This document constitutes a supplement pursuant paragraph 16 German Securities Prospectus Act (Wertpapierprospektgesetz) (the "**Supplement**") to two base prospectuses of Berlin Hyp AG: (i) the base prospectus in respect of non-equity securities within the meaning of Art. 22 sub-paragraph 6(4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended (the "**Commission Regulation**") and (ii) the base prospectus in respect of Pfandbriefe (non-equity securities within the meaning of Art. 22 sub-paragraph 6(3) of the Commission Regulation) (together the **"Base Prospectus"** or the **"Prospectus"**)

Supplement to the Base Prospectus
Dated 16 August 2016

This Supplement is supplemental to, and must be read in conjunction with the Base Prospectus dated 30 March 2016.

Berlin Hyp

Berlin Hyp AG
Berlin, Federal Republic of Germany

€ 25,000,000,000
Offering Programme
(the "**Programme**")

Berlin Hyp AG (**"Berlin Hyp"**, **"Berlin Hyp AG"**, the **"Bank"** or the **"Issuer"**) has requested the Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht)* (the "**BaFin**") in its capacity as the competent authority under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) (the **"WpPG"**) to (i) approve this Supplement and (ii) provide the competent authorities in the Grand Duchy of Luxembourg, the United Kingdom of Great Britain and Northern Ireland, the Republic of Ireland, the Italian Republic and the Republic of Austria with a certificate of such approval attesting that the Supplement has been drawn up in accordance with the WpPG implementing the EU Prospectus Directive into German law (the "**Notification**"). Approval by the BaFin means the positive decision on the Issuer's request regarding the examination of the Supplement's completeness, including the coherence and comprehensibility of the provided information. The Issuer may request the BaFin to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

This Supplement will be published in the same way as the Base Prospectus in electronic form on the website of the Issuer (www.berlinhyp.de/fuer-kapitalmarktinvestoren/basisprospekt). It is valid as long as the Base Prospectus is valid.

RESPONSIBILITY STATEMENT PURSUANT TO § 5(4) SECURITIES PROSPECTUS ACT (*WERTPAPIERPROSPEKTGESETZ – WpPG*)

Berlin Hyp AG, with its registered office in Berlin, is solely responsible for the information given in this Supplement. The Issuer hereby declares that, to the best of its knowledge, the information contained in this Supplement is in accordance with the facts and no material circumstances have been omitted.

IMPORTANT NOTICE

Terms defined or otherwise attributed meanings in the Base Prospectus have the same meaning when used in this Supplement. All references to Berlin-Hannoversche Hypothekenbank Aktiengesellschaft in the Prospectus (as supplemented) shall be read and construed as reference to Berlin Hyp AG.

This Supplement shall only be distributed in connection with the Base Prospectus.

The Issuer will confirm to the Dealers that the Base Prospectus (as supplemented) contains all information which is material in the context of the Programme and the issue and offering of Notes thereunder, that the information contained therein is accurate in all material respects and is not misleading; that any opinions and intentions expressed therein are honestly held and based on reasonable assumptions; that there are no other facts, the omission of which would make any statement, whether fact or opinion, in the Base Prospectus (as supplemented) misleading in any material respect; and that all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained therein.

No person has been authorised to give any information which is not contained in or not consistent with the Base Prospectus or this Supplement or any other information supplied in connection with the Programme and, if given or made, such information must not be relied upon as having been authorised by the Issuer.

This Supplement and the Base Prospectus should be read in conjunction only and together constitute two prospectuses for the purpose of the Prospectus Directive, and for a particular issue of or tranche of Notes should be read in conjunction with any applicable Final Terms.

Save as disclosed herein and in the Base Prospectus, there has been no other significant new factor, material mistake or material inaccuracy relating to the information included in the Base Prospectus since its publication.

Investors who have already agreed to purchase or subscribe for securities before the supplement is published shall have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptances in the event that a new factor or an inaccuracy arose before the final closing of the offer of such securities to the public and the delivery of the securities, pursuant to section 16 paragraph 3 of the German Securities Prospectus Act.
Such new factors pursuant to Section 16 paragraph 1 of the German Securities Prospectus Act have occurred on

1. **08 August 2016 with the publication of the unaudited Half-Year Financial Report 2016 with the half-year financial statements of Berlin Hyp AG for the period ending 30 June 2016,**
2. **July 19, 2016 with changes regarding the Board of Managing Directors**
3. **25 May 2016 with a change regarding the Supervisory Board**

Revocations should be sent to Berlin Hyp AG, Budapester Str. 1, D-10787 Berlin.

