

This document constitutes a supplement (the "**Supplement**") to two base prospectuses for the purpose of Article 8 of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**") of Berlin Hyp AG: (i) the base prospectus in respect of non-equity securities within the meaning of Article 2 c) of the Prospectus Regulation and (ii) the base prospectus in respect of Pfandbriefe (non-equity securities within the meaning of Article. 2 c) of the Prospectus Regulation (together, the "**Base Prospectus**").

Supplement to the Base Prospectus  
dated 17 August 2020

This Supplement is supplemental to, and must be read in conjunction with the Base Prospectus dated 31 March 2020.

# 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 *Commission de Surveillance du Secteur Financier* (the "**CSSF**") of the Grand Duchy of Luxembourg in its capacity as the competent authority under the Prospectus Regulation and the Luxembourg act relating to prospectuses for securities dated 16 July 2019 (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières et portant mise en oeuvre du règlement (UE) 2017/1129*, the "**Luxembourg Law**") to (i) approve this Supplement and (ii) provide the competent authorities in the Federal Republic of Germany, the United Kingdom of Great Britain and Northern Ireland, the Republic of Ireland and the Republic of Austria with a certificate of such approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation and the Luxembourg Law (each a "**Notification**").

CSSF only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of the Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. The Issuer may request the CSSF to provide competent authorities in additional host Member States within the European Economic Area or the United Kingdom 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/bhyp/en/investorrelations](http://www.berlinhyp.de/bhyp/en/investorrelations)) and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). It is valid as long as the Base Prospectus is valid.

**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.

**In accordance with Article 23 (2) of Regulation (EU) 2017/1129, investors who have already agreed to purchase or subscribe for the Securities before this Supplement is published have the right, exercisable within two working days after the publication of this Supplement, to withdraw their acceptances. The final date of the right of withdrawal will be 19 August 2020.**

**Such new factors have occurred on**

- 1. 13 August 2020 with the publication of the unaudited [Interim Financial Report 2020](#) as at 30 June 2020 with the half-year financial statements of Berlin Hyp AG for the period ending 30 June 2020**
- 2. 1 July 2020 with changes regarding the Board of Managing directors**
- 3. 23 April 2020 Fitch Deutschland GmbH (Fitch) changed the rating of Berlin Hyp**

## I. Interim Financial Report 2020 as at 30 June 2020

On 13 August 2020, the Issuer published its Interim Financial Report 2020. Accordingly, the Prospectus (including the documents incorporated by reference) shall be amended as follows:

- The table under “Summary form of the Balance sheet” within “Financial Statements” on page 36 of the Prospectus shall be replaced by the following table:

“

In EUR (million)	31.12.2019	31.12.2018	30.06.2020*
Total assets	27,021.2	27,177.7	31,753.7
Senior debt	0.0	0.0	0,0
Subordinated debt	339.7	380.7	316.8
Loans and receivables from customers (net)	22,403.3	20,864.8	22,384.7
Deposits from customers	4,324.6	4,906.8	4,269.4
Total equity	935.9	935.9	935,9
Non performing loans (based on net carrying amount)/Loans and receivables)	0.8%	0.8%	0,7%
Common Equity Tier 1 capital (CET1) ratio or other relevant prudential capital adequacy ratio depending on the issuance	13.3%	13.5%	13,1 %
Total Capital Ratio	16.0%	16.8%	15,6 %
Leverage Ratio calculated under applicable regulatory framework	4.6%	4.2%	4,0 %

\* Information in this column is taken from the unaudited Interim Management Report 2020 “

- Within the “Financial Statements” of the Prospectus after the existing table “Summary form of the balance sheet” the following table shall be added on page 36:

“Half-year summary form of income statement

In EUR (million)	01.01.2019 - 30.06.2019*	01.01.2020 - 30.06.2020*	Change in %*
Net interest income (or equivalent)	155,4	167,8	8,0
Net fee and commission income	8,4	10,7	27,4
Net impairment loss on financial assets	0,0	-1,2	-
Net trading income	0,0	0,0	0,0
Net profit (before profit transfer)	25,9	5,7	-78
Net profit or loss (for console-dated financial statements net profit or loss attributable to equity holders of the parent)*	0.0	0,0	0,0

\* Information in this column is taken from the unaudited Interim Management Report 2020 “

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 material negative change in the capitalisation of Berlin Hyp AG since 30 June 2020.”

4. The wording of section 5.10.6 “Significant change in Berlin Hyp’s Financial Position” on page 40 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 2020 (the end of the last financial period for which financial information has been published).”

## II. Changes in the Board of Managing Directors

Section 5.8.1 “**Board of Managing Directors**” on page 33 shall be replaced by the following:

“Pursuant to the articles of association of Berlin Hyp, the Board of Management (*Vorstand*) consists of at least two members. The Board of Management currently consists of the following persons:

Name:	Principal activities inside of Berlin Hyp as of the date of this Base Prospectus:	Principal activities outside of Berlin Hyp as of the date of this Base Prospectus:
Sascha Klaus (Chairman)	Governance, Human Resources, Internal Audit, Company Organisation, Company Strategy, Communication and Marketing, Information Technology, Finance and Banking Operations	- Member of the Board of Management of Landesbank Berlin Holding AG
Gero Bergmann	Treasury, Portfoliomanagement, Sales Real Estate Financing, B-One	- No mandates requiring disclosure
Alexander Stuwe	Lending (Real Estate Financing and Capital Market), Valuation, Risk Controlling, Risk Management, Management Processes of Tomorrow (Steuerungsprozess der Zukunft SdZ), Data Management, Officers	- No mandates requiring disclosure

Berlin Hyp is represented by at least two members of the Board of Management.”

## III. Rating changes from Fitch Deutschland GmbH (Fitch)

The first paragraph of the Section 2.1.1. Risks related to the Issuer’s business activities “**Rating**” on page 14 shall be replaced by the following:

“The rating agency Fitch Deutschland GmbH (“**Fitch**”), announced for the first time in May 2008 its credit evaluation for Berlin Hyp. Recently the Bank has the rating A+ for the long-term rating for senior non-preferred liabilities, the rating AA- for the long-term rating for senior preferred liabilities and the rating F1+ for the short-term. The Long Term Rating “A” is defined as high credit quality and the capacity of financial commitments is considered strong. The modifier “+” is appended to denote the positive relative status within the major categories. The Long Term Rating “AA” is defined as very high credit quality and denote expectations of very low default risk and the capacity for payment of financial commitments is considered very strong. The modifier “-” is appended to denote the negative relative status within the major categories. The Short Term Rating “F1+” is defined as highest short-term credit quality. It indicates the strongest intrinsic capacity for timely payment of financial commitments. The “+” denotes an exceptionally strong

credit feature. The Bank's viability rating (VR) is bbb. The VR attempts to assess how a bank would be viewed if it were entirely independent and could not rely on external support."

#### **IV. Berlin Hyp AG COVID-19 Pandemic Measures**

In Section 5.10.3 "Developments" at the end on page 36 the following new paragraph "**COVID-19 Pandemic Measures**" shall be incorporated:

##### **"COVID-19 Pandemic Measures**

The bank introduced a COVID-19 task force in March 2020. A detailed analysis of the credit portfolio to identify the potential effects of the crisis was undertaken. As a result, certain asset classes were identified as more affected than others, such as department stores and shopping centers within the segment of retail real estate as well as the hospitality real estate.

However, so far there have been no negative impacts within the credit portfolio worth mentioning.

There have been no pandemic resulted credit shortfalls within the first half of 2020. The result of the analysis concluded that no specific risks within single transactions were to be identified. The bank has initiated measures to identify the potential loss of credit quality in time. In addition to the analysis, corona-specific stresstests were introduced within the credit portfolio to examine possible negative developments. The bank has adopted the credit payment moratoria developed by the working group of the Association of Mortgage Banks. This moratoria has been communicated with the German regulatory authority."

