book value						Changes*				Residual book value		
	1.1.2019										31.12.2019		31.12.2018
<b>Bonds and debentures</b>	255,803						-50,011				205,792		255,803
<b>Claims</b>	391						-391				0		391
<b>Investments</b>	5,182						534				5,716		5,182
<b>Shares in affiliated enterprises</b>	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
<b>Affiliated enterprises</b>					
Berlin Hyp Immobilien GmbH, Berlin	100	100	40 T€	-21 T€	31 December 2018
<b>Investments</b>					
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
<b>Total</b>	<b>73,744</b>	<b>74,466</b>

**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
<b>Assets</b>		
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
<b>Total</b>	<b>261,836</b>	<b>1,011,104</b>
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
<b>Total</b>	<b>22,403,278</b>	<b>20,864,752</b>
of which: claims with an indefinite term	679	679
Bonds and debentures		
- due in the following year	174,560	20,172
<b>Liabilities</b>		
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
<b>Total</b>	<b>4,026,547</b>	<b>4,033,258</b>
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
<b>Total</b>	<b>4,324,620</b>	<b>4,906,774</b>
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
<b>Total</b>	<b>16,152,551</b>	<b>15,754,417</b>
- 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
<b>Affiliated enterprises</b>		
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
<b>Deferred income from issuing and lending operations includes:</b>		
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
	<b>135,514</b>	<b>154,863</b>
<b>Prepaid expenses for issuing and lending operations include:</b>		
Premium from issuing and lending operations	24,057	8,292
Discount from lending operations	593	1,115
Other	97,334	118,660
	<b>121,984</b>	<b>128,067</b>

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							
<b>Interest-related transactions</b>										
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
	<b>6,471</b>	<b>31,158</b>	<b>24,954</b>	<b>62,583</b>	<b>-1,138</b>	<b>1,333</b>	<b>-95</b>		<b>83</b>	
<b>Currency-related transactions</b>										
Currency futures	495	0	0	495	-5	0	-5	A14	0	A14
Interest and currency swaps	0	199	0	199	0	11	0		11	
	<b>495</b>	<b>199</b>	<b>0</b>	<b>694</b>	<b>-5</b>	<b>11</b>	<b>-5</b>		<b>11</b>	
<b>Total</b>	<b>6,966</b>	<b>31,357</b>	<b>24,954</b>	<b>63,277</b>	<b>-1,143</b>	<b>1,344</b>	<b>-100</b>		<b>94</b>	

## 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							
<b>Interest-related transactions</b>										
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
	<b>8,340</b>	<b>28,701</b>	<b>23,113</b>	<b>60,154</b>	<b>-645</b>	<b>942</b>	<b>-122</b>		<b>102</b>	
<b>Currency-related transactions</b>										
Currency futures	530	0	0	530	-2	0	-2	A14	0	A14
Interest and currency swaps	0	133	67	200	0	20	0		20	
	<b>530</b>	<b>133</b>	<b>67</b>	<b>730</b>	<b>-2</b>	<b>20</b>	<b>-2</b>		<b>20</b>	
Total	<b>8,870</b>	<b>28,834</b>	<b>23,180</b>	<b>60,884</b>	<b>-647</b>	<b>962</b>	<b>-124</b>		<b>122</b>	

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	<b>307</b>	<b>294</b>	<b>601</b>	<b>596</b>

### 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 <sup>1</sup>		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

<sup>1</sup> 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
<b>Total</b>	<b>313</b>	<b>303</b>
plus VAT	57	55
<b>Total expenditure</b>	<b>370</b>	<b>358</b>

### 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
<b>A. Mortgage Pfandbriefe</b>		
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
<b>Excess cover</b>	<b>455.7</b>	<b>531.9</b>
<b>B. Public Pfandbriefe</b>		
Ordinary cover		
1. Claims against banking institutions		
a) Mortgage loans	0.0	0.0
b) Public-sector loans	0.0	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
<b>Excess cover</b>	<b>14.3</b>	<b>38.5</b>

**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
<b>Excess cover</b>	<b>455.7</b>	<b>531.9</b>	<b>772.5</b>	<b>825.1</b>	<b>611.7</b>	<b>659.3</b>
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
<b>Excess cover</b>	<b>14.3</b>	<b>38.5</b>	<b>125.5</b>	<b>147.9</b>	<b>87.3</b>	<b>72.4</b>
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	<b>661,5</b>	<b>1.870,6</b>

**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	<b>0.0</b>	<b>0.0</b>

**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	<b>26.5</b>	<b>96.4</b>	<b>0.0</b>	<b>49.9</b>

**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	<b>26.5</b>	<b>96.4</b>

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

**Section 28 (1) No. 7 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	<b>0.0</b>	<b>0.0</b>

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

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

	31.12.2019	31.12.2018
Total	<b>0.0</b>	<b>0.0</b>

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

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

	31.12.2019	31.12.2018
Total	<b>0.0</b>	<b>0.0</b>

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

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

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

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
In %	<b>69.3</b>	<b>70.3</b>	<b>85.3</b>	<b>80.3</b>

**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	<b>39.2</b>	<b>38.6</b>
GBP	<b>207.0</b>	<b>199.7</b>

## 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	<b>4.0</b>	<b>3.8</b>

**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	<b>0.0</b>	<b>0.0</b>

**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 %	<b>100.0</b>	<b>98.8</b>	<b>100.0</b>	<b>100.0</b>

**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
---	<b>0.0</b>	<b>0.0</b>

**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	<b>13,578.7</b>	<b>12,861.4</b>

\* 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
<b>Total</b>	<b>9,367.7</b>	<b>4,211.7</b>	<b>8,799.1</b>	<b>4,062.3</b>

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
<b>Total</b>	<b>152.6</b>	<b>0.0</b>	<b>206.2</b>	<b>0.0</b>

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
<b>Total</b>	<b>5,297.4</b>	<b>3,932.3</b>	<b>4,895.4</b>	<b>3,860.1</b>

\* 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
<b>Total</b>	<b>1,168.9</b>	<b>0.0</b>	<b>995.1</b>	<b>0.0</b>

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
<b>Total</b>	<b>199.2</b>	<b>0.0</b>	<b>189.5</b>	<b>0.0</b>

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
<b>Total</b>	<b>1,506.0</b>	<b>278.8</b>	<b>1,367.1</b>	<b>202.2</b>

**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
<b>Total</b>	<b>780.5</b>	<b>0.0</b>	<b>882.5</b>	<b>0.0</b>

**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
<b>Total</b>	<b>263.0</b>	<b>0.0</b>	<b>263.3</b>	<b>0.0</b>

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

	Total amount of payments in arrears for at least 90 days		Total claims, where the respective arrears amount to at least 5 % of the claim	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Germany	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Section 28 (2) No. 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)	<b>56.0</b>	<b>55.6</b>

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

Amounts in € m

Cover	31.12.2019	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
<b>Total</b>	<b>439.8</b>	<b>1,231.8</b>

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

Total Cover	31.12.2019		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
<b>Total (direct claims and warranties)</b>	<b>439.8</b>		<b>1,231.8</b>	
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
<b>Total (direct claims and warranties)</b>	<b>374.8</b>		<b>825.3</b>	
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
<b>Total (direct claims and warranties)</b>	<b>0.0</b>		<b>71.0</b>	
Warranties included in this amount for reasons of export promotion	0.0		0.0	

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

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
<b>Total (direct claims and warranties)</b>	<b>65.0</b>		<b>50.0</b>	
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
<b>Total (direct claims and warranties)</b>	<b>0.0</b>		<b>285.5</b>	
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
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

Number	31.12.2019		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



