A partnership built on trust

Berlin Hyp

Interim Report
as at 30 June 2018

Finanzgruppe

Key Figures

Excerpt from the Condensed Statement of Profit or Loss in € m	01.01.–30.06.2018	01.01.–30.06.2017
Net interest income	161.4	136.7
Net commission income	10.8	17.9
Operating expenditure	76.1	68.1
Risk provisioning	–47.3	22.3
Operating result	141.7	62.6
Provision for general banking risks	80.0	20.0
Profit transfer	62.2	44.2
Net income for the year	0.0	0.0
Cost-income ratio in %	44.6	44.5
Return on equity in %	23.9	12.4

Excerpt from the Condensed Statement of Financial Position in € m	30.06.18	31.12.17
Balance sheet total	27,283	27,123
incl. mortgage loans	21,006	20,081
NPL	237	256

Business Development in € m	01.01.–30.06.2018	01.01.–30.06.2017
New lending	2,681	2,065
Extensions (capital employed ≥ 1 year)	799	1,044

Regulatory Key Figures	30.06.18	31.12.17[1]
Risk weighted assets (RWA) in € m	9,506	9,151
CET1 capital ratio in %	12.0	12.5
Total capital ratio in %	14.7	15.5
Leverage ratio in %	4.0	4.0

[1] after adoption

Issue Ratings	Moody's	Fitch
Senior unsecured	A1	A+
Pfandbriefe	Aaa	-

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

Others	30.06.18	31.12.17
Number of employees (as at the reporting date)	593	589

Content

Preface

Dear Business Partners,
Dear Employees,

The first half of 2018 has been very pleasing for Berlin Hyp. In addition to increasing market penetration, the continued positive development on the relevant real estate markets has also had a positive effect.
With an operating result before profit transfer of € 62.2 million, the previous year's figure (previous year: € 44.2 million) was clearly exceeded. Net interest and commission income exceeded expectations and operating expenditure has also developed better than planned. The good economic development and business environment at Berlin Hyp has enabled a significant net dissolution of risk provisioning. Whereas in the previous year, the very good development in risk provisioning made it possible, among other things, to form hidden provision reserves, an allocation of € 80 million (previous year: € 20 million) was made as at 30 June 2018 to the special item in accordance with Section 340g German Commercial Code (HGB). The Bank has thus set its own course for an early strengthening of its equity base and thus for the future growth of its mortgage loan portfolios.

This year, Berlin Hyp celebrated its 150th anniversary on 8 May. But even after 150 years of successful business activity, we do not want to take a rest. Rather, these are an incentive and a good start to position ourselves as one of the leading German real estate and Pfandbrief banks and to actively shape the digital transformation of our industry.
To this end, we are consistently pursuing our digitisation strategy. Large long-term internal projects, such as our lending process KPO 4.0 and the IT conversion to S/4 HANA will improve business processes and make them more efficient. We are also closely monitoring the market for interesting digitisation trends and are examining new business approaches. The digital transformation of our business processes is driving not only the technical but above all, the cultural change of the Bank.

Our brand strength is growing continuously. We also received the Real Estate Brand Award in the “Power of innovation” category in this year's EUREB brand value analysis. This, too, is a sign that our company’s transformation is becoming visible. Getting fit for the future was and is also the basic idea of our “berlinhyp21” future programme. It is not just about increasing our competitiveness and sustainable growth. We want to secure the stability and future of our Bank and offer our employees reliable prospects.

Provided there are no unforeseen distortions on the markets, we expect a very good performance for the rest of the financial year. Taking into account the formation of provisions to strengthen equity capital requirements, the result before profit transfer will develop better than planned in 2018. On this basis, we forecast an operating result before profit transfer which can certainly reach the previous year's level.

We will remain active in our markets and use our sound earnings base to further orient Berlin Hyp towards the future. This creates added value for our customers, employees and owners. A good start into the next 150 years!

Best wishes from Berlin,

Sascha Klaus

Gero Bergmann

Roman Berninger

Berlin, July 2018

Organs of the Bank and Other Important Functions

Supervisory Board

Helmut Schleweis
→ Chair (since 26 March 2018)
→ President of Deutscher Sparkassen- und Giroverband e. V.

