

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 15 November 2018

This Supplement is supplemental to, and must be read in conjunction with the Base Prospectus dated 4 April 2018 and the Supplement dated 13 August 2018.

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.

The revocation does not have to provide any grounds and must be declared in text form to the appointed recipient of such notices: Berlin Hyp AG, Legal Department GO2, Budapester Str. 1, D-10787 Berlin, Germany. The dispatch of the revocation within the time limit is sufficient.

Such new factors pursuant to Section 16 paragraph 1 of the German Securities Prospectus Act have occurred on

- 1. 13 November 2018 with the publication of the unaudited Interim Report 2018 for the period ending 30 September 2018**
- 2. 8 October 2018 with changes in the Organisational Structure.**

I. Unaudited Interim Report 2018 as of 30 September 2018

On 13 November 2018, the Issuer published its unaudited interim report as of 30 September 2018. 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. €	31.12.2016	31.12.2017	30.09.2018	Liabilities in Mio. €	31.12.2016	31.12.2017	30.09.2018
			*				*
Claims against banking institutions	551	444	1.053	Liabilities to banking institutions	4,814	4,955	4.546
Claims against customers	19,370	20,974	21.515	Liabilities to customers	5,476	6,094	5.178
Debentures	5,782	4,624	3.325	Securitised liabilities	13,615	13,552	14.998
Intangible investment assets	10	12	16	Reserves	163	221	225
Tangible assets	58	58	57	Subordinated liabilities	454	383	314
Other assets	337	273	266	Fund for general Bank risks	153	223	316
				Equity	936	936	936
Total assets	26,354	27,123	27,185	Total liabilities	26,354	27,123	27,185

* Information in this column is taken from the unaudited Interim Report as at 30 September 2018

“

1.2. Within the “Summary form of income statement” in Element B 12 of the Summary after the existing table “Summary form of income statement” the following table shall be added on page 4:

“Interim summary form of income statement

in Mio. €	01.01.2017 – 30.09.2017*	01.01.2018 – 30.09.2018*	Change in %*
Net interest income	211,9	242,4	14,4
Net commission income	29,1	16,4	-43,6
Staff expenditure	49,8	58,9	18,3
Other operating expenditure	43,9	48,8	11,2
Depreciations and valuation adjustments on intangible investment assets and tangible assets	3,6	3,9	8,3
Other operating earnings / expenditure	-2,9	-3,2	10,3
Risk provisioning	39,7	-33,9	-
Operating result after risk provisioning	101,1	177,9	76,0
Expenditure from profit transfer	73,8	85,8	16,3
Net income	0,0	0,0	-

* Information in this column is taken from the unaudited Interim Report as at 30 September 2018

“

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 September 2018.”

1.4. In the German language version of the Summary (Zusammenfassung des Prospekts) on page 24 the table within B.12 “Kurzdarstellung Bilanz” is to be replaced by the following:

“

Aktiva in Mio. €	31.12.2016	31.12.2017	30.09.2018 *	Passiva in Mio. €	31.12.2016	31.12.2017	30.09.2018 *
Forderungen an Kreditinstitute	551	444	1.053	Verbindlichkeiten ggü. Kreditinstituten	4.814	4.955	4.546
Forderungen an Kunden	19.370	20.974	21.515	Verbindlichkeiten ggü. Kunden	5.476	6.094	5.178
Schuldverschreibungen	5.782	4.624	3.325	Verbriefte Verbindlichkeiten	13.615	13.552	14.998
Immaterielle Anlagewerte	10	12	16	Rückstellungen	163	221	225
Sachanlagen	58	58	57	Nachrangige Verbindlichkeiten	454	383	314
Sonstige Vermögensgegenstände	337	273	266	Fonds für allgemeine Bankrisiken	153	223	316
				Eigenkapital	936	936	936
Summe der Aktiva	26.354	27.123	27.185	Summe der Passiva	26.354	27.123	27.185

* Informationen in dieser Spalte stammen aus der ungeprüften Zwischenmitteilung zum 30. September 2018

”

1.5. In the German language version of the Summary (Zusammenfassung des Prospekts) on page 24 the following table shall be added after the existing table “Kurzdarstellung Gewinn- und Verlustrechnung” within B.12:

