A partnership built on trust

Berlin Hyp

Half-Year Financial Report 2017

Finanzgruppe

Key figures of the Berlin Hyp

Excerpt from the Balance Sheet *in € m*	30.06.2017	31.12.2016
Claims against banking institutions	746	551
Claims against customers	19,226	19,370
Of which:		
a) Mortgage loans	18,215	18,125
b) Public-sector loans	941	1,228
Liabilities to banking institutions	5,342	4,814
Liabilities to customers	5,687	5,476
Of which:		
a) Registered mortgage Pfandbriefe	2,418	2,374
b) Registered public Pfandbriefe	691	1,030
Securitised liabilities	12,370	13,615
Of which:		
a) Mortgage Pfandbriefe	7,862	8,040
b) Public Pfandbriefe	706	1,640
Reported equity	936	936
Balance sheet total	25,828	26,354

Excerpt from the Profit and Loss Account *in € m*	01.01.–30.06. 2017	01.01.–30.06. 2016
Net interest income	136.7	132.0
Net commission income	17.9	19.3
Staff expenditure	33.0	25.7
Other operating expenditure[2]	32.7	32.6
Of which expenditure for bank levy	*10.1*	*10.9*
Depreciation on tangible assets	2.4	2.0
Operating expenditure	68.1	60.3
Risk provisioning	22.3	32.1
Operating result	62.6	58.8
Income from financial investments	1.9	2.7
Provision for general banking risks	20.0	30.0
Profit transfer	44.2	31.5
Net income for the year	0.0	0.0
Cost-income ratio after the bank levy in %	44.5	39.9
Return on equity in %	12.4	11.8

Business Development *in € m*	01.01.–30.06. 2017	01.01.–30.06. 2016
New lending	2,065	2,500
Of which:		
Residential loans	821	577
Commercial loans	1,244	1,923
Extensions (capital employed ≥ 1 year)	1,044	376
NPL[1]	415	571

Regulatory law key figures[3] *in € m*	30.06.2017	31.12.2016
Common equity tier 1 capital (CET1)	1,076	1,076
Additional tier 1 capital (AT1)	0	0
Tier 1 capital (T1)	1,076	1,076
Tier 2 capital (T2)	288	318
Own funds (Total capital)	1,363	1,395
Risk weightes assets (RWA)	7,660	7,972
CET1 capital ratio in %	14.0	13.5
T1 capital ratio in %	14.0	13.5
Total capital ratio in %	17.8	17.5
Leverage ratio in %	4.0	3.9

Sustainability	2016	2015
oekom research	Prime	Prime

Others	30.06.2017	31.12.2016
Number of employees (as at the reporting date)	585	585

[1] NPL portfolio will be apportioned from 2017 onwards pursuant to the EBA Guidelines on the basis of rating scores (previously: risk class); previous-year comparative figures were adjusted.
[2] The bank levy was reclassified to "Other operating expenditure" as at 31.12.2016; pro-rata comparative figures were adjusted.
[3] Previous year figures after adoption

Content

Preface

Dear Business Partners and Colleagues,

The first half of 2017 saw more positive development than many investors had expected. The pro-European outcome of the elections in the Netherlands and France eased the political situation in Europe and largely dispelled fears that the Eurozone could fall apart. This created positive momentum, first and foremost for European financial markets. Even the start of negotiations regarding the United Kingdom's departure from the European Union did nothing to change the situation.

The global economy is benefiting on the whole from expansive economic development and currently appears to be largely unaffected by geopolitical tensions or uncertainty regarding the economic direction of the United States.

While the US central bank, the Federal Reserve, has started to gradually lift interest rates to a range of 1.00 % to 1.25 % and plans to reduce its balance sheet total, signs of an interest rate rebound have yet to materialise on the European capital market. The European Central Bank (ECB) still does not see the slight rise in the inflation rate as a sustained development, meaning that a continuation of its expansionary monetary policy appears highly likely.

The ongoing low-interest-rate policy is creating increasing pressure to invest, from which the real estate market in Germany benefited in the first half of 2017. With Germany still viewed as a "safe haven" thanks to its stable economic fundamentals, more and more international investors are also entering the country's commercial and residential real estate market. As a result, transaction volume on the real estate market remains high. Commercial real estate, for example, reached a figure of € 25.8 billion at the end of the first half of 2017 (previous year: € 17.9 billion). On the residential real estate market, transaction volume rose to just under € 5.9 billion (€ 4.8 billion) between January and June 2017. According to our observations, appetite for risk among investors is growing. Investors are also increasingly shifting their focus to properties in B and C cities as well as management-intensive concepts.

As a result, the first half of Berlin Hyp's 2017 financial year ended on a very positive note with an operating result before taxes and profit transfer of € 44.4 million (€ 31.4 million), despite the continued low-interest phase, strong competitive pressure and regulatory requirements that tie up resources. An addition to the fund for general banking risks in accordance with Section 340g German Commercial Code (HGB) of € 20.0 million (€ 30.0 million) is already factored into this operating result.

New business volume (including long-term extensions) of € 3.1 billion (€ 2.9 billion), which allowed the Bank to further strengthen its position as a leading provider of commercial real estate financing in the first half of 2017, contributed to this good operating result.

Berlin Hyp further expanded its range of products and services within the Savings Banks Finance Group. ImmoAval and ImmoRisikoDialog were added to the established product range featuring syndicate financing, ImmoSchuldschein, ImmoKonsortial and real estate valuation. With the ImmoRisikoDialog, Berlin Hyp aims to support savings banks in dealing with high-risk real estate loans and in restructuring and phasing out real estate exposures. Overall, the total volume of S-Group business came to roughly € 650 million in the first half of 2017.

On the capital market, Berlin Hyp benefits from its reputation as a sound and reliable issuer. The Bank launched two benchmark mortgage Pfandbriefe with a volume of € 500 million each in the first half of the year. The first Pfandbrief was issued in February. At 39 %, the share of international investors was particularly high. The second Green Pfandbrief was issued in June. At 47 %, the share of international investors was the highest ever for a Berlin Hyp Pfandbrief – a success we are particularly proud of, since the development of sustainable products, the promotion of the financing of sustainable real estate and a comprehensive sustainability and environmental management system are an integral part of our corporate strategy. Our stated goal is to increase the share of green building financing to 20 % of loan volume by 2020.

