

Banks Ratings Navigator		
Navigator date:	January 2020	
Last rating action:	10 Jan 2020	
Sector Details:		
Bank sector:	Wholesale Commercial	
Region:	DM Europe	
Country:	Germany	
Country IDR:	AAA Stable	
Last action:	19 Jul 19 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
10 Jan 20	bbb	Affirmed
21 Jan 19	bbb	Affirmed
02 Feb 18	bbb	Affirmed
Issuer Default Rating (IDR)		
10 Jan 20	A+ Stable	Affirmed
21 Jan 19	A+ Stable	Affirmed
02 Feb 18	A+ Stable	Affirmed
Support Rating Floor (SRF)		
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
	Higher Influence	
	Moderate Influence	
	Lower Influence	
Bar Arrows = Rating Factor Outlook		
	Positive	
	Evolving	
	Stable	
Peer Ratings bars = Count of banks		
18	DM Europe Wholesale Commercial	
5	Germany Wholesale Commercial	
Applicable Criteria & References		
Bank Rating Criteria (Oct 2018)		
Macro-Prudential Risk Monitor (Oct 2019)		
Short-Term Ratings Criteria (May 2019)		
Analysts		
Markus Glabach (+49 69 768076 195)		
Caroline Lehmann (+49 69 768076 176)		

Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Financial Profile				Viability Rating	Institutional Support	Issuer Default Rating
					Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity			
aaa									aaa	AAA	AAA
aa+									aa+	AA+	AA+
aa									aa	AA	AA
aa-									aa-	AA-	AA-
a+									a+	A+	A+ Stable
a									a	A	A
a-									a-	A-	A-
bbb+									bbb+	BBB+	BBB+
bbb									bbb	BBB	BBB
bbb-									bbb-	BBB-	BBB-
bb+									bb+	BB+	BB+
bb									bb	BB	BB
bb-									bb-	BB-	BB-
b+									b+	B+	B+
b									b	B	B
b-									b-	B-	B-
ccc+									ccc+	CCC+	CCC+
ccc									ccc	CCC	CCC
ccc-									ccc-	CCC-	CCC-
cc									cc	CC	CC
c									c	C	C
f									f	NF	D or RD

Institutional Support		Value
Parent IDR		A+
Total Adjustments (notches)		+0
Institutional Support:		A+
Support Factors (negative)		
	Equalised	1 Notch
Parent ability to support and subsidiary ability to use support		
Parent/group regulation		
Relative size		
Country risks		
Parent Propensity to Support		
Role in group		
Potential for disposal		
Implication of subsidiary default		
Integration		
Size of ownership stake		
Support track record		
Subsidiary performance and prospects		
Branding		
Legal commitments		
Cross-default clauses		

Drivers & Sensitivities	
Institutional Support Drives IDRs	Berlin Hyp's IDRs are equalised with those of its ultimate parent, Sparkassen-Finanzgruppe (SFG, A+/Stable/F1+), the German savings banks. In Fitch's view, Berlin Hyp benefits from an extremely high probability of support from the savings banks, if required.
Monoline Business Model	Berlin Hyp's VR reflects its commercial real estate (CRE)-focused business model, predominantly in Germany. The bank's strong asset quality, resilient performance and sound risk appetite mitigate the risks associated with the cyclical CRE sector and support the VR.
Sound Asset Quality	The bank's asset-quality indicators are stronger than those of most peers and of the German banking sector, supported by its prudent underwriting standards. However, the bank's high single-borrower concentration constrains our assessment of Berlin Hyp's asset quality.
Margin Pressure to Weigh on Performance in the Medium Term	Berlin Hyp's profitability is adequate and commensurate with its level of risk, but we believe its operating profit peaked in 2018. We expect margin pressure in the German CRE lending market to continue to weigh on the bank's performance in the medium term, given Berlin Hyp's domestic focus.
Adequate Capitalisation	Berlin Hyp stabilised its common equity Tier 1 (CET1) ratio at 13.1% at end-3Q19 by retaining half of its operating profits to match the rise in its risk-weighted assets (RWAs). We expect the bank to continue to retain a large share of its profits to mitigate RWA inflation from the revised Basel III framework.
Sound Funding and Liquidity	The bank is purely wholesale-funded (unsecured debt and Pfandbriefe) and relies on a diversified institutional investor base, including other members of the savings bank sector. Its membership in SFG's mutual support scheme also provides it with privileged access to SFG's vast excess liquidity.
IDRs Sensitive to Changes in SFG's Support	Berlin Hyp's IDRs are primarily sensitive to changes in the bank's ownership structure or contractual relationship with the savings banks, particularly its membership in SFG's mutual support scheme. The ratings are also sensitive to changes in SFG's ratings.
CRE-Focused Business Model Constrains VR	Berlin Hyp's VR has limited upside in our view, given the bank's concentrated business model. Significant stress in property markets that affects profitability and, ultimately, capitalisation would put downside pressure on the VR.

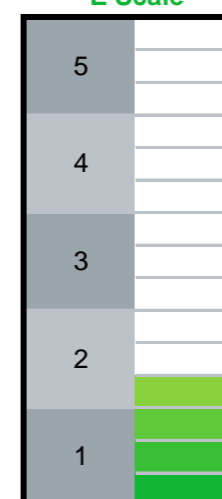
Credit-Relevant ESG Derivation

				Overall ESG Scale				
Berlin Hyp AG has 5 ESG potential rating drivers				key driver	0	issues	5	
<ul style="list-style-type: none"> ➔ Berlin Hyp AG has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. ➔ Governance is minimally relevant to the rating and is not currently a driver. 				driver	0	issues	4	
				potential driver	5	issues	3	
				not a rating driver	4	issues	2	
					5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality

E Scale



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

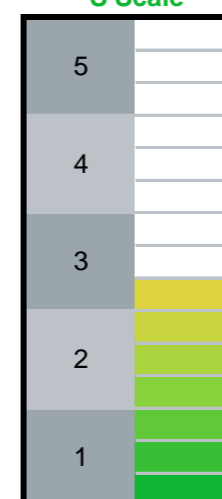
Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile

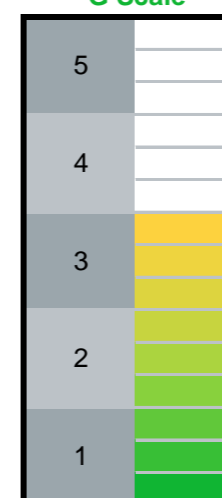
S Scale



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy

G Scale



CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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