

Press release, 30 March 2017

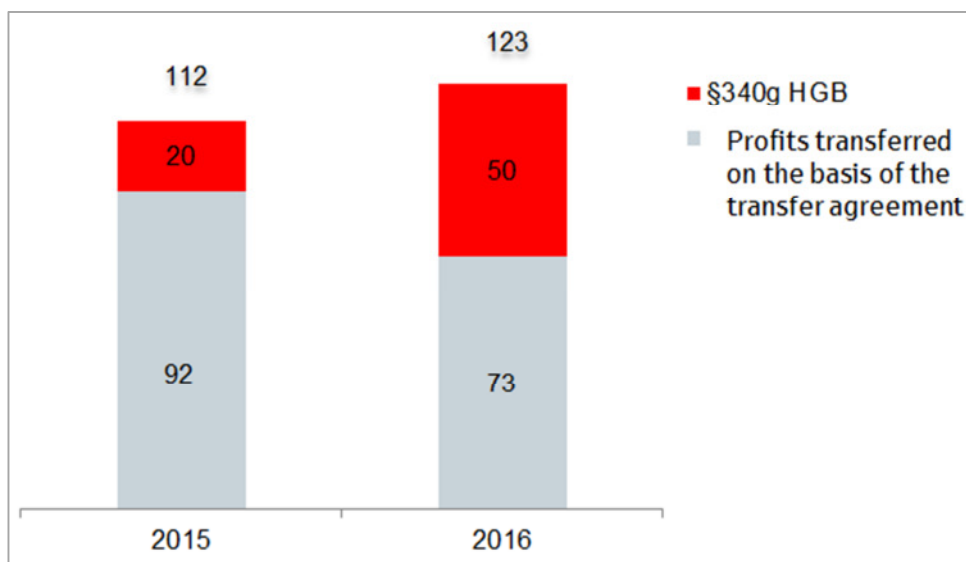
Berlin Hyp Reports Excellent 2016 Financial Year

- **Result before profit transfer and allocation to the fund for general banking risks amounted to € 123 million (previous year: € 112 million)**
- **New business origination of € 6.0 billion exceeds previous year's result by 11 % – sustainable financing accounts for 20 % of new business**
- **Business with Savings Bank Finance-Group increased to € 1.5 billion (previous year: € 1.0 billion).**
- **Broad access to capital markets and growing investor base**

Berlin Hyp reported an excellent 2016 financial year with a result before profit transfer and allocation to the fund for general banking risks of € 123 million (previous year: € 112 million). 'The results exceeded our expectations', commented Sascha Klaus, Chairman of the Board of Management of Berlin Hyp. 'We seized this solid economic development to strengthen our equity capital and to further increase our provision reserves'. A total of € 50.0 million was allocated to the fund for general banking risks (previous year: € 20.0 million).

After taking into account the provision reserves set aside in 2016, the result before profit transfer came in higher than expected at € 73.0 million (previous year: € 92.0 million).

Result before profit transfer and allocation to the fund for general banking risks (Section 340g German Commercial Code) in € million



New business in real estate finance despite competitive markets

Berlin Hyp again exceeded the previous year's strong origination result by 11 % achieving a total of € 6.0 billion despite an ongoing low interest rate environment, intense competition, lower margins and a conservative risk policy. Long-term extensions accounted for € 0.6 billion (previous year: € 1.0 billion). Once again, Berlin Hyp successfully maintained its position as a strong real estate financing partner on the German market. In total, 77.4 % of Berlin Hyp's new property financings have been conducted in Germany.

Expansion of Savings Bank Finance Group

The business between Berlin Hyp and the Savings Bank Finance Group continued its growth path in 2016. Overall, Berlin Hyp realised a volume of € 1.5 billion, thereby continuing to systematically expand the network within the Savings Bank Finance Group (previous year: €1.0 billion). The three ImmoSchuldschein promissory notes offered by Berlin Hyp accounted for € 476 million. Overall, 90 savings banks participated in these Berlin Hyp financings. At € 1.1 billion, the volume of the joint syndication business with savings banks exceeded the billion-euro mark for the first time.

Excellent refinancing situation

Berlin Hyp's refinancing situation also remains excellent. In 2016, the Bank borrowed € 2.6 billion for the purpose of medium- to long-term refinancing. Berlin Hyp had continuous market access.

Berlin Hyp attracted a lot of attention on capital markets with the first bond by a non-governmental issuer with a negative initial rate of return and with the issuance of the first green senior unsecured bond, both of which had a volume of more than € 500 million. Following the issue of the first green covered bond (Pfandbrief) in the previous year, Berlin Hyp became the first lender to issue Green Bonds in more than one asset class. Berlin Hyp was able to attract 35 new investors through the bond issue. A total of 19 % of the green senior unsecured bond was placed with companies in the Savings Bank Finance Group, while 12 % was placed directly with savings banks.

Green financing is offered at more favourable terms

The green senior unsecured bond is used to refinance loans for green buildings. Berlin Hyp defines green buildings as real estate that offers particularly high energy efficiency. Green bonds serve to refinance these loans. Furthermore, the goal is to reinvest an amount equating to the proceeds in additional green building financings. Sustainable financing options like these accounted for around 20 % of the new business volume in 2016. Berlin Hyp is in the position to offer a discount of up to 10 bps on green financings.