Thomas Mang
→ Chair (from 27 November 2017 to 25 March 2018)
→ President of Savings Banks Association of Lower Saxony

Jana Pabst
→ Deputy Chair
→ Bank employee
→ Member of the Works Council of Berlin Hyp AG

Joachim Fechteler
→ Bank employee
→ Member of the Works Council of Berlin Hyp AG

Bernd Fröhlich (since 28 March 2018)
→ Chair of the Board of Management of Sparkasse Mainfranken Würzburg

Gerhard Grandke
→ Managing President of German Savings Banks and Giro Association of Hesse-Thuringia

Artur Grzesiek
→ Former Chair of the Board of Management of Sparkasse KölnBonn

Dr. Harald Langenfeld
→ Chair of the Board of Management of Stadt- und Kreissparkasse Leipzig

Siegmar Müller
→ Chair of the Board of Management of Sparkasse Germersheim-Kandel
→ Landesobmann of the Rhineland-Palatinate Savings Banks Board of Management Members

Thomas Meister
→ Bank employee
→ Chair of the Works Council of Berlin Hyp AG

Reinhard Sager
→ President of German Administrative District Parliament
→ County Council Chairman of East Holstein District

Andrea Schlenzig
→ Bank employee

Peter Schneider
→ President of Savings Banks Association of Baden-Wuerttemberg

Walter Strohmaier
→ Chair of the Board of Management of Sparkasse Niederbayern-Mitte
→ Bundesobmann of the German savings banks

René Wulff
→ Bank employee
→ Member of the Works Council of Berlin Hyp AG

Board of Management

Sascha Klaus
Chair

Gero Bergmann

Roman Berninger

Supervisory Board Committees

→ Human Resources and Strategy Committee

Helmut Schleweis
Chair (since 26 March 2018)
Deputy Chair (until 26 March 2018)

Thomas Mang
Chair (from 27 November 2017 to 25 March 2018)

Walter Strohmaier (since 26 March 2018)
Deputy Chair

Dr. Harald Langenfeld

Thomas Meister

Andrea Schlenzig

→ Loan Committee

Walter Strohmaier
Chair (since 9 March 2018)

Thomas Mang (until 19 April 2018)
Chair (until 9 March 2018)

Dr. Harald Langenfeld
Deputy Chair

Bernd Fröhlich (since 20 April 2018)

Artur Grzesiek

René Wulff

→ Audit Committee

Thomas Mang (since 26 March 2018)
Chair

Helmut Schleweis (until 26 March 2018)
Chair

Gerhard Grandke
Deputy Chair

Joachim Fechteler

Siegmar Müller

Peter Schneider

Trustee

Christian Ax

Deputy Trustees

Wolfgang Rips

Philip Warner

Business Report

Macroeconomic and Sector-Related Framework Conditions

Macroeconomic Development
Global economic growth remained at a high level in the first half of 2018 despite weakening momentum, thus meeting expectations.

In the eurozone, however, economic development over the past six months has been significantly weaker than forecast. Especially due to the sharp decline in exports, it has not been possible to continue the particularly positive trend of the previous quarters in 2017. In addition, investments in fixed assets have declined.

A noticeable slowdown in economic growth can also be observed for Germany in the first half of the year, contrary to the forecasts made. This is primarily see as a result of temporary causes which had a significant impact on production. Nevertheless, a downturn in the current economic boom could not yet be deduced from this. Production-reducing effects due to a higher number of strike and holiday days as well as the flu epidemic were the main reasons for the decline in economic growth. In addition, as the increasingly protectionist economic policy behaviour of the US and increasing uncertainties regarding the Brexit negotiations and the change of government in Italy were smouldering in the first two quarters of 2018, the export business was considerably weaker than in 2017.

Sources for macroeconomic framework conditions: DIW, IfW

Specific Industry Development
The US Federal Reserve (FED) was the only major central bank to gradually and actively tighten its monetary policy. For the seventh time since the end of the financial crisis, the Federal Reserve raised key interest rates to a range of 1.75 % to 2.00 % and is also gradually reducing the peak balance sheet total of $4.5 trillion.

At its Council meeting on 14 June 2018, the European Central Bank (ECB) announced the end of the Asset Purchase Programme (APP), which has been in force since January 2015. As a first step, the monthly purchase volume was reduced from € 60 billion to € 30 billion from January 2018 onwards. From September 2018 onwards, the monthly volume will initially be reduced to € 15 billion and will be completely discontinued by the end of the year. However, as maturities are reinvested as long as necessary, this only applies to net purchases of securities. At the same time, the central bank announced that the key interest rate would remain at the current level of 0.0 % up to and including summer 2019, but at least until the currently anticipated path of inflation has been secured. Mainly driven by higher energy prices, the rate of inflation in Germany recently rose to 2.2 %. The most recent rate of inflation in the eurozone was 2.0 %, although the core rate of 1.0 % is not yet overall considered sustainable. Accordingly, the ECB's monetary policy remains expansionary, albeit to a lesser extent.