I. Half-Year Financial Report 2016 as of 30 June 2016

On 08 August 2016, the Issuer published its Half-Year Financial Report 2016. Accordingly, the Prospectus (including the documents incorporated by reference) shall be amended as follows:

1. Summary
1.1. The table under "Summary form of Balance sheet" within "Selected historical key financial information" on page 3 of the Prospectus in Element B 12 of the Summary shall be replaced by the following table:

"

Assets in Mio. €	31.12.2014	30.06.2015 **	31.12.2015	30.06.2016 **	**Liabilities in Mio. €**	31.12.2014	30.06.2015 **	31.12.2015	30.06.2016 **
Claims against banking institutions	891	669	673	585	Liabilities to banking institutions	8,286	8,045	6,297	6,910
Claims against customers	20,645	20,885	20,610	20,872	Liabilities to customers	7,046	6,336	6,349	5,699
Debentures and other fixed-interest securities	8,325	7,418	6,485	6,395	Securitised liabilities	12,644	12,933	13,383	13,701
Residual assets*	567*	589*	776*	864*	Subordinated liabilities	466	446	443	443
					Fund for general Bank risks	83	83	103	133
					Provisioning Reserves	138	154	145	135
					Remaining Liabilities	829	628	888	759
					Equity	936	936	936	936
Total assets	30,428	29,561	28,544	28,716	Total liabilities	30,428	29,561	28,544	28,716

* unaudited information, derived from historical financial information
** Information in this column is taken from the unaudited Half-Year Financial Report
"

1.2. Within the "Summary form of income statement" after the existing table "Summary form of income statement" the following table shall be added on page 4:

"Half-year summary form of income statement

in Mio. €	**01.01.2015 – 30.06.2015***	**01.01.2016 – 30.06.2016***	**Change in %***
Net interest income	125.7	132.0	5.0
Net commission income	13.3	19.3	45.1
Staff expenditure	39.1	25.7	-34.3
Other operating expenditure	21.8	21.7	-0.5
Depreciations of tangible assets	1.9	2.0	5.3
Other operating revenue/expenses	13.4	-0.1	-
Risk provisioning	31.5	32.1	1.9
Operating result after risk provisioning	58.1	69.7	20.0
Expenditure from profit transfer	39.9	31.5	-21.1
Net income	**0.0**	**0.0**	-

*Information in this column is taken from the unaudited Half-Year Financial Report"

1.3. The section on "Significant changes in the financial or trading position" on page 4 of the Prospectus in Element B.12 of the summary shall be replaced by the following:

"Not applicable: There has been no significant change in the financial position of Berlin Hyp AG since 30 June 2016."

1.4. In the German language version of the Summary (Zusammenfassung des Prospekts) on page 23 the table within B.12 "Kurzdarstellung Bilanz" is to be replaced by the following:

"

Aktiva in Mio. €	31.12.2014	30.06.2015 **	31.12.2015	30.06.2016 **	**Passiva in Mio. €**	31.12.2014	30.06.2015 **	31.12.2015	30.06.2016 **
Forderungen an Kreditinstitute	891	669	673	585	Verbindlichkeiten gegenüber Kreditinstituten	8.286	8.045	6.297	6.910
Forderungen an Kunden	20.645	20.885	20.610	20.872	Verbindlichkeiten gegenüber Kunden	7.046	6.336	6.349	5.699
Schuldverschreibungen und andere festverzinsliche Wertpapiere	8.325	7.418	6.485	6.395	Verbriefte Verbindlichkeiten	12.644	12.933	13.383	13.701
Übrige Aktiva*	567*	589*	776*	864*	Nachrangige Verbindlichkeiten	466	446	443	443
					Fonds für allgemeine Bankrisiken	83	83	103	133
					Rückstellungen	138	154	145	135
					Übrige Passiva	829	628	888	759
					Eigenkapital	936	936	936	936
Summe der Aktiva	30.428	29.561	28.544	28.716	Summe der Passiva	30.428	29.561	28.544	28.716

* ungeprüfte, aus historischen Finanzinformationen abgeleitete Informationen

** Informationen in dieser Spalte stammen aus dem ungeprüften Halbjahresfinanzbericht „

1.5. In the German language version of the Summary (Zusammenfassung des Prospekts) on page 23 the following table shall be added after the existing table "Kurzdarstellung Gewinn- und Verlustrechnung" within B.12:

"Halbjahres-Kurzdarstellung Gewinn- und Verlustrechnung

in Mio. €	**01.01.2015 – 30.06.2015***	**01.01.2016 – 30.06.2016***	**Veränderung in %***
Zinsüberschuss	125.7	132.0	5.0
Provisionsüberschuss	13.3	19.3	45.1
Personalaufwendungen	39.1	25.7	-34.3
Andere Verwaltungsaufwendungen	21.8	21.7	-0.5
Abschreibungen auf Sachanlagen	1.9	2.0	5.3
Sonstiger betrieblicher Ertrag/Aufwand	13.4	-0.1	-
Risikovorsorge	31.5	32.1	1.9
Betriebsergebnis nach Risikovorsorge	58.1	69.7	20.0
Aufwendungen aus Gewinnabführung	39.9	31.5	-21.1
Überschuss	**0.0**	**0.0**	-
			-

* Informationen in dieser Spalte stammen aus dem ungeprüften Halbjahresfinanzbericht „

1.6. In the German language version of the Summary (Zusammenfassung des Prospects) within B.12 the section "Wesentliche Veränderung der bei Finanzlage oder Handelsposition der Emittentin" on page 24 shall be replaced by the following:

„Entfällt. Seit dem 30. Juni 2016 ist keine wesentliche Veränderung in der Finanzlage der Berlin Hyp eingetreten."

1.7 The wording of section 6.10.6 "Significant change in Berlin Hyp's Financial Position" on page 71 of the Prospectus shall be replaced by the following:

"There has been no significant change in the financial position of Berlin Hyp since 30 June 2016 (the end of the last financial period for which financial information has been published)."