“Quartals-Kurzdarstellung Gewinn- und Verlustrechnung

in Mio. €	01.01.2017 – 30.09.2017*	01.01.2018 – 30.09.2018*	Veränderung in %*
Zinsüberschuss	211,9	242,4	14,4
Provisionsüberschuss	29,1	16,4	-43,6
Personalaufwand	49,8	58,9	18,3
Andere Verwaltungsaufwendungen	43,9	48,8	11,2
Abschreibungen und Wertberichtigungen auf immaterielle Anlagewerte und Sachanlagen	3,6	3,9	8,3
Sonstige betriebliche Erträge und Aufwendungen	-2,9	-3,2	10,3
Risikovorsorge	39,7	-33,9	-
Betriebsergebnis nach Risikovorsorge	101,1	177,9	76,0
Aufwendungen aus Gewinnabführung	73,8	85,8	16,3
Überschuss	0,0	0,0	-

* Informationen in dieser Spalte stammen aus der ungeprüften Zwischenmitteilung zum 30. September 2018

”

1.6. In the German language version of the Summary (Zusammenfassung des Prospekts) within B.12 the section “Wesentliche Veränderung der bei Finanzlage oder Handelsposition der Emittentin” on page 25 shall be replaced by the following:

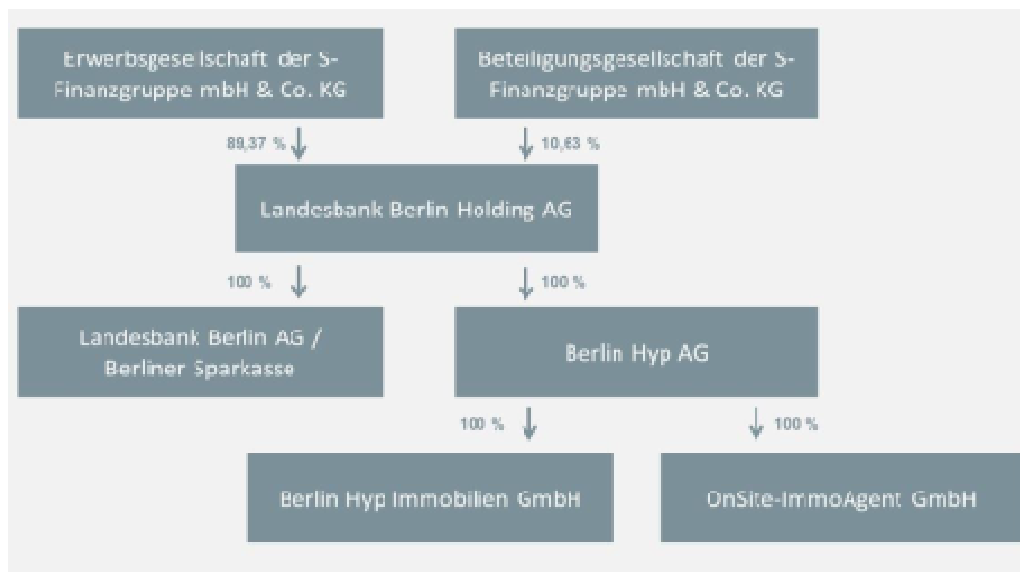
„Entfällt. Seit dem 30. September 2018 ist keine wesentliche Veränderung in der Finanzlage der Berlin Hyp eingetreten.“

1.7 The wording of section 6.10.6 “Significant change in Berlin Hyp’s Financial Position” on page 73 of the Prospectus shall be replaced by the following:

“There has been no significant change in the financial position of Berlin Hyp since 30 September 2018 (the end of the last financial period for which financial information has been published).”

II. Changes in the Organisational Structure

On page 65 the table within Section 6.4 “Organisational Structure” shall be replaced by the following:



III. Annex to the Prospectus

An excerpt from the unaudited interim report 2018 for the period ending 30 September 2018, which only abridged the Outlook Report, is presented on the following pages, shall be added under “13. Annex”, and shall be deemed to be incorporated in, and to form part, of the Prospectus.

