

Press Information, 13 November 2017

Berlin Hyp: Results exceed expectations

Bank presents interim result as at 30 September 2017

- Significant rise in the result before profit transfer, further increase in provision reserves
- Digitalisation strategy reaches further milestone with investment in BrickVest
- Green bonds honoured – sustainability ranking demonstrates solid strategic performance

Berlin Hyp has continued its successful business development on a sustainable basis in the third quarter, strengthening its position as one of the leading real estate financiers in Germany.

The operating result before profit transfer came to € 73.8 million, significantly exceeding the previous year's figure of € 47.0 million. The operating result before risk provisioning rose by € 26.2 million to € 140.8 million. In spite of the extremely active competitive environment, new lending volume plus long-term extensions came to a pleasing € 5,139 million (previous year: € 4,142 million).

“The business climate remains extremely challenging, with persistently low interest rates and fierce competition against a backdrop of falling margins,” Sascha Klaus, Chairman of the Board of Management at Berlin Hyp, explains. “Our new lending volume exceeded our expectations, in spite of upholding our mission to prioritise quality over quantity, which makes our results particularly pleasing.”

The Bank also continued its integration into the Savings Banks Finance Group. Berlin Hyp is already a partner to a total of 114 savings banks through joint loan agreements. Total business volume came to € 844 million as at the reporting date (previous year: € 1,181 million), most of which was generated through joint syndication business with savings banks. Of this amount, € 121 million was attributable to a transaction involving an ImmoSchuldschein secured through a retail portfolio (previous year: two ImmoSchuldscheine, € 225 million). A total of 94 financial institutions across all member associations participated in Berlin Hyp financing through the ImmoSchuldschein. Order books for a further ImmoSchuldschein are scheduled to open in the final quarter.

The Bank issued debt worth € 1,431 million on the capital market in the first nine months of 2017. Of this amount, € 1,275 million was attributed to mortgage Pfandbriefe and € 156 million to senior

unsecured instruments. The Bank's commitment to the green bond market continues to attract increasing attention. Berlin Hyp was honoured with three separate awards at this year's GlobalCapital Sustainable and Responsible Capital Markets Awards. Following the issue of another green senior unsecured bond after the close of press for this interim report, Berlin Hyp is now the largest European issuer in the commercial bank sector with four outstanding green bonds in benchmark format.

In September 2017, sustainability ratings agency oekem research upgraded Berlin Hyp to "industry leader" in its corporate rating. The ratings agency thereby highlighted Berlin Hyp's outstanding commitment to sustainability management, its green bonds investment products and the responsible way in which it conducts business with both people and the environment. The rating of B- is the highest rating ever awarded in the Financials/Mortgage & Public Sector peer group. Another leading sustainability ratings agency, Sustainalytics, has also rated Berlin Hyp as an "industry leader" since October 2017. Berlin Hyp's rating of 86/100 places it in 5th position in the ranking of 332 peer group banks from all over the world.

The Bank continues to sharpen its focus on the challenges faced by the banking industry as part of its future-oriented process "berlinhyp21". This includes optimising its IT system environment and the basing of its core banking system on SAP, as well as continuing to implement the digitalisation strategy by intelligently linking and automating front- and back-office processes. Additionally, the Bank has expanded its business model by concluding a strategic partnership with financing platform BrickVest. "We are convinced that commercial real estate financing is about to undergo a significant transformation and that this investment is absolutely the right step for us," Klaus emphasises.

Explanations on the earnings situation

The increase in the average mortgage portfolio and decline in refinancing expenses saw **net interest income** rise by € 12.6 million to € 211.9 million (previous year: € 199.3 million).

Net commission income benefited from healthy levels of new business and climbed to € 29.1 million (previous year: € 28.6 million).

Due to the one-off effect caused by the lengthening of the calculation period for pension obligations to ten years in the previous year, **operating expenditure** was higher, at € 97.3 million, than the previous year's figure of € 94.8 million adjusted for expenses attributed to the European banking levy. Excluding this effect, operating expenditure would have fallen significantly.