II. Change regarding the Board of Managing Directors

At the end of section 6.8.1 on page 65 a new paragraph should be added as follow:

"The Berlin Hyp Supervisory Board appointed Sascha Klaus to the Berlin Hyp Board of Management in its meeting on 19 July 2016 as the successor to current Chair of the Board of Management, Jan Bettink. Sascha Klaus will become a member of the Board of Management on 1 September 2016 and succeed Jan Bettink as Chair on 1 October 2016."

III. Change regarding the Supervisory Board

Within section "6.8.2 Supervisory Board" on pages 65 of the Prospectus the line
"Carsten Nowy Bank employee (employee's representative)" shall be replaced by
"Andrea Schlenzig Bank employee (employee's representative)".

IV. Annex to the Prospectus

An excerpt from the unaudited Half-Year Financial Report 2016 with the half-year financial statements of Berlin Hyp AG for the period ending 30 June 2016, which is only shortened presented in the Opportunities and Forecast Report, is presented on the following pages and shall be added under "**13. Annex**" and shall be deemed to be incorporated in, and to form part, of the Prospectus.

The comparative figures of 30 June 2015 and 31 December 2015 derive from the unaudited interim report as of 30 June 2015, as included in the supplement dated 12 August 2015 to the Base Prospectus 2015 and from the audited annual report 2015, as included in the Base Prospectus dated 30 March 2016.

Excerpt from the Half-Year Financial Report 2016

Interim Management Report

Economic Report

Macroeconomic and Sector-Related Framework Conditions

The macroeconomic climate was dominated by political and economic uncertainty in the first half of 2016, as stated in the Management Report as at 31 December 2015. This included political instability in Syria and the Middle East, the ongoing refugee crisis and the continuation of low-interest-rate policies in response to the sovereign debt crisis. Other negative factors included the Italian banking crisis and the outcome of the European Union referendum in the United Kingdom, in which a majority of British citizens voted to leave the EU and set a mandate for the Brexit process, which came as a huge surprise to many.
In spite of this uncertainty, gross domestic product growth rates both in the Eurozone and in Germany were distinctly above prior-year rates in the first quarter of the year, before drifting somewhat in the second quarter of the year according to preliminary figures. Private consumption, bolstered by improvements to the employment market and low interest rates, was the primary driver of this growth. However, the aforementioned uncertainty dampened economic development overall.

The price of oil recovered considerably over the course of the first half of 2016 but continues to trade far below the average over the past five years. Consumer price development, which is predominantly reliant on the price of oil, rose slightly. However, it remains far short of the European Central Bank's (ECB) inflation target, both in the Eurozone and in Germany.
Source for the macroeconomic framework conditions: German Institute for Economic Research (DIW).
There remains no interest rate rebound on the horizon on the European capital market. In March 2016, the ECB lowered its benchmark rate to an all-time low of 0.00 % in response to the subdued inflation in the Eurozone and low economic growth. In its Forward Guidance, the ECB made clear that it would not be raising benchmark rates again before the conclusion of its asset purchase programme (APP). In addition, the ECB also failed to rule out further monetary policy intervention.
The ECB Council also approved four further targeted longer-term refinancing operations (TLTRO II) in March. All funding operations run for four years and will be offered to banks every three months, starting in June 2016. Interest on the four-year funding operations is based on the banks' own lending policies and can be as low as -0.4 %. The aim of these TLTROs is to incentivise banks to lend to the real economy and push the rate of inflation back up to the ECB's target range of around 2 %. In addition, the ECB has also added another programme for the purchase of private sector securities to its asset purchase programme (APP), which began in 2014 with the purchase of covered bonds and was developed to include bonds from public issuers in 2015. The total volume of assets purchased per month as part of the APP was increased from € 60 billion to € 80 billion in April 2016. Due to the accommodative central bank policy, low or negative interest rates continue to dominate the capital market. Even 10-year German bunds were posting negative yields at the end of the reporting period; the same applies to large swathes of the euro area yield curve.
Stock markets around the world were in volatile shape in the first half of 2016. At the beginning of the year, concerns regarding the development of the Chinese economy and one all-time low after another in terms of the price of oil were exerting pressure on the markets, while the Brexit referendum and persistent concerns over economic growth in the Eurozone's peripheral member states had the same impact towards the end of the period.
In the United States, the economy painted a somewhat different picture at the start of the year. Following the initial raising of benchmark rates from 0.25 % to 0.5 % in December 2015, speculation was rife on further imminent rate intervention by the US central bank, the Federal Reserve. The US economy was in robust shape and, accordingly, unemployment was low. However, the situation gradually transformed over the course of the year, with the UK's decision to leave the EU being the final straw. It remains to be seen whether the United States will raise interest rates any further.
Aside from the low interest rates and uncertainty on the capital market, banking institutions have a number of other challenges to contend with. Regulatory bodies continue to raise their requirements on banking supervision. The implementation of Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR), the novations to the Minimum Requirements for Risk Management (MaRisk) and the establishment of the Single Supervisory Mechanism (SSM) in Europe are just some examples of this. Related measures are having an increasing impact on both human and monetary resources.
In the first half of 2016, investor activity on the German real estate market declined markedly compared to the previous year. Nevertheless, transaction volume remains up on the ten-year average. Factors at play here continue to include the 0 % interest environment, which is pushing an increasing number of investors into the real estate asset class, and the stable economic situation in Germany. The ongoing scarcity in supply, coupled with the high demand, resulted in prices rising further in the first two quarters.
On the commercial real estate investment market, transaction volume was down by roughly 26 % year on year to € 17.9 billion (previous year: € 24.2 billion) in the first half of 2016. Transaction volume on the residential investment market fell even further, by some 73 % from € 16.6 billion to € 4.5 billion. It should be noted, however, that business combinations and acquisitions of large housing societies were attributed to the previous-year period. Excluding these effects, the decrease amounts to roughly one quarter and is therefore in a similar range to the decline on the commercial real estate investment market overall. The fall was due in particular to a lack of supply and the increasingly fiercely competition for attractive investments. Irrespective of this, transaction volume remains at a high level, as described above.
Source for real estate market data: CBRE.