Outlook

The situation in Europe has stabilised somewhat following the elections in France and the Netherlands. Nevertheless, some things remain unpredictable, such as the progress of the Brexit negotiations as well as political tensions in Poland and the status of German-Turkish relations. The new administration in the US remains an uncertainty factor. Its protectionist trade policies could put a strain on the global economy in the medium term.

For the time being, however, the ongoing low-interest policy is ensuring continued momentum in German residential and commercial real estate markets. An end to the brisk investment activity is currently not in sight. Maintaining our conservative risk policy is gaining particular importance in view of investors' growing appetite for risk. Although the conditions remain challenging due to strong competitive pressure and the ever-stricter regulatory requirements, we expect the financial year to progress as planned, with a result before profit transfer significantly above that of the previous year.

Last year, Berlin Hyp launched the future-oriented process berlinhyp21 to keep the Bank prepared for challenges in the future. Using a participative approach, employees work in six topic clusters on key future trends and innovations. The improvement of IT systems and a new digitalisation strategy are of particular importance. For example, the Bank aims to be able to react even more rapidly and efficiently to customer requirements in future through intelligent connectivity and the automation of standard processes. As a result, learning agile and efficient working methods is part of our new training and education concept, which we successfully implemented in the first half of the year.

We are not resting on our position as one of the leading providers of real estate financing in Germany. We know the challenges of the years ahead and are preparing for them. We will continue to take a critical look at ourselves and evolve in future. And we are investing in our future with young, new employees. In the first half of 2017, we intensified our efforts at offering young professionals advanced qualifications. Promoting the development of talent within our company is also of great importance to us. We invite you to read more about it in this report.

Best wishes from Berlin,

Sascha Klaus Gero Bergmann Roman Berninger

Organs of the Bank and Other Important Functions

Supervisory Board

Georg Fahrenschon
→ Chair
→ President of Deutscher Sparkassen- und Giroverband e.V.

Jana Pabst
→ Deputy Chair
→ Bank employee
→ Chair of the Works Council of Berlin Hyp AG

Joachim Fechteler
→ Bank employee
→ Member of the Works Council of Berlin Hyp AG

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

Artur Grzesiek
→ Chairman of the Board of Management of Sparkasse Cologne-Bonn

Dr. Harald Langenfeld
→ Chair of the Board of Management of Stadt- und Kreissparkasse Leipzig

Thomas Mang
→ President of Savings Banks Association of Lower Saxony

Thomas Meister
→ Bank employee

Siegmar Müller
→ Chair of the Board of Management of Sparkasse Germersheim-Kandel
→ Landesobmann of the Rhineland-Palatinate Savings Banks Board of Management Members

Reinhard Sager
→ President of German Administrative District Parliament
→ County Council Chairman of East Holstein District

Andrea Schlenzig
→ Bank employee

Helmut Schleweis
→ Chair of the Board of Management of Sparkasse Heidelberg
→ Bundesobmann of the Savings Banks Board of Management Members

Peter Schneider
→ President of Savings Banks Association of Baden-Wurttemberg

Walter Strohmaier
→ Chair of the Board of Management of Sparkasse Niederbayern-Mitte,
→ Landesobmann of the Bavarian Savings Banks

René Wulff
→ Bank employee
→ Deputy Chair of the Works Council of Berlin Hyp AG

Supervisory Board Committees

→ Staff and Strategy Committee

Georg Fahrenschon
Chair

Helmut Schleweis
Deputy Chair

Dr. Harald Langenfeld

Thomas Mang

Thomas Meister

Andrea Schlenzig

→ Loans Committee

Thomas Mang
Chair

Dr. Harald Langenfeld
Deputy Chair

Artur Grzesiek

Walter Strohmaier

René Wulff

→ Audit Committee

Helmut Schleweis
Chair

Gerhard Grandke
Deputy Chair

Joachim Fechteler

Siegmar Müller

Peter Schneider

Trustee

Christian Ax

Deputy Trustees

Wolfgang Rips

Philip Warner

Board of Management

Sascha Klaus
Chair

Gero Bergmann

Roman Berninger

Managing Director

Dr. Michael Schieble

Interim Management Report

Economic Report

Macroeconomic and Sector-Related Framework Conditions

Macroeconomic Development

The expansive development of the global economy has continued unabated over the past six months, as expected. The upward trend was also not affected by uncertainty over economic policy in the US or geopolitical tensions elsewhere in the world.

Economic development in the Eurozone was also consistently positive, in line with our forecast. In spite of the negative impact of the sharp rise in consumer prices at the start of the year, private consumption remained a major factor in the economic upturn – thanks in no small part to further relief of the employment market. Production and investment activities increased substantially, making a valuable contribution to economic growth. In addition, the outcome of elections in France and the Netherlands provided some relief to the political uncertainty concerning the cohesion of the European Union. The referendum over the UK's exit from the EU has spread uncertainty, but has not yet had any noticeable impact on growth in the first half of 2017. June 2017 saw the start of Brexit negotiations between the UK and other EU member states.

The positive trend in Germany confirmed our assumptions as at 31 December 2016. High capacity utilisation, particularly in the construction industry, and increasing momentum in terms of corporate investments were exemplary for the expansive economic development in Germany in the first half of 2017. Economic growth impetus provided by private consumption remained at a high level, but was down on previous years in spite of continued employment growth. This was due to losses in terms of purchasing power from available income caused by rising inflation.

Specific Industry Development

There remains no interest rate rebound on the horizon on the European capital market. The benchmark rate has been at 0.00 % since March 2016. For the ECB, future decisions to raise interest hinge on achieving the medium-term inflation target of just under 2 %. EUROSTAT did, in fact, record 2 % inflation in April. However, with anticipated momentum from sharply rising energy prices failing to materialise, the rate of inflation fell back to 1.4 % in May. The ECB therefore considers the rise in prices not to be sustainable as of yet, and so it can be expected to continue with its expansive monetary policy for the time being. A number of unconventional monetary policy measures were toned down in the reporting period. In March 2017, the final targeted long-term refinancing operation (TLTRO II) was issued. In addition, from April the monthly target volume for the central bank's bond-buying activities was reduced from € 80 billion to € 60 billion within the scope of the asset purchase programme.

Although the dominant theme on the Eurozone capital markets was still low or even negative interest rates against the backdrop of expansive central bank policy, returns on the 10-year German federal bonds recovered from their lows and fluctuated between 0.15 and 0.50 % during the reporting period. The euro swap curve showed a similar trend. Most swaps with a term of four years or more were offering positive returns.