In the first half of the year, the capital market environment in the eurozone was again dominated by political issues. In addition to international areas of conflict, such as the trade dispute between the US and China and the EU, as well as the events surrounding Iran's and North Korea's nuclear programmes, the main focus in Europe was on the election in Italy. Its outcome and the subsequent formation of a government led to clear reactions on the capital markets. Interest rates for ten-year Italian government bonds rose, with 140 basis points at its peak, to 3.13 %. As a result, the spreads for Spanish and Portuguese government bonds widened at times. German federal bonds again served as a safe haven for investors in the context of European political uncertainties. While interest rates on ten-year securities rose from 0.40 % to 0.76 % at the beginning of the year, they fell by more than half to 0.30 % during the rest of the reporting period. All swaps with a term of four years or more were offering positive returns.

Largely influenced by the political issues mentioned above, the stock markets tended sideways in the first half of 2018 after an initial correction. Volatility increased significantly.

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 revisions of the CRR and the CRD, the amendment of MaRisk, the new risk-bearing capacity concept RTF 2.0, the implementation of the guidelines on ICAAP and ILAAP and the requirements from the establishment of a European Single Supervisory Mechanism (SSM) are mentioned as examples. Related measures are having an increasing impact on both human and monetary resources.

The positive momentum on the German commercial real estate investment market continued in the first half of 2018. Partly due to the stable economic situation in Germany, with a growing gross domestic product and a further decline in unemployment, German real estate remained high in the favour of investors. However, compared to the rapid development in the previous year, the German economy lost some speed, which cannot, however, be equated with a downturn. Rather, the smouldering trade conflict with the US has led to companies currently holding back on orders. This represents a risk for the German export industry, which specialises in capital goods.

In retrospect and irrespective of this current starting position, transactions of the German commercial real estate market were almost as high in the first half of 2018 as in the strong prior-year period. Across Germany, the investment volume for commercial real estate reached around € 25.3 billion (previous year: € 25.8 billion). Although a marginal decline of 2 % can thus be registered, the high investment activity expected by Berlin Hyp for 2018 was however confirmed by these results for the first six months of the year.

In contrast to the almost unchanged level on the overall market, investment volume in the seven largest German cities rose significantly — at € 14.6 billion, 28 % more was invested here than in the same period last year. This strikingly strong concentration of investors in Germany's top 7 investment centres in the first half of 2018 proves that — if available — properties in the largest cities are still the first choice despite a further decline in returns.

The continuing zero-interest-rate policy of the European Central Bank and the resulting low attractiveness of alternative investments led not only to strong interest in German commercial real estate but also to high demand on the market for residential real estate portfolios. At the end of June 2018, the transaction volume was estimated at around € 10.6 billion — an increase of 45 % over the same period last year (previous year: around € 7.3 billion). Amongst other things, the acquisition of Buwog AG by Vonovia SE in the first quarter of 2018 had a significant impact on this result. However, even excluding special factors of this kind, the volume of just under € 7 billion almost matched the prior-year figure. Alternative investment opportunities in the residential properties market, such as micro-apartments, are increasingly moving into the focus of investors due to product scarcity.

Sources for real estate market data: CBRE, DIW, EZB.

Business Development

In its outlook for 2018, Berlin Hyp assumed that the positive development in business with its customers will continue. Due in part to the low margin level and the development of costs for optimising/improving business processes and for other digitisation activities, result before profit transfer for 2018 was forecast to be lower than in 2017.

In view of the ongoing low-interest-rate phase, continued fierce competition in the commercial real estate financing market and ever-stricter regulatory requirements, the first half of 2018 was a resounding success. In addition to the continuous growth in brand strength, the continued positive development on the relevant real estate markets also had a positive effect.

With a result before profit transfer of € 62.2 million, the previous year's figure was significantly exceeded. In particular due to one-off effects and the pleasing development of new and existing business, net interest and commission income exceeded expectations and operating expenditure developed better than planned. The good economic development and business environment at Berlin Hyp enabled a significant net dissolution of risk provisioning. Whereas the very good development in risk provisioning in the previous year made it possible, among other things, to form hidden reserves, an addition of € 80 million was made as at 30 June 2018 to the special reserves pursuant to section 340g German Commercial Code (HGB). This successfully set the course for an early strengthening of the equity base and thus for the future growth of the mortgage loan portfolios. The corresponding positive effects on the T1 capital ratio will become apparent in the second half of the year after the reporting date.

