

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

Supplement to the Base Prospectus  
dated 16 August 2019

This Supplement is supplemental to, and must be read in conjunction with the Base Prospectus dated 4 April 2019 and the Supplement dated 8 April 2019.

# Berlin Hyp

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**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](http://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 in its version until July 20, 2019. The German Securities Prospectus Act in its version from 21 July 2019 no longer contains the section with such right to withdraw. However, according to Article 46 paragraph 3 of Regulation (EU) 2017/1129, Prospectuses approved in accordance with the former law shall continue to be governed by the former law until the end of their validity, or until 12 months have elapsed after 21st July 2019, whichever occurs first. Supplements to these Prospectuses shall also be governed by the former law. Thus, for this Supplement, section 16 paragraph 3 of the German Securities Prospectus Act in its version until July 20, 2019 continues to apply.**

**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 in its version until July 20, 2019 have occurred on**

- 1. 13 August 2019 with the publication of the unaudited Half-Year Financial Report 2019 with the half-year financial statements of Berlin Hyp AG for the period ending 30 June 2019**

## I. Half-Year Financial Report 2019 as of 30 June 2019

On 13 August 2019, the Issuer published its Half-Year Financial Report 2019. 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<br>in Mio. €                 | 31.12.2018    | 31.12.2017    | 30.06.2019<br>* | Liabilities<br>in Mio. €            | 31.12.2018    | 31.12.2017    | 30.06.2019<br>* |
|-------------------------------------|---------------|---------------|-----------------|-------------------------------------|---------------|---------------|-----------------|
| Claims against banking institutions | 1,011         | 444           | 346             | Liabilities to banking institutions | 4,033         | 4,955         | 5,457           |
| Claims against customers            | 20,865        | 20,974        | 21,738          | Liabilities to customers            | 4,907         | 6,094         | 4,727           |
| Debentures                          | 3,067         | 4,624         | 3,673           | Securitised liabilities             | 15,754        | 13,552        | 14,387          |
| Intangible investment assets        | 20            | 12            | 23              | Reserves                            | 236           | 221           | 244             |
| Tangible assets                     | 57            | 58            | 56              | Subordinated liabilities            | 381           | 383           | 377             |
| Other assets                        | 181           | 273           | 469             | Fund for general Bank risks         | 328           | 223           | 383             |
|                                     |               |               |                 | Equity                              | 936           | 936           | 936             |
| <b>Total assets</b>                 | <b>27,178</b> | <b>27,123</b> | <b>26,999</b>   | <b>Total liabilities</b>            | <b>27,178</b> | <b>27,123</b> | <b>26,999</b>   |

\* Information in this column is taken from the unaudited Half-Year Financial Report 2019

“

1.2. Within the “Summary form of income statement” of the Prospectus in Element B 12 of the Summary after the existing table “Summary form of income statement” the following table shall be added on page 3:

“Half-year summary form of income statement

| in Mio. €  | 01.01.2019 – 30.06.2019* | 01.01.2018 – 30.06.2018* | Change in %* |
|--|--------------------------|--------------------------|--------------|
| Net interest income  | 155,4                    | 161,4                    | -3,7         |
| Net commission income  | 8,4                      | 10,8                     | -22,2        |
| Staff expenditure  | 45,9                     | 39,0                     | 17,7         |
| Other operating expenditure  | 37,0                     | 34,6                     | 6,9          |
| Amortisation on and depreciations of and valuation adjustments on intangible investment assets and tangible assets | 3,2                      | 2,5                      | 28,0         |
| Other operating earnings / expenditure   | -2,4                     | -1,7                     | 41,2         |
| Risk provisioning  | -5,4                     | -47,3                    | -88,6        |
| Operating result after risk provisioning   | 80,7                     | 141,7                    | -43,0        |
| Expenditure from profit transfer   | 25,9                     | 62,2                     | -58,4        |
| Net income   | 0,0                      | 0,0                      | -            |

\* Information in this column is taken from the unaudited Half-Year Financial Report 2019

“

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

“Not applicable: There has been no significant change in the financial position of Berlin Hyp AG since 30 June 2019.”

1.4. In the German language version of the Summary (Zusammenfassung des Prospekts) on page 22 the table within B.12 “Kurzdarstellung Bilanz” is to be replaced by the following:

“

| Aktiva<br>in Mio. €            | 31.12.2018 | 31.12.2017 | 30.06.2019<br>* | Passiva<br>in Mio. €                    | 31.12.2018 | 31.12.2017 | 30.06.2019<br>* |
|--------------------------------|------------|------------|-----------------|---|------------|------------|-----------------|
| Forderungen an Kreditinstitute | 1.011      | 444        | 346             | Verbindlichkeiten ggü. Kreditinstituten | 4.033      | 4.955      | 5.457           |
| Forderungen an Kunden          | 20.865     | 20.974     | 21.738          | Verbindlichkeiten ggü. Kunden           | 4.907      | 6.094      | 4.727           |
| Schuldverschreibungen          | 3.067      | 4.624      | 3.673           | Verbriefte Verbindlichkeiten            | 15.754     | 13.552     | 14.387          |
| Immaterielle Anlagewerte       | 20         | 12         | 23              | Rückstellungen                          | 236        | 221        | 244             |
| Sachanlagen                    | 57         | 58         | 56              | Nachrangige Verbindlichkeiten           | 381        | 383        | 377             |
| Sonstige Vermögensgegenstände  | 181        | 273        | 469             | Fonds für allgemeine Bankrisiken        | 328        | 223        | 383             |
|                                |            |            |                 | Eigenkapital                            | 936        | 936        | 936             |
| Summe der Aktiva               | 27.178     | 27.123     | 26.999          | Summe der Passiva                       | 27.178     | 27.123     | 26.999          |

\* Informationen in dieser Spalte stammen aus dem ungeprüften Halbjahresfinanzbericht 2019

”

1.5. In the German language version of the Summary (Zusammenfassung des Prospekts) on page 22 the following table shall be added after the existing table “Kurzdarstellung Gewinn- und Verlustrechnung” within B.12:

“Halbjahres-Kurzdarstellung Gewinn- und Verlustrechnung

| in Mio. €  | 01.01.2019 – 30.06.2019* | 01.01.2018 – 30.06.2018* | Veränderung in %* |
|--|--------------------------|--------------------------|-------------------|
| Zinsüberschuss   | 155,4                    | 161,4                    | -3,7              |
| Provisionsüberschuss   | 8,4                      | 10,8                     | -22,2             |
| Personalaufwand  | 45,9                     | 39,0                     | 17,7              |
| Andere Verwaltungsaufwendungen   | 37,0                     | 34,6                     | 6,9               |
| Abschreibungen und Wertberichtigungen auf immaterielle Anlagewerte und Sachanlagen | 3,2                      | 2,5                      | 28,0              |
| Sonstige betriebliche Erträge und Aufwendungen                                     | -2,4                     | -1,7                     | 41,2              |
| Risikovorsorge   | -5,4                     | -47,3                    | -88,6             |
| Betriebsergebnis nach Risikovorsorge   | 80,7                     | 141,7                    | -43,0             |
| Aufwendungen aus Gewinnabführung   | 25,9                     | 62,2                     | -58,4             |
| Überschuss   | 0,0                      | 0,0                      | -                 |

\* Informationen in dieser Spalte stammen aus dem ungeprüften Halbjahresfinanzbericht 2019

”

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 23 shall be replaced by the following:

„Entfällt. Seit dem 30. Juni 2019 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 74 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 2019 (the end of the last financial period for which financial information has been published).”