Meanwhile, the US Federal Reserve is currently the only major central bank to be gradually and actively tightening up its monetary policy, with the aim of bolstering the recently weak US dollar. In March and June 2017, the US central bank raised benchmark rates by 0.25 % to 1.00 % and then again to 1.25 % and also announced plans to successively trim down its balance sheet, which currently totals some $ 4.5 trillion.

Sources for macroeconomic framework conditions: DIW, IfW.

Most stock markets around the world were in solid shape in the first half of 2017. In Europe, pro-European election outcomes in the Netherlands and France allayed investors' greatest fears, while stock markets in the US benefited from the planned economic agenda of the newly elected President Trump. However, it remains to be seen how these plans will be implemented.

Aside from the low interest rates and uncertainty on the capital market, banking institutions have a number of other challenges to contend with. Regulatory authorities continue to raise their requirements on banking supervision. The latest wave of requirements includes revisions to CRR and CRD, for which the European Commission has already submitted draft versions, the anticipated amendment to MaRisk, expanded regulatory requirements under the Basel IV proposals, the final shape of which is still being debated, and requirements concerning the establishment of a standard supervisory mechanism (SSM) in Europe. Related measures are having an increasing impact on both human and monetary resources.

The German real estate market was in very stable shape in the first half of 2017 and continues to boast high transaction volume. This trend has been primarily fuelled by international investors who are investing more in German commercial and residential properties. Given its solid economic fundamental data and the stable political situation, Germany continues to be considered a safe haven, especially against the backdrop of uncertainty in many other European and international markets. In addition, Germany also offers a high level of market transparency. National investors are also focusing on their domestic market for this reason.

The favourable conditions in Germany pushed transaction volume for commercial properties to € 25.8 billion at the end of the first half of 2017 (previous year: € 17.9 billion), which equates to an increase of 45 % compared to the same period last year. The extremely high level of investment propensity forecast by Berlin Hyp for 2017 has already materialised in the first half of the year. Moreover, market data shows that the current growing appetite for risk among investors will, due to the lack of supply in the core segment and the ongoing pressure to find yields, continue to see investors switching their focus to properties in key regional centres and B and C cities, as well as more management-intensive properties. Consistently high demand for properties – due in part to the ongoing zero-interest policy pursued by the European Central Bank and the resulting dearth of alternative investments – is also reflected by the fall in net initial returns, particularly in the office segment but also in the retail segment. The residential investment market is also very lively: between January and June 2017, transaction volume totalled just under € 5.9 billion (€ 4.8 billion), up by some 22 % compared to the previous-year period.

In addition, a ruling by the Federal Court of Justice on 4 July 2017, also allowing corporate banking customers to claim back administrative fees incurred since 2014 under the conditions specified in the ruling, will have a negative impact on banks' earnings situations. The extent to which such claims will impact the Bank is still unclear, as each respective contract must be assessed on an individual basis.

Business Development

In its outlook for 2017, Berlin Hyp forecast a slight rise in earnings before profit transfer and an adequate level of provision reserves pursuant to Section 340g German Commercial Code (HGB) to strengthen regulatory capital requirements.

Source for real estate market data: CBRE.

In view of the challenging environment posed by ongoing low interest rates, continued fierce competition in the commercial real estate financing market and ever-stricter regulatory requirements, the first half of 2017 was a resounding success. Earnings before profit transfer came to € 44.2 million, exceeding the previous year's figure even after considering additions to the special item pursuant to Section 340g German Commercial Code (HGB).

The bank cemented its role as a leading commercial real estate financer. New contracted lending volume, including realised extensions (capital employed ≥ 1 year), amounted to approximately € 3.1 billion in the first half of 2017. As described in the forecast report as at 31 December 2016, we expect new lending volume in 2017 to not quite match the extremely high level recorded in the previous year. Besides intensive competition in the commercial real estate financing segment, the further rise in pressure on margins due to the ECB's current monetary policy also proved challenging.

Berlin Hyp continued its integration into the Savings Banks Finance Group according to plan and consistently expanded its S-Group business. The volume of S-Group business came to roughly € 650 million in the first six months of the year. The range of established products such as syndicate financing, ImmoSchuldschein, ImmoKonsortial and real estate valuation continued to be tailored to the requirements of the savings banks, while the new ImmoAval and ImmoRisikoDialog products were also added to the S-Group business range.

In the first half of 2017, the "berlinhyp21" strategy launched last year once again focused on making sure the Bank can rise to meet future challenges. Besides optimising the IT system environment, which mainly involved systematically basing the core banking system on SAP, the Bank also concentrated its efforts on implementing the digitalisation strategy through the intelligent networking and automation of front- and back-office processes.

Earnings Situation

The key element in terms of Berlin Hyp's earnings in the first half of 2017 was the positive trend in net interest and commission income. Operating expenditure increased as expected due to the one-off effect in the previous year caused by the revaluation of pension obligations. These expenses also included the fully accrued EU banking levy. Considering the slight deterioration in other operating income, the operating result before risk provisioning was down on the previous year at € 84.9 million (previous year: € 90.9 million).

The required level of risk provisioning fell when compared to the previous year.

Berlin Hyp capitalised on the satisfactory overall earnings trend to further strengthen its capital reserve, adding € 20.0 million (€ 30.0 million) to the fund for general bank risks pursuant to Section 340g German Commercial Code (HGB) in the first half of 2017. Earnings before taxes came to € 44.4 million, significantly higher than the previous year's figure of € 31.4 million.

Net Interest and Commission Income Rises

Net interest and commission income rose from € 151.3 million to € 154.6 million when compared to the previous year.

The increase resulted from a rise in net interest income by € 4.7 million to € 136.7 million due to a fall in refinancing expenses and a slight rise in the average mortgage portfolio. The ongoing pressure on margins continues to prove challenging. Positive one-off effects, such as the receipt of prepayment charges, were neutralised by countermeasures to reduce the burden in future periods.

At € 17.9 million, net commission income was just short of the extremely positive previous-year figure of € 19.3 million and benefited from positive new lending volume.

Operating Expenditure Down After One-off Effects

Operating expenditure breaks down into staff expenditure, other operating expenditure and write-offs on fixed assets and intangible assets. Due to the one-off effect caused by the extension of the discounting period in the calculation of pension obligations to ten years undertaken in the previous year, this figure stands at € 68.1 million and is above the previous year's figure – adjusted for the European banking levy – of € 60.3 million. Excluding this effect, operating expenditure declined.