“Excerpt from the Interim Report as at 30 September 2018

Key Figures

Excerpt from the Profit and Loss Account in € m	01.01.– 30.09.2018	01.01.– 30.09.2017
Net interest income	242.4	211.9
Net commission income	16.4	29.1
Operating expenditure	111.6	97.3
Risk provisioning	-33.9	39.7
Operating result	177.9	101.1
Provision for general banking risks	92.5	30.0
Profit transfer	85.8	73.8
Net income for the year	0.0	0.0
Cost-income ratio in %	43.7	40.9
Return on equity in %	19.7	12.6

Excerpt from the Balance Sheet in € m	30.09.2018	31.12.2017
Balance sheet total	27,185	27,123
incl. mortgage loans	20,868	20,081
NPL	183	256

Business Development in € m	01.01.– 30.09.2018	01.01.– 30.09.2017
New lending	3,905	4,077
Extensions (capital employed ≥ 1 year)	901	1,062

Regulatory Law Key Figures	30.09.2018	31.12.2017 ¹
Risk weighted assets (RWA) in € m	9,653	9,151
CET1 capital ratio in %	11.8 ²	12.5
Total capital ratio in %	14.4 ²	15.5
Leverage ratio in %	4.0	4.0

¹ after adoption

² Considering the expenses from the addition to the fund for general banking risk pursuant to Section 340g German Commercial Code (HGB) of € 80.0 million within the context of the interim report as of 30 June 2018, the capital ratios were 12.6 % for the CET1 ratio and 15.2 % for the total capital ratio.

Issue Ratings	Moody's	Fitch
Mortgage Pfandbriefe	Aaa (stabil)	-
Senior Preferred	Aa2 (stabil)	A+ (stabil)
Senior Non-Preferred	A2	A+ (stabil)

Sustainability Ratings	oekom	Sustainalytics
	B- (Prime)	86/100 (Leader)

Others	30.09.2018	31.12.2017
Number of employees (as at the reporting date)	594	589

Interim Report

Letter from the Board of Management

As expected, Berlin Hyp's business environment continued to develop positively in the third quarter of 2018.

In comparison with the previous year, the global economy had only a slight loss of some momentum despite the increased uncertainty due to the protectionist trade policy of the US, which clouded the mood of companies and global trade.

After the initially declining trend in economic development at the beginning of the year in the Euro zone, the economic situation improved. However, strained transatlantic trade relations and increased uncertainty regarding the Brexit negotiations had a dampening effect, meaning that it was not able to quite match the momentum of the previous year. The critical economic situation in Turkey has had, so far, no consequences for the Euro zone.

The economic upturn also continued in Germany. Compared with the first three quarters of the previous year, however, this was characterised by a somewhat reduced expansion. Economic growth was still at a high level, even though production-reducing effects, such as the higher number of strike days and bank holidays, as well as the wave of influenza and certain political uncertainties at the beginning of the year had created unfavourable conditions. The increasing decline in production in the automotive industry had a negative impact over the course of the year. The steady growth in employment and the sustained increase in construction investments were the main economic drivers.¹

As announced, the ECB reduced its net bond purchases as of September from previously € 30 billion per month to currently € 15 billion. Net purchases are to be discontinued completely from January of next year. An interest rate hike is currently not expected until the second half of 2019 at the earliest. Monetary policy thus remains expansionary, albeit to a lesser extent. Together with the steady increase in regulatory requirements, market conditions in this continuing phase of low interest rates continued to have a negative impact on the banking sector, thus intensifying competition amongst banks.

The positive momentum on the German real estate investment market continued in the third quarter of 2018. In the first nine months of 2018, the transaction volume for commercial real estate amounted to around € 41.7 billion (previous year: approximately € 39.7 billion), representing an increase of 5%. The real estate market for residential portfolios particularly aroused investor interest. From January to September 2018, sales here totalled approximately €14.5 billion - an increase of 38% compared to the same period last year.

These results make it clear that investors from Germany and abroad continue to regard Germany as a stable and sustainable business location.

According to type of use, office properties are the investors' most popular choice - the transaction volume in this segment totalled more than € 20 billion in the first three quarters of 2018. The tendency for investors to focus more strongly and, above all, at an earlier stage on project developments is particularly reflected in the market for office properties. Here, the share of project purchases amounted to 17% of the transaction volume and was thus about twice as high as the average for the past five years.