New lending

with extensions

€ 3,5

billion

The Bank once again cemented its role as a leading commercial real estate financer. New contracted lending volume, including realised extensions (capital employed ≥ 1 year), amounted to approximately € 3.5 billion in the first half of 2018. The Bank is therefore performing proportionately better in the first half of 2018 than expected in the forecast report as at 31 December 2017.

Berlin Hyp developed its S-Group business in the first half of 2018 as planned and continuously expanded its network within the Savings Bank Finance Group. The total volume of business conducted in association with the German savings banks was increased. The second transaction of the new ImmoAval product and an ImmoSchuldschein transaction in February once again offered the German savings banks investment opportunities. Savings banks also use the proven products ImmoKonsortial and and real estate valuation.

The "berlinhyp21" future process continued to focus on topics such as ensuring competitiveness and sustainable growth, but also creating reliable perspectives for the future. These are important steps on the way to becoming Germany's most modern real estate financier. The Bank continued to address new business approaches and focused on implementing its digitisation strategy through intelligent networking and process automation. The consistent alignment of the core banking system with SAP was continued, as was the project to optimise and digitise lending processes. The project to redefine human resources instruments has been pushed ahead to support the development of human resources and promote excellence. Important other projects, such as streamlining the digitised and workflow-based set of rules, as well as enterprise content management to optimise organisational processes, have already been completed.

Earnings Situation

In the first half of 2018, Berlin Hyp continued to show a positive development in its earnings situation, which was primarily influenced by the noticeable rise in net interest income. The increase in operating expenditure resulted primarily from the further reduction in the discount rates used to calculate pension obligations. Considering the almost unchanged other operating income, the operating result before risk provisioning considerably exceeded that of the previous year at € 94.4 million (previous year: € 84.9 million).

The need for risk provisioning in the balance sheet was significantly lower than in the previous year, thus making it possible to dissolve a significant amount of risk provisioning reserves.

Berlin Hyp capitalised on the satisfactory overall earnings trend to further strengthen its capital reserve. Pursuant to Section 340g German Commercial Code (HGB), a further € 80.0 million (€ 20.0 million) was added to the funds for general banking risks in the first half of 2018. Earnings before taxes came to € 62.2 million, significantly higher than the previous year's figure of € 44.4 million.

Net Interest and Commission Income Increased

Net interest and commission income rose from € 154.6 million to € 172.2 million when compared to the previous year, thus exceeding our expectations.

The increase resulted from an increase in net interest income by € 24.7 million to € 161.4 million. Among other things, this was due to one-off effects, including the pro rata waiver of the interest debt in the amount of € 12.7 million for the so-called targeted longer-term refinancing operations of the Deutsche Bundesbank (GLRG II), in which Berlin Hyp participated in open market operations in the years 2016/2017 and raised funds totalling € 2.0 billion. In accordance with the special terms and conditions for these transactions, a premium in the form of a pro-rata waiver of the interest and/or principal debt is granted retroactively over the entire term if the Bank's net lending exceeds a reference level (benchmark) in a certain period. Continuing pressure on margins continued to have a challenging effect on net interest income.

Compared to the same period last year, Berlin Hyp again achieved growth in new lending business. Nevertheless, as expected, net commission income of € 10.8 million was significantly below the very good previous year's figure of € 17.9 million. The background to this is the extensive mapping of administration fees in the interest margins and their distribution over the term due to the ruling of the German Federal Court of Justice (BGH) dated 4 July 2017 on administrative fees in loan agreements.

Operating Expenditure Increased

Operating expenditure comprises personnel expenses, other operating expenditure and depreciation on tangible assets and intangible assets and, at € 76.1 million, was up on the previous year's figure of € 68.1 million.

The increase resulted from a rise in staff expenditure of € 6.0 million to € 39.0 million, in particular as a result of further reductions in discount rates as part of the calculation of pension obligations.

At € 34.6 million (€ 32.7 million), other operating expenditure was slightly higher than in the previous year. In addition to an increase of € 0.5 million in the contribution to the European bank levy due to the increase in the target volume for the Single Resolution Fund, advertising and marketing expenses also rose slightly. In view of the increasing demands on information technology and regulatory reporting requirements, the moderate increase in operating expenditure must be viewed positively.

