

#next dimension berlin hyp

Interim Report as at
30 September 2020

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Performance indicators at a glance

Excerpt from the Condensed Statement of Profit or Loss in € m	01.01. - 30.09.2020	01.01. - 30.09.2019
Net interest income	240.6	237.7
Net commission income	14.0	12.9
Operating expenditure	134.4	124.5
Risk provisioning	50.4	7.0
Operating result after risk provisioning	69.3	115.5
Allocation to the Fund for General Banking Risks	52.5	67.5
Profit transfer	13.8	43.5
Net income for the year	0.0	0.0
Cost-income ratio in %	52.9	50.4
Return on equity in %	6.4	11.5

Excerpt from the Balance Sheet in € m	30.09.2020	31.12.2019
Balance sheet total	32,742	27,021
incl. mortgage loans ¹	22,617	21,774
NPL	161	181
¹ Average 01/01 - 30/09/2020 and 01/01 - 30/06/2019	22,053	20,739

Business Development in € m	01.01. - 30.09.2020	01.01. - 30.09.2019
New Lending	3,348	3,505
Extensions (capital employed ≥ 1 year)	828	738

Regulatory Key Figures	30.09.2020	31.12.2019¹
RWA in € m	10,445	9,991
CET1 ratio in %	12.8	13.3
Total capital ratio in %	15.2	16.0
Leverage ratio in %	4.0	4.6
¹ after adoption		

Issue ratings	30.09.2020	31.12.2019
Moody's		
Pfandbriefe	Aaa (stable)	Aaa (stable)
Senior preferred	Aa2 (stable)	Aa2 (stable)
Senior non-preferred	A2	A2
Fitch		
Pfandbriefe	–	–
Senior preferred	AA- (negativ)	A+ (stable)
Senior non-preferred	A+ (negativ)	A+ (stable)

Sustainability Ratings	30.09.2020	31.12.2019
ISS-ESG (vormals oekom)	B- (Prime)	B- (Prime)
Sustainalytics	86/100 (Leader)	86/100 (Leader)

Other	30.09.2020	31.12.2019
Number of employees (as at the reporting date)	600	606

Business Report

Business Report

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

Business Development

Although the COVID-19 pandemic and the difficult economic situation it resulted in during the first three quarters of 2020 did affect the commercial real estate market, overall business development at Berlin Hyp AG (Berlin Hyp) was nevertheless more positive than had been expected. The Bank's conservative risk strategy and its focus on financing real estate of lasting value have not had any significant negative impact on its profitability to date. At € 4.2 billion,

new contracted lending volume, including extensions realised (capital employed ≥ 1 year), remained at the previous year's level. Given the challenging underlying conditions it faces, the Bank is satisfied with the development of its business over the first three quarters of 2020.

Earnings Situation

Berlin Hyp's earnings before profit transfer to Landesbank Berlin Holding amounted to € 13.8 million in the reporting period. This figure was considerably lower than the result of € 43.5 million achieved during the same period in 2019, whereby this is a reflection of the difficult economic environment that continues as we

Condensed Profit and Loss Account

from 1 January to 30 September 2020

	01.01.2020 – 30.09.2020 € m	01.01.2019 – 30.09.2019 € m	Change € m	Change %
Net interest income	240.6	237.7	2.9	1.2
Net commission income	14.0	12.9	1.1	8.5
Operating expenditure	134.4	124.5	9.9	8.0
Staff expenditure	58.9	67.4	-8.5	-12.6
Other operating expenditure	56.6	50.9	5.7	11.2
<i>of which Expenditure for bank levy</i>	<i>13.4</i>	<i>12.0</i>	<i>1.4</i>	<i>11.7</i>
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	18.9	6.2	12.7	-
Other operating earnings / expenditure	-0.5	-3.6	3.1	-86.1
Operating result before risk provisioning	119.7	122.5	-2.8	-2.3
Risk provisioning	50.4	7.0	43.4	-
Operating result after risk provisioning	69.3	115.5	-46.2	-40.0
Financial investment result	-2.8	-4.0	1.2	-30.0
Contribution to the fund for general bank risk	52.5	67.5	-15.0	-22.2
Other taxes	0.1	0.1	0.0	0.0
Profit before income tax and profit transfer	13.9	43.9	-30.0	-68.3
Income tax	0.1	0.4	-0.3	-75.0
Expenditure from profit transfer	13.8	43.5	-29.7	-68.3
Net income	0.0	0.0	0.0	-