By contrast, interest in retail properties declined. Despite the merger of the department store groups Galeria Kaufhof/HBC and Karstadt and the sale of the department store portfolio as part of the merger for more than € 1.8 billion, the transaction volume in the first three quarters of 2018 amounted to around € 8 billion (previous year: around € 9 billion). The unbridled growth of the significance in online trading, which is putting stationary trading under pressure, is one of the reasons for the restrained investor interest in retail properties. Additionally, a regional assessment of the market opportunities for retail properties is closely linked to demographic development - due to the declining number of consumers, a shrinking society can have a negative impact on retail sales. In Germany's largest cities, there are also signs of saturation in prime rents.

¹ Sources for the macroeconomic environment: German Institute for Economic Research (DIW), Kiel Institute for the World Economy (IfW).

As the German real estate investment market is one of the most important target markets for investors, the traditionally strong fourth quarter could lead to a total annual transaction volume of € 60 billion.²

New Lending

New lending in the real estate financing business, including realised extensions (capital employed \geq 1 year), totalled approximately € 4.8 billion (previous year: € 5.1 billion). Amongst lenders, competition remained fierce as did the high volume of liquidity, keeping the pressure on margins. With the Bank's risk behaviour largely unchanged, the contracted new lending margins are therefore, compared with the third quarter of 2017, below the previous year's level.

With a share of 58% (74%), the investor customer group accounted for most of the new business, while a further 32% (22%) was realised with developers and building contractors. The remaining 10% (4%) was realised with housing societies.

Berlin Hyp as an S-Group Partner

As at the reporting date of 30 September 2018, S-Group business totalled € 1,946 million (previous year: € 844 million). In addition to an increase in ImmoSchuldschein and ImmoAval transactions, this rise is largely due to an increase in the joint, traditional syndicated business. In February 2018, a total of 22 German savings banks participated in an ImmoSchuldschein secured with commercial real estate in Berlin with a total volume of € 346 million. Following the successful pilot transaction in the previous year, the second ImmoAval transaction, with a liability volume of € 98 million, was placed in full with 10 savings banks.

Thanks to its activities in the S-Group network, Berlin Hyp was thus able to network further within the Savings Bank Finance Group and, due to joint financing, is now a partner of altogether 129 savings banks in all S-Group regions (previous year: 114 savings banks).

Business Performance from January to September 2018

In its outlook for 2018, Berlin Hyp expected further strengthening of its position as one of the leading providers of commercial real estate financing and forecast a continuation of the positive development of customer business. Due to continued high pressure on margins and higher costs in connection with the optimisation and improvement of business processes, the Bank expected the result before profit transfer in 2018 to be lower than in 2017.

Despite the persistently low interest rate phase and the unchanged high level of competition in commercial real estate financing, the Bank is very satisfied with the course of the financial year to date. With a contracted new lending volume of € 3,905 million, Berlin Hyp remains one of the leading commercial real estate financiers in Germany. The result before profit transfer amounted to € 85.8 million, significantly exceeding the previous year's figure (€ 74.1 million).

On its way to becoming the most modern real estate financier in Germany, Berlin Hyp continued to advance its "berlinhyp21" future-oriented process and made significant progress with its digitisation strategy. In addition to the cooperation with PropTechs in implementing innovative product ideas, the focus was on digital credit process optimisation in order to be able to respond even faster and more flexibly to changing customer needs in the future. Further important projects, such as consistently aligning the core banking system with SAP, streamlining the digitalised and workflow-based set of rules and standards, as well as the Enterprise Content Management System (electronic files) to optimise organisational processes, have been initiated or even already completed.

With a volume of outstanding Green Bonds in the amount of € 2.5 billion, Berlin Hyp is Europe's largest issuer of Green Bonds in Europe in the commercial banking segment. The company assessment rating agency rates Berlin Hyp as "Leader" in the peer group (86 out of 100 points), making it one of the world's top five banks (5 out of 332 banks), while rating agency Oekom rates Berlin Hyp number 1 out of 52 in in the Financials/Mortgage & Public Sector peer group.

²Sources for the sector-related environment: Berlin Hyp/bulwiengesa, CBRE, JLL/ZEW, Savills.

Earnings Situation

Compared to the previous year, net interest and commission income increased by € 17.8 million to € 258.8 million.