Our results at a glance

Improvement in net interest and commission income

Net interest and commission income rose by 17 % year on year to € 298.4 million. Net interest income was boosted by the stable portfolio margins and the significant reduction in refinancing expenses. Net commission income was influenced by favourable new business growth and also significantly exceeded the previous year's result.

Operating expenditure down

At € 122.3 million, operating expenditure was down € 1.5 million year on year despite the European banking levy, which was reclassified to other operating expenses at the end of 2016.

Risk provisioning reduced by Heta

The realised gains from the disposal of the Heta Asset Resolution AG's entire loan and securities portfolio considerably reduced risk provisioning. Berlin Hyp reported net risk provisioning of € 51.3 million for the lending business in 2016, which includes additions to provision reserves in order to take future market risks in the real estate sector into account. Income of € 15.6 million was reported for the valuation result for securities in the liquidity reserve.

Higher return on equity

Adjusted for the increase in the special item for general banking risks pursuant to Section 340g German Commercial Code (HGB), Berlin Hyp's return on equity capital was 11.8 % (2015: 11.1 %).

Regulatory issues/capital ratios

Berlin Hyp built overall excellent results and strengthened regulatory equity capital by establishing reserves according to Section 340g German Commercial Code (HGB). Berlin Hyp allocated an additional € 50.0 million to the fund for general banking risks (previous year: € 20.0 million) according to Section 340g German Commercial Code (HGB).

After adoption, the capital ratios were 13.5 % for the core (tier1) capital ratio and 17.5 % for the total capital ratio.

Outlook

Berlin Hyp used its excellent results in 2016 to further strengthen its equity capital.

General economic conditions will remain challenging. The fierce competition in the sector, the ongoing low interest environment, the high degree of liquidity on the market and greater regulatory requirements are some of the Bank's major challenges in 2017.

Due to its stable ownership structure in the Savings Banking Finance Group combined with a solid refinancing strategy, Berlin Hyp's business strategy continues to have a strong basis.

'We want to successfully continue to develop our products and create tailor-made solutions for our clients as well as our partners on the Savings

Banks Finance Group', emphasised Sascha Klaus, Chairman of the Board of Management of Berlin Hyp. 'In order to achieve this, we are concentrating increasingly on products that attach great importance to sustainability. We have initiated a future-oriented process internally in order to be able to operate more quickly and flexibly, and intend to improve our business processes as well as invest in the back office and technical infrastructure. We aim to conduct our business model in an increasingly digitalised manner'.

Provided there are no unexpected shifts in the capital and real estate markets, and risk provisioning remains at the planned level, Berlin Hyp expects to continue its positive business development with its customers. In summary, the result before profit transfer is expected to be up slightly compared to 2016.

Earnings Development	31.12.2016 € m	31.12.2015 € m	Change € m	%
Net interest and commission income	298.4	254.1	44.3	17.4
Net interest income	255.9	223.3	32.6	14.6
Net commission income	42.5	30.8	11.7	38.0
Operating expenditure	122.3	123.8	-1.5	-1.2
Staff expenditure	62.6	76.5	-13.9	-18.2
Other operating expenditure	55.3	43.2	12.1	28.0
<i>of which expenditure for bank levy</i>	10.9	-	10.9	-
Depreciation of tangible assets	4.4	4.1	0.3	7.3
Other operating revenue/expenditure	-20.3	14.6	-34.9	-
Operating result before risk provisioning	155.8	144.9	10.9	7.5
Risk provisioning	-35.7	-18.8	-16.9	89.9
Valuation of lending business	-51.3	13.1	-64.4	-
Valuation of securities business	15.6	-31.9	47.5	-
Operating result after risk provisioning	120.1	126.1	-6.0	-4.8
Financial investment result	2.8	0.6	2.2	-
Bank levy	-	11.4	-11.4	-
Fund for general bank risks	50.0	20.0	30.0	-
Extraordinary expenditure	0.0	2.1	-2.1	-
Other taxes	0.2	0.2	0.0	0.0
Operating results before income taxes and profit transfer	72.7	93.0	-20.3	-21.8
Income tax	-0.3	1.0	-1.3	-
Profits transferred on the basis of the profit transfer agreement	73.0	92.0	-19.0	-20.7
Net income for the year	0.0	0.0	0.0	-

Selected key figures of Berlin Hyp

	2016	2015
Cost-income ratio after bank levy	44.0 %	50.3 %
Reported equity	€ 936 million	€ 936 million
Balance sheet total	€ 26.4 billion	€ 28.5 billion
Hard core capital ratio	13.5 %	13.3 %
Total equity ratio	17.5 %	17.4 %
Employees	585	576

Translation of the text issued in German. The German version is authoritative.

The full Annual Report will be available from 30 March 2017 at www.berlinhyp.de

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Berlin Hyp specialises in large-volume real estate finance for professional investors and housing societies, for whom the Bank develops individual financing solutions. As an enterprise forming a Group together with the German savings banks, it also makes an extensive spectrum of products and services available to these institutions. Berlin Hyp's clear focus, almost 150 years of experience and its close proximity to the Savings Banks Finance Group characterise the Bank as a leading German real estate and Pfandbrief bank.