approach the end of the year. No significant lending risks materialised in connection with the COVID-19 pandemic during the reporting period. Nevertheless, the Bank took early action by exploiting the higher-than-expected earnings trend to form provision reserves to protect against the potential risk of loan defaults. The Bank was also able to continue strengthening the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) by allocating a further € 52.5 million using its own resources. The main reasons for this development of profit are described in the following sections.

Contrary to our expectations, net interest and commission income increased by € 4.0 million to € 254.6 million.

Net interest income amounted to € 240.6 million. This figure significantly exceeded our expectations and was also € 2.9 million higher than the comparable figure for the previous year, whereby this was due to an increase of € 1.3 billion in the average mortgage loans portfolio. The net interest income figure also includes one-off effects, such as interest income from the ECB's targeted longer-term refinancing operations (TLTRO III), as well as default interest income and income from commitment fees. Income from prepayment charges received during the reporting period was largely compensated for by negative close outs in order to improve the future interest income result. Persistently low interest rates, combined with a flat yield curve, continue to represent a challenge.

Despite there being no change in new lending volume, commission income rose slightly (by € 1.1 million, to € 14.0 million), and thus exceeded our planning assumptions.

Operating expenditure comprises staff expenditure, other operating expenditure as well as depreciation of tangible assets and amortisation of intangible assets. Operating expenditure amounted to € 134.4 million in the reporting period, an increase of € 9.9 million from the same period in the previous year, and also slightly higher than what had been

expected. Compared to the previous year, staff expenditure decreased by € 8.5 million to € 58.9 million. This decline was primarily due to lower allocations to pension provisions. Other operating expenditure amounted to € 56.6 million, which corresponds to an increase of € 5.7 million from the same period in the previous year. An increase in such expenditure had been expected in view of the increasing demands being placed 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 sharply from € 12.7 million to € 18.9 million. This is due to the significantly reduced remaining useful life of the existing building at Budapest Strasse 1 in connection with the planned new building at the Berlin headquarters. The building had been fully depreciated as at the reporting date.

The balance of other operating earnings and expenditure amounted to -€ 0.5 million and was thus € 3.1 million higher than the comparable figure for the previous year.

At € 119.7 million, the operating result before risk provisioning nearly reached the comparable figure for the previous year (€ 122.5 million).

Net allocation to risk provisioning for the lending and securities business totalled € 50.4 million. This allocation figure was significantly higher than the comparable figure for the previous year (€ 7.0 million), whereby this was higher than expected due to the formation of provision reserves in connection with the COVID-19 pandemic.

Including allocations to reserves pursuant to Section 340f of the German Commercial Code (HGB), a net amount of € 65.5 million was added to risk provisioning in the lending business. This increase was € 54.5 million higher than the additional allocation from the same period in the previous year.

The valuation result for securities in the liquidity reserve was positive, particularly due

to sales, and amounted to € 15.1 million after totalling € 4.0 million during the same period in the previous year.

Net income from investments amounted to € -2.8 million, which was higher than the previous year's comparable figure of € -4.0 million.

During the reporting period, the Bank added € 52.5 million to the special item for general banking risks pursuant to Section 340g of

the German Commercial Code (HGB). This allocation was € 15.0 million lower than the allocation made in the same period in the previous year.

Taking into account the further increase in provision reserves, Berlin Hyp reports earnings before taxes of € 13.9 million, which is slightly higher than the figure from the pro rata plan. This represents a decrease of € 30.0 million compared with the same period in the previous year.

