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Interim Report as at 30 September 2019

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Key Figures of Berlin Hyp

Excerpt from the Profit and Loss Account in € m	01.01. – 30.09.2019	01.01. – 30.09.2018
Net interest income	237.7	242.4
Net commission income	12.9	16.4
Operating expenditure	124.5	111.6
Risk provisioning	7.0	-33.9
Operating result	115.5	177.9
Provision for general bank risks	67.5	92.5
Profit transfer	43.5	85.8
Net income for the year	0.0	0.0
Cost-income ratio in %	50.4	43.7
Return on equity in %	11.5	19.7

Excerpt from the Condensed Balance Sheet in € m	30.09.2019	31.12.2018
Balance sheet total	27,422	27,178
of which mortgage loans	21,354	20,223
NPL	183	183

Business Development in € m	01.01. – 30.09.2019	01.01. – 30.09.2018
New Lending	3,505	3,905
Extensions (capital employed ≥ 1 year)	738	901

Regulatory Key Figures	30.09.2019	31.12.2018¹
RWA in € m	9,874	9,215
CET1 ratio in %	13.1	13.5
Total capital ratio in %	15.9	16.8
Leverage ratio in %	4.5	4.3

¹ after adoption

Issue ratings	30.09.2019	31.12.2018
Moody's		
Pfandbriefe	Aaa (stable)	Aaa (stable)
Senior preferred	Aa2 (stable)	Aa2 (stable)
Senior non-preferred	A2	A2
Fitch		
Pfandbriefe	-	-
Senior Preferred	A+ (stable)	A+ (stable)
Senior Non-Preferred	A+ (stable)	A+ (stable)

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

Other	30.09.2019	31.12.2018
Number of employees (as at the reporting date)	602	601

Business Report

Significant Events

There were no events of particular significance to be reported here in the reporting period.

Business Development

Berlin Hyp's development in the first nine months of 2019 has so far proceeded according to plan. As expected, Berlin Hyp was able to further strengthen its equity base from current profit and generate a good return on equity of 11.5%. Profit before profit transfer amounted to € 43.5 million and was thus - as expected - well below the record results of recent years (same period of the previous year: € 85.8 million). New lending picked up again in the

third quarter, even taking into account the Bank's conservative risk strategy, and is thus on target. The Bank is satisfied with this result due to the unchanged challenging underlying conditions.

Earnings Situation

The result after taxes and before profit transfer to Landesbank Berlin Holding AG amounted to € 43.5 million in the reporting period. As planned, it was 42.3 million below the previous year's figure which benefited from a notable net release of risk provisioning. As in the previous year, the fund for general bank risks was increased.

	01.01.2019 – 30.09.2019 € m	01.01.2018 – 30.09.2018 € m	Change € m	Change %
Net interest income	237.7	242.4	-4.7	-1.9
Net commission income	12.9	16.4	-3.5	-21.3
Operating expenditure	124.5	111.6	12.9	11.6
Staff expenditure	67.4	58.9	8.5	14.4
Other operating expenditure	50.9	48.8	2.1	4.3
<i>of which Expenditure for bank levy</i>	12.0	10.6	1.4	13.2
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	6.2	3.9	2.3	59.0
Other operating earnings / expenditure	-3.6	-3.2	-0.4	12.5
Operating result before risk provisioning	122.5	144.0	-21.5	-14.9
Risk provisioning	7.0	-33.9	40.9	-
Operating result after risk provisioning	115.5	177.9	-62.4	-35.1
Financial investment result	-4.0	0.5	-4.5	-
Contribution to the fund for general bank risk	67.5	92.5	-25.0	-27.0
Other taxes	0.1	0.1	0.0	0.0
Profit before income tax and profit transfer	43.9	85.8	-41.9	-48.8
Income tax	0.4	0.0	0.4	-
Expenditure from profit transfer	43.5	85.8	-42.3	-49.3
Net income for the year	0.0	0.0	0.0	-

Compared to the previous year, net interest and commission income fell by € 8.2 million to € 250.6 million.

Net interest income amounted to € 237.7 million and was thus € 4.7 million lower than the previous year's figure. It includes one-off effects, including in particular the higher prepayment charges and income from the closing of derivatives compared to the previous year. Persistently low interest rates, combined with a flat yield curve, continue to represent a challenge.

Due to the lower lending volume, net commission income was € 12.9 million, € 3.5 million lower than the previous year's figure.

Operating expenditure comprises staff expenditure, other operating expenditure as well as depreciation of tangible assets and amortisation of intangible assets. At € 124.5 million, it was € 12.9 million higher than the previous year's figure. Compared to the previous year, staff expenditure increased by € 8.5 million to € 67.4 million. The increase resulted primarily from lower discount rates used to calculate pension provisions and from other pension obligations. Other operating expenditure amounted to € 50.9 million and was thus only € 2.1 million above the previous year's figure, which is a positive development in view of the increasing demands on information technology and data storage, as well as the increased contribution to the European bank levy. Depreciation of property, plant and equipment and amortisation of intangible assets increased by € 2.3 million to € 6.2 million.