The planned rise in staff expenditure by € 7.3 million to € 33.0 million was related to the revaluation of pension obligations. The associated fall in the deferred amount declined by a significant margin compared to the previous year. Adjusted for this effect, staff expenditure fell.

Other operating expenditure remained on a par with the previous year at € 32.7 million (€ 32.6 million), even after the reclassification of the European banking levy. Besides the contribution to the European banking levy, this expenditure also includes legal and consulting fees, IT expenditure and intra-Group charges for the administrative holding costs related to the managing institution from a regulatory perspective.

There was a minor increase in write-offs on fixed assets and intangible assets from € 2.0 million to € 2.4 million.

Other Operating Result Falls Slightly

The Bank reported other operating income of € –1.6 million, compared with € –0.1 million in the previous year. This primarily consisted of expenses from the continued compounding of pension provisions and fees for the Detailed Agreement concluded with the State of Berlin in 2001.

Marked Decline in Risk Provisioning

The Bank's risk provisioning declined compared to the previous year. in the first half of 2017 to a total of € 22.3 million (€ 32.1 million).

Risk provisioning in the lending business benefited from solid economic framework conditions and the Bank's active risk management strategy. Through the creation of additional provision reserves, risk provisioning for the lending business increased by a further € 40.1 million (€ 28.0 million). The Bank has formed provision reserves in what it considers at the current time to be a sufficient volume for legal risks concerning loan administration fees resulting from the Federal Court of Justice ruling dated 4 July 2017.

Risk provisioning for securities in the liquidity reserve posted income of € 17.8 million following expenditure of € 4.1 million in the previous year. This income mostly resulted from disposals.

The Bank adequately took all recognisable and potential risks into consideration with the formation of value adjustments.

Positive Net Income from Investments

Net income from investments is largely defined by write-ups and gains on disposal and totalled € 1.9 million (€ 2.7 million).

Fund for General Banking Risks Increased

The Bank increased the fund for general banking risks pursuant to Section 340g German Commercial Code (HGB) by another € 20.0 million (€ 30.0 million) in the first half of 2017 in order to continue to meet the higher equity capital requirements for banking institutions. This fund now amounts to € 173.0 million.

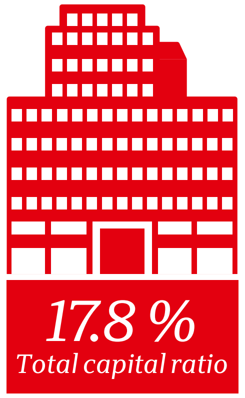
Increase in Earnings Before Taxes

The Bank recorded earnings before taxes of € 44.4 million, which equates to an increase of € 13.0 million.

Net Assets Position

The balance sheet total came to € 25.8 billion as at 30 June 2017, which equates to a decline of € 0.5 billion compared to the end of 2016.

The Bank was able to marginally increase its mortgage portfolio, which now stands at € 18.2 billion (€ 18.1 billion). Additions to new lending were offset by substantial extraordinary outflows through early repayments.



The portfolio of fixed-interest debentures was reduced further and now stands at € 5.2 billion (31 December 2016: € 5.8 billion).

On the liabilities side, liabilities to banking institutions rose by € 0.5 billion to € 5.3 billion compared to the end of 2016. Liabilities to customers increased by € 0.2 billion to € 5.7 billion. Securitised liabilities reduced by € 1.2 billion to € 12.4 billion, while the volume of subordinated liabilities remained unchanged at € 0.5 billion.

Equity Capital
Berlin Hyp's reported equity at the end of the first half of the year remains unchanged at € 935.9 million. This figure includes profit carried forward of € 2.2 million. In addition, € 153.0 million is available in the form of a regulatory reserve pursuant to Section 340g German Commercial Code (HGB) and € 244.0 million of subordinated capital that is capable of being taken into consideration under regulatory law. The existing subordinated capital, with a nominal value of € 443.2 million (previous year: € 443.2 million), complies with the regulatory requirements.

In relation to the risk items pursuant to the Solvency Regulation (SolvV), the core capital ratio as at 30 June 2017 was 14.0 % and the total capital ratio was 17.8 % (12.7 % and 16.4 % respectively).

The rise in capital ratios is partly due to improved capitalisation through additions to the reserve pursuant to Section 340g German Commercial Code (HGB). Other factors in the reduction in risk items were the substantial unplanned portfolio disposals due to the widespread availability of liquidity on the market and low interest rates.

Additional stricter regulatory requirements are planned in the coming years, such as CRR II and Basel IV, which will also have a strong impact on Berlin Hyp. The Bank plans to mitigate these increased capital requirements by forming corresponding provisions.

New Lending
New lending in the real estate financing business, including realised extensions (capital employed ≥ 1 year), amounted to approximately € 3.1 billion (€ 2.9 billion) in the first half of 2017. Compared to the first half of 2016, margins in new loans remained largely unchanged with the Bank making almost no changes to its risk conduct and the share of higher-margin developer and building contractor financing agreements rising. Competition remained fierce among lenders, and the market continued to offer a high volume of liquidity, keeping the pressure on margins.

Of the new financing (excluding extensions), 74 % were attributed to properties located in Germany. 25 % of properties covered by new financing located in the former West Germany and 49 % in Berlin and the former East Germany. 26 % relate to the financing of properties located outside Germany.

At 77 %, most new lending related to the investors customer group and a further 5 % was concluded with housing societies. The remaining 18 % was attributable to developers and building contractors.

S-Group Business
The range of established products such as syndicate financing, ImmoSchuldschein, ImmoKonsortial and real estate valuation continued to be tailored to the requirements of the savings banks and expanded accordingly. Besides the new ImmoAval product, we also launched ImmoRisikoDialog, which is aimed at offering savings banks access to our Risk Management employees' wealth of experience in handling high-risk real estate loans and providing support in restructuring and controlling real estate exposures.

The volume of S-Group business came to roughly € 650 million in the first six months of the year.

Financial Position
The European bank bond market painted a varied picture in the first six months of the year, even though almost all asset classes benefited from the low overall interest environment and the continuation of the ECB bond-buying programme. The same applied to senior unsecured bonds, despite the ongoing bail-in debate and even though they are not part of the asset purchase programme. A glance at the spreads on outstanding uncovered bank bonds shows a more pronounced name differentiation from investors. Following the introduction of senior non-preferred bank bonds in France at the end of 2016, the issue spread on every new issue in this asset class was able to be lowered by the issuers.