In comparison to the previous year, net interest income improved by € 30.5 million to € 242.4 million. In addition to the increase in the average mortgage portfolio as a result of successful new lending, the increase is due to special effects, including the pro rata waiver of the interest payable of € 14.8 million for the Deutsche Bundesbank's so-called targeted longer-term refinancing operations (TLTROs).

Berlin Hyp achieved similarly good growth in new lending business as in the previous year. Nevertheless, net commission income of € 16.4 million was, as expected, significantly below the previous year's very good figure of € 29.1 million due to the extensive mapping of processing fees in interest margins and their distribution over the term in accordance with the German Federal Court of Justice (BGH) rulings on credit processing fees of 4 July 2017.

Operating expenditure comprises staff expenditure, other operating expenditure, amortisation on tangible assets and depreciation of intangible assets. It amounted to € 111.6 million, higher than the previous year's figure of € 97.3 million. The scheduled increase is mainly due to an increase in personnel expenses by € 9.1 million to € 58.9 million, in particular as a result of lower discount rates in the calculation of pension obligations.

The other operating expenditure increased by € 4.9 million to € 48.8 million. This primarily includes IT expenditure, the expenditure for the annual contribution to the European bank levy, expenditure for consultation and the allocation of the administrative holding costs of the managing institution under regulatory law.

Other operating result decreased slightly from € -2.9 million to € -3.2 million. As before, it mainly includes the interest portion of the accrued interest on reserves.

In view of the good economic environment and the sale of securities, the Bank was able to release risk provisioning of € 33.9 million (net) as per the reporting date. A total of € 39.7 million had been formed in the same period of the previous year.

Risk provisioning in the lending business benefited from the positive economic environment and the Bank's active risk management, leading to the release of risk provisioning of € 15.4 million for the lending business (previous year: forming of € 63.5 million).

Risk provisioning for securities in the liquidity reserve posted income of € 18.5 million, following € 23.8 million in the previous year. This income mostly resulted from disposals.

With the current valuation adjustments, the Bank adequately took all recognisable and latent risks into consideration.

Net income from investments is largely defined by disposals and write-ups on investment securities and stands at € 0.5 million (previous year: € 3.2 million).

The operating result after risk provisioning increased substantially by € 101.1 million to € 177.9 million.

The Bank added a further € 92.5 million (previous year: € 30.0 million) to its fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) to ensure that it is sufficiently prepared for the ever-increasing equity capital demands in the future. The fund now stands at € 315.5 million.

Operating result before income taxes and profit transfer stands at € 85.8 million, exceeding last year's figure by € 11.7 million.

The cost-income ratio after the bank levy, which expresses the relationship between operating expenditure and net interest and commission income, including other operating result, was 43.7% as per reporting date (40.9%).

Due to the positive development of the result before income taxes and profit transfer and the increased allocations to the fund for general banking risks pursuant to Section 340g HGB, return on equity rose to 19.7% (12.6%).

Capitalisation

Berlin Hyp's reported equity as at 30 September 2018 amounted to € 935.9 million. Furthermore and without the intermediate adding of a further € 92.5 million, € 223.0 million is available in the form of a reserve from the previous years' annual accounts prepared pursuant to Section 340g German Commercial Code (HGB) and € 196.4 million of subordinated capital that is capable of being taken into consideration under regulatory law.

In relation to the risk items pursuant to the Solvency Regulation, the CET1 ratio as at 30 September 2018 amounted to 11.8% and the total capital ratio to 14.4% (previous year: 12.6% and 15.9%, respectively). The reduction in the unchanged CET1 ratio is attributable to the pleasing development of new lending and existing mortgages and thus to the increased risk positions. The reduction in the total capital ratio also results from the lower capital charges for subordinated capital in the last five years of the remaining term pursuant to CRR.

Taking into account the € 80 million already transferred to the fund for general banking risks pursuant to Section 340g German Commercial Code (HGB) as disclosed in the interim financial statements as at 30 June 2018, the CET1 ratio would be 12.6% and the total capital ratio 15.2%.

The existing subordinated capital, with a nominal value of € 308.2 million (€ 443.2 million), fundamentally complies with the requirements of the CRR.

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. The Bank plans to mitigate these increased capital requirements by forming corresponding provisions.