## **II. Annex to the Prospectus**

An excerpt from the unaudited Half-Year Financial Report 2019 with the half-year financial statements of Berlin Hyp AG for the period ending 30 June 2019, which only abridged the Opportunities and Forecast 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 Half-Year Financial Report 2019**

#### **Interim Management Report**

#### **Business Report**

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

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

###### **Macroeconomic Development**

Following a short-term recovery at the beginning of the year, the growth rates of the global economy again developed at a slightly slower pace in the first half of 2019. This is illustrated by the continued deterioration in key business climate indicators. The main reason for the negative development is the US-China trade dispute which is linked with and therefore affects global economic development as well. This and other economic policy uncertainties have curbed both industrial production and corporate investment.

The economic slowdown continued in the eurozone. In addition to the trade conflicts driven by the US, the still uncertain situation in connection with Brexit and the EU Commission's budget dispute with the Italian government had a negative impact on economic development. On the other hand, the relatively low external value of the euro and high private consumption, which was stimulated by positive developments on the labour markets and various fiscal policies taken by individual member states, had a fostering effect.

At first glance, the German economy has stabilised somewhat in recent months compared with the downward momentum that began last year. On closer inspection, however, this is due to catch-up effects in the first quarter of 2019 in connection with last year's temporarily limited automotive production within the context of the new WLTP certification procedure.

Overall, the picture continued to be one of a gradual downturn after a period of high economic activity. There was a gradual decline in capacity utilisation, as well as noticeable deterioration of the order volume for exporters. Corporate investments, adjusted for one-off effects, were more restrained than before.

This was offset by the continued very dynamic development of the construction industry which was only limited by capacity constraints. The general conditions for the construction industry continued to be favourable due to current low interest rates, reduced investment alternatives and the rise in disposable household incomes as demand for new residential construction increased. Private consumption also had a positive impact on the economy.

Sources for macroeconomic underlying conditions: DIW, IfW

## Specific Industry Development

After several interest rate hikes in the last two years, the FED kept key interest rates stable in the range of 2.25 % to 2.50 % in the reporting period. Against the background of growing economic risks and only moderate inflation, more and more members of the Federal Open Market Committee are leaning towards reducing the target range.

As planned, the European Central Bank completed the net purchases of the Asset Purchase Programme (APP), which had been running since January 2015, at the end of 2018. Emerging economic risks, driven among other things by political conflict situations like the US-China and US-EU trade disputes and the ongoing Brexit discussions, prompted the ECB to once again adopt a more expansive monetary policy stance in the course of the first half of 2019. New longer-term refinancing operations (TLTRO III) for banks were agreed and the prospect of further measures, such as a further reduction in the deposit rate (currently minus 0.40 %) and the resumption of the APP, were presented at the beginning of March.

Accordingly, the capital market environment in the eurozone was dominated by political issues, economic risks and more expansive monetary policy comments from the central banks. Yields on ten-year German government bonds fell from a peak of 0.27 % to a new record low of minus 0.37 %. The ten-year swap rates narrowed from 0.82 % to 0.15 %, resulting in negative yields for the swap curve at the end of the first half of 2019 for up to seven years. Despite the political and economic uncertainties, Italian and Greek government bonds in particular were able to benefit from the pursuit of interest income, most recently yielding 1.85 % (peak: 2.95 %) and 2.13 % (peak: 3.67 %).

The stock markets on both sides of the Atlantic climbed to new annual highs with the tailwind of monetary policy comments.

The continuing low interest rate environment and geopolitical uncertainties continue to pose major challenges for banking institutions. Furthermore, regulatory authorities continue to raise their requirements on banking supervision. The revision of both CRR and CRD, as well as the further requirements from the establishment of a European Single Supervisory Mechanism (SSM), are examples of this. Related measures are having an increasing impact on both human and monetary resources.

At € 30.3 billion, the transaction volume of the German commercial real estate market in the first half of 2019 was around 18 percent below the previous year's figure (2018: € 36.9 billion). This can be attributed in particular to the persistent shortage of available properties and is moreover amplified by the still falling yields. Office properties are the dominant type of property use with a market share of around 40 %. Overall, all forms of property use recorded a decline in investment volumes, with the exception of retail real estate transactions (increase of around 22 %). The continued high demand from foreign investors remained at the previous level of 39 % (first half of 2018: 38 %).

Due to the European Central Bank's ongoing low interest rates, interest in residential real estate for commercial use (from 50 units) also remained high. The transaction volume in the first half of 2019 was approximately € 6.7 billion and thus approx. 39 % below the figure of the previous half-year, though the acquisition of BUWOG by Vonovia for approx. € 3 billion had a significant impact on the previous year's figure. However, the decline in transaction volume can also be attributed to the increasing shortage of available properties. This is also reflected in the continuing decline in yields, especially in the Big7 locations.

Sources for real estate market data: CBRE

## **Business Development**

Berlin Hyp continued to strengthen its position as one of the leading commercial real estate financiers in the first half of 2019. Against the backdrop of challenging underlying conditions, in particular the ongoing low interest rate phase, strict regulatory requirements and high competition in commercial real estate financing, the Bank is satisfied with the course of the financial year to date. In selecting its debtors, the Bank has remained true to its conservative risk strategy and continued to focus on financing sustainable real estate.

Berlin Hyp continued to pursue its goal of becoming the most modern commercial real estate financier in Germany in the first half of 2019 and intensively advanced its "berlin- hyp21" future-oriented process. In order to meet the increased regulatory requirements and ensure the rapid availability of data and reports, the Bank continues to focus its IT architecture on the SAP core banking system. 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. Alongside internal optimisations, the Bank has further expanded existing cooperation arrangements and has been working on new business approaches. The merger with another strategic investor to continue the business operations of "OnSite ImmoAgent GmbH", a company founded by the Bank, and the investment in the "PropTech1" VC fund signed in April 2019 are exemplary evidence of Berlin Hyp's innovative pioneering role in the industry. The number of strategic investments rose to a total of four. Berlin Hyp is supervised by the ECB, as it is an institution in the regulatory group of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG. All regulatory requirements were met by the Bank in the reporting period.

New contracted lending volume, including realised extensions (capital employed  $\geq 1$  year), amounted to approximately € 2.2 billion in the first half of 2019. In the first half of 2019, the Bank's proportionate performance is therefore slightly below the level expected in the forecast report as at 31 December 2018.