The **other operating result** improved by € 15.6 million to € -2.9 million (previous year: € -18.5 million). The one-off addition of the as yet unretained BilMoG difference to pension provisions was responsible for the significant negative balance in the previous year.

Taking into account the formation of reserves pursuant to Section 340f German Commercial Code (HGB), the Bank's total **risk provisioning** remained on a par with the previous year at € 39.7 million (previous year: € 40.2 million).

The Bank added a further € 30.0 million (previous year: € 30.0 million) to its **fund for general banking risks** pursuant to Section 340g German Commercial Code (HGB) to ensure that it is sufficiently prepared for the ever-increasing equity capital demands of banks in the future. This fund now amounts to € 183.0 million.

The **cost-income ratio** after the banking levy improved to 40.9 % as at 30 September 2017 (previous year: 45.3 %).

Return on equity increased to 12.6 % thanks to the positive development of the earnings (previous year: 9.9 %).

Outlook

The market conditions remain challenging. The pro-European election results in France and the Netherlands have had a calming effect. However, political tensions in Poland, relations between Germany and Turkey, the ongoing unpredictable Brexit situation and the new administration in the US are sources of uncertainty.

The continuation of the future-oriented process "berlinhyp21" will ensure that Berlin Hyp remains well-equipped to tackle the challenges of the future. The improvement of the IT systems and the implementation of the new digitalisation strategy are particularly important in this regard. Besides the networking and automation of process, efforts are also to be focused on investing in future-oriented business models. The first step in this process came in October with the conclusion of a strategic cooperation with BrickVest, a leading London- and Berlin-based online platform for commercial real estate investment and the only regulated provider of its kind to date. "This partnership not only expands our value chain, it also provides further diversification of our earnings," Klaus says. "We are planning to add more financing products to our range of solutions on the platform."

In addition, the future-oriented process “berlinhyp21” will also involve testing out agile and more efficient working methods and integrating these into the training concept.

The additional potential resulting from Berlin Hyp’s position on the market, combined with a sound refinancing strategy, are solid foundations for the continuation of Berlin Hyp’s very successful business operations. The Bank will also use its positive business performance to strengthen its equity base and take the expectation of stricter regulatory requirements into account. We expect the financial year to progress as planned, with an operating result before profit transfer significantly above that of the previous year.

Attached: Profit and Loss Account

The full Interim Report as at 30 September 2017 is available 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.

Profit and Loss Account

from 1 January to 30 September 2017

Expenditure in €m	01.01.–30.09. 2017	01.01.–30.09. 2016	Change	Change %
Net interest income	211.9	199.3	12.6	6.3
Net commission income	29.1	28.6	0.5	1.7
Operating expenditure	97.3	94.8	2.5	2.6
Staff expenditure	49.8	45.9	3.9	8.5
Other operating expenditure ¹	43.9	46.0	-2.1	-4.6
Of which expenditure for bank levy	10.1	10.9	-0.8	-7.3
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	3.6	2.9	0.7	24.1
Other operating earnings / expenditure	-2.9	-18.5	15.6	-84.3
Operating result before risk provisioning	140.8	114.6	26.2	22.9
Risk provisioning	39.7	40.2	-0.5	-1.2
Operating result after risk provisioning	101.1	74.4	26.7	35.9
Financial investment result	3.2	2.7	0.5	18.5
Contribution to the fund for general bank risks	30.0	30.0	0.0	0.0
Other taxes	0.2	0.2	0.0	0.0
Profit before income tax and profit transfer	74.1	46.9	27.2	58.0
Income tax	0.3	-0.1	0.4	-
Expenditure from profit transfer	73.8	47.0	26.8	57.0
Net income	0.0	0.0	0.0	-

¹ Adjustment of the previous-year figure as a result of the reclassification of the bank levy to "Other operating expenditure" (had previously been reported separately as "Bank levy" after the "Operating result")