#### **V. Annex to the Prospectus**

An [excerpt from the unaudited Interim Financial Report 2020 as at 30 June 2020](#) with the [half-year financial statements of Berlin Hyp AG](#) for the period ending 30 June 2020, which only abridged the Opportunities and Forecast Report, is presented on the following pages, shall be added under "10. Documents INCORPORATED BY REFERENCE", and shall be deemed to be incorporated in, and to form part, of the Prospectus.

#### **Excerpt from the Interim Financial Report 2020**

##### **Interim Management Report**

##### **Business Report**

##### **Macroeconomic and Sector-Related Underlying Conditions**

##### **Macroeconomic Development**

The global economic development in the first half of 2020 was mainly influenced by the effects of the COVID-19 pandemic. Due to the far-reaching restrictions imposed to contain the pandemic, there has been a considerable economic slump. Significant fiscal measures have been taken worldwide in an attempt to contain the recessionary economic impact of the pandemic.

In the eurozone, France, Italy and Spain in particular have suffered disproportionately large declines in economic output as a result of the subsequent rigorous containment measures in view of the particularly severe course of the infection. In order to strive against the economic upheavals that have arisen, governments have taken expansive financial and labour market policy measures.

At the EU level, the course has been set for the incurrence of joint debt and financial transfers and the temporary suspension of fiscal rules has been decided on. In addition, even before the first peak in the course of the pandemic in mid-March, the European Central Bank (ECB) began to take supportive measures on a significant scale, such as the expansion of existing purchase programmes, the launch of a pandemic emergency purchase programme and the easing of regulatory standards for commercial banks.

The negative economic development in the wake of the COVID-19 pandemic in the first six months was also of historic proportions for Germany, despite the supportive measures introduced at EU and federal level. Although Germany has so far experienced a comparatively mild course of the infection and the recent national and international easing of restrictions appears to be providing initial positive impetus, a decline in gross domestic product of around two per cent is expected for the first quarter and 12 per cent for the second quarter. Not only has there been a massive decline in production and trade, but private consumption and corporate investment have also slumped dramatically. As a result, unemployment and short-time working has increased noticeably. In view of the economic environment, construction investments have shown a moderate decline.

Sources for macroeconomic underlying conditions: DIW, IfW

### **Specific Industry Development**

During the period under review, monetary policy was also largely determined by the COVID-19 pandemic. In March, the Fed cut its key interest rates significantly in two steps from 1.50 to 1.75 per cent to 0.00 to 0.25 per cent. The interest rate cuts will be accompanied by an unlimited bond-buying programme to be upheld for as long as necessary for the functioning of the financial markets. In the eurozone, the ECB launched the PEPP (Pandemic Emergency Purchase Programme) in addition to the existing bond purchase programmes, which initially envisaged the purchase of bonds worth € 750 billion. In the course of the crisis, the ECB has increased this by a further € 600 billion to a total of € 1,350 billion. This programme is to run until at least the end of June 2021. In addition, the ECB adjusted the conditions for its targeted longer-term refinancing transactions at the end of April. In the best case and depending on the volume of their lending, banks can thus capture an interest rate of 50 basis points below the deposit rate (minus 0.5 per cent as of 30 June 2020) on their tended volume for part of the lending term.

From mid-February onwards, the capital market environment in the eurozone was characterised by great uncertainty. Yields on ten-year German government bonds initially benefited from their reputation as a safe haven and fell from minus 0.23 per cent at the beginning of the year to a peak low of minus 0.86 per cent. Against the backdrop of the significant increase in government debt caused by the fiscal supportive measures, the yields of ten-year German federal bonds rose again to minus 0.46 per cent at the end of the first half of 2020. In contrast, yields on ten-year Italian government bonds almost halved from their March high (2.43 per cent) to 1.26 per cent. In addition to the ECB's purchases, the general willingness of the EU countries to provide Community supportive measures in particular had a positive effect. The swap curve flattened out compared to the beginning of the year and was in the negative range up to and including 14 years as of the reporting date. The ten-year swap point level fell from 0.17 per cent at the beginning of the year to minus 0.17 per cent.

In March, the stock markets plummeted in record speed on both sides of the Atlantic due to the crisis. Driven by expansive fiscal and monetary policy and the hope of a rapid economic recovery, share prices recovered in the course of the first half of the year. The Dax closed the first half of the year at 12,310 points, 11 per cent below its all-time high in mid-February.

The continuing low interest rate environment and geopolitical uncertainties continue to pose major challenges for banking institutions. Furthermore, despite crisis-related interim relief, supervisory authorities continue to raise their regulatory requirements. Related measures are having an increasing impact on both human and monetary resources.

At € 41.8 billion, the transaction volume of the German commercial real estate market – including commercially traded residential real estate – was in the first half of 2020 around 38 per cent above the previous year's figure (previous year: € 30.3 billion). On the real estate transaction market, the increase in volume is attributable to the strong first quarter of 2020, which remained largely unaffected by the COVID-19 pandemic in Germany. In addition, the result for the first quarter was characterised by two successful acquisitions in both the residential and commercial segments. Compared to the first quarter, the transaction volume in the second quarter fell by around 52 per cent to € 13.6 billion.

The retail and hotel property segments were particularly affected by the containment measures, which were confronted with an abrupt drop in the flow of passers-by and numbers of guests. With regard to retail, the pandemic acted as an accelerator of the fundamental structural change in the industry, which was reflected in the fashion trade in particular in numerous dealer insolvencies and applications for shielding proceedings in the second quarter. As a result, stationary non-food retailing became increasingly less attractive. However, specialist store properties – especially properties with tenants from the food retail sector – are still highly valued by investors. Larger transactions in the first half of 2020 led to a 38 per cent growth in the transaction volume with retail properties to around € 6.9 billion. Hotel properties were the only type of real estate use to record a decline in transaction volume in the first half of 2020, with a year-on-year decline of 27 per cent down to around € 1.2 billion.

With an investment volume of around € 12.8 billion, office properties continue to be the dominant type of real estate use on the transaction market; their share of the total market in the first half of 2020 was 31 per cent. Demand for logistics properties was also strong: the transaction volume amounted to approximately € 3.8 billion – an increase of around 43 per cent compared to the first half of 2019.

Compared to the retail and hotel segments, residential real estate is affected by the negative effects of the pandemic to a much lesser extent. In Germany, this can be attributed in particular to government supportive measures such as the regulations on short-time working compensation and the resulting ability to pay rent, which is secured for the time being. So far, there have hardly been any rent deferrals or losses of rent in the residential sector in Germany. Due to the comparatively high degree of crisis resistance of the residential real estate segment in Germany and the low interest rate policy still pursued by the European Central Bank, demand for residential real estate for commercial use also remained high. In the first half of 2020, the transaction volume achieved a level of approximately € 12.5 billion – an increase of around 84 per cent compared to the previous year (previous year: € 6.7 billion).

Sources for real estate market data: Berlin Hyp Research, CBRE, EZB, Fairmas-Hotel-Report, ZIA/HDE.

## **Business Development**

The first half of 2020 began as planned and Berlin Hyp was able to further strengthen its position in the market and as one of the leading real estate and Pfandbrief banks. The persistently low interest rate level, high regulatory requirements as well as the unbridled competition in commercial real estate financing again posed major challenges, which were overshadowed by the COVID-19 pandemic, which occurred in the middle of the first half of 2020. Due to its focus on financing real estate of lasting value and its conservative risk strategy, no significant effects of the pandemic on the Bank's net assets position, financial position and earnings situation have yet been recorded. We will go into more detail on this separately in the following sections.

Berlin Hyp consistently continued to pursue its objective of becoming the most modern commercial real estate financier in Germany in the first half of 2020. The “berlinhyp21” future-oriented process, which was initiated some time ago, has now been raised to the next level, with the new name “next dimension berlin hyp”. The Bank continues to work consistently on the further development of its IT architecture and orientation towards the SAP core banking system. This is intended to ensure the rapid availability of data and reports in order to meet the constantly increasing regulatory requirements. In addition, extensive process automation will result in an even better integration of front office and back office divisions and therefore more efficient processing sequences. In addition, the Bank is continuously exploring new business approaches and is examining cooperation with innovative companies. The Bank currently holds four strategic investments. These include “OnSite ImmoAgent GmbH”, a company founded by the Bank and supported by another strategic investor, as well as the investment in the “PropTech1” venture capital fund.