Berlin Hyp developed its S-Group business in the first half of 2019 as planned and continued to steadily expand its network within the Savings Bank Finance Group. The total volume of business conducted in association with the German savings banks was increased. The total of six transactions for the ImmoAval product launched in the previous year and the new ImmoGarant product again offered investment opportunities for the German savings banks in addition to the traditional syndicate business.

## **Earnings Situation**

In line with the forecast, the profit before profit transfer of € 25.9 million was well below the comparable previous year's figure of € 62.2 million which, however, benefited from a notable net release of risk provisioning. Nevertheless, the regulatory equity base was also bolstered as at 30 June 2019 by the allocation of € 55.0 million (€ 800 million) to the special item pursuant to Section 340g of the German Commercial Code (HGB), in order to enable further growth of the mortgage loans portfolio.

As expected, net interest and commission income was lower than in the previous year. The positive effects from the increase in the mortgage loans portfolio could not fully compensate for the effects of the market-related decline in the average new lending and prolongation margins. Despite the ongoing implementation of the digitisation strategy, operating expenditure flowed better than expected. The Bank's failure to match the previous year's figure is primarily due to the increase in the European bank levy and the additions to pension reserves necessary as a result of interest rates. The good economic environment combined with the conservative risk strategy enabled the Bank to release risk provisioning, which resulted in an operating result after risk provisioning of € 80.7 million which was better than planned. By contrast, it was significantly below the previous year's figure of € 141.7 million. The main reasons for this development are described in the following sections.

### **Net Interest and Commission Income Down as Expected**

Compared with the previous year, net interest and commission income declined from € 172.2 million to €163.8 million. Net interest income amounted to € 155.4 million due to the deliberately selective growth of the mortgage loans portfolio at the end of 2018 and the market-related pressure on margins. Thus, it was € 6.0 million below the previous year's figure and slightly below expectations. The expansion of the mortgage loans portfolio at the end of the first half of 2019 has therefore not significantly affected the net interest income yet.

The net commission income of € 8.4 million was lower than the previous year's figure of € 10.8 million. Despite good new lending, the extensive mapping of administration fees in the interest margins and their distribution over the term resulted in a decline in net commission income, as expected.

### **Operating Expenditure Increased**

Operating expenditure comprises staff expenditure, other operating expenditure and depreciation on tangible assets and intangible assets and, at € 86.1 million, was up on the previous year's figure of € 76.1 million.

The increase in staff expenditure by € 6.9 million to € 45.9 million resulted primarily from lower discount rates in the calculation of pension obligations and from other pension obligations.

Other operating expenditure turned out better than expected. It amounted to € 37.0 million and was thus only € 2.4 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 by € 0.7 million to € 3.2 million.

### **Other Operating Result Stable**

The Bank reported other operating income of € -2.4 million, compared with € -1.7 million in the previous year. It mainly includes expenditure from the compounding of provisions.

### **Risk Provisioning Characterised by Good Underlying Conditions**

In the first half of 2019, the Bank was able to dispense with the formation of loan loss provisioning. Following a release of € 31.5 million in the previous year, the stable economic development and business environment of Berlin Hyp allowed for a further reduction of € 0.4 million (net) in the risk provisioning portfolio in the reporting period. Berlin Hyp took all recognisable and potential risks into adequate consideration.

Risk provisioning for securities in the liquidity reserve posted income of € 5.0 million (€ 15.8 million). This income mostly resulted from disposals.

### **Net Income from Investments Remains Positive**

Net income from investments amounted to € 0.5 million (€ 0.6 million) and resulted from the disposal of a bond allocated to fixed assets.

### **Fund for General Bank Risks Consolidated**



To continue to meet the higher equity capital requirements for banking institutions, the Bank increased the fund for general bank risks by another € 55.0 million (€ 800 million) in the first half of 2019 pursuant to Section 340g of the German Commercial Code (HGB). This fund now amounts to € 383.0 million.

### **Earnings Before Taxes Down as Expected**

Taking into account the further increase in provision reserves, the Bank reports earnings before taxes of € 26.2 million in line with the pro rata plan. This corresponds to the forecast reduction of € 36.0 million compared with the pro rata earnings of 2018.

### **Net Assets Position**

Compared with the year-end of 2018, the balance sheet total decreased slightly by € 0.2 billion. It amounted to €27.0 billion as of the balance sheet date.

Due to the welcome new lending, the mortgage loans portfolio grew significantly in the first half of 2019 to € 21.1 billion (31 December 2018: € 20.2 billion). Additions to new lending were offset to a lesser extent by planned and extraordinary outflows through early repayments.

The portfolio of fixed-interest debentures also rose and amounted to € 3.7 billion at the reporting date (31 December 2018: € 3.1 billion).

On the liabilities side, liabilities to banking institutions increased by € 1.4 billion to € 5.5 billion. This was due to a significant increase in Lombard liabilities and a slight decline in liabilities from fixed-term deposits. Liabilities to customers decreased by € 0.2 billion to € 4.7 billion. The volume of securitised liabilities amounted to € 14.4 billion (31 December 2018: € 15.8 billion). Maturities of around € 3.0 billion were offset by new issues of € 1.6 billion. At € 0.4 billion, the portfolio of subordinated liabilities remained unchanged.

### **Equity**

Berlin Hyp's reported equity at the end of the first half of 2019 remains unchanged at € 935.9 million. In addition, € 383.0 million is available in the form of a special item for general bank risks pursuant to Section 340g of the German Commercial Code (HGB) and € 238.4 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 on 30 June 2019 was 13.3 % and the total equity ratio 16.3 % (13.5 % and 16.8 % as approved as at 31 December 2018).

The increase in the equity ratios compared with the first half of the previous year is attributable to the improved capitalisation due to allocations to the special item for general bank risks pursuant to Section 340g of the German Commercial Code (HGB) as part of the 2018 annual financial statements and the 2019 interim financial statements. This creates sufficient scope in the equity ratios for planned new lending.

The Bank aims to achieve a common equity Tier 1 ratio (CET1) of at least 12.5 %. 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. In addition to further allocations to provision reserves, the newly created Portfolio Management division will make a significant contribution to achieving the targeted capital ratios.

### **New Lending**

New lending in the real estate financing business, including realised extensions (capital employed  $\geq 1$  year), amounted to approximately € 2.2 billion (€ 3.5 billion) in the first half of 2019. Competition among creditors remained fierce, as did the high volume of liquidity, keeping the pressure on margins. Nevertheless, compared with the first half of 2018, the contracted new business margins were maintained at the previous year's level while the Bank's risk behaviour remained largely unchanged.

Of the new lending (excluding extensions), 72 % were attributed to properties located in Germany. 58 % of the properties were located in A cities and 14 % in B cities, as well as other locations in Germany. 28 % relate to the financing of properties located outside of Germany.

At 89 %, most new lending related to the investors customer group. The remaining 11 % were mainly realised with developers and building contractors.

### **S-Group Business**

The total volume of business undertaken with the S-Group amounted to around € 1.5 billion (€ 825 million). Thanks to joint financing, Berlin Hyp is already partner to a total of 142 savings banks as at 30 June 2019 (2018: 124 savings banks).