Business Development

In its forecast for the 2016 financial year, Berlin Hyp assumed that the operating result before profit transfer would fall significantly short of the 2015 figure due to the problematic underlying conditions. Against this backdrop, Berlin Hyp can look back on an extremely satisfactory first half of 2016. In spite of the ongoing low-interest phase, high volatility on the financial markets and ever-stricter regulatory requirements, the Bank was successful in cementing its position as one of the leading real estate financers in Germany in a fierce competitive environment. New lending volume, including realised extensions (capital employed ≥ 1 year), amounted to approximately € 2.9 billion in the first half of 2016.

Considering the step forward in S-Group business with German savings banks, we believe that we will maintain this new lending trend over the rest of the year. As stated in the 2015 forecast report, we anticipate new lending volume to match the solid previous year in 2016, including from a risk standpoint; this remains an ambitious target moving forward.
Following the successful conclusion to the restructuring strategy pursued over the past few years, Berlin Hyp kicked off an extensive modernisation process at the start of the year as a means of rising to meet the growing challenges of the future. Aside from restructuring workflows, this process is primarily geared towards the onset of digitalisation and the ever-increasing regulatory requirements. Particular areas of focus include optimising the lending process and enterprise content management from the product portfolio. Berlin Hyp conducted a preliminary study on the necessary technical measures to ensure that aggregated risk data and high-quality reports in line with new MaRisk and Basel Committee on Banking Supervision regulations (BCBS 239) can be generated more effectively and efficiently from late 2018. This project began in early July.

Earnings Situation

Berlin Hyp recorded an increase in net interest and commission income in the first half of 2016 as well as a fall in operating expenditure. In spite of a year-on-year drop in other operating income, the operating result before risk provisioning rose significantly from € 89.6 million in the previous year to € 101.8 million.
The required level of risk provisioning remained practically unchanged compared to the previous year.
The European banking levy, which was already set at the full annual figure as at 30 June 2016 according to the demand for payment, amounted to € 10.9 million and was much lower than the previous year's figure of € 17.7 million.
The positive earnings performance overall was used to strengthen the Bank's equity capital with a € 30.0 million addition to the fund for general banking risks pursuant to Section 340g German Commercial Code (HGB). As a consequence, earnings before tax came in at € 31.4 million, down on the previous year's figure of € 39.9 million.

Net Interest Income Up

Net interest and commission income rose by € 139.0 million year on year to € 151.3 million.

Net interest income rose by € 6.3 million year on year to € 132.0 million. This rise was primarily due to an increase in mortgage loans and a further drop in refinancing expenses. The increasing pressure on margins offset this effect. Positive one-off effects, such as the receipt of prepayment charges, were also largely offset by countermeasures to reduce the burden in future periods.
Net commission income amounted to € 19.3 million, which was around € 6.0 million above the solid 2015 figure. This was due to the extremely positive new lending business.

Operating Expenditure Affected by Special Measures

Operating expenditure of € 49.4 million, significantly down on the previous year's figure of € 62.8 million, comprised staff expenditure, other operating expenditure and write-offs on fixed assets and intangible assets.
Staff expenditure also fell significantly by € 13.4 million year on year to € 25.7 million as a result of the expansion of the evaluation period for the calculation of pension obligations to 10 years and the associated fall in deferred amount.
Other operating expenses were slightly down year on year at € 21.7 million (previous year: € 21.8 million) and included legal and consulting costs, IT expenditure and intra-Group charges for the administrative holding costs related to the managing institution from a regulatory perspective. Write-offs on fixed assets and intangible assets did not experience significant change.

Other Operating Result

The Bank reported other operating income of € -0.1 million (previous year: € 13.4 million). This primarily included expenditure for the continued compounding of pension reserves, fees for the Detailed Agreement concluded with the State of Berlin in 2001 and the revaluation of pension provisions within the scope of the first-time adoption of the German Accounting Law Modernisation Act (BilMoG), which were reported in the previous year under extraordinary expenses. The decline was the result of income from the liquidation of reserves generated in the previous year.