The risk premiums on covered bonds from Eurozone countries drew an end to their long-term converging trend, for the time being at least. There are now additional significant differences between individual jurisdictions and issuers at the end of the first half of 2017. German Pfandbriefe have underlined their status as a premium product and offer the lowest spreads on both the primary and secondary markets.

Berlin Hyp had market access at all times. The Bank continues to benefit from the reputation it has built up over many years as a reliable and sound issuer and its involvement in the Savings Banks Finance Group. The Bank issued two benchmark mortgage Pfandbriefe in the first half of the year with a total volume of € 1.0 billion.

The first Pfandbrief was issued in February and was successfully placed on the market at a reoffer spread of mid-swap −10 basis points. The Pfandbrief was € 500 million in volume and had an eight-year term and a coupon of 0.375 %. At 39 %, the share of international investors in this Pfandbrief was particularly high. Almost half of investments in the bond were attributed to banks. 20 % were attributed to savings banks (Savings Banks Finance Group share: 25 %). This June, a second Green Pfandbrief was issued – the third green bond issued by Berlin Hyp in benchmark format. The bond had a term of over six years and is used to refinance loans for particularly energy-efficient and sustainable commercial properties. The reoffer spread for the € 500 million bond was fixed at mid-swap −14 basis points; the coupon came to 0.125 %. The level of investment from international investors was the highest recorded for a Berlin Hyp Pfandbrief. 47 % of the green bond were placed outside Germany. Central banks and public-sector institutions formed the largest investor group, accounting for 43 %. Savings banks accounted for 5 % of investment (Savings Banks Finance Group share: 12 %). It is particularly noteworthy that 45 % of investors in the bond issue were SRI (socially responsible investment) investors.

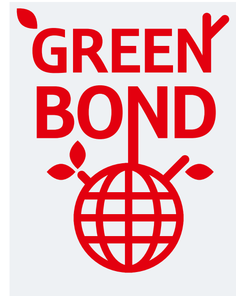
Berlin Hyp also borrowed € 1.0 billion from the final tranche of TLTRO II (targeted longer-term refinancing operations).

Berlin Hyp's issuer ratings remained stable in the reporting period, with Moody's once again giving the Berlin Hyp uncovered bond an A2 rating with a positive outlook and Fitch continuing to rate the senior unsecured bond A+ with a stable outlook. In addition, Fitch upgraded its viability rating from bbb− to bbb in February.

Moody's ratings for Berlin Hyp's Mortgage Pfandbriefe and Public Pfandbriefe also remained unchanged at Aaa with a stable outlook.

Financial and Non-Financial Performance Indicators
Financial Performance Indicators
Berlin Hyp has defined the following financial performance indicators to manage its business activities:

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



47 % placed outside Germany

Aaa from Moody's for mortgage Pfandbriefe and public Pfandbriefe of Berlin Hyp

12.4%

Return on equity capital

Additional financial ratios, such as the leverage ratio and the minimum requirement for eligible liabilities, are also included in the management system. Compliance with these ratios is not yet compulsory, but they are likely to become increasingly important in the future.

Earnings before profit transfer came to € 44.2 million as of 30 June 2017, significantly up on the previous year's figure of € 31.5 million. Considering the expenses from the addition to the fund for general banking risk pursuant to Section 340g German Commercial Code (HGB) of € 20.0 million, this is an extremely satisfying result.

Net interest and commission income improved slightly from € 151.3 million to € 154.6 million compared to the previous year. This was primarily due to the fall in refinancing expenses and the rise in the average mortgage portfolio while core business margins remained stable.

The cost-income ratio increased from 39.9 % to 44.5 % as at 30 June 2017. The figure showing the comparison with the previous year already contains the adjustment for the expenditure for the European banking levy. This increase was largely due to one-off effects in the calculation of pension obligations in the previous year and the associated fall in operating expenditure, in spite of the slight rise in net interest and commission income.

Return on equity was increased from 11.8 % to 12.4 % thanks to the rise in earnings before profit transfer.

The common equity Tier 1 ratio stood at 14.0 % as at 30 June 2017 (previous year: 12.7 %).

Berlin Hyp's new lending volume (including long-term extensions) came to € 3.1 billion in the first half of 2017, up on the first six months of 2016 (€ 2.9 billion).

Non-Financial Performance Indicators

The Bank also applies a number of non-financial performance indicators that can be broken down as follows:

→ Market: target portfolio, S-Group business
→ Employees: employee structure, motivation, management and development
→ Sustainability: green bonds, green financing, sustainability rating and compliance

In addition, the target portfolio is also of significance for control purposes: distinctions are made between real estate types, customer groups, lending regions and risk classes. The specified target values, which are in line with our conservative risk strategy, were complied with overall in the first half of 2017. Markets are subject to qualitative and quantitative analysis and assessment through regular internal research studies.

In S-Group business with savings banks, the total volume of business came to roughly € 650 million. ImmoSchuldschein transactions are currently being prepared. Besides established offers specially aimed at savings banks, such as syndicate financing, ImmoSchuldschein, ImmoKonsortial and real estate valuation, the Berlin Hyp product range has also been systematically expanded. The ImmoAval and ImmoRisikoDialog products were officially launched in the first half of 2017. The latter draws on the wealth of experience offered by Risk Management employees in handling high-risk real estate loans in order to help savings banks restructure and control their real estate exposures.

Like many other companies, Berlin Hyp must contend with issues of demographic change and skills shortage. Against this backdrop, the Bank has intensified its activities in recruiting and promoting the next generation of talent over the past few years. In the first half of 2017, Berlin Hyp switched its focus to recruiting young skilled workers, particularly trainees and students in dual study programmes, among other activities. Besides providing attractive, individually tailored training programmes, giving Berlin Hyp a strong positioning as an attractive employer is also an important factor in covering the Bank's skills requirements for the future.

Attending career fairs for young people, such as Horizon – the dual study day at the Berlin School of Economics and Law – or Connecticum, in the first half of the year is an important first step in this direction. Including current trainees in visits to these kinds of fairs is part of Berlin Hyp's very fabric as a bank, facilitating direct dialogue on equal footing between current and potential talent and supporting the Bank's declared aim of presenting itself as an attractive employer. In addition to the training programmes Berlin Hyp provides to trainees and students in dual study courses, the Bank also offers work placements for students. The number of trainee and work placements is being increased with an eye to securing a long-term supply of new talent at Berlin Hyp.