Berlin Hyp is supervised by the ECB, as it is an institution in the regulatory group of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG. The regulatory requirements were met by the Bank in the period under review.

New contracted lending volume, including realised extensions (capital employed  $\geq$  1 year), amounted to approximately € 2.5 billion in the first half of 2020 (previous year: € 2.2 billion). In the first half of 2020, the Bank’s proportionate performance is therefore virtually stagnating at the level expected in the forecast report as at 31 December 2019.

By means of its steadily expanding product portfolio for the German savings banks, Berlin Hyp succeeded in further expanding its networking within the Sparkassen-Finanzgruppe in the first half of 2020. Despite the fundamentally positive development, the recessionary economic development triggered by the COVID-19 pandemic and the resulting reluctance on the financing market unexpectedly had noticeable dampening effects on the S-Group business.

### **Earnings Situation**

Berlin Hyp’s profit before profit transfer decreased to € 5.7 million, which were significantly below the previous year’s figure of € 25.9 million. Overall, the decline is in line with expectations and reflects the challenging environment of a phase of low interest rates, high regulatory requirements and tough competition in real estate financing. Significant negative effects of the COVID-19 pandemic have not yet been recorded. Despite the fact that lending risks have not yet materialised, the Bank has formed provision reserves and continued to strengthen the special item pursuant to Section 340g of the German Commercial Code (HGB) by allocating a further € 20.0 million (previous year: € 55.0 million) using its own resources. The main reasons for this development of the result are described in the following sections.

#### **Net Interest and Commission Income Increased**

Contrary to expectation, net interest and commission income increased from € 163.8 million to € 178.5 million compared to the previous year.

Net interest income amounted to € 167.8 million and was higher than the previous year’s figure of € 155.4 million due to the growth in the average mortgage loans portfolio of around € 1.3 billion. Net interest income benefited from slightly higher margins in new lending and one-off effects, including in particular early-repayment fees, which were mainly responsible for the better-than-expected development.

At € 10.7 million, net commission income was up on the previous year’s figure of € 8.4 million due to good new lending, and was thus better than expected.



### **Administrative Expenditure Slightly Higher**

Operating expenditure comprises staff expenditure, other operating expenditure, depreciation on tangible assets and amortisation of intangible assets and, at € 86.8 million, was slightly up on the previous year's figure of € 86.1 million as expected.

Compared to the previous year, staff expenditure decreased by € 10.8 million to € 35.1 million due to lower pension obligations.

Other operating expenditure amounted to € 39.6 million and was thus only € 2.6 million above the previous year's comparable figure, which is a positive development in view of the increasing demands on information technology and data storage, as well as the € 1.4 million increase in the contribution to the European bank levy.

Depreciation of property, plant and equipment and amortisation of intangible assets increased sharply by € 8.9 million to € 12.1 million. This is due to the significantly reduced remaining useful life of the existing building at Budapest Strasse 1 in connection with the planned new building at the Berlin headquarters.

### **Other Operating Result Positive**

The Bank reported other operating result of € 0.7 million, compared with € -2.4 million in the previous year. For the most part, it includes income from the partial reversal of the provision for legal risks arising from the Federal Court of Justice (BGH) rulings on administrative fees in loan agreements of 4 July 2017.

### **Risk Provisioning Increased**

In the first half of 2020, the Bank formed lending risk provisioning of € 55.4 million (net). This includes mainly provision reserves to compensate for possible lending risks arising from the COVID-19 pandemic.

Risk provisioning for securities in the liquidity reserve is characterised by the widening of credit spreads as a result of the pandemic. The resulting lower-of-cost-or-market depreciations led to expenditure of € 10.0 million after a reversal amount of € 5.0 million in the previous year.

### **Net Income from Investments Slightly Negative**

Net income from investments amounted to € -1.1 million after € 0.5 million in the previous year.

### **Fund for General Banking Risks Increased**

The Bank has allocated a further € 20.0 million (previous year: € 55.0 million) to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) already in the first half of 2020. This fund now amounts to € 438.0 million.

### **Profit before Taxes Down as Expected**

Taking into account the further increase in provision reserves, the Bank reports profit before taxes of € 5.8 million in line with the pro rata plan. This represents a decrease of € 20.4 million compared with the pro rata profit of 2019.

### **Net Assets Position**

Compared with the year-end of 2019, the balance sheet total increased significantly by € 4.7 billion to € 31.8 billion. The main drivers were the € 2.3 billion increase in the portfolio of fixed-interest debentures to € 6.0 billion and the increase in Bundesbank deposits to € 2.0 billion.

The mortgage loans portfolio increased slightly in the first half of 2020 to € 21.9 billion (31 December 2019: € 21.8 billion). Additions to new lending were offset to a lesser extent by planned and extraordinary outflows through early repayments.

On the liabilities side, liabilities to banking institutions increased by € 4.8 billion to € 8.9 billion. This was due to a significant increase in fixed-term deposit liabilities and a slight decline in Lombard liabilities. Liabilities to customers remained almost unchanged at € 4.3 billion. At € 16.2 billion, the portfolio of securitised liabilities remained unchanged.

### **Equity**

Berlin Hyp's reported balance sheet equity as at 30 June 2020 remains unchanged at € 935.9 million. In addition, € 438.0 million is available in the form of a special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) and € 198.3 million of subordinated equity, which can be taken into consideration under regulatory law.

In relation to the risk items pursuant to the Solvency Regulation, the Tier 1 capital ratio was 13.1 per cent and the total equity ratio 15.6 per cent as at 30 June 2020 (13.3 per cent and 16.0 per cent, respectively, as determined as of 31 December 2019).

Despite improved capitalisation through allocation to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) in the context of the interim financial statements as of 30 June 2020, the slight decline in capital ratios is due to the slight increase in RWA as a result of the expansion of the securities portfolio. There is sufficient scope in the capital ratios for planned new lending.

### **New Lending**

New lending in the real estate financing business, including realised extensions (capital employed  $\geq$  1 year), amounted to approximately € 2.5 billion (previous year: € 2.2 billion) in the first half of 2020. The intense competition among lenders as well as the high liquidity remained in the market even under the COVID-19-related uncertainty and continued to put pressure on margins, especially in the context of good credit ratings and stable asset classes. Nevertheless, compared to the first half of 2019, the contracted new lending margins were slightly up while the Bank's risk behaviour remained virtually unchanged at the previous year's level.

Of the new lending (excluding extensions), 83 per cent were attributed to properties located in Germany. Forty-five per cent of the properties were located in A cities and 38 per cent in B cities, as well as other locations in Germany. Seventeen per cent relate to the financing of properties located outside of Germany.

With a share of 64 per cent, the investor customer group accounted for most of the new lending, while a further 26 per cent was realised with developers and builders. The remaining ten per cent comprised new lending with housing companies.

### **S-Group Business**

The total volume of business undertaken with the S-Group amounted to around € 0.4 billion (previous year: € 1.5 billion). On the basis of joint business, Berlin Hyp is thus already a partner of 153 German savings banks (previous year: 142 savings banks) from all S-Group regions as of 30 June 2020. The noticeable reduction in the total volume compared to the previous year is mainly due to the recessionary economic development triggered by the COVID-19 pandemic and the resulting restraint on the financing market.