Risk Provisioning Stable

Taking into account the formation of reserves pursuant to Section 340f German Commercial Code (HGB), the Bank's total risk provisioning for the first half of the year amounted to € 32.1 million (previous year: € 31.5 million).
Risk provisioning for the lending business was bolstered by favourable underlying economic conditions and the Bank's active risk management strategy. In spite of the formation of reserves pursuant to Section 340f German Commercial Code (HGB), risk provisioning for the lending business only just exceeded expectations at € 28.0 million (previous year: € 6.8 million).
Total risk provisioning for securities in the liquidity reserve stood at € 4.1 million, down from € 24.7 million in the previous year. This largely comprised valuations at the lower of cost or market value.
The Bank adequately took all recognisable and potential risks into consideration with the recognition of value adjustments.

Positive Net Income from Investments

Net income from investments is largely defined by write-ups and gains on disposal and totalled € 2.7 million (previous year: € 0.7 million).

Restructuring Fund (Bank Levy)

The annual expenditure for the European bank levy due for 2016 was fully recognised in the first half of the year with the demand for payment of € 10.9 million submitted by the Federal Agency for Financial Market Stabilisation (FMSA). This corresponds to a € 6.8 million fall in expenditure compared to the figure estimated in the previous year.

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 € 30.0 million (previous year: € 0 million) in the first half of 2016 in order to continue to meet the higher equity capital requirements for credit institutions. The fund now stands at € 133.0 million.

Lower Earnings Before Tax

In accordance with its planning, the Bank posted earnings before tax of € 31.4 million, down on the solid figure of € 39.9 million generated in the previous year. In addition, the fund for general banking risks was able to be increased by € 30.0 million.

Net Assets Position

The balance sheet total came to € 28.7 billion as at 30 June 2016. This increased moderately by € 0.2 billion compared to the end of 2015.
The Bank was able to once again increase its receivables in the mortgage portfolio slightly by € 0.3 billion to € 18.2 billion (31 December 2015: € 17.9 billion). Additions from new lending were offset by unscheduled outflows as a result of premature repayments.
The portfolio of fixed-interest debentures remained practically stable at € 6.4 billion (31 December 2015: € 6.5 billion).
On the liabilities side, liabilities to banking institutions rose by € 0.6 billion to € 6.9 billion. In return, liabilities to customers fell by € 0.7 billion to € 5.7 billion. Securitised liabilities increased slightly by € 0.3 billion to € 13.7 billion due to new issues. Subordinated liabilities remained unchanged at € 0.4 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, € 103.0 million is available in the form of a regulatory reserve pursuant to Section 340g German Commercial Code (HGB) and € 296.0 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: € 446.1 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 2016 was 12.7 % and the total capital ratio was 16.4 % (previous year: 12.5 % and 16.8 % respectively). Further tightening of CRR requirements played a major role in the development of capital ratios, as did high extraordinary outflows in the portfolio, and therefore in risk items, caused by high levels of market liquidity and low interest rates.

Stricter regulatory requirements are planned in the coming years (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 € 2.9 billion (previous year: € 2.2 billion) in the first half of 2016. However, margins in new loans granted declined sharply in comparison to the first half of 2015, despite no changes to the Bank's risk conduct. The intense competition among lenders continues to rise, which will also result in a noticeable increase in pressure on the margins in the future. This will continue to be enhanced by high liquidity on the market and the use of this liquidity to finance investments.
Of the new financing (excluding extensions), 72 % were attributed to properties located in Germany. 50 % of new financing was located in the former West Germany and 22 % in Berlin and the former East Germany. 28 % relates to the financing of properties located outside Germany.
A substantial 78 % of new lending related to the investors customer group and a further 15 % was concluded with housing societies. The remaining 7 % relates to builders/developers.

Financial Position

The first six months of the year were initially characterised by a further fall in yields on the European bond market. Among the beneficiaries of the low-interest environment, the low risk premiums and the expansion of the ECB's bond-buying programme to include corporate bonds were senior unsecured bonds, which remained in demand in the reporting period despite the persistent bail-in debate. Risk premiums on covered bonds from Eurozone member states continued their trend of converging credit spreads over large parts of the first half of the year. This asset class enjoyed brisk demand among investors in the reporting period, which was reflected in oversubscribed – some of which considerably – order books. A total of € 91.25 billion of covered bonds were issued in benchmark format worldwide, the most in a six-month period since the first half of 2011.
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. Overall, the Bank issued mortgage Pfandbriefe with a total volume of roughly € 1.5 billion in the first half of the year. These included two benchmark transactions. The first issue in February totalled € 500 million and had a term of seven years and a coupon of 0.25 %. It was successfully issued with a reoffer spread (midswap) of minus 1 basis point. Almost one-third of this bond was bought up by foreign investors. Banking institutions were the primary investor group, with savings banks accounting for 5 % (Savings Bank Finance Group share: 29 %) of the total volume. In March, the issue of the first Pfandbrief with a negative issue yield caused a furore on the capital market. The three-year bond with a total volume of € 500 million had a nominal interest rate of 0.00 % and an issue yield of minus 0.16 %. The issue was oversubscribed almost by a factor of almost three and was offered to investors at midswap plus 1 basis point. A large share of the bond, 29 %, was able to be placed abroad. Banks constituted the largest investor group, with savings banks accounting for 2 % of subscriptions (Savings Bank Finance Group share: 33 %).
On 29 June, the Bank invested € 500 million in the first TLTRO II tranches, replacing the amount assumed in the first TLTRO. No uncovered debentures needed to be issued in the reporting period.
Berlin Hyp's issuer rating remained stable in the reporting period, Moody's retained its A2 rating on Berlin Hyp unsecured bonds but left its outlook at "negative". Fitch confirmed its Senior Unsecured rating of A+ with a stable outlook in February.
Fitch and Moody's also retained their AA+/Aaa ratings for Berlin Hyp mortgage Pfandbriefe with a stable outlook. There has also been no change in public Pfandbriefe ratings of AA+ and Aaa (Fitch/Moody's) during the reporting period.