Besides recruiting the next generation of employees, Berlin Hyp also focused on promoting young talent in the first half of 2017. The top-level qualification programme for young professionals, developed in 2016 and comprising a mentoring programme in conjunction with IMMOEBS e.V. and a study course in real estate economics at the International Real Estate Business School (IREBS), has welcomed its first cohort of students. Both measures were successfully launched in spring 2017.

The change process initiated at Berlin Hyp in 2016 continues apace and is aimed at expanding the methodological competencies of employees at various hierarchical levels, but particularly in learning agile, efficient working methods. A course designed in 2016 with external support to train selected employees and managers in how to host meetings with greater agility and efficiency was successfully implemented in the first half of 2017. A total of 25 employees and managers were trained in two cohorts, and participants have already developed and realised their initial ideas and ways of multiplying the methods they learned throughout the Bank as a whole. Focal points over the next few months will be ensuring that these trained employees and managers are rooted in the Bank's culture and the further integration of agile and efficient working methods at the Bank.

Berlin Hyp launched the Strategic Resources Planning project in the first half of 2017 against the backdrop of increasing process automation in our digital world and demographic developments. This project is geared towards developing a future concept for the Bank. It comprises Berlin Hyp's digitalisation projects as well as changes resulting from this for requirement profiles. Findings from this project will be included in an active staff management strategy geared towards providing targeted employee training and qualification.

Berlin Hyp's management takes the following indicators into account in its management of the Bank: green bonds, green financing, sustainability rating and compliance. An integral part of the corporate strategy is that both strategic goals of Berlin Hyp are supported by the development of sustainable products (such as green bonds) and the promotion of the financing of sustainable buildings and through the comprehensive sustainability and environmental management system and the fostering of social corporate responsibility among employees.

Berlin Hyp reported in detail on its sustainability strategy, goals, areas of activity and measures in its Sustainability Report, published in May 2017, and in the Sustainability Performance Indicators published in March in accordance with the standards of the Global Reporting Initiative (GRI). The Bank's commitment to sustainability has also been positively attested to by independent rating agencies oekom research AG and Sustainalytics. In the Sustainalytics rating in 2016, Berlin Hyp was able to significantly improve its positive result from the previous year to 76 out of 100 possible points. Sustainalytics also classified Berlin Hyp as an "outperformer" for the first time, putting the Bank among the top 9 % in its industry.

Berlin Hyp's standing as a sustainable company is also important to management and employees in the future.

Opportunities, Forecast and Risk Report

Opportunities and Forecast Report

After the first half of 2017, we can see no significant deviations from our forecast as stated in the Management Report as at 31 December 2016. The following changes in the underlying conditions apply.

In the first six months of its term in office, the new government in the US has signalled its intent to pursue protectionist economic policy. The resulting trade policy strategy is a factor of uncertainty and could hinder global economic development, but also lead to a more significant consolidation of other trading partners.

The outcome of elections in France and the Netherlands allayed some fears in the Eurozone regarding the short term. However, uncertainty continues to surround the recently initiated Brexit negotiations. Furthermore, there are growing indications that the next Italian election will be brought forward.

The Federal Reserve is likely to gradually continue to increase its benchmark interest rate and reduce its balance sheet total by trimming down its bond-buying activities. The ECB, on the other hand, is showing no signs of rolling back its expansive monetary policy. An increase in refinancing rates is only expected next year at the earliest. It also does not appear to want to reduce the scope of its bond-buying programme in the near future, either.

Significant momentum in the German residential and commercial real estate investment market has seen the extremely high levels of investment activity forecast by Berlin Hyp in 2017 materialise in the first half of the year. Transaction volume rose significantly by the middle of 2017.

Other underlying conditions, on the other hand, remained problematic. The ongoing low-interest phase and the competitive environment are still the leading factors influencing the real estate financing market. Pressure on margins will continue to leave its mark, and the volume of mortgage loans will only be able to rise moderately over time. Extremely positive new business transactions continue to be offset by high unscheduled repayments.

The latest ruling dated 4 July 2017 from the Federal Court of Justice declared standardised administration fees for corporate bank customers to be invalid under German law. Detailed investigations are currently underway into the extent to which individual lending agreements the Bank concluded with corporate customers are affected by this ruling. The Bank plans to correspondingly adapt future agreements and its terms and conditions.

The targeted expansion of the product range in line with the requirements of German savings banks will inject further impetus into S-Group business. The range of ImmoSchuldscheine offered by Berlin Hyp will be extended further. New products and variants, such as ImmoAval and ImmoRisikoDialog, have also been developed, with work on their launches already having started. The development of S-Group business is supported by customer-centric sales structures and the Bank's presence in Germany's core regions.

Ever-stricter regulatory requirements, as well as the development of business processes and the underlying procedural measures and technical infrastructure, pose major challenges. The development of Berlin Hyp follows a specific future-oriented strategy. The Bank's IT architecture is systematically based on a standardised further development as an SAP bank in order to meet future requirements of flexibility, security, quality and availability of data and reports. On this basis, processes are streamlined and digitalised and, in doing so, made more efficient so that the Bank can respond to customer requirements with even greater speed. In addition, the Bank also works intensively on generating new business ideas by means of suitable formats.

The additional potential resulting from this and from Berlin Hyp's position on the market, combined with a sound refinancing strategy, are solid foundations for the continuation of Berlin Hyp's very successful business operations. Refinancing activities are bolstered by the additional focus on refinancing green buildings and the corresponding widening of the group of prospective investors.

Barring any unforeseeable ruptures on the markets, we expect the remainder of the financial year to go according to plan. Including the expenses for forming provisions to strengthen equity capital requirements, the operating result before profit transfer is likely to increase considerably compared to the previous year's figure in 2017, as planned.

Risk Report

Please refer to the information provided in the risk report of the Management Report 2016 for details on risk policy, models applied in the assessment of the material opportunities and risks and the anticipated future development of the Bank.

The Bank's risk-bearing capacity had sufficient leeway in the first half of 2017, both according to internal standards and from a regulatory perspective.

Overall loan exposure remained roughly stable in the first half of 2017 compared to 31 December 2016. In terms of the spread of the overall loan exposure according to risk classes, the share of very good risk classes of 1–3 slightly increased to the detriment of good risk classes of 4–7.

The prospective leverage ratio currently stands at 4.0 %.

The value at risk in terms of market price risk was consistently below applicable limits and pre-warning levels throughout the first half of 2017.