## Financial Position

Against the background of the COVID-19 pandemic, the issue volume in the covered bond segment in the first half of 2020 remained significantly below that of previous years. Volatile markets, restrained new lending business and ECB's improved TLTRO III terms were considered the main factors influencing this development. Nevertheless, even during the crisis it was possible to place issues on the market at high new issue premiums. At its peak, spreads of the Iboxx index for mortgage Pfandbriefe widened by 18 basis points, while their French and Italian equivalents continued to yield by 31 and 43 basis points respectively. A brightening economic outlook and demand from the European Central Bank in the context of its purchasing programmes caused risk premiums to fall again from mid-April 2020, albeit not fully to pre-crisis levels. In conjunction with the low interest rate level, more than 80 per cent of all bonds in the Iboxx covered bonds index yielded negative returns. Pfandbriefe continue to be the most reasonable product on the covered bonds market.

The spreads for uncovered bank bonds showed a similar pattern of movement to that of covered bonds. At the end of the period under review, euro-denominated senior non-preferred bonds traded at on average 57 basis points higher than at the beginning of the year, while senior preferred bonds gained around 31 basis points. Berlin Hyp bonds have the lowest risk premiums of any German bank.

Berlin Hyp had access to the market 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 Sparkassen-Finanzgruppe.

In the first half of 2020, the Bank issued € 1,458 million in debt instruments, of which € 1,050 million were covered bonds and € 408 million were unsecured bonds. Berlin Hyp twice appeared on the capital market with a syndicated bond. In February, the Bank issued a seven-year Pfandbrief with a volume of € 500 million and a coupon of 0.01 per cent at a re-offer spread of mid-swap plus -1 basis point. Yields were minus 0.20 per cent. The majority of the issue (77 per cent) went to domestic investors, followed by investors from Scandinavia (8 per cent) and the UK (6 per cent). Banking institutions and savings banks formed the largest investor group, accounting for 54 per cent. At the end of June 2020, the Bank launched its fifth green Pfandbrief (which has a July value date and is therefore not yet incorporated in the table below) and thus its ninth Green Bond in total. The € 500 million bond with a coupon of 0.01 per cent has a re-offer spread of mid-swap +5 basis points, which corresponds to yields of minus 0.23 per cent. As with the last two green Pfandbriefe, more than half of the bond volume (54 per cent) was placed abroad. Here, investors from Scandinavia (25 per cent), Great Britain (15 per cent) and BeNeLux countries (six per cent) showed particular interest. While banks ordered 45 per cent of the bond, funds took a 29 per cent stake. The issue followed a repurchase of four short-term Pfandbriefe in benchmark format by means of public tender. Bonds with a total value of € 303 million were repurchased. Additional refinancing funds of € 458 million were raised in the course of the first half of the year at attractive conditions via private placements.

As of the reporting date, Moody's continued to rate Berlin Hyp's mortgage Pfandbriefe Aaa with a stable outlook, while the senior preferred and senior non-preferred ratings remained Aa2 (with a stable outlook) and A2, respectively. As part of a methodological adjustment, Fitch upgraded the senior preferred bonds one notch to AA-. The senior non-preferred rating remained unaffected by this and remains A+. Against the background of the COVID-19 pandemic, Fitch revised the outlook for the Issuer Default Rating (IDR) of Sparkassen-Finanzgruppe, the Bank's support provider, from stable to negative. This was accompanied by a change in Berlin Hyp's IDR outlook. This affects the outlook for the ratings of the senior preferred and senior non-preferred bonds.

The Bank participated in tranches of the TLTRO III programme in March and June 2020.

Refinancing Funds <sup>1</sup>	Portfolio without	New issues		Maturities and	Portfolio without
	pro rate interest	01.01.-		early repayments	pro rate interest
	31.12.2019	30.06.2020 <sup>2</sup>		01.01.-	30.06.2020
	€ m	€ m	%	30.06.2020 <sup>3</sup>	€ m
				€ m	
Mortgage Pfandbriefe	10,285.0	550.0	56.8	553.2	10,281.8
Public Pfandbriefe	20.0	-	-	-	20.0
Other bearer bonds, non-preferred	3,409.0	-	-	174.0	3,235.0
Other bearer bonds, preferred	2,060.0	325.0	33.6	-	2,385.0
Registered mortgage Pfandbriefe	1,773.9	4.0	0.4	100.0	1,677.9
Registered public Pfandbriefe	432.0	-	-	185.0	247.0
Schuldschein, non-preferred	483.3	-	-	21.0	462.3
Schuldschein, preferred	30.0	60.8	6.3	-	90.8
Registered bonds, non-preferred	1,384.8	5.8	0.6	-	1,390.6
Registered bonds, preferred	121.4	22.0	2.3	-	143.4
Subordinated bearer bonds	6.0	-	-	6.0	-
Subordinated Schuldscheine	219.2	-	-	14.7	204.5
Subordinated registered bonds	108.0	-	-	-	108.0
<b>Total</b>	<b>20,332.6</b>	<b>967.6</b>	<b>100.0</b>	<b>1,053.9</b>	<b>20,246.3</b>

1 Zero balances

2 New issues until 2019 incl. capitalisation at zeros

3 Maturities and early repayments incl. terminations

## 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: ratio of profit before income tax and profit transfer, plus the change in the special item for general banking risks pursuant to Section 340g German Commercial Code (HGB) and the average balance sheet equity including the special item for general banking risks pursuant to Section 340g German Commercial Code (HGB)
- Common equity Tier 1 ratio: ratio of Common equity tier 1 capital allocable under regulatory requirements to the total risk-weighted assets
- New lending volume

The Bank's management also relies on other financial performance indicators, for example the Liquidity Coverage Ratio (LCR) and the Leverage Ratio, both of which will become more important in the future.

Profit before profit transfer amounted to € 5.7 million as at 30 June 2020. As expected, this was significantly below the previous year's figure of € 25.9 million. However, this is still a sound result, considering the expenses from the addition to the funds for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) of € 20.0 million (previous year: € 55.0 million).

Compared to the previous year, net interest and commission income increased from € 163.8 million to € 178.5 million. The increase thus exceeded our planning assumptions. In net interest income, the main reasons for this increase were the growth in the average mortgage loans portfolio and the slight increase in new lending margins. At € 10.7 million, net commission income was up from the previous year's figure of € 8.4 million.

The cost-income ratio declined from 52.9 per cent as at 31 December 2019 to 48.5 per cent as at 30 June 2020 due to lower allocations to pension obligations included in operating expenditure and the increased net interest and commission income. The development was therefore more positive than expected.

Due to the lower profit before profit transfer and the lower allocation to the special item pursuant to Section 340g of the German Commercial Code (HGB), the return on equity amounted to 3.8 per cent (31 December 2019: 11.6 per cent). Our forecast figure was not achieved due to the lower-than-planned allocation to the special item for general banking risks.

As at 30 June 2020, the common equity Tier 1 ratio was at 13.1 per cent (31 December 2019: 13.3 per cent as determined). We have thus exceeded our internal target for 2020.

Berlin Hyp's new lending volume (including long-term extensions) came to € 2.5 billion in the first half of 2020, which was above the level of the first six months of 2019 (previous year: € 2.2 billion), but, due to the market situation shaped by the pandemic, noticeably below initial expectations.

### **Non-Financial Performance Indicators**

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

- Acquisition of new customers: The Bank defines all new business partners that cannot be assigned to any group of clustered customers in the portfolio as new customers. The key figure "Acquisition of new customers" describes the share of lending concluded with new customers in new lending.
- S-Group Business: Volume of business conducted with S-Group partners and, since the 2019 financial year, the number of active business relationships within the Sparkassen-Finanzgruppe. The portfolio of products and services for S-Group partners forms an essential basis for achieving the objectives of the S-Group business. The respective portfolio of products and services is therefore regularly presented in relevant internal reports and discussed with the Board of Management.

In the first half of 2020, the share of business concluded with new customers was 20 per cent. It was thus on a par with the target level.