Balance Sheet Total

The balance sheet total slightly increased by € 0.1 billion to € 27.2 billion compared to the end of last year. This rise is mainly due to the gratifying development of the mortgage portfolio and the resulting increase in claims against customers of € 21.5 billion (31 December 2017: € 21.0 billion). In return, the portfolio of fixed-interest debenture bonds was further reduced to € 3.3 billion through sales and maturities in line with our strategy (31 December 2017: € 4.6 billion).

On the liabilities side, liabilities to banking institutions decreased by € 0.4 billion to € 4.5 billion and liabilities to customers by € 0.9 billion to € 5.2 billion. By contrast, the volume of securitised liabilities increased significantly to € 15.0 billion (31 December 2017: € 13.6 billion).

Refinancing

The third quarter of 2018 was still characterised by low general interest rates in the Euro zone. However, driven by rising US yields and a reduction in the European Central Bank's bond purchase programme, ten-year swap and Bund yields decoupled during the period under review from their annual lows to around 1.0% and 0.5%, respectively.

Due to reduced order quotas in the primary market, the slow withdrawal of the ECB became apparent in the Covered Bond segment. Even though investor demand and risk premiums remained largely stable in the reporting period, a more selective approach on the part of investors has been discernible, leading to moderate widening of spreads and slightly higher new issue premiums. German Pfandbriefe continued to have the lowest spreads in both the primary and secondary markets.

On 21 July of the year under review, the amendment to Section 46 et seq. KWG (German Banking Act) came into force in Germany. Accordingly, German banks are now able to issue senior bonds in newly created and eligible preferred status as well as in the subordinated non-preferred status. As the first German bank to make use of this, Berlin Hyp successfully issued a syndicated senior preferred bond in August in the amount of € 300 million with a five-year term on the capital market. After the main iBoxx bank indices had fallen in the middle of the year due to the turbulences surrounding Italy and Turkey, a predominantly sideways trend has been observed since then. Berlin Hyp's outstanding bonds yield stably and compared with other German bonds at the lowest level.

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 from its involvement in the Savings Banks

Finance Group. In addition, the development into a major player in the Green Bond market led to a noticeable gain in reputation. Besides the senior preferred bond, Berlin Hyp was active on the capital market in the third quarter with a € 250 million increase in the Jubilee Pfandbrief in May 2023 at mid-swap - 10 basis points and the issue of a long four-year Pfandbrief of € 750 million at an identical spread. In the first nine months of 2018, the Bank issued debt instruments in the amount of € 3,790 million on the capital market in total; mortgage Pfandbriefe accounted for € 2,570 million and senior unsecured instruments for € 1,219 million.

Outside of the reporting period, Berlin Hyp also placed its sixth Green Bond in October, thus remaining Europe's most active issuer of Green bonds in the commercial bank segment. The € 500 million seven-year Green Pfandbrief had an order book of over € 950 million. 58% of the bond was placed abroad. 45% of the bond went to SRI investors. Once again, the Bank's commitment to the Green Bond market won several Global Capital Sustainable and Responsible Capital Market Awards this year for the best impact reporting and the best bank issuer for Green Covered Bonds.

Within the framework of the insolvency hierarchy's adjustment in Section 46 et seq. KWG, Moody's introduced a new senior preferred and senior non-preferred rating. The unsecured bonds are rated Aa2 and A2, respectively. Fitch rated both categories with an A+. In each case, the outlook is stable. Moody's ratings for Berlin Hyp's Mortgage Pfandbriefe and Public Pfandbriefe also remained unchanged at Aaa with a stable outlook.

Outlook

Performance this year has so far been very satisfactory. Berlin Hyp's increasing market penetration is accompanied by continued good development on the relevant real estate markets. Despite the low-interest phase and the challenging competitive environment, Berlin Hyp was once again able to assert itself in 2018 as one of the leading providers of real estate financing in Germany. The positive development of new lending business and the resulting growth in the interest-bearing loan portfolio are the main drivers of business development.

The general framework conditions remain challenging. The dynamics of global economic growth are weakening and the ECB's monetary policy remains expansionary, albeit to a lesser extent. Political issues dominate the capital market environment. Uncertainties exist, inter alia, with regard to the trade disputes between the US, China and the EU, the relationship between Germany and Turkey, as well as unchanged imponderables in connection with Brexit.