The balance of other operating earnings and expenditure amounted to -€ 3.6 million and was thus € 0.4 million lower than the previous year's figure.

At € 122.5 million, the operating result before risk provisioning was € 21.5 million lower than the comparable figure for the previous year.

At € 7.0 million, the valuation measures in the lending and securities business, taking into account provision reserves, were below the previous year's release of € 33.9 million.

Including allocations to reserves pursuant to Section 340f German Commercial Code (HGB), risk provisioning in the lending business for the 2019 financial year showed a net expense of € 11.0 million and were thus € 15.4 million below the amount released in the same period of the previous year.

The valuation result for securities in the liquidity reserve was positive, particularly due to sales, and amounted to € 4.0 million. It was € 14.5 million lower than the previous year's figure.

The net income from investments mainly includes depreciation of an investment in fixed assets. At -€ 4.0 million, it was below the positive result of € 0.5 million recorded in the previous year.

In order to be able to meet the further increasing equity requirements of banking institutions in the future as well, the Bank has allocated € 67.5 million to the special item for general bank risks pursuant to § 340g of the German Commercial Code (HGB). The allocation was thus € 25 million below the allocation made in the same period of the previous year.

The result after taxes and before profit transfer decreased by € 42.3 million to € 43.5 million.

Condensed Profit and Loss Account

Assets	30.09.2019 € m	31.12.2018 € m	Change € m	Change %
Cash reserves	160	1,815	-1,655	-91.2
Claims against banking institutions	463	1,011	-548	-54.2
Mortgage loans	0	0	0	-
Public-sector loans	0	0	0	-
Other receivables	463	1,011	-548	-54.2
Claims against customers	21,948	20,865	1,083	5.2
Mortgage loans	21,354	20,223	1,131	5.6
Public-sector loans	521	555	-34	-6.1
Other receivables	73	87	-14	-16.1
Debentures	4,003	3,067	936	30.5
Participations	6	5	1	20.0
Shares in affiliated enterprises	0	1	-1	-
Intangible investment assets	26	20	6	30.0
Tangible assets	54	57	-3	-5.3
Other assets	624	181	443	-
Prepaid expenses	138	156	-18	-11.5
Total assets	27,422	27,178	244	0.9

The balance sheet total amounted to € 27.4 billion as at 30 September 2018. It increased by € 0.2 billion compared to the 2018 year end.

Compared to the previous year, claims against banking institutions fell by € 0.5 billion to € 0.5 billion. Claims against customers increased by € 1.1 billion to € 21.9 billion and include mortgage loans at € 21.4 billion (2018: € 20.2 billion) and public sector loans at €

0.5 billion (2018: € 0.6 billion). In respect of mortgage loans, additions from new business were offset by extraordinary outflows through early repayments.

Liabilities	30.09.2019 € m	31.12.2018 € m	Change € m	Change %
Liabilities to banking institutions	4,665	4,033	632	15.7
Registered Mortgage Pfandbriefe	187	255	-68	-26.7
Registered public Pfandbriefe	45	59	-14	-23.7
Other liabilities	4,433	3,719	714	19.2
Liabilities to customers	4,391	4,907	-516	-10.5
Registered Mortgage Pfandbriefe	1,709	1,881	-172	-9.1
Registered public Pfandbriefe	396	550	-154	-28.0
Other liabilities	2,286	2,476	-190	-7.7
Securitised liabilities	15,858	15,754	104	0.7
Mortgage Pfandbriefe	10,201	9,816	385	3.9
Public Pfandbriefe	20	720	-700	-97.2
Other debentures	5,637	5,218	419	8.0
Other liabilities	444	475	-31	-6.5
Deferred income	131	128	3	2.3
Reserves	251	236	15	6.4
Subordinated liabilities	350	381	-31	-8.1
Fund for general bank risks	396	328	68	20.7
Equity	936	936	0	0.0
Total liabilities	27,422	27,178	244	0.9
Contingent liabilities				
Liabilities from guarantees and warranty contracts	251	164	87	53.0
Other obligations				
Irrevocable loan commitments	2,193	2,214	-21	-0.9

Liabilities to banking institutions increased by € 0.6 billion to € 4.7 billion. Liabilities to customers fell by € 0.5 billion to € 4.4 billion as

at the reporting date. Berlin Hyp had access to the market at all times.

Forecast report

Berlin Hyp continues to expect tough challenges for the current financial year, including strong competition, the ongoing low-interest phase and further regulatory requirements.

Provided no unforeseen distortions on the capital and real estate markets occur, Berlin Hyp expects earnings to develop according to plan for the end of the year. However, earnings before profit transfer will be well below those of the 2018 record year.

Report on subsequent events

No events of particular significance occurred after the reporting date that would need to be reported here.

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Service

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

Publications of 2019 for our business partners

- Annual Report 2018
(German/English)
- Half-year financial report
as at 30 June 2019 (German/English)
- Interim Report
as at 30 September 2019 (German/English)
- Sustainability Report 2018
(German/English)

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