The total volume of business undertaken together with the S-Group amounted to € 436 million (previous year: € 1,483.7 million). Of this, € 130.8 million was attributable to the successful placement of an ImmoSchuldschein, € 50.0 million to an ImmoGarant transaction and € 255.2 million to joint syndicate business with German savings banks. Within the scope of capital market business, six German savings banks participated with € 66.0 million and S-Group companies with € 103.0 million in two Pfandbrief issues of Berlin Hyp. Furthermore, German savings banks invested € 200.0 million and S-Group companies € 100.0 million in refinancing products of the Bank via private placements. Overall, Berlin Hyp was able to further expand its level of networking within the S-Finanzgruppe and welcome two new business partners in the first half of 2020. Thus, Berlin Hyp is partner of 153 German savings banks from all S-Group regions as of 30 June 2020 (previous year: 142 savings banks).

Despite the basically positive development, the recessionary economic development triggered by the COVID-19 pandemic noticeably dampened the S-Group business. For the current financial year, it is expected that the positive development can be continued, but that the total volume will fall short of the developments of previous years.

In its corporate management processes, Berlin Hyp's management takes further non-financial performance indicators such as the employee capacity measured in FTEs (full time equivalents) into consideration. As at 30 June 2020, the headcount was 560 FTEs (31 December 2019: 564 FTEs) and is qualitatively and quantitatively in line with strategic resource planning. Strategic resource planning ensures the functional capability and future viability of Berlin Hyp and has been validated in the first half of 2020. Furthermore, the target vision for a new organisational structure was developed, taking into account the effects already achieved and those still expected from major projects. First amendments to the organisational structure have already been implemented. Strategic resource planning measures FTEs in qualitative, quantitative and temporal dimensions, taking into account the set target vision for the Banks' organisational structure. Automation effects originating from the Bank's future-oriented projects are taken into consideration, just as regulatory requirements for the Bank's risk management. To support strategic resource planning, early retirement and severance agreements are offered in individual cases on the basis of a works agreement.

In terms of sustainability, further performance indicators such as green issues, green financing and the Bank's sustainability rating are included in the management. An integral part of the corporate strategy is that both strategic goals of Berlin Hyp are supported primarily by the development and promotion of sustainable products (such as green building financing and green bonds) and through the implemented comprehensive sustainability and environmental management system as well as the fostering of social responsibility among employees.

Detailed reporting on the strategy, objectives, fields of action and sustainability measures were provided in June 2020 in the 2019 Sustainability Report published in accordance with the standards of the Global Reporting Initiative (GRI).

## **Opportunities, Forecast and Risk Report**

### **Opportunities and Forecast Report**

Contrary to our forecast for 2020, published in the 2019 Annual Report, economic development worldwide was strongly recessive in the first half of the year. In the first quarter, the spread of the "Sars-CoV-2" COVID-19 virus developed into a worldwide pandemic of considerable proportions, with serious consequences not only for the health of the world's population but also for the global economy due to the lockdown measures that became necessary as a result.

However, the measures taken to contain the pandemic have so far been successful in almost all major economies, meaning that after the decline in the occurrence of infections in many countries the start of a gradual easing and re-opening of the economy was justifiable. In the countries that were affected early on in the pandemic cycle, the first signs of an economic recovery can already be seen in the forecast data following the easing measures taken; therefore, it can be assumed that the economy has seen the worst. As a result, economic research institutes are assuming a dynamic positive development of the global economy in the second half of 2020. Over the year as a whole, global economic growth will nevertheless remain far below our expectations. This also applies analogously to the eurozone. The overall picture for countries such as Germany or the Netherlands is slightly more positive, as the epidemiological trends here were relatively moderate when compared to countries such as France, Italy or Spain.

However, it must be noted that the spread of the pandemic can increase again at any time, even where it is considered to be contained – possibly in the form of a large second wave. Moreover, the possible consequences of the pandemic and its extent are difficult to assess. A wave of insolvencies, for example, could endanger financial market stability or new trade policy conflicts – especially between the US and China – could arise. However, we believe that the chances of the beginning of a recovery phase are more likely.

The monetary policy of the most important central banks will remain expansive for the foreseeable future, resulting in continued low and negative interest rates. The extent of such measures will depend largely on the recovery path taken by economic activity. The fiscal measures that have already been introduced as well as additional measures possibly implemented in the future will further increase the already high level of government debt; this will hamper a more restrictive monetary policy in the future even more.

Despite the negative effects of the COVID-19 pandemic, the transaction volume in the first half of 2020 met our expectations due to the sustained high momentum on the real estate investment market predicted for 2020 as a whole still clearly evident in the first quarter of 2020. With a volume of around € 27.8 billion - including the residential segment for commercial use – this was one of the strongest first quarters ever recorded. The extent to which the transaction volume, which collapsed in the second quarter, will recover in the second half of 2020 depends on how the infection figures develop and whether the current easing policy in terms of economic activity can continue unhindered. Against this uncertain background, a forecast of the total annual volume is hardly possible. It is very likely that the very high results of the previous years will not be achieved, although there is ample liquidity in the market. Our expert survey conducted in June 2020 suggests that market activity in Germany will revive: according to Berlin Hyp's Trendbarometer, almost two thirds of the more than 210 survey participants still consider the German commercial real estate market to be more attractive than that of other European countries.

Sources for assumptions about macroeconomic and sector-related underlying conditions: CBRE, DIW, IfW.

Other underlying conditions and, above all, competition in the real estate financing market pose challenges for the industry. The expansionary monetary policy and the low-interest phase remain unchanged. Margin pressure also remains noticeable.

In the 2019 Annual Report, we predicted a sufficient volume of new lending for 2020. Contracted new lending as at 30 June 2020, including long-term extensions, amounted to € 2.5 billion.

As a result of the growth in the mortgage loans portfolio in 2019, net interest income in the first half of the year was better than the previous year and slightly above target, despite the persistently low and flat yield curve.

After a net income from risk provisioning in the previous year of € 5.4 million, the net allocation to risk provisioning amounted to € 65.4 million as at 30 June 2020. This was characterised by the formation of provision reserves to compensate for possible lending risks arising from the COVID-19 pandemic.

The creation of provision reserves pursuant to Section 340g of the German Commercial Code (HGB) as at 30 June 2020 enabled Berlin Hyp to further foster organic growth using its own resources by strengthening its equity base. The Bank aims to achieve a common equity Tier 1 ratio (CET1) of 12.5 per cent. Additional stricter regulatory requirements, such as CRR II and Basel IV, are planned in the coming years, which will also have a strong negative impact on Berlin Hyp. A significant contribution to achieving the capital ratios will be generated by allocations to the fund for general banking risks.

The continuous development of its “Immo” product range for German savings banks enabled Berlin Hyp to continue its joint financing business with savings banks even under the influence of the COVID-19 pandemic and to increase its level of networking within the S-Finanzgruppe as at 30 June 2020. The development of the S-Group business is supported by customer-centric sales structures and the Bank’s presence in Germany’s core regions.

In line with its strategic objective of being the most modern real estate financier and a value-creating member for the S-Finanzgruppe, Berlin Hyp also started developing “ImmoDigital” – a platform for the digital processing of Berlin Hyp’s investment offers exclusively for German savings banks – at the end of 2019. The development of this platform was successfully completed in the first half of 2020. ImmoDigital is designed to unburden conventional communication channels, reduce media discontinuities and facilitate processes by pooling all relevant information centrally in one place. The objective is to achieve a completely digital processing of the investment formats of the Immo product range developed by Berlin Hyp for German savings banks. In the launch phase, only the ImmoAval product will be offered. We are striving for the integration of further Berlin Hyp “Immo” products.

The goal of the “berlinhyp21” future-oriented process, which was initiated a few years ago, is to become the most modern real estate financier in Germany. We are gradually approaching this goal. The work on our IT architecture continues to follow a consistent development towards an integrated, standardised SAP bank. With the projects initiated for this purpose, we are on the right track. The first results show that we can attain a new dimension in terms of flexibility, security, quality and availability of data and reporting. All other major projects for lending process optimisation and valuation ultimately also have the goal of making our bank more efficient and even more successful in terms of its customer business. At the same time, we are working on a new organisational structure and the further development of the corporate culture. At the very heart of this is the introduction of new working environments by means of our new construction project “B-One”. Modern spatial structures are intended to promote cooperation and creativity and to make the Bank fit for the future.