### **Financial Position**

In anticipation of rising interest rates, investors became more cautious when European covered bonds were issued at the beginning of the year. Consequently, the trend of expanding risk premiums from the fourth quarter of 2018 continued, with simultaneously higher new issue premiums. Market sentiment turned sharply in mid-January in the wake of the withdrawal agreement between the EU and UK which was rejected by the British parliament and after comments by the ECB which held out the prospect of a more expansionary monetary policy. Risk premiums narrowed across all jurisdictions. At the same time, new issue premiums decreased considerably. Due to the sharp decline in interest rates, around 80 % of the bonds in the Iboxx Covered Bonds Index yielded a negative return towards the end of the reporting period. Pfandbriefe continue to be the most advantageous product on the covered bonds market.

At the same time, spreads for uncovered bank bonds also narrowed over the course of the year. Senior non-preferred bonds denominated in euro traded at on average 40 basis points more closely at the end of the reporting period than at the beginning of the year. Senior preferred bonds narrowed by about 20 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 Savings Banks Finance Group.

In the first half of 2019, the Bank issued € 1.3 billion in debt instruments, of which € 0.5 billion were covered bonds and € 0.8 billion were unsecured bonds. Berlin Hyp twice appeared on the capital market with syndicated bonds. In January, the Bank issued a seven-year senior preferred bond with a volume of € 500 million and a coupon of 1.0 % at a re-offer price of mid-swap plus 60 basis points. In May, the Bank issued a ten-year mortgage Pfandbrief for the first time. The bond was issued at mid-swap minus 2 basis points and was the most advantageous new issue on the covered bond market in the reporting period. The majority of the issue (66 %) went to domestic investors, followed by investors from Scandinavia (13 %) and Asia (13 %). Banking institutions and savings banks formed the largest investor group, accounting for 38 %. Funds and public institutions subscribed for 31 % and 22 % respectively. Both emissions were more than 2.5 times oversubscribed.

Shortly after the reporting date, Berlin Hyp issued its fourth Green Pfandbrief. The eight-year bond with a volume of € 500 million was more than 3 times oversubscribed and carries a coupon of 0.01 %. 58.5 % was placed with foreign investors and it was even more favourable than the ten-year Pfandbrief issued in May with its re-offer spread of mid-swap minus 3 basis points. With this issue, Berlin Hyp's seventh benchmark green bond in total, the Bank maintains its position as the most active issuer of green bonds from the group of European commercial banks.

Berlin Hyp's issuer ratings remained stable in the reporting period. Moody's ratings for Berlin Hyp's senior preferred and senior non-preferred bonds remain unchanged at Aa2 and A2 respectively. Fitch rated both categories with an A+. In each case, the outlook is stable. Moody's rating for Berlin Hyp's mortgage Pfandbriefe also remained unchanged at Aaa with a stable outlook. In view of the maturity of the last public Pfandbrief in benchmark format in May, Berlin Hyp discontinued data delivery to Moody's for this product. The rating was thereupon withdrawn.

| Refinancing Funds <sup>1</sup>  | Portfolio without<br>pro rata interest<br>31.12.2018 | New issues<br>01.01.–<br>30.06.2019 <sup>2</sup> |              | Maturities and<br>early repayments<br>01.01.–<br>30.06.2019 <sup>3</sup> | Portfolio without<br>pro rata interest<br>30.06.2019 |
|---------------------------------|--|--|--------------|--|--|
|                                 | € m  | € m  | %            | € m  | € m  |
| Registered Mortgage Pfandbriefe | 9,795.0  | 500.0  | 37.3         | 1,260.0  | 9,035.0  |
| Registered Public Pfandbriefe   | 699.6  | –  | –            | 679.6  | 20.0   |
| Other Bearer Bonds              | 4,779.0  | 700.0  | 52.3         | 812.0  | 4,667.0  |
| Registered Mortgage Pfandbriefe | 2,099.5  | 18.8   | 1.4          | 209.0  | 1,909.3  |
| Registered Public Pfandbriefe   | 590.0  | –  | –            | 153.0  | 437.0  |
| Bonded Loans                    | 519.3  | 40.0   | 3.0          | 61.0   | 498.3  |
| Registered Bonds                | 1,498.3  | 80.2   | 6.0          | 76.7   | 1,501.8  |
| Subordinated Bearer Bonds       | 6.0  | –  | –            | –  | 6.0  |
| Subordinated Bonded Loans       | 259.2  | –  | –            | 3.0  | 256.2  |
| Subordinated Registered Bonds   | 108.0  | –  | –            | –  | 108.0  |
| <b>Total</b>                    | <b>20,353.9</b>                                      | <b>1,339.0</b>                                   | <b>100.0</b> | <b>3,254.3</b>   | <b>18,438.6</b>                                      |

<sup>1</sup>Zero balances

<sup>2</sup>New issues until 2019 incl. capitalisation at zeros

<sup>3</sup>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 operating results before income tax and profit transfer, plus the change in the special item for general bank risks pursuant to Section 340g of the German Commercial Code (HGB) and the average balance sheet equity including the special item for general bank risks pursuant to Section 340g of the German Commercial Code
- 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 € 25.9 million as at 30 June 2019. As expected, this is significantly below the previous year's figure of € 62.2 million. However, this is still a good result, considering the expenses from the addition to the funds for general bank risks pursuant to Section 340g of the German Commercial Code (HGB) of € 55.0 million.

Compared to the previous year, net interest and commission income declined from € 172.2 million to € 163.8 million. The decline was thus slightly higher than planned. The main reasons for the decline in net interest income were the deliberately selective new lending at the end of 2018 and the continuing pressure on margins. At € 8.4 million, net commission income was down on the previous year's figure of € 10.8 million. It continued to be affected by the extensive mapping of processing fees in the interest margins and their distribution over the term.

The cost-income ratio rose from 45.2 % as at 31 December 2018 to 53.3 % as at 30 June 2019 due to the higher pension obligations included in operating expenditure and the lower net interest and commission income. The increase was slightly higher than expected.

The return on equity amounted to a good 12.7 %, despite the lower profit before profit transfer and the lower allocation to the special item pursuant to Section 340g of the German Commercial Code (HGB) (31 December 2018: 18.2 %). Our forecast was thus achieved.

As at 30 June 2019, the common equity Tier 1 ratio was at 13.3 % (13.5 % as approved as at 31 December 2018). We have thus exceeded our internal target for 2019.

At € 2.2 billion, Berlin Hyp's new lending volume (including long-term extensions) in the first half of 2019 was below the level of the first half of 2018 (€ 3.5 billion) and slightly below expectations.

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

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

- Market: target portfolio, S-Group business
- Employees: headcount in full-time equivalents (FTE)
- Sustainability: green bonds, green financing, sustainability rating and compliance

Markets are analysed and assessed in terms of quality and quantity through regular internal research studies. The respective target portfolios are particularly important for management purposes: distinctions are made in this context between types of real estate, customer groups, lending regions and risk classes. Overall, the target figures set for these, which conform to our conservative risk strategy, were complied with in the first half-year of 2019. Berlin Hyp's strategic goal is for 20 % of its loans portfolio to consist of financing green buildings by the end of 2020.

