

Press Information, 16 March 2016

## Excellent 2015 Financial Year for Berlin Hyp

- **Highly satisfactory result before income tax and profit transfer of € 93.0 million**
- **New business volume of € 5.4 billion exceeds previous year**
- **Business with Savings Bank Finance Group considerably expanded**

Berlin Hyp registered another highly successful financial year in 2015. Despite the fact that the banking levy almost doubled and that € 20.0 million was paid to the special item pursuant to Section 340g German Commercial Code (HGB), Berlin Hyp generated a result before income tax and profit transfer of € 93.0 million (2014: € 65.8 million).

“The 2015 financial year was another very challenging year, and so we are all the more pleased to have achieved extremely strong results and increased our new business once again following the repositioning. Subsequently, the bank has exceeded its forecast of generating a slightly better profit transfer compared to the previous year,” commented Jan Bettink, Chairman of the Board of Management of Berlin Hyp. “We were able to considerably strengthen our market position as a leader in real estate financing and as a key partner of the Savings Bank Finance Group.”

With a new business volume of € 4.4 billion, the excellent result of the previous year (€ 4.0 billion) was once again surpassed. Thanks to extensions of € 1.0 billion, total new business volume amounted to € 5.4 billion.

### **Improvement in net interest and commission income**

At € 254.1million, net interest and commission income exceeded the previous year's result of € 248.0 million. Despite the continued exacerbation of the low interest rate environment and a flat yield curve, net interest income improved by € 4.0 million to € 223.3 million. The increase is also due to the continued decline in refinancing expenses. To avoid future interest expenses, one-off effects from high unscheduled repayments were completely neutralised by compensatory measures. Against the backdrop of the excellent new business volume development, net commission income exceeded the previous year's result, increasing by € 2.1 million to € 30.8 million.

### **Operating expenditure increased as planned**

Operating expenditure amounted to € 123.8 million, which corresponds to an increase of € 12.3 million compared to the previous year. This planned increase was primarily due to the integration of employees from the Group as well as pension obligation parameter and interest rate adjustments.

## **Low risk provisioning**

Risk provisioning was considerably impacted by charges relating to the payment moratorium imposed on Heta Asset Resolution AG by the Austrian Financial Market Authority. However, risk provisions were sharply reduced thanks to the positive economic framework conditions.

## **Regulatory issues/capital ratios**

In the 2015 financial year, Berlin Hyp once again faced increasingly stringent regulatory requirements as well as an increasing number of such requirements. The Capital Requirements Directive IV (CRD)/Capital Requirements Regulation (CRR) which stipulates tougher minimum requirements for capital ratios, the definition of equity and account items to be deducted, is particularly challenging. In addition, the rules regarding highly liquid assets for banks were specified. This resulted in higher expenditure for Berlin Hyp which is expected to increase further in future.

Given the stricter equity requirements and the € 20.0 million payment to the special item for general banking risks in accordance with Section 340g German Commercial Code (HGB), the exceptional hard core capital ratio of 13.3 % is above the targeted minimum of 10.0 %. The total capital ratio was 17.4 %.

## **Expansion of S-Group business**

Total volume of S-Group business generated with savings banks amounted to roughly € 1.0 billion, an increase of 62 % compared to the previous year. € 719 million hereof was attributable to the syndicate business with savings banks and € 284 million to ImmoSchuldschein transactions. The ImmoSchuldschein product in particular allowed us to continue to strengthen our cooperation with the savings banks partners and to expand the range of products and services in a targeted manner. Berlin Hyp arranged and successfully placed a total of three ImmoSchuldschein real estate debentures on the market in 2015. For the first time, an ImmoSchuldschein secured by a hotel was issued. In 2015, Berlin Hyp also decentralised the S-Group business to gain closer proximity to savings banks in the future. For this purpose, savings bank advisors as well as customer advisors were integrated into all German offices of Berlin Hyp.

## **Outlook**

Continued closer integration between the S-Group and real estate customer business will remain a top priority in 2016. Furthermore, we plan the opening of a new branch in Stuttgart in spring 2016.

The intense competition in commercial real estate financing, the high degree of market liquidity due to the low interest rate environment, volatile capital and financial markets and tougher equity requirements for banks still pose huge challenges. Berlin Hyp will therefore push ahead with further developing its products, optimising its business processes and providing more technical support for its business activities.

“We expect our business with our customers to continue to develop positively in 2016. However, due to low interest rates and the expected increase in risk costs, the result before profit transfer is likely to be well

below that of 2015,” said Jan Bettink, Chairman of the Board of Management of Berlin Hyp.

“Irrespective of this, we regard Berlin Hyp as extremely well prepared for the challenges of tomorrow, particularly in view of our long-term customer relationships, the on-going integration in the Savings Banks Finance Group and our experienced and motivated workforce.”

## Selected Key Figures of Berlin Hyp

	2015	2014
Net interest and commission income	€ 254.1 million	€ 248.0 million
Operating result after risk provisioning	€ 126.1 million	€ 121.9 million
Result before income tax and profit transfer	€ 93.0 million	€ 65.8 million
Risk provisioning lending business*	€ -13.1 million	€ 1.4 million
Risk provisioning securities business*	€ 31.9 million	€ 7.1 million
Cost-income ratio	46.1 %	46.1 %
Reported equity capital	€ 935.9 million	€ 935.9 million
Balance sheet total	€ 28.5 billion	€ 30.4 billion
Hard core capital ratio	13.3 %	12.4 %
Total capital ratio	17.4 %	17.1 %
Staff (as at 31.12.)	576	544

\*) Positive figures indicate an increase in risk provisioning.

The complete Annual Report is available from 16 March 2016 onwards under [www.berlinhyp.de](http://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.