Depreciation on fixed assets and intangible assets remained almost unchanged at € 2.5 million (€ 2.4 million).

Other Operating Result at Previous Year's Level

The Bank reported other operating income of € –1.7 million, compared to € –1.6 million in the previous year. The interest portion of the compounding of provisioning reserves continues to be an essential component.

Risk Provisioning Benefits from Good Framework Conditions

Due to the good economic development and business environment of Berlin Hyp's business activities and the Bank's active risk management, lending risk provisioning totalling € 31.5 million (net) was dissolved in the first half of 2018 after an additional € 40.1 million in the same period last year. Berlin Hyp adequately took all recognisable and potential risks into consideration.

Risk provisioning for securities in the liquidity reserve posted income of € 15.8 million (€ 17.8 million). This income mostly resulted from disposals.

Positive Net Income from Investments

Income from investments is largely defined by write-ups and gains on disposal and totalled € 0.6 million (€ 1.9 million).

Funds for General Banking Risk Strengthened

To continue to meet the higher equity capital requirements for banking institutions, the Bank increased the funds for general banking risk by another € 80.0 million (€ 20.0 million) in the first half of 2018 pursuant to Section 340g German Commercial Code (HGB). This fund now amounts to € 303.0 million.

Increase in Earnings Before Taxes

The Bank recorded pre-tax earnings of € 62.2 million, well above the proportionate plan. This represents an increase of € 17.8 million over the same period last year.

Net Assets Position

The balance sheet total amounted to € 27.3 billion as at 30 June 2018. It increased by € 0.2 billion compared to the end of 2017.

The Bank was able to significantly expand its mortgage portfolio. It now amounts to € 21.0 billion (31 December 2017: € 20.1 billion). Additions to new lending were offset to a lesser extent by extraordinary outflows through early repayments.

The portfolio of fixed-interest bonds was reduced by maturities and sales. It amounts to € 3.4 billion (31 December 2017: € 4.6 billion).

On the liabilities side, liabilities to banking institutions remained virtually unchanged compared with year-end 2017, rising from € 0.2 billion to € 5.2 billion. Liabilities to customers decreased by € 0.3 billion to € 5.8 billion. The volume of securitised liabilities increased by € 0.4 billion to € 13.9 billion. At € 0.3 billion (31 December 2017: € 0.4 billion), the portfolio of subordinated liabilities remained virtually unchanged.

Equity

Berlin Hyp's reported equity at the end of the first half of 2018 remains unchanged at € 935.9 million. The profit carried forward of € 2.2 million as at 31 December 2017 was reclassified to other profit reserves by resolution of the Annual General Meeting on 28 March 2018. In addition, € 223.0 million is available in the form of a regulatory reserve pursuant to Section 340g German Commercial Code (HGB) and € 203.6 million of subordinated capital that is capable of being taken into consideration under regulatory law.

In relation to the risk items pursuant to the Solvency Regulation, the T1 capital ratio on 30 June 2018 was 12.0 % and the total capital ratio 14.7 % (12.5 % and 15.5 % as determined as at 31 December 2017).

In the context of the 2017 annual financial accounts, the decrease in capital ratios is due to a significant increase in new business despite improved capitalisation through additions to the reserve pursuant to 340g German Commercial Code (HGB).

Based on the assumption of the addition to the funds for general banking risks which have taken place in this half-year financial report and the supervisory recognition still to be granted in the second half of the year, the common equity Tier 1 ratio is 12.9 % and the total capital ratio 15.6 %. This improvement in the key figures is mainly due to the inclusion of € 80 million in the addition to the funds for general banking risk as common equity Tier 1 capital.

Additional stricter regulatory requirements are planned in the coming years, such as CRR II and "Basel IV", which will also have a strong impact on Berlin Hyp. The Bank plans to mitigate these increased capital requirements by forming corresponding provisions.

New Lending

New lending in the real estate financing business, including realised extensions (capital employed ≥ 1 year), amounted to approximately € 3.5 billion (€ 3.1 billion) in the first half of 2018. Competition among creditors remained fierce, as did the high volume of liquidity, keeping the pressure on margins. Nevertheless, compared to the first half of 2017, the contracted new business margins were maintained at the previous year's level while the Bank's risk behaviour remained largely unchanged. A further increase in