All these measures together form the basis for the continuation of the Bank’s future-oriented process. Berlin Hyp is thus moving to the next stage of its development: next dimension berlin hyp.

Berlin Hyp’s positioning in the market, including its innovative strength in combination with its continued solid refinancing strategy, forms a good basis for the continuation of its successful business activities. With the stable and solid shareholder background that continues to exist, an increasingly strong integration into the Sparkassen-Finanzgruppe and an experienced and motivated workforce, Berlin Hyp continues to be well positioned for the future in an increasingly challenging environment. The measures introduced to optimise the Bank’s HR tools and the resulting optimisation of the allocation of personnel resources are fostering the skills of each individual staff member.

Stiff competition in commercial real estate financing, the continued low interest phase and the increasingly volatile capital and financial market environment due to the COVID-19 pandemic in combination with the need to further strengthen equity as well as additional regulatory requirements continue to pose mounting challenges.

## **Risk Report**

For details on risk policy, models applied in the assessment of significant opportunities and risks, as well as the Bank’s anticipated future development, please refer to the information provided in the Risk Report of the Management Report 2019.



Berlin Hyp's risk management system comprises an extensive range of tools to deal with risks the Bank enters into and to assess the economic and regulatory (normative) risk-bearing capacity within the framework of the strategy defined by the Bank's Board of Management. The objective of risk management is to maintain the risk-bearing capacity and compliance with specified minimum ratios through the limitation of economic risks and by establishing upper limits for tied capital.

In the context of a risk inventory carried out at least once a year, the Bank has classified the following risk types as material: counterparty default risks (including country risks), market price risks, operational risks and liquidity risks. All risk limits were complied with in the first half of 2020. The Bank's risk-bearing capacity was verified in the first half of 2020, both according to regulatory and normative perspectives. Furthermore, all regulatory requirements were complied with.

The Bank's current liquidity situation is analysed within the scope of the liquidity management system on the basis of a liquidity progress analysis. In addition, the short-term liquidity situation for up to 30 days is controlled and monitored daily (procurement risk). With regard to liquidity risk, all economic and regulatory limits were also complied with in the first half of 2020. At no time was the solvency of the Bank endangered.

Since the beginning of the COVID-19 crisis, the Bank's operational stability has been safeguarded at all times. As in many other banks, the Bank's operations were largely shifted to mobile workstations outside the offices. This did not result in any restrictions in the operational business. In addition, the Bank has laid down regulations for the protection of employees on the basis of the guidelines of the Federal Ministry of Labour and Social Affairs. Among other things, protective masks were provided for all employees as well as protective masks for visitors and suppliers to the bank in the entrance area; furthermore, physical distancing markings were placed in relevant areas of the Bank to ensure minimum distance was kept to. All employees are regularly made of aware and informed about the current regulations.

In the first half of the year, the Bank carried out a detailed analysis of the loans portfolio in order to assess the potential impact of the COVID-19 crisis on the Bank's loans portfolio. As a result, individual asset classes in the portfolio are more strongly affected by the pandemic than others, including above all department stores and shopping centres of the Retail segment as well as properties of the Hotel segment. Nevertheless, no significant effects on the portfolio have yet been materialised. As a result of the COVID-19 crisis, the Bank's securities portfolio has suffered higher interim losses in value, although most of these losses had already been recovered by the reporting date of 30 June 2020. In the first half of 2020, there were no COVID-19-related loan defaults in the Bank's portfolio. The analyses also show that, so far, no particular risks have been identified in the Bank's individual exposures. The Bank has initiated measures to enable identifying potential deteriorations in the creditworthiness of individual exposures at an early stage. The analysis of the loans portfolio was supplemented by COVID-19-specific stress tests, which examined the possible effects of adverse developments.

## Condensed Balance Sheet

As at 30 June 2020

	30.06.2020	31.12.2019	Change	Change
Assets	€ m	€ m	€ m	%
Cash reserves	1,993	26	1,967	-
Claims against banking institutions	481	262	219	83.6
Mortgage loans	0	0	0	-

Public-sector loans	0	0	0	-
Other receivables	481	262	219	83.6
Claims against customers	22,385	22,403	-18	-0.1
Mortgage loans	21,895	21,774	121	0.6
Public-sector loans	414	522	-108	-20.7
Other receivables	76	107	-31	-29.0
Debentures	5,981	3,698	2,283	61.7
Participation	5	6	-1	-16.7
Shares in affiliated enterprises	0	0	0	-
Intangible investment assets	34	31	3	9.7
Tangible assets	41	49	-8	-16.3
Other assets	715	409	306	74.8
Prepaid assets	119	137	-18	-13.1
<b>Total assets</b>	<b>31,754</b>	<b>27,021</b>	<b>4,733</b>	<b>17.5</b>

	30.06.2020	31.12.2019	Change	Change
Liabilities	€ m	€ m	€ m	%
Liabilities to banking institutions	8,857	4,027	4,830	-
Registered Mortgage Pfandbriefe	178	178	0	0.0
Registered Public Pfandbriefe	9	46	-37	-80.4
Other liabilities	8,670	3,803	4,867	-
Liabilities to customers	4,269	4,325	-56	-1.3
Registered Mortgage Pfandbriefe	1,526	1,622	-96	-5.9
Registered Public Pfandbriefe	242	400	-158	-39.5
Other liabilities	2,501	2,303	198	8.6
Securitised liabilities	16,191	16,152	39	0.2
Registered Mortgage Pfandbriefe	10,295	10,303	-8	-0.1
Registered Public Pfandbriefe	20	20	0	0.0
Other liabilities	5,876	5,829	47	0.8
Other liabilities	381	442	-61	-13.8
Deferred income	113	121	-8	-6.6
Reserves	252	260	-8	-3.1
Subordinated liabilities	317	340	-23	-6.8
Fund for general bank risks	438	418	20	4.8
Equity	936	936	0	0.0
<b>Total Liabilities</b>	<b>31,754</b>	<b>27,021</b>	<b>4,733</b>	<b>17.5</b>
Contingent liabilities				
Liabilities from guarantees and warranty contracts	307	259	48	18.5
Other obligations				
Irrevocable loan commitments	2,802	2,959	-157	-5.3

## Condensed Profit and Loss Account

From 1 January to 30 June 2020

	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	Change	Change
	€ m	€ m	€ m	%
Net interest income	167.8	155.4	12.4	8.0
Net commission income	10.7	8.4	2.3	27.4
Operating expenditure	86.8	86.1	0.7	0.8
Staff expenditure	35.1	45.9	-10.8	-23.5
Other operating expenditure	39.6	37.0	2.6	7.0
Of which expenditure for bank levy	13.4	12.0	1.4	11.7
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	12.1	3.2	8.9	-
Other operating earnings / expenditure	0.7	-2.4	3.1	-
Operating result before risk provisioning	92.4	75.3	17.1	22.7
Risk provisioning	65.4	-5.4	70.8	-
Operating result after risk provisioning	27.0	80.7	-53.7	-66.5
Financial investment result	-1.1	0.5	-1.6	-
Contribution to the fund for general bank risks	20.0	55.0	-35.0	-63.6
Other taxes	0.1	0.0	0.1	-
Profit before income tax and profit transfer	5.8	26.2	-20.4	-77.9
Income tax	0.1	0.3	-0.2	-66.7
Expenditure from profit transfer	5.7	25.9	-20.2	-78.0
Net income	0.0	0.0	0.0	-

## Statement of Changes in Equity

€ m	Subscribed capital	Capital reserve	Profit reserves	Balance sheet profit	Total equity capital
As at 01.01.2019	753.4	158.3	24.2	0.0	935.9
Capital increases	0	0	0	0	0
Dividend payments	0	0	0	0	0
Other changes pursuant to Section 152 (3) No. 1 German Stock Corporation Act (AktG)	0	0	0	0	0
As at 30.06.2019	753.4	158.3	24.2	0.0	935.9
€ m	Subscribed capital	Capital reserve	Profit reserves	Balance sheet profit	Total equity capital
As at 01.01.2020	753.4	158.3	24.2	0.0	935.9
Capital increases	0	0	0	0	0

Dividend payments	0	0	0	0	0
Other changes pursuant to Section 152 (3) No. 1 German Stock Corporation Act (AktG)	0	0	0	0	0
As at 30.06.2020	753.4	158.3	24.2	0.0	935.9

## Selected Explanatory Notes

### General Information

The Interim Financial Report of Berlin Hyp was prepared according to the provisions of the German Commercial Code (HGB), provisions of supplementary stock corporation law (AktG) and in consideration of the German Securities Trading Act (WpHG), the German Pfandbrief Act (PfandBG) and the Regulation on the Accounts of Banking Institutions (RechKredV).