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)
- Core capital ratio: ratio of regulatory equity capital to risk-weighted assets eligible for inclusion

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 moving forward.
The net result for the period before profit transfer as at 30 June 2016 came to € 31.5 million, down by a considerable margin on the previous year's figure of € 39.9 million. Considering the expenses from the addition to the fund for general banking risk pursuant to Section 340g German Commercial Code (HGB) of € 30.0 million, this is an extremely satisfying result.
Net interest and commission income rose by € 139.0 million year on year to € 151.3 million. Key factors here included stable margins in core business, a drop in refinancing expenses and positive new lending business.
The cost-income ratio improved to 32.7 % as at 30 June 2016 (previous year: 41.2 %). This came in spite of the sharp fall in other operating income and was due to the rise in net interest and commission income and the fall in operating expenditure.
Return on equity climbed to 11.8 % (previous year: 7.8 %) due to the positive development in terms of the earnings situation.
The common equity Tier 1 ratio stood at 12.7 % as at 30 June 2016 (previous year: 12.5 %).

Non-Financial Performance Indicators

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

- Market: new business, target portfolio, S-Group business
- Employees: employee structure, motivation, management and development
- Environment/society: resource consumption, CO2 emissions and corporate social responsibility

Berlin Hyp increased its new lending volume in the first half of 2016 when compared to the same period in the previous year. 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 2016.
In its S-Group business, Berlin Hyp successfully placed an ImmoSchuldschein in the first half of 2016. A total of 23 German savings banks engaged in this transaction. The number of German savings banks that use the ImmoSchuldschein has risen to 83. Another transaction, which for the first time involves a commercial portfolio, is currently in the marketing phase. Joint business with German savings banks totalled roughly € 0.9 billion.

The Human Resources department has implemented an extensive HR reporting system and reports on a semi-annual basis. The data gathered in this context, including information on the human resources structure (including a department-specific comparison of actual and target figures) and on the demographic development of the workforce, is discussed with the Board of Management and any required action is highlighted. In addition, all division heads receive the data relevant to their area of responsibility so that they can investigate needs and take required measures.

In the first quarter of the year, the results of a staff survey carried out in last December were presented to the workforce at a special meeting. This event also marked the start of a process geared towards taking and building on the stimulus from the customer and staff survey.

Financing green buildings and refinancing them through green bonds is a cornerstone of the Bank's corporate sustainability management. Four awards that the Bank has received for its pioneering work in this field underline its importance in this area.

For further details on how we perceive our social and corporate responsibilities, please refer to our disclosures prepared in accordance with the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), Core option, published as part of the Berlin Hyp 2015 sustainability report (www.berlinhyp.de/unternehmen/nachhaltigkeit). Berlin Hyp's management also takes these aspects into account when managing the Bank, achieving the specified targets as planned.

Opportunities, Forecast and Risk Report

Opportunities and Forecast Report

After the first half of the year, we can see no significant deviations from our forecast for 2016 as stated in the Management Report as at 31 December 2015. The following changes in the underlying conditions apply.
The full implications of Brexit on the political and economic future of the EU are still unclear. We therefore believe that the extreme volatility on the financial markets will continue. The UK's departure from the EU would also hamper gross domestic product growth in the Eurozone.
Exports would likely lose out the most from Brexit as a result of declining trading activities. This effect would also be exacerbated by the devaluation of the pound against the euro. Countries with strong economic links with the UK, such as Ireland and Belgium, would be particularly affected in this regard.
In Germany, the prospect of Brexit is likely to affect the automotive industry above all. Given the lengthy process of negotiating the departure from the union and uncertainty over the terms of any agreements, companies are likely to hold back on their investments. The banking and insurance sector would also be in the firing line of such uncertainty. This has already been reflected in sharp falls in related share prices as the results of the referendum were made public. The full implications of a Brexit are as yet unclear. However, it is expected that the decision will intensify competition and affect how financial transactions are spread around the world. The domestic office real estate market could benefit in this regard.
Nevertheless, it can be assumed that the full-year GDP growth forecast for the Eurozone and Germany in the 2015 Management Report will be just about achieved over the rest of the year. Looking beyond 2016, the Brexit referendum could have consequences for the employment market. More significant negative effects on GDP are assumed beyond 2017 compared to the current forecast period.
Source for information on macroeconomic framework conditions: DIW.
Considering the framework parameters (low consumer price development), the ECB's accommodative fiscal policy can be expected to continue in 2016.
Other underlying conditions also remain problematic, with the ongoing low-interest phase and the competitive environment still the leading factors influencing the real estate financing market. Pressure on margins is rising. The volume of mortgage loans will only be able to be increased moderately over time, as very positive new business transactions are offset by high unscheduled repayments.
The expansion of the product range in line with the requirements of German savings banks will inject further impetus into S-Group business. Sales structures have been tailored to customer requirements and the Bank's presence in core regions of Germany increased. Berlin Hyp is also expanding the range of ImmoSchuldschein products it offers. The process of introducing a new product for German savings banks to standardise suitable syndicated business has already begun.
Ever-stricter regulatory requirements, as well as the development of business processes and the underlying measures and technical infrastructure, pose major challenges.
The additional potential resulting 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.