Liquidity risk management continues to be very important. The liquidity ratio pursuant to the Liquidity Ordinance (LiqV) as at 30 June 2017 was significantly higher than the figure of 1.0 stipulated under regulatory law. The additional liquidity coverage ratio (LCR) was also significantly higher than the current minimum requirement of 80 % as at 30 June 2017. The economic liquidity risk is also monitored on a daily basis with the aid of stress scenarios. Operational risk is taken into consideration in the risk-bearing concept by means of an internal model, which is based on an advanced measurement approach.

This report has already pointed out the potential legal risks relating to the Federal Court of Justice's ruling dated 4 July 2017 on administrative fees in loan agreements. The Bank has created suitable provisions for these risks.

Sources for information on macroeconomic framework conditions: DIW, IfW

Excerpt from the Balance Sheet

as to 30 June 2017

Assets in € m	30.06.2017	31.12.2016	Change	Change %
Cash reserves	**48**	**9**	**39**	**-**
Claims against banking institutions	**746**	**551**	**195**	**35.4**
Mortgage loans	0	0	0	-
Public-sector loans	165	263	−98	−37.3
Other receivables	581	288	293	-
Claims against customers	**19,226**	**19,370**	**−144**	**−0.7**
Mortgage loans	18,215	18,125	90	0.5
Public-sector loans	941	1,228	−287	−23.4
Other receivables	70	17	53	-
Debentures	**5,201**	**5,782**	**−581**	**−10.0**
Intangible investment assets	**10**	**10**	**0**	**0.0**
Tangible assets	**57**	**58**	**−1**	**−1.7**
Other assets	**325**	**337**	**−12**	**−3.6**
Prepaid expenses	**215**	**237**	**−22**	**−9.3**
Total assets	**25,828**	**26,354**	**−526**	**−2.0**

Liabilities in € m	30.06.2017	31.12.2016	Change	Change %
Liabilities to banking institutions	**5,342**	**4,814**	**528**	**11.0**
Registered Mortgage Pfandbriefe	331	355	−24	−6.8
Registered Public Pfandbriefe	236	280	−44	−15.7
Other liabilities	4,775	4,179	596	14.3
Liabilities to customers	**5,687**	**5,476**	**211**	**3.9**
Registered Mortgage Pfandbriefe	2,418	2,374	44	1.9
Registered Public Pfandbriefe	691	1,030	−339	−32.9
Other liabilities	2,578	2,072	506	24.4
Securitised liabilities	**12,370**	**13,615**	**−1,245**	**−9.1**
Registered Mortgage Pfandbriefe	7,862	8,040	−178	−2.2
Registered Public Pfandbriefe	706	1,640	−934	−57.0
Other liabilities	3,802	3,935	−133	−3.4
Other liabilities	**512**	**526**	**−14**	**−2.7**
Deferred income	**196**	**217**	**−21**	**−9.7**
Reserves	**161**	**163**	**−2**	**−1.2**
Subordinated liabilities	**451**	**454**	**−3**	**−0.7**
Fund for general bank risks	**173**	**153**	**20**	**13.1**
Equity capital	**936**	**936**	**0**	**0.0**
Of which: balance sheet profit	2	2	0	0
Total liabilities	**25,828**	**26,354**	**−526**	**−2.0**
Contingent liabilities				
Liabilities from guarantees and warranty contracts	165	130	35	26.9
Other obligations				
Irrevocable loan commitments	1,806	1,895	−89	−4.7

Profit and Loss Account

from 1 January to 30 June 2017

Expenditure *in € m*	01.01. – 30.06. 2017	01.01. – 30.06. 2016	Change	Change %
Net interest income	**136.7**	**132.0**	**4.7**	**3.6**
Net commission income	**17.9**	**19.3**	**−1.4**	**−7.3**
Operating expenditure	**68.1**	**60.3**	**7.8**	**12.9**
Staff expenditure	33.0	25.7	7.3	28.4
Other operating expenditure[1]	32.7	32.6	0.1	0.3
Of which expenditure for bank levy	10.1	10.9	−0.8	−7.3
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	2.4	2.0	0.4	20.0
Other operating earnings / expenditure	−1.6	−0.1	−1.5	-
Operating result before risk provisioning	**84.9**	**90.9**	**−6.0**	**−6.6**
Risk provisioning	22.3	32.1	−9.8	−30.5
Operating result after risk provisioning	**62.6**	**58.8**	**3.8**	**6.5**
Financial investment result	1.9	2.7	−0.8	−29.6
Contribution to the fund for general bank risks	20.0	30.0	−10.0	−33.3
Other taxes	0.1	0.1	0.0	0.0
Profit before income tax and profit transfer	**44.4**	**31.4**	**13.0**	**41.4**
Income tax	0.2	−0.1	0.3	-
Expenditure from profit transfer	44.2	31.5	12.7	40.3
Net income	**0.0**	**0.0**	**0.0**	**-**

[1] Adjustment of the previous-year figure as a result of the reclassification of the bank levy to “Other operating expenditure” (had previously been reported separately as “Bank levy” after the “Operating result”)

Statement of Changes in Equity

in € m	Subscribed capital	Capital reserve	Profit reserves	Balance sheet profit	Total equity capital
As at 31.12.2016	**753.4**	**158.3**	**22.0**	**2.2**	**935.9**
Capital increases	0	0	0	0	0
Dividend payments	0	0	0	0	0
Other changes pursuant to Section 272 (2) No. 4 German Commercial Code (HGB)	0	0	0	0	0
As at 30.06.2017	**753.4**	**158.3**	**22.0**	**2.2**	**935.9**

Condensed Notes

General Information

The Half-Year Financial Report of Berlin Hyp was 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 provisions of the Regulation on the Accounts of Banking Institutions (RechKredV), and supplemented by the items stipulated for Pfandbrief banks.

Berlin Hyp holds shares in a subsidiary that has no material influence on the representation of the financial, assets and earnings situation of Berlin Hyp. Berlin Hyp AG has no legal obligation to produce consolidated annual accounts according to the International Financial Reporting Standards (IFRS) pursuant to Section 290 in conjunction with Section 315a German Commercial Code (HGB).

As in previous years, the Half-Year Financial Report has not been audited pursuant to Section 317 German Commercial Code (HGB) nor audited by an audit firm.

Reporting and Valuation Principles

The reporting and valuation methods used for the preparation of the annual financial accounts to 31 December 2016 have been applied essentially without change in the preparation of the condensed interim report. Any amendments arising are explained below.

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, Neuhardenberg/Germany, (holding company and smallest and largest consolidation group as defined in Section 285 No. 14 and No. 14a German Commercial Code (HGB)). The Bank has been linked to Landesbank Berlin Holding AG, Berlin, via a profit and loss transfer agreement since 1 January 2015.