In the reporting period, exposure exceeded the € 3.8 billion mark for the first time (after € 3.4 billion at the end of 2018). As at 30 June 2019, the share of green financing in the Bank's loans portfolio was already 17%.

As at the reporting date, the Bank had successfully placed a total of six green bonds with a total volume of € 3 billion on the market. The volume has increased to € 3.5 billion with the issue of its fourth Green Pfandbrief on 10 July 2019. The issue of green bonds enables Berlin Hyp to significantly expand its investor base. In total, the Bank has attracted more than 100 new investors owing to its green funding strategy and has recently expanded its investor relations and support to Asia and the US.

The total volume of business undertaken with the S-Group amounted to around € 1.5 billion (€ 825 million). In addition to the four transactions of the ImmoAval product placed on the market since the end of 2018, further transactions were presented in 2019. A total liability volume of € 286 million was thus placed with a total of 53 savings banks. The first offer of the new ImmoGarant product, which enables the German savings banks to participate in selected transactions of Berlin Hyp as part of a club deal, has so far been used by one savings bank that provided liquidity of € 21 million as part of the transaction. On the capital market, 52 savings banks invested € 182 million (€ 484 million) and S-Group enterprises € 95 million (€ 86 million) in two bonds issued by Berlin Hyp.

The headcount as at 30 June 2019 was 557 FTE (31 December 2018: 558 FTE) 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 is reviewed on an ongoing basis. In doing so, megatrends, developments in new and established business areas and regulatory requirements are taken into account. Berlin Hyp actively manages its age structure with a focus on young professionals. Initial measures were agreed on the basis of the works agreement signed in January 2019. In particular, early retirement is in high demand among employees. In some banking areas, projects to implement digitisation and automation in business processes are currently leading to a temporary, moderately increased demand for resources.

Berlin Hyp's management takes the following indicators into account in its management of the Bank: green bonds, green financing, sustainability rating and compliance. An integral part of the corporate strategy is that both strategic goals of Berlin Hyp are supported 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 and the fostering of social responsibility among employees.

Berlin Hyp reported on its last year's activities for the second time in the Non-Financial Report, which was integrated for the first time as a special section in the Management Report in the 2018 Annual Report. Detailed reporting on the strategy, objectives, fields of action and sustainability measures were provided in June 2019 in the 2018 Sustainability

Report published in accordance with the standards of the Global Reporting Initiative (GRI). The independent rating agencies oekom research AG and Sustainalytics once again positively attested to the Bank's commitment to sustainability in 2018.

## Opportunities, Forecast and Risk Report

### Opportunities and Forecast Report

In line with our forecast in our Management Report as at 31 December 2018, profit before profit transfer in the first half of 2019 was significantly lower than in the same period of the previous year. This is expected to continue in the second half of the year. Changes in the underlying conditions will be briefly described below.

The negative effects of the by now exacerbated US-China trade conflict could have an increasing impact on the global economy.

Aside from these developments, no significant new risks are foreseeable for the eurozone. For the time being there is no sign of easing with regard to the continuing uncertainties in the course of the withdrawal negotiations between the EU and the United Kingdom and the EU Commission's budget dispute with the Italian government.

The mood could be lifted by new fiscal policy measures or by an extension or further expansion of the central banks' monetary policy measures.

The number of voices in the US calling for interest rate cuts is going up, while the signs of a prolonged period of low inflation, low interest rates and low economic growth are intensifying in the eurozone.

The 2019 "Trendbarometer" - an expert consultation by Berlin Hyp - identifies interest rates as the most influential factor in the German real estate market over the next twelve months. These will also remain very low in the forecast period. This means that the refinancing situation will remain favourable. Given the lack of investment alternatives and other favourable factors, such as an intact domestic economic situation, demand for real estate will remain very high. Even though the transaction volume in the first half of 2019 was slightly below expectations, we still expect the forecast figures for the full year to be achievable. It will, however, probably fall short of the 2018 level. The proportion of foreign investors is also likely to remain at the current level. According to our expert consultation, 20 % of those consulted named "Germany as a safe haven" as the defining factor for the period under review.

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

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

In our forecast report as at 31 December 2018, we expected the new lending volume to remain stable in 2019. Contracted new lending as at 30 June 2019, including long-term extensions, amounted to € 2.2 billion.

After significant net earnings of € 47.3 million from risk provisioning in the previous year, mainly resulting from net earnings from risk provisioning in the lending business and the disposal of securities, the net risk provisioning balance as at 30 June 2019 exceeded expectations with net earnings of € 5.4 million.

The creation of provision reserves pursuant to Section 340g of the German Commercial Code (HGB) as at 30 June 2019 enabled Berlin Hyp to further foster organic growth using its own resources by strengthening its equity base. At € 55.0 million, the allocation to the fund for general bank risks pursuant to Section 340g of the German Commercial Code (HGB) was above target (30 June 2018: € 80.0 million). Further allocations are planned in the course of the year.

Berlin Hyp's S-Group business as at 30 June 2019 was decisively driven forward with the targeted expansion of the product range to meet the needs of the German savings banks. In addition to the total volume of the S-Group business, the number of savings banks in business relations with Berlin Hyp was increased again as well. ImmoGarant was offered as a product for the first time, alongside the traditional syndicate business and the ImmoSchuldschein and ImmoAval products. The development of the S-Group business is supported by customer-centric sales structures and the Bank's presence in Germany's core regions. Separate events and roadshows in the regions are also having a positive effect.

Stiff competition in real estate financing, the continued low interest phase and the volatile capital and financial market environment, combined with the need to further strengthen equity capital and additional regulatory requirements, continue to present major challenges.

As the "berlinhyp21" future-oriented process progresses, Berlin Hyp will come closer to its goal of becoming Germany's most modern real estate financier. The IT architecture consistently follows a standardised path to becoming an integrated SAP bank. Flexibility, security, quality and availability of data and reporting will thus attain a new dimension. Combined with process optimisations, this will improve the speed of reacting to customer demands even more. Furthermore, the digitisation strategy is working intensively on generating new business approaches and developing models to benefit from them.

The additional potential resulting from Berlin Hyp's positioning, including its innovative strength, combined with a solid refinancing strategy, remain a good basis for Berlin Hyp to continue its successful business activities. In addition, Berlin Hyp is well positioned for the future in a challenging environment and will actively utilise the business potential which arises with the solid backing of its shareholders, closer integration in the Savings Banks Finance Group, and its experienced and motivated staff. The gradual results of the project aimed at optimising HR tools and the optimisation of human resource allocation which is already underway will promote each individual's skills even better, thereby providing improved support for fulfilling customer demands.

## **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 Status Report 2018.

The Bank's risk-bearing capacity had sufficient leeway in the first half of 2019, both according to internal standards and from a regulatory perspective.

Overall loan exposure increased slightly in the first half of 2019, compared to 31 December 2018. The distribution of overall loan exposure by rating category has remained largely unchanged.