The balance sheet and profit and loss account are structured in accordance with the RechKredV. They were supplemented by the items prescribed for Pfandbriefbanks.

Berlin Hyp holds shares in a subsidiary that has, in whole or in part, 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 Section 290 German Commercial Code (HGB).

### Reporting and Valuation Principles

The reporting and valuation methods used for the preparation of the annual financial statements as at 31 December 2019 have been applied essentially without change in the preparation of the condensed interim financial statements. Any amendments which have arisen are explained below.

Berlin Hyp 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, (Erwerbsgesellschaft) (smallest and largest consolidation group as defined in Section 285 Nos. 14 and 14a German Commercial Code (HGB)). Berlin Hyp and Landesbank Berlin Holding AG have a profit and loss transfer agreement and constitute a tax unity for sales and income tax purposes.

### Notes to the Condensed Profit and Loss Account

	01.01.2020 - 30.06.2020	01.01.2019 - 31.06.2019	Change	Change
	€ m	€ m	€ m	
<b>Net interest income</b>				
Interest earnings from				
Mortgage loans	201.9	188.0	13.9	7.4
Public-sector loans	0.0	-0.3	0.3	-
Other receivables	0.7	0.6	0.1	16.7
<i>Less negative interest</i>	-2.7	-3.4	0.7	-20.6
Fixed-income securities and book entry securities	-2.5	-0.6	-1.9	-
	<b>197.4</b>	<b>184.3</b>	<b>13.1</b>	<b>7.1</b>
Interest expenditure for				
Deposits and registered Pfandbriefe	0.8	3.9	-3.1	-79.5

Less negative interest	-8.0	-9.1	1.1	-12.1
Securitised liabilities	-11.3	-3.0	-8.3	-
Subordinated liabilities	2.3	3.0	-0.7	-23.3
Other liabilities	45.8	34.1	11.7	34.3
	<b>29.6</b>	<b>28.9</b>	<b>0.7</b>	<b>2.4</b>
Net interest income	<b>167.8</b>	<b>155.4</b>	<b>12.4</b>	<b>8.0</b>

The interest expenditures from other liabilities are essentially influenced by the negative interest result from macro-level management derivatives in the amount of € 45.8 million (previous year: € 34.1 million); this includes expenses for close-outs to compensate for the early-repayment fees received in interest income from mortgage loans. Interest gains from balance sheet transactions generated by Berlin Hyp in the first half of 2020 resulting from the current negative-interest environment are included in interest income of € 2.7 million (previous year: € 3.4 million) and interest expenditure of € 8.0 million (previous year: € 9.1 million).

Operating expenditure	01.01.2020	01.01.2019	Change	Change
	- 30.06.2020	- 31.06.2019		
	€ m	€ m	€ m	
Staff expenditure				
Wages and salaries	27.8	28.0	-0.2	-0.7
Social security contributions / retirement pensions	7.3	17.9	-10.6	-59.2
	<b>35.1</b>	<b>45.9</b>	<b>-10.8</b>	<b>-23.5</b>
Other operating expenditure				
Bank levy	13.4	12.0	1.4	11.7
Staff-related material costs	1.0	1.6	-0.6	-37.5
Building and premises costs	2.8	2.2	0.6	27.3
Operating and business equipment	0.5	0.3	0.2	66.7
IT Expenditure	9.3	9.4	-0.1	-1.1
Advertising and marketing	0.7	1.1	-0.4	-36.4
Business operation costs	1.6	1.7	-0.1	-5.9
Consultants / audits / subscriptions	7.3	6.0	1.3	21.7
Group payment set-off	3.0	2.7	0.3	11.1
	<b>39.6</b>	<b>37.0</b>	<b>2.6</b>	<b>7.0</b>
Amortisation and on depreciation of and valuation adjustments intangible investment assets and tangible assets	12.1	3.2	8.9	-
Operating expenditure	<b>86.8</b>	<b>86.1</b>	<b>0.7</b>	<b>0.8</b>

Risk provisioning	01.01.2020	01.01.2019	Change	Change
	- 30.06.2020	- 30.06.2019		
	€ m	€ m	€ m	%
Risk provisioning for lending business	55.4	-0.4	55.8	-
Securities results	10.0	-5.0	15.0	-
<b>Risk provisioning</b>	<b>65.4</b>	<b>-5.4</b>	<b>70.8</b>	<b>-</b>

Earnings with negative advance signs

## Notes to the Balance Sheet

Securities with a nominal volume of € 160.0 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 is above their market value of € 85.3 million, amounts to € 90.8 million. This takes into account the valuation results from interest swaps.

### Claims Against and Liabilities to Affiliated Enterprises and Associated Companies

	30.06.2020	31.12.2019	Change	Change
	€ m	€ m	€ m	in %
Claims against banking institutions	2.9	4.5	-1.6	-35.6
Claims against customers	0.0	0.0	0.0	-
Other assets	0.0	0.0	0.0	-
<b>Liabilities to banking institutions</b>	<b>0.6</b>	<b>0.6</b>	<b>0.0</b>	<b>0.0</b>
Liabilities to customers	0.0	0.0	0.0	-
Other liabilities	8.7	66.0	-57.3	-86.8
Subordinated liabilities	60.0	60.0	0.0	0.0

Derivatives as at 30.06.2020 in € m	Nominal amount / Remaining term			Total Nominal	Total negative market values	Total positive market values	Total of negative book values	Balance sheet items (liabilities)	Total of positive book values (assets)	Balance sheet items (assets)
	Up to 1 year	From 1 to 5 years	5 years							
<b>Interest-related transactions</b>										
Interest rate swaps	5,080	25,297	25,408	55,785	-1,578	1,650	-71	P6	64	A15
<i>of which in valuation units</i>	120	1,626	2,976	4,722	-288	0	0		0	
Swaptions	1,075	1,000	200	2,275	-6	4	-6	P5	9	A14
Securities future	30	0	0	30	-53	0	0		0	
Caps	287	2,003	115	2,405	-1	0	-4	P6	3	A15
Floors	2,000	3,642	177	5,819	-14	2	-4	P6	0	A15
Collar caps	<b>8,472</b>	<b>31,942</b>	<b>25,900</b>	<b>66,314</b>	<b>-1,652</b>	<b>1,656</b>	<b>-85</b>		<b>76</b>	
<b>Currency-related transactions</b>										
Forward exchange dealings	139	0	0	139	0	1	0	A14	1	A14

Interest and currency swaps	132	67	0	199	0	23	0	A14	23	A14
	271	67	0	338	0	24	0		24	
<b>Total</b>	<b>8,743</b>	<b>32,009</b>	<b>25,900</b>	<b>66,652</b>	<b>-1,652</b>	<b>1,680</b>	<b>-85</b>		<b>100</b>	

Completed business transactions largely serve to hedge interest and exchange rate risks of underlying transactions. The market values of the derivative financial instruments are shown on the basis of the interest rate applicable on 30 June 2020 taking into account interest accruals. The market values of the derivatives are counteracted by opposing valuation effects of the balance sheet. All derivatives – with the exception of customer derivatives – are hedged by collaterals. In the case of customer derivatives, land charges pledged in relation to the underlying loans also apply as collateral for the derivative transaction.