Explanations of the Profit and Loss Account

Net interest income *in € m*	01.01. – 30.06. 2017	01.01. – 30.06. 2016	Change	Change %
Interest earnings from				
Mortgage loans	192.6	206.2	−13.6	−6.6
Public-sector loans	1.5	2.6	−1.1	−42.3
Other receivables	−0.3	0.1	−0.4	-
Fixed-income securities and book-entry securities	8.0	27.1	−19.1	−70.5
	201.8	**236.0**	**−34.2**	**−14.5**
Interest expenditure for				
Deposits and registered Pfandbriefe	42.8	59.1	−16.3	−27.6
Securitised liabilities	16.4	38.7	−22.3	−57.6
Subordinated liabilities	5.9	6.2	−0.3	−4.8
	65.1	**104.0**	**−38.9**	**−37.4**
Net interest income	**136.7**	**132.0**	**4.7**	**3.6**

Interest gains from balance sheet transactions generated by Berlin Hyp in the first half of 2017 resulting from the current negative-interest environment are included in interest income of € 1.1 million (previous year: € 0.9 million) and interest expenditure of € 6.3 million (previous year: € 7.7 million).

Operating expenditure *in € m*	01.01. – 30.06. 2017	01.01. – 30.06. 2016	Change	Change %
Staff expenditure				
Wages and salaries	25.1	26.1	−1.0	−3.8
Social security contributions / retirement pensions	7.9	−0.4	8.3	-
	33.0	**25.7**	**7.3**	**28.4**
Other operating expenditure				
Bank levy	10.1	10.9	−0.8	−7.3
Staff-related material costs	1.4	1.3	0.1	7.7
Building and premises costs	1.8	1.7	0.1	5.9
Operating and business equipment	0.4	0.3	0.1	33.3
IT expenditure	8.2	5.7	2.5	43.9
Advertising and marketing	1.1	1.0	0.1	10.0
Business operation costs	1.0	0.9	0.1	11.1
Consultants / audits / subscriptions	5.4	6.7	−1.3	−19.4
Group payment set-off	3.3	4.1	−0.8	−19.5
	32.7	**32.6**	**0.1**	**0.3**
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	2.4	2.0	0.4	20.0
Operating expenditure	**68.1**	**60.3**	**7.8**	**12.9**

Expenditure linked to the European banking levy has been reported under "Other operating expenditure" since 31 December 2016. The previous year's figures have been adjusted for the purposes of better comparability.

Risk provisioning *in € m*	01.01. – 30.06. 2017	01.01. – 30.06. 2016	Change	Change %
Risk provisioning for loan business	40.1	28.0	12.1	43.2
Securities results	−17.8	4.1	−21.9	-
Risk provisioning	**22.3**	**32.1**	**−9.8**	**−30.5**

Explanations on the Balance Sheet

Securities with a nominal volume of € 678.0 million are evaluated as fixed assets since they do not serve as a liquidity reserve and are partially used to cover Pfandbriefe issued by the Bank.

The book value of the securities, which stands above their market value of € 88.0 million, amounts to € 90.8 million. This takes into account the valuation results from interest swaps.

Claims from and Liabilities to Affiliated Enterprises and Related Companies *in € m*

	30.06.2017	31.12.2016	Change	Change %
Affiliated enterprises				
Claims against banking institutions	4	7	−3	−42.9
Claims against customers	0	0	0	-
Other assets	0	1	−1	-
Prepaid expenses and prepaid income	1	0	1	-
Liabilities to banking institutions	25	193	−168	−87.0
Liabilities to customers	1	0	1	-
Other liabilities	47	79	−32	−40.5
Subordinated liabilities	100	100	0	-

Derivatives as at 30 June 2017 *in € m*

	Nominal amount / Remaining term					
	up to 1 year	between 1 and 5 years	more than 5 years	Total nominal value	Total negative values	Total positive values
Interest-related transactions						
Interest rate swaps	5,834	14,825	20,022	40,681	−848	1,188
FRA sales	2,000	0	0	2,000	0	0
Swaptions	7,596	1,500	0	9,096	−6	1
Caps	70	2,005	318	2,393	−3	3
Floors	0	1,475	251	1,726	−2	1
Collar caps	0	7	51	58	0	0
Collar floors	0	7	51	58	−3	3
	15,500	**19,819**	**20,693**	**56,012**	**−862**	**1,196**
Currency-related transactions						
Interest and currency swaps	194	134	67	395	0	32
	194	**134**	**67**	**395**	**0**	**32**
Total	**15,694**	**19,953**	**20,760**	**56,407**	**−862**	**1,228**

Completed business transactions largely serve to hedge exchange rate and credit risks of on-balance sheet underlying transactions. The market values of the derivative financial instruments are shown on the basis of the applicable interest rate on 30 June 2017 without taking into account interest accruals. The market values of the derivatives are counteracted by opposing valuation effects 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 LBB 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.

Staff Statistics

Number of Staff *Average of 01.01. – 30.06.2017*

	Male	Female	2017 Total
Full-time staff	274	174	448
Part-time staff	19	114	133
School-leaver trainees / BA students	2	1	3
Total	**295**	**289**	**584**

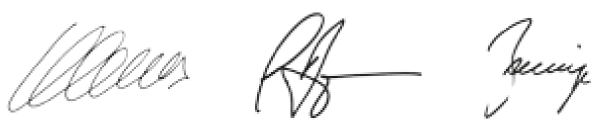
Information in Accordance with Section 28 German Pfandbrief Act (Pfandbriefgesetz)

Information to be published on a quarterly basis in accordance with Section 28 Pfandbrief Act is published on the Bank website at www.berlinhyp.de.

Statement of the Legal Representatives

"To the best of our knowledge, we give the assurance that, in accordance with the applicable accounting principles for the half-year financial statements, the Bank's half-year financial statements 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 Bank's interim management report in such a way that the picture conveyed corresponds to the actual circumstances, and the major opportunities and risks of the probable development of the enterprises during the rest of the financial year are described."

Berlin, August 2017



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

Publications for our business partners in 2017

- Annual Report 2016 (German/English)
- Half-Year Financial Report to 30.06.2017 (German/English)
- Interim Report to 30.09.2017 (German/English)
- Sustainability Report 2016 (German/English)

In this Half-Year Financial Report, reference to the masculine form naturally also includes the feminine form.

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