The continuation of the current low interest rate policy - which, according to a meeting of the central bank in September 2018, shall last at least beyond the summer of 2019 - is keeping investors in the German residential and commercial real estate market under investment pressure. For 2018 as a whole, the extraordinarily high investment activity expected by Berlin Hyp therefore appears realistic. Berlin Hyp will also continue to maintain its conservative risk policy as a high priority in future. If the trend of the first three quarters continues, the volume of mortgage loans will be able to further expand in the course of the year.

As a means of cultivating the development of S-Group business, the Bank continued to expand its product range in the past and adjusted the sales structures in a decentralised fashion. Following two successful ImmoAval transactions, two further transactions are planned for the fourth quarter and are currently in the marketing phase.

In terms of refinancing, Berlin Hyp continues to benefit from its reputation as a sound and reliable issuer.

The continuation of the "berlinhyp21" future-oriented process will ensure that Berlin Hyp remains well equipped for the challenges ahead. The future-oriented process is a key driver in positioning Berlin Hyp as one of the leading German real estate banks with above-average innovative strength and in actively shaping our industry's digital transformation. In addition to improving IT systems and networking and automating processes, the consistent implementation of the digitisation strategy will be continued and, in this context, an analysis and evaluation will also be performed into interesting digitisation trends on the market. Besides examining opportunities for cooperation, the focus is also on participating in business models that are viable for the future.

The strategic partnership with Brickvest, a leading London/Berlin-based online platform for commercial real estate investments and the only regulated one to date, was entered into at the end of 2017 and further intensified in 2018.

With its subsidiary OnSite ImmoAgent, founded in September 2018, Berlin Hyp offers a new product: a nationwide inspection service. In the future, helpful information on real estate properties will be generated “in real time”.

At the beginning of October this year, another strategic partnership was concluded and Berlin Hyp acquired a stake in 21st Real Estate, a Berlin-based Proptech company. In cooperation with each other, an evaluation tool will be developed with which, amongst other things, the appraisal process can be optimised and thus made more efficient, faster and more transparent.

The Bank also safeguards its stability and sustainability by testing more agile and efficient working methods within the framework of the “berlinhyp21” future-oriented process, thus offering its employees a reliable perspective.

Berlin, November 2018

Sascha Klaus

Gero Bergmann

Roman Berninger

Signatures

Excerpt from the Balance Sheet

as at 30 September 2018

Assets	30/09/2018 € m	31/12/2017 € m	Change € m	Veränderung in %
Cash reserves	783	543	240	44.2
Claims against banking institutions	1,053	444	609	-
Mortgage loans	0	0	0	-
Public-sector loans	0	52	-52	-
Other receivables	1,053	392	661	-
Claims against customers	21,515	20,974	541	2.6
Mortgage loans	20,868	20,081	787	3.9
Public-sector loans	553	764	-211	-27.6
Other receivables	94	129	-35	-27.1
Debentures	3,325	4,624	-1,299	-28.1
Investments	2	2	0	0.0
Intangible investment assets	16	12	4	33.3
Tangible assets	57	58	-1	-1.7
Other assets	266	273	-7	-2.6
Deferred expenses and accrued income	168	193	-25	-13.0
Total assets	27,185	27,123	62	0.2

Liabilities	30/09/2018 € m	31/12/2017 € m	Change € m	Change %
Liabilities to banking institutions	4,546	4,955	-409	-8.3
Registered Mortgage Pfandbriefe	269	251	18	7.2
Registered public Pfandbriefe	56	251	-195	-77.7
Other liabilities	4,221	4,453	-232	-5.2
Liabilities to customers	5,178	6,094	-916	-15.0
Registered Mortgage Pfandbriefe	2,018	2,376	-358	-15.1
Registered public Pfandbriefe	548	666	-118	-17.7
Other liabilities	2,612	3,052	-440	-14.4
Securitised liabilities	14,998	13,552	1,446	10.7
Mortgage Pfandbriefe	9,357	8,630	727	8.4
Public Pfandbriefe	713	720	-7	-1.0
Other debentures	4,928	4,202	726	17.3
Other liabilities	525	589	-64	-10.9
Deferred income and accrued expenses	147	170	-23	-13.5
Reserves	225	221	4	1.8
Subordinated liabilities	314	383	-69	-18.0
Fund for general bank risks	316	223	93	41.7
Equity	936	936	0	0.0
of which Balance sheet profit	0	2	-2	-
Total liabilities	27,185	27,123	62	0.2
Contingent liabilities				
Liabilities from guarantees and warranty contracts	142	207	-65	-31.4
Other obligations				
Irrevocable loan commitments	2,419	2,178	241	11.1