Excerpt from the Condensed Balance Sheet as at 30 September 2020

Assets	30.09.2020 € m	30.12.2019 € m	Change € m	Change %
Cash reserves	2,395	26	2,369	-
Claims against banking institutions	305	262	43	16.4
Mortgage loans	0	0	0	-
Public-sector loans	0	0	0	-
Other receivables	305	262	43	16.4
Claims against customers	23,091	22,403	688	3.1
Mortgage loans	22,617	21,774	843	3.9
Public-sector loans	418	522	-104	-19.9
Other receivables	56	107	-51	-47.7
Debentures	6,116	3,698	2,418	65.4
Participations	3	6	-3	-50.0
Shares in affiliated enterprises	0	0	0	-
Intangible investment assets	33	31	2	6.5
Tangible assets	41	49	-8	-16.3
Other assets	646	409	237	57.9
Prepaid expenses	112	137	-25	-18.2
Total assets	32,742	27,021	5,721	21.2

Liabilities	30.09.2020 € m	31.12.2019 € m	Change € m	Change %
Liabilities to banking institutions	8,795	4,027	4,768	-
Registered Mortgage Pfandbriefe	135	178	-43	-24.2
Registered public Pfandbriefe	11	46	-35	-76.1
Other liabilities	8,649	3,803	4,846	-
Liabilities to customers	4,720	4,325	395	9.1
Registered Mortgage Pfandbriefe	1,530	1,622	-92	-5.7
Registered public Pfandbriefe	236	400	-164	-41.0
Other liabilities	2,954	2,303	651	28.3
Securitised liabilities	16,821	16,152	669	4.1
Mortgage Pfandbriefe	10,946	10,303	643	6.2
Public Pfandbriefe	20	20	0	0.0
Other debentures	5,855	5,829	26	0.4
Other liabilities	373	442	-69	-15.6
Deferred income	122	121	1	0.8
Reserves	261	260	1	0.4
Subordinated liabilities	243	340	-97	-28.5
Fund for general bank risks	471	418	53	12.7
Equity	936	936	0	0.0
Total liabilities	32,742	27,021	5,721	21.2
Contingent liabilities				
Liabilities from guarantees and warranty contracts	190	259	-69	-26.6
Other obligations				
Irrevocable loan commitments	3,482	2,959	523	17.7

The Berlin Hyp balance sheet total amounted to € 32.7 billion as at the reporting date. This represents an increase of € 5.7 billion compared to the year-end figure for 2019.

At € 0.3 billion, claims against banking institutions remained nearly unchanged. Claims against customers rose by € 0.7 billion to € 23.1 billion. Such claims consist of € 22.6 billion in mortgage loans (year-end 2019: € 21.8 billion) and € 0.4 billion in public sector loans (year-end 2019: € 0.5 billion). In respect of mortgage loans, additions from new business were offset by extraordinary outflows through early repayments. As a result of purchases, the portfolio of fixed-interest debentures increased significantly, by € 2.4 billion to € 6.1 billion.

Liabilities to banking institutions increased by € 4.8 billion to € 8.8 billion. This development was due to a significant increase in fixed-term deposit liabilities, particularly within the framework of participation in TLTRO III. Liabilities to customers increased by € 0.4 billion to € 4.7 billion, while the portfolio of securitised liabilities rose from € 16.2 billion to € 16.8 billion.

Forecast report

The recent rapid increase of COVID-19 cases, as well as uncertainty regarding how the pandemic will develop in future, are currently the most important factors influencing the further development of the economy as a whole, and thus the banking and financial sector in particular, whereby it is not only banks that are now facing unforeseen challenges in this regard. The possible consequences of the pandemic, as well as its extent, remain difficult

to assess. Taking into account the current recessionary economic environment and the still extremely uncertain course of development on the real estate and capital markets, Berlin Hyp continues to assume that earnings before profit transfer in the current financial year 2020 will be significantly lower than in 2019, but nevertheless slightly higher than what was indicated in the expectations described in last year's forecast report.

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

Publications of 2020 for our business partners

- Annual Report 2019 (German/English)
- Half-year financial report
as at 30 June 2020 (German/English)
- Interim Report
as at 30 September 2020 (German/English)
- GRI Report 2019 (German/English)

Imprint

Published by
Berlin Hyp AG
Communications and Marketing
Corneliusstrasse 7
10787 Berlin
Germany

Layout and Typesetting
Heimrich & Hannot GmbH
Stralauer Allee 2
10245 Berlin
Germany