Risk Report

Please refer to the information provided in the risk report of the Management Report 2015 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 was given sufficient leeway in the first half of 2016, both according the internal standards and from a regulatory perspective.
Berlin Hyp analysed the consequences of a potential departure of the UK from the EU for the Bank both before and after the referendum. The Bank's exposure to British customers is manageable, both in mortgage business and in capital market business. Direct risks are considered under control on the basis of stress tests.
In Italy, a number of banks are facing huge challenges when it comes to non-performing loans. Berlin Hyp does not engage in mortgage lending or in capital market business in Italy.

Overall loan exposure rose in the first half of 2016 compared to 31 December 2015. The spread of the overall loan exposure according to risk classes remained practically constant; the share of very good risk classes of 1-3 in particular remained at a high level.
The prospective leverage ratio currently stands at 3 %.
The value at risk in terms of market price risk was consistently below applicable limits and pre-warning levels throughout the first half of 2016.
Liquidity risk management continues to be very important. The liquidity ratio pursuant to the Liquidity Ordinance (LiqV) as at 30 June 2016 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 70 % as at 30 June 2016. 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.

Excerpt from the Balance Sheet as at 30 June 2016

Assets	30.06.2016 € m	31.12.2015 € m	Change € m	Change %
Claims against banking institutions	585	673	-88	-13.1
Mortgage loans	0	0	0	-
Public-sector loans	265	383	-118	-30.8
Other receivables	320	290	30	10.3
Claims against customers	20,872	20,610	262	1.3
Mortgage loans	18,169	17,898	271	1.5
Public-sector loans	2,641	2,652	-11	-0.4
Other receivables	62	60	2	3.3
Debentures	6,395	6,485	-90	-1.4
Tangible assets and intangible investment assets	66	66	0	0.0
Remaining assets	798	710	88	12.4
Total assets	28,716	28,544	172	0.6

Liabilities

	30.06.2016 € m	31.12.2015 € m	Change € m	Change %
Liabilities to banking institutions	6,910	6,297	613	9.7
Registered Mortage Pfandbriefe	280	356	-76	-21.3
Registered Public Pfandbriefe	331	378	-47	-12.4
Other liabilities	6,299	5,563	736	13.2
Liabilities to customers	5,699	6,349	-650	-10.2
Registered Mortage Pfandbriefe	2,504	2,479	25	1.0
Registered Public Pfandbriefe	1,224	1,246	-22	-1.8
Other liabilities	1,971	2,624	-653	-24.9
Securitised liabilities	13,701	13,383	318	2.4
Mortage Pfandbriefe	8,499	7,926	573	7.2
Public Pfandbriefe	1,605	1,650	-45	-2.7
Other debentures	3,597	3,807	-210	-5.5
Reserves	135	145	-10	-6.9
Subordinated liabilities	443	443	0	0.0
Fund for general bank risks	133	103	30	29.1
Remaining liabilities	759	888	-129	-14.5
Equity capital	936	936	0	0.0
Of which: balance sheet profit	2	2		
Total liabilities	28,716	28,544	172	0.6

Profit and Loss Account from 1 January to 30 June 2016

	01.01.2016 - 30.06.2016 € m	01.01.2015 - 30.06.2015 € m	Change € m	Change %
Net interest income	132.0	125.7	6.3	5.0
Net commission income	19.3	13.3	6.0	45.1
Operating expenditure	49.4	62.8	-13.4	-21.3
Staff expenditure	25.7	39.1	-13.4	-34.3
Other operating expenditure	21.7	21.8	-0.1	-0.5
Depreciations and valuation adjustments on intangible investment assets and tangible assets	2.0	1.9	0.1	5.3
Other operating earnings / expenditure	-0.1	13.4	-13.5	-
Operating result before risk provisioning	101.8	89.6	12.2	13.6
Risk provisioning	32.1	31.5	0.6	1.9
Operating result after risk provisioning	69.7	58.1	11.6	20.0
Financial investment result	2.7	0.7	2.0	-
Bank levy	10.9	17.7	-6.8	-38.4
Contribution to the fund for general bank risks	30.0	0.0	30.0	-
Extraordinary expenditure	0.0*)	1.1	-1.1	-100.0
Other taxes	0.1	0.1	0.0	0.0
Profit before income tax and profit transfer	31.4	39.9	-8.5	-21.3
Income tax	-0.1	0.0	-0.1	-
Expenditure from profit transfer	31.5	39.9	-8.4	-21.1
Net income	0.0	0.0	0.0	-

* Entry of expenditure for the change to pension reserves resulting from the German Accounting Law Modernisation Act (BilMoG) under the item "Other operating earnings and expenditure" from 2016

Statement of Changes in Equity

€ m

	Subscribed capital	Capital reserve	Profit reserves	Balance sheet profit	Total equity capital
As at 31.12.2015	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 30.06.2016	753.4	158.3	22.0	2.2	935.9

Condensed Notes

General Information

The Half-Year Financial Report of Berlin Hyp is 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 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 in the annual accounts to 31 December 2015 have been applied without change in the preparation of the condensed interim report.