Excerpt from the Profit and Loss Account

from 1 January until 30 September 2018

	01/01 – 30/09/2018 € m	01/01 – 30/09/2017 € m	Change € m	Change %
Net interest income	242.4	211.9	30.5	14.4
Net commission income	16.4	29.1	-12.7	-43.6
Operating expenditure	111.6	97.3	14.3	14.7
Staff expenditure	58.9	49.8	9.1	18.3
Other operating expenditure	48.8	43.9	4.9	11.2
<i>Of which expenditure for bank levy</i>	10.6	10.1	0.5	5.0
Depreciations and valuation adjustments on intangible investment assets and tangible assets	3.9	3.6	0.3	8.3
Other operating earnings / expenditure	-3.2	-2.9	-0.3	10.3
Operating result before risk provisioning	144.0	140.8	3.2	2.3
Risk provisioning	-33.9	39.7	-73.6	-
Operating result after risk provisioning	177.9	101.1	76.8	76.0
Financial investment result	0.5	3.2	-2.7	-84.4
Contribution to the fund for general bank risk	92.5	30.0	62.5	-
Other taxes	0.1	0.2	-0.1	-50.0
Operating result before income taxes and profit transfer	85.8	74.1	11.7	15.8
Income tax	0.0	0.3	-0.3	-
Expenditure from profit transfer	85.8	73.8	12.0	16.3
Net income for the year	0.0	0.0	0.0	-

Explanations of the Profit and Loss Account

	01/01 – 30/09/2018 € m	01/01 – 30/09/2017 € m	Change € m	Change %
Net interest income				
Interest earnings from				
Mortgage loans	273.8	277.5	-3.7	-1.3
Public-sector loans	-0.6	2.0	-2.6	-
Other receivables	-2.9	-0.5	-2.4	-
Fixed-income securities and book-entry securities	4.2	11.1	-6.9	-62.2
	274.5	290.1	-15.6	-5.4
Interest expenditure for				
Deposits and registered Pfandbriefe	20.4	48.9	-28.5	-58.3
Securitised liabilities	6.4	20.4	-14.0	-68.6
Subordinated liabilities	5.3	8.9	-3.6	-40.4
	32.1	78.2	-46.1	-59.0
Net interest income	242.4	211.9	30.5	14.4

Operating expenditure	01/01 – 30/09/2018 € m	01/01 – 30/09/2017 € m	Change € m	Change %
Staff expenditure				
Wages and salaries	40.6	37.1	3.5	9.4
Social security contributions / retirement pensions	18.3	12.7	5.6	44.1
	58.9	49.8	9.1	18.3
Other operating expenditure				
Bank levy	10.6	10.1	0.5	5.0
Staff-related material costs	2.6	2.1	0.5	23.8
Building and premises costs	2.9	2.6	0.3	11.5
Operating and business equipment	0.6	0.6	0.0	0.0
IT expenditure	13.1	12.4	0.7	5.6
Advertising and marketing	2.3	1.5	0.8	53.3
Business operation costs	2.5	1.5	1.0	66.7
Consultants / audits / subscriptions	9.4	8.2	1.2	14.6
Group payment set-off	4.8	4.9	-0.1	-2.0
	48.8	43.9	4.9	11.2
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	3.9	3.6	0.3	8.3
Operating expenditure	111.6	97.3	14.3	14.7

Risk provisioning	01/01 – 30/09/2018 € m	01/01 – 30/09/2017 € m	Change € m	Change %
Risk provisioning for loan business	-15.4	63.5	-78.9	-
Securities results	-18.5	-23.8	5.3	-22.3
Risk provisioning	-33.9	39.7	-73.6	-

Earnings shown with a minus symbol

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Berlin, 15 November 2018

Berlin Hyp AG