At 4.6 %, the Bank clearly exceeds the minimum ratio of 3.0 % defined as binding for Berlin Hyp in CRR II.

The value at risk in terms of market price risk was consistently below applicable limits and pre-warning levels throughout the first half of 2019.

Liquidity risk management continues to be very important. The liquidity coverage ratio was 205.1 % as at 30 June 2019 (31 December 2018: 160.2 %). The economic liquidity risk is also monitored on a daily basis with the aid of stress scenarios. Operational risk is taken into consideration in the risk-bearing concept by means of an internal model which is based on an advanced measurement approach.

## Excerpt from the Condensed Balance Sheet

as at 30 June 2019

| Assets                              | 30.06.2019<br>€m | 31.12.2018<br>€m | Veränderung<br>€m | Veränderung<br>% |
|-------------------------------------|------------------|------------------|-------------------|------------------|
| Cash reserves                       | 542              | 1,815            | -1,273            | -70.1            |
| Claims against banking institutions | 346              | 1,011            | -665              | -65.8            |
| Mortgage loans                      | 0                | 0                | 0                 | -                |
| Public-sector loans                 | 0                | 0                | 0                 | -                |
| Other receivables                   | 346              | 1,011            | -665              | -65.8            |
| Claims against customers            | 21,738           | 20,865           | 873               | 4.2              |
| Mortgage loans                      | 21,108           | 20,223           | 885               | 4.4              |
| Public-sector loans                 | 541              | 555              | -14               | -2.5             |
| Other receivables                   | 89               | 87               | 2                 | 2.3              |
| Debentures                          | 3,673            | 3,067            | 606               | 19.8             |
| Participations                      | 9                | 5                | 4                 | 80.0             |
| Shares in affiliated enterprises    | 0                | 1                | -1                | -                |
| Intangible investment assets        | 23               | 20               | 3                 | 15.0             |
| Tangible assets                     | 56               | 57               | -1                | -1.8             |
| Other assets                        | 469              | 181              | 288               | -                |
| Prepaid expenses                    | 143              | 157              | -14               | -8.9             |
| <b>Total assets</b>                 | <b>26,999</b>    | <b>27,178</b>    | <b>-179</b>       | <b>-0.7</b>      |



| Liabilities  | 30.06.2019<br>€ m | 31.12.2018<br>€ m | Veränderung<br>€ m | Veränderung<br>% |
|--|-------------------|-------------------|--------------------|------------------|
| <b>Liabilities to banking institutions</b>         | <b>5,457</b>      | <b>4,033</b>      | <b>1,424</b>       | <b>35.3</b>      |
| Registered Mortgage Pfandbriefe                    | 177               | 255               | -78                | -30.6            |
| Registered Public Pfandbriefe                      | 45                | 59                | -14                | -23.7            |
| Other liabilities                                  | 5,235             | 3,719             | 1,516              | 40.8             |
| <b>Liabilities to customers</b>                    | <b>4,727</b>      | <b>4,907</b>      | <b>-180</b>        | <b>-3.7</b>      |
| Registered Mortgage Pfandbriefe                    | 1,763             | 1,881             | -118               | -6.3             |
| Registered Public Pfandbriefe                      | 400               | 550               | -150               | -27.3            |
| Other liabilities                                  | 2,564             | 2,476             | 88                 | 3.6              |
| <b>Securitised liabilities</b>                     | <b>14,387</b>     | <b>15,754</b>     | <b>-1,367</b>      | <b>-8.7</b>      |
| Registered Mortgage Pfandbriefe                    | 9,051             | 9,816             | -765               | -7.8             |
| Registered Public Pfandbriefe                      | 20                | 720               | -700               | -97.2            |
| Other liabilities                                  | 5,316             | 5,218             | 98                 | 1.9              |
| <b>Other liabilities</b>                           | <b>346</b>        | <b>475</b>        | <b>-129</b>        | <b>-27.2</b>     |
| <b>Deferred income</b>                             | <b>142</b>        | <b>128</b>        | <b>14</b>          | <b>10.9</b>      |
| <b>Reserves</b>                                    | <b>244</b>        | <b>236</b>        | <b>8</b>           | <b>3.4</b>       |
| <b>Subordinated liabilities</b>                    | <b>377</b>        | <b>381</b>        | <b>-4</b>          | <b>-1.0</b>      |
| <b>Fund for general bank risks</b>                 | <b>383</b>        | <b>328</b>        | <b>55</b>          | <b>16.8</b>      |
| <b>Equity</b>                                      | <b>936</b>        | <b>936</b>        | <b>0</b>           | <b>0.0</b>       |
| <b>Total liabilities</b>                           | <b>26,999</b>     | <b>27,178</b>     | <b>-179</b>        | <b>-0.7</b>      |
| <b>Contingent liabilities</b>                      |                   |                   |                    |                  |
| Liabilities from guarantees and warranty contracts | 148               | 164               | -16                | -9.8             |
| <b>Other obligations</b>                           |                   |                   |                    |                  |
| Irrevocable loan commitments                       | 1,995             | 2,214             | -219               | -9.9             |

# Condensed Statement of Profit or Loss

from 1 January to 30 June 2019

|   | 01.01.2019<br>– 30.06.2019<br>€ m | 01.01.2018<br>– 30.06.2018<br>€ m | Change<br>€ m | Change<br>%  |
|---|-----------------------------------|-----------------------------------|---------------|--------------|
| <b>Net interest income</b>  | <b>155.4</b>                      | <b>161.4</b>                      | <b>-6.0</b>   | <b>-3.7</b>  |
| <b>Net commission income</b>  | <b>8.4</b>                        | <b>10.8</b>                       | <b>-2.4</b>   | <b>-22.2</b> |
| <b>Operating expenditure</b>  | <b>86.1</b>                       | <b>76.1</b>                       | <b>10.0</b>   | <b>13.1</b>  |
| Staff expenditure   | 45.9                              | 39.0                              | 6.9           | 17.7         |
| Other operating expenditure   | 37.0                              | 34.6                              | 2.4           | 6.9          |
| <i>Of which expenditure for bank levy</i>   | 12.0                              | 10.6                              | 1.4           | 13.2         |
| Amortisation on and depreciation of<br>and valuation adjustments on intangible<br>investment assets and tangible assets | 3.2                               | 2.5                               | 0.7           | 28.0         |
| Other operating earnings / expenditure  | -2.4                              | -1.7                              | -0.7          | 41.2         |
| <b>Operating result before risk provisioning</b>  | <b>75.3</b>                       | <b>94.4</b>                       | <b>-19.1</b>  | <b>-20.2</b> |
| Risk provisioning   | -5.4                              | -47.3                             | 41.9          | -88.6        |
| <b>Operating result after risk provisioning</b>   | <b>80.7</b>                       | <b>141.7</b>                      | <b>-61.0</b>  | <b>-43.0</b> |
| Financial investment result   | 0.5                               | 0.6                               | -0.1          | -16.7        |
| Contribution to the fund for general bank risks   | 55.0                              | 80.0                              | -25.0         | -31.3        |
| Other taxes   | 0.0                               | 0.1                               | -0.1          | -            |
| <b>Profit before income tax and profit transfer</b>   | <b>26.2</b>                       | <b>62.2</b>                       | <b>-36.0</b>  | <b>-57.9</b> |
| Income tax  | 0.3                               | 0.0                               | 0.3           | -            |
| Expenditure from profit transfer  | 25.9                              | 62.2                              | -36.3         | -58.4        |
| <b>Net income</b>   | <b>0.0</b>                        | <b>0.0</b>                        | <b>0.0</b>    | <b>-</b>     |