### Human Resource Statistics

Number of Staff			
<i>Average of 01.01.-30.06.2020</i>			
	male	female	total
Full-time staff	279	174	453
Part-time staff	20	127	147
School-leaver trainees / BA students	5	0	5
<b>Total</b>	<b>304</b>	<b>301</b>	<b>605</b>

### Information pursuant to Section 28 of the German Pfandbrief Act (Pfandbriefgesetz)

Information to be published on a quarterly basis in accordance with Section 28 of the Pfandbrief Act is published on the Bank's website.

### Statement of the Legal Representatives

"To the best of our knowledge we give the assurance that, in accordance with the accounting principles applicable to an interim report, the Bank's Interim Financial Statements accurately illustrate the Bank's actual circumstances with regard to its net assets, financial and earnings situation 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 image conveyed corresponds to the actual circumstances, and that the major opportunities and risks of the probable development of the enterprise during the rest of the financial year are described."

Sascha Klaus

Gero Bergmann

Alexander Stuwe

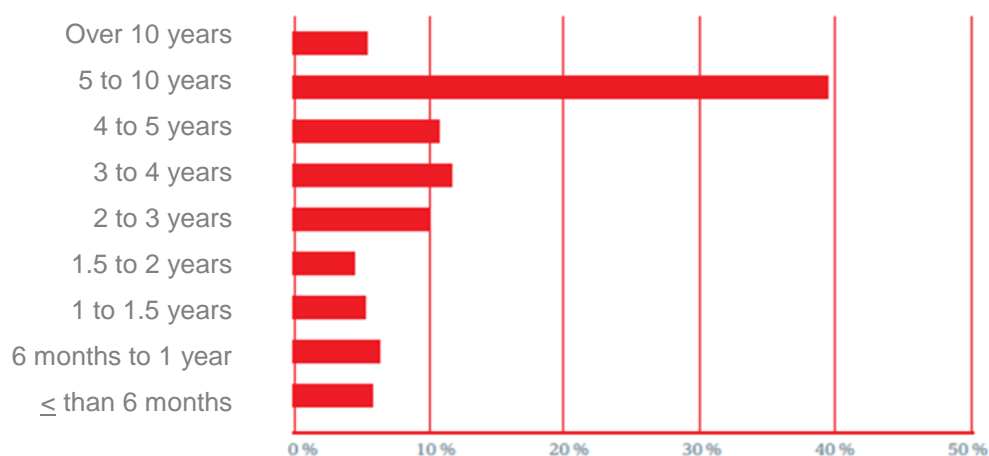
Berlin, July 2020

## Further Information for Investors

### Mortgage Loans Portfolio

The breakdown of the mortgage loans portfolio by maturity structure and loan-to-value ratio as at 30 June 2020 was as follows:

#### Maturity Structure of Loans



#### Loan To Value

according to countries (with exposure > 1 % of the reporting total)

in %

Lending region	Ø LTV
Germany	57.2
Belgium/Netherlands	52.9
France	48.7
Poland/Czech Republic	61.3
Great Britain	43.7

#### Available Distributable Items (ADI)

in € m

	30.06.2020	31.12.2019
Balance sheet profit	<b>0.0</b>	<b>0.0</b>
Net income / loss for the year	0.0	0.0
Profit / loss carryforward from the previous year	0.0	0.0
Transfers to / withdrawals from retained earnings	0.0	0.0
Other profit reserves excluding statutory reserves*	2.2	2.2
Free capital reserve in accordance with Section 272 II No. 4 HGB	158.3	158.3
Less amounts blocked from distribution pursuant to Section 268 VIII HGB	-28.0	-28.9
Available items capable of distribution	<b>132.5</b>	<b>131.6</b>



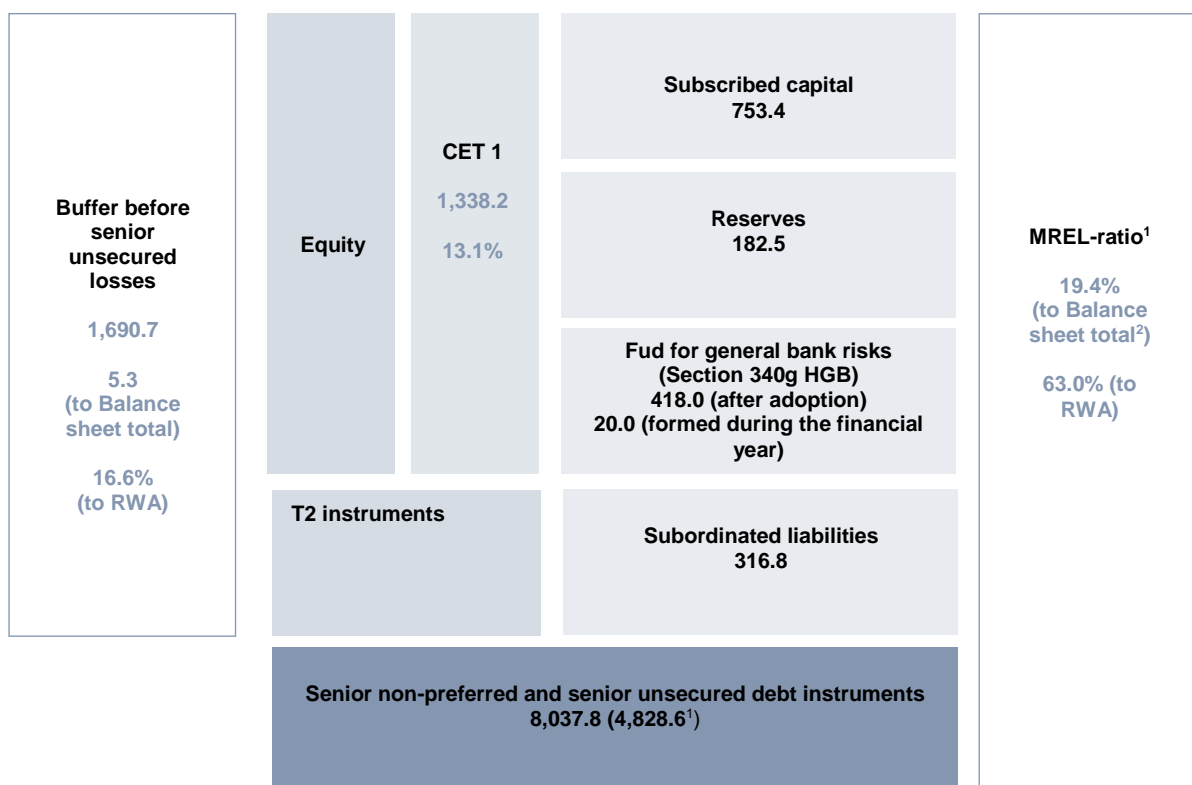
## Regulatory Law Key Figures

in € m

	30.06.2020	31.12.2019
Common equity tier 1 capital (CET1)	1,338	1,324
Additional tier 1 capital (AT1)	0	0
Tier 1 capital (T1)	1,338	1,324
Tier 2 capital (T2)	256	273
Own funds / Total capital	1,594	1,597
Risk weighted assets (RWA)	10,207	9,991
CET1 ratio in %	13.1	13.3
T1 ratio in %	13.1	13.3
Total capital ratio in %	15.6	16.0
Leverage ratio in %	4.0	4.6
MREL (balance sheet total)	19.4	23.4
MREL (RWA)	63.0	66.6
LCR	251	157

## Insolvency Hierarchy and Protection of Senior-Unsecured Investors

in € m



<sup>1</sup> For regulatory purposes, structured debt instruments, money market securities and long-term securities with remaining terms of less than one year are not taken into account for the MREL ratio.

<sup>2</sup> comparable with TLOF

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