Berlin Hyp AG is a subsidiary of Landesbank Berlin Holding AG, Berlin, 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 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.

Net interest income

	01.01.2016 - 30.06.2016 €m	01.01.2015 - 30.06.2015 €m	Change €m	Change %
Interest earnings from				
Mortgage loans	206.2	241.3	-35.1	-14.5
Public-sector loans	2.6	5.8	-3.2	-55.2
Other receivables	0.1	3.5	-3.4	-97.1
Fixed-income securities and book-entry securities	27.1	40.2	-13.1	-32.6
	236.0	290.8	-54.8	-18.8
Earnings from				
Participations and affiliated enterprises	0.0	0.0	0.0	-
	0.0	0.0	0.0	-
Interest expenditure for				
Deposits and registered Pfandbriefe	59.1	100.5	-41.4	-41.2
Securitised liabilities	38.7	58.0	-19.3	-33.3
Subordinated liabilities and profit-sharing rights	6.2	6.6	-0.4	-6.1
	104.0	165.1	-61.1	-37.0
Net interest income	132.0	125.7	6.3	5.0

Operating expenditure

	01.01.2016 – 30.06.2016 € m	01.01.2015 – 30.06.2015 € m	Change € m	Change %
Staff expenditure				
Wages and salaries	26.1	27.7	-1.6	-5.8
Social security contributions / retirement pensions	-0.4	11.4	-11.8	-
	25.7	39.1	-13.4	-34.3
Other operating expenditure				
Staff-related material costs	1.3	1.0	0.3	30.0
Building and premises costs	1.7	1.5	0.2	13.3
Operating and business equipment	0.3	0.4	-0.1	-25.0
IT expenditure	5.7	6.7	-1.0	-14.9
Advertising and marketing	1.0	0.7	0.3	42.9
Business operation costs	0.9	1.0	-0.1	-10.0
Consultants / audits / subscriptions	6.7	6.5	0.2	3.1
Group payment set-off	4.1	4.0	0.1	2.5
	21.7	21.8	-0.1	-0.5
Depreciations and valuation adjustments on intangible investment assets and tangible assets	2.0	1.9	0.1	5.3
Operating expenditure	49.4	62.8	-13.4	-21.3

Risk provisioning

	01.01.2016 – 30.06.2016 € m	01.01.2015 – 30.06.2015 € m	Change € m	Change %
Risk provisioning for loan business	28.0	6.8	21.2	-
Securities results	4.1	24.7	-20.6	-83.4
Risk provisioning	32.1	31.5	0.6	1.9

Explanations on the Balance Sheet

Securities with a nominal volume of € 1,205.5 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 € 110.0 million, amounts to € 115.8 million. This takes into account the valuation results from interest swaps.

Claims from and Liabilities to Affiliated Enterprises and Related Companies

	30.06.2016 € m	31.12.2015 € m	Change € m	Change %
Claims against banking institutions	46	22	24	109.1
Other assets	0	0	0	-
Prepaid expenses and prepaid income	1	0	1	-
Liabilities to banking institutions	1,011	1,064	-53	-5.0
Liabilities to customers	1	1	0	0.0
Other liabilities	36	94	-58	-61.7
Subordinated liabilities	100	100	0	0,0

Derivatives 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	Sum positive values
Interest-related transactions						
FRA sales	0	500	0	500	0	0
Interest rate swaps	9,581	14,976	17,603	42,160	-1,514	1,841
Swaptions	1,133	0	200	1,333	-8	0
Caps	176	1,228	307	1,711	-6	6
	10,889	16,704	18,110	45,703	-1,528	1,847
Currency-related transactions						
Interest and currency swaps	144	312	0	456	-2	14
	144	312	0	456	-2	14
Total	11,034	17,016	18,110	46,160	-1,530	1,861

The concluded derivative financial instruments predominantly serve to protect against the interest rate risks of on-balance sheet underlying transactions. The market values of the derivatives are shown on the basis of the applicable interest rate on 30 June 2016 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 AG - are hedged using collateral agreements.

Staff Statistics

Number of Staff Average 01.01.- 30.06.2016	Male	Female	Total
Full-time staff	271	182	453
Part-time staff	19	111	130
Total	290	293	583

Supplementary Report

The Berlin Hyp Supervisory Board appointed Sascha Klaus to the Berlin Hyp Board of Management in its meeting on 19 July 2016 as the successor to current Chair of the Board of Management, Jan Bettink. Sascha Klaus will become a member of the Board of Management on 1 September 2016 and succeed Jan Bettink as Chair on 1 October 2016.

Information in Accordance with Section 28 Pfandbriefgesetz

Information to be published on a quarterly basis in accordance with Section 28 Pfandbrief Act is published on the Bank's homepage: 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 2016

Jan Bettink Gero Bergmann Roman Berninger

Signatures

Berlin Hyp AG

Berlin, 16 August 2016

Xandra Graneist

Matthias Ille