## Condensed Statement of Changes in Equity

| € m   | Subscribed capital | Capital reserve | Profit reserves | Balance sheet profit | Total equity capital |
|---|--------------------|-----------------|-----------------|----------------------|----------------------|
| As at 01.01.2018  | 753.4              | 158.3           | 22.0            | 2.2                  | 935.9                |
| Capital increases   | 0                  | 0               | 0               | 0                    | 0                    |
| Dividend payments   | 0                  | 0               | 0               | 0                    | 0                    |
| Other changes pursuant to Section 152 (3) No. 1 German Stock Corporation Act (AktG) | 0                  | 0               | 2.2             | -2.2                 | 0                    |
| As at 30.06.2018  | 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 01.01.2019  | 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                    |
| Stand 30.06.2019  | 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 Rech- KredV. They were supplemented by the items prescribed for Pfandbrief banks.

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. There is no legal obligation to produce consolidated annual accounts pursuant to Section 290 of the 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 2018 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 (Erwerbsgesellschaft), Neuhardenberg, (smallest and largest consolidation group as defined in Section 285 Nos. 14 and 14a of the 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**

| Net interest income                               | 01.01.2019<br>– 30.06.2019<br>€ m | 01.01.2018<br>– 30.06.2018<br>€ m | Change<br>€ m | Change<br>% |
|---|-----------------------------------|-----------------------------------|---------------|-------------|
| <b>Interest earnings from</b>                     |                                   |                                   |               |             |
| Mortgage loans                                    | 188.0                             | 178.0                             | 10.0          | 5.6         |
| Public-sector loans                               | -0.3                              | -0.4                              | 0.1           | -25.0       |
| Other receivables                                 | -2.8                              | -1.8                              | -1.0          | 55.6        |
| Fixed-income securities and book-entry securities | -0.6                              | 3.2                               | -3.8          | -           |
|   | <b>184.3</b>                      | <b>179.0</b>                      | <b>5.3</b>    | <b>3.0</b>  |
| <b>Interest expenditure for</b>                   |                                   |                                   |               |             |
| Deposits and registered Pfandbriefe               | 23.0                              | 8.7                               | 14.3          | -           |
| Securitised liabilities                           | 2.9                               | 5.0                               | -2.1          | -42.0       |
| Subordinated liabilities                          | 3.0                               | 3.9                               | -0.9          | -23.1       |
|   | <b>28.9</b>                       | <b>17.6</b>                       | <b>11.3</b>   | <b>64.2</b> |
| <b>Net interest income</b>                        | <b>155.4</b>                      | <b>161.4</b>                      | <b>-6.0</b>   | <b>-3.7</b> |

Interest gains from balance sheet transactions generated by Berlin Hyp in the first half of 2019 resulting from the current negative interest market conditions and targeted longer-term refinancing transactions with the Deutsche Bundesbank (GLRG II) are included in the interest income of € 3.4 million (2018: € 2.7 million) and the interest expenditure of € 9.1 million (2018: € 19.5 million)

| Operating expenditure   | 01.01.2019<br>– 30.06.2019<br>€ m | 01.01.2018<br>– 30.06.2018<br>€ m | Change<br>€ m | Change<br>% |
|---|-----------------------------------|-----------------------------------|---------------|-------------|
| <b>Staff expenditure</b>  |                                   |                                   |               |             |
| Wages and salaries  | 28.0                              | 27.3                              | 0.7           | 2.6         |
| Social security contributions / retirement pensions   | 17.9                              | 11.7                              | 6.2           | 53.0        |
|   | <b>45.9</b>                       | <b>39.0</b>                       | <b>6.9</b>    | <b>17.7</b> |
| <b>Other operating expenditure</b>  |                                   |                                   |               |             |
| Bank levy   | 12.0                              | 10.6                              | 1.4           | 13.2        |
| Staff-related material costs  | 1.6                               | 1.7                               | -0.1          | -5.9        |
| Building and premises costs   | 2.2                               | 1.9                               | 0.3           | 15.8        |
| Operating and business equipment  | 0.3                               | 0.4                               | -0.1          | -25.0       |
| IT expenditure  | 9.4                               | 8.1                               | 1.3           | 16.0        |
| Advertising and marketing   | 1.1                               | 1.9                               | -0.8          | -42.1       |
| Business operation costs  | 1.7                               | 1.7                               | 0.0           | 0.0         |
| Consultants / audits / subscriptions  | 6.0                               | 5.1                               | 0.9           | 17.6        |
| Group payment set-off   | 2.7                               | 3.2                               | -0.5          | -15.6       |
|   | <b>37.0</b>                       | <b>34.6</b>                       | <b>2.4</b>    | <b>6.9</b>  |
| <b>Amortisation on and depreciation of and valuation adjustments intangible investment assets and tangible assets</b> | <b>3.2</b>                        | <b>2.5</b>                        | <b>0.7</b>    | <b>28.0</b> |
| <b>Operating expenditure</b>  | <b>86.1</b>                       | <b>76.1</b>                       | <b>10.0</b>   | <b>13.1</b> |

Since 1 January 2018, there has been no compound item formation for low-value assets. For simplification reasons, any of these assets up to an amount of € 800 net are immediately depreciated with an effect on expenses. Assets worth € 800 or more net are capitalised and depreciated on a straight-line basis over their regular useful lives.

| Risk provisioning                      | 01.01.2019<br>– 30.06.2019<br>€m | 01.01.2018<br>– 30.06.2018<br>€m | Change<br>€m | Change<br>%  |
|--|----------------------------------|----------------------------------|--------------|--------------|
| Risk provisioning for lending business | -0.4                             | -31.5                            | 31.1         | -98.7        |
| Securities results                     | -5.0                             | -15.8                            | 10.8         | -68.4        |
| <b>Risk provisioning</b>               | <b>-5.4</b>                      | <b>-47.3</b>                     | <b>41.9</b>  | <b>-88.6</b> |

Earnings with negative advance signs

### Notes to the Balance Sheet

Securities with a nominal volume of € 210.0 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 € 88.0 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 | 30.06.2019<br>€m | 31.12.2018<br>€m | Change<br>€m | Change<br>in % |
|---|------------------|------------------|--------------|----------------|
| Claims against banking institutions   | 3.6              | 4.8              | -1.2         | -25.0          |
| Claims against customers  | 0.4              | 0.4              | 0.0          | 0.0            |
| Other assets  | 0.0              | 0.0              | 0.0          | 0.0            |
| Prepaid expenses and prepaid income   | 0.1              | 0.0              | 0.1          | -              |
| Liabilities to banking institutions   | 0.0              | 11.4             | -11.4        | -              |
| Liabilities to customers  | 0.6              | 0.6              | 0.0          | 0.0            |
| Other liabilities   | 27.9             | 116.4            | -88.5        | -76.0          |
| Subordinated liabilities  | 60.0             | 60.0             | 0.0          | 0.0            |

| Derivatives as at 30.06.2019<br>in €m | Nominal amount / Remaining term |                      |         | Total<br>Nominal | Total<br>negative<br>market values | Total<br>positive<br>market values |
|---------------------------------------|---------------------------------|----------------------|---------|------------------|------------------------------------|------------------------------------|
|                                       | up to 1 year                    | from 1<br>to 5 years | 5 years |                  |                                    |                                    |
| <b>Interest-related transactions</b>  |                                 |                      |         |                  |                                    |                                    |
| Interest rate swaps                   | 1,661                           | 22,349               | 22,870  | 46,880           | -1,299                             | 1,490                              |
| Swaptions                             | 2,025                           | 2,510                | 0       | 4,535            | -28                                | 18                                 |
| Caps                                  | 794                             | 1,215                | 942     | 2,951            | -1                                 | 0                                  |
| Floors                                | 0                               | 3,123                | 627     | 3,750            | -18                                | 1                                  |
|                                       | 4,480                           | 29,197               | 24,439  | 58,116           | -1,346                             | 1,509                              |
| <b>Currency-related transactions</b>  |                                 |                      |         |                  |                                    |                                    |
| Forward exchange dealings             | 93                              | 0                    | 0       | 93               | -2                                 | 0                                  |
| Interest and currency swaps           | 0                               | 200                  | 0       | 200              | 0                                  | 20                                 |
|                                       | 93                              | 200                  | 0       | 293              | -2                                 | 20                                 |
| <b>Total</b>                          | 4,573                           | 29,397               | 24,439  | 58,409           | -1,348                             | 1,529                              |

Completed business transactions largely serve to hedge interest and exchange rate risks of financial underlying transactions. The market values of the derivative financial instruments are shown on the basis of the interest rate applicable on 28 June 2019 without 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 and transactions with Landesbank Berlin - are hedged using collateral agreements. No collateral agreements are used in transactions with LBB due to its group affiliation. In the case of customer derivatives, land charges pledged in relation to the underlying loans also apply as collateral for the derivative transaction.

## Human Resource Statistics

| Number of Staff                      | male       | female     | total      |
|--------------------------------------|------------|------------|------------|
| <i>Average of 01.01.–30.06.2019</i>  |            |            |            |
| Full-time staff                      | 279        | 170        | 449        |
| Part-time staff                      | 22         | 119        | 141        |
| School-leaver trainees / BA students | 7          | 1          | 8          |
| <b>Total</b>                         | <b>308</b> | <b>290</b> | <b>598</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 at [www.berlinhyp.de](http://www.berlinhyp.de).

## 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."

Berlin, July 2019

Sascha Klaus

Gero Bergmann

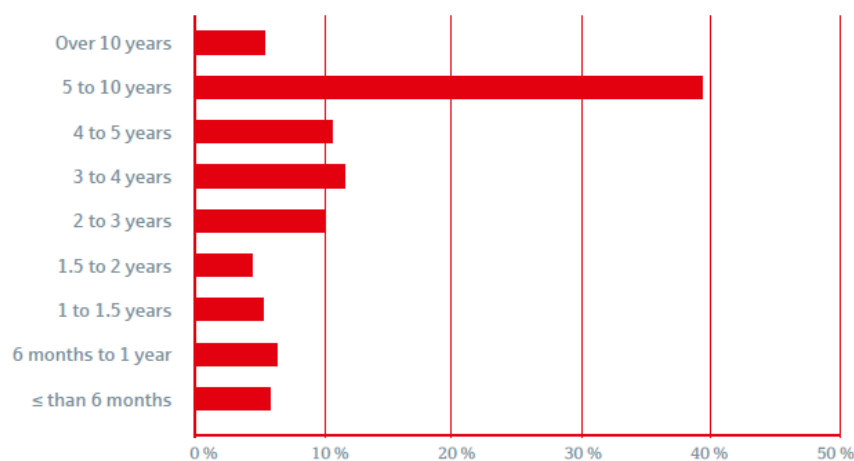
Roman Berninger

## 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 2019 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

|   | 30.06.2019   | 31.12.2018   |
|---|--------------|--------------|
| <b>Balance sheet profit</b>   | <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          | 2.2          |
| Transfers to / withdrawals from retained earnings                       | 0.0          | -2.2         |
| 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 | -31.3        | -29.3        |
| <b>Available items capable of distribution</b>                          | <b>129.2</b> | <b>130.7</b> |

\* after allocations to profit reserves



**Regulatory Law Key Figures**  
in € m

|                                     | 30.06.2019 | 31.12.2018 |
|-------------------------------------|------------|------------|
| Common equity tier 1 capital (CET1) | 1,293.6    | 1,243.6    |
| Additional tier 1 capital (AT1)     | 0.0        | 0.0        |
| Tier 1 capital (T1)                 | 1,293.6    | 1,243.6    |
| Tier 2 capital (T2)                 | 292.7      | 308.8      |
| Own funds / Total capital           | 1,586.3    | 1,552.4    |
| Risk weighted assets (RWA)          | 9,752.1    | 9,215.0    |
| CET1 ratio in %                     | 13.3       | 13.5       |
| T1 ratio in %                       | 13.3       | 13.5       |
| Total capital ratio in %            | 16.3       | 16.8       |
| Leverage ratio in %                 | 4.6        | 4.3        |
| MREL (balance sheet total)          | 24.2       | 25.2       |
| MREL (RWA)                          | 70.3       | 78.5       |
| LCR                                 | 205.1      | 160.2      |

**Insolvency Hierarchy and Protection of Senior-Unsecured Investors**  
in € m

|  |  |  |  |  |
|--|--|--|--|--|
| <b>Buffer before senior unsecured losses</b><br>1,695.7<br>0.6 %<br>(to Balance sheet total <sup>2</sup> )<br>17.4 % | <b>Equity</b>  | <b>CET 1</b><br>1,293.6<br>13.3 %        | <b>Subscribed capital</b><br>753.4   | <b>MREL-ratio<sup>1</sup></b><br>24.2 %<br>(to Balance sheet total <sup>2</sup> )<br>70.3 % (to RWA) |
|  |  |  | <b>Reserves</b><br>182.5   |  |
|  |  |  | <b>Fund for general bank risks (Section 340g HGB)</b><br>328.0 (after adoption)<br>55.0 (formed during the financial year) |  |
|  | <b>T2 instruments</b>  | <b>Subordinated liabilities</b><br>376.8 |  |  |
|  | <b>Senior non-preferred and senior unsecured debt instruments</b><br>7,492.7 (5,284.0 <sup>3</sup> ) |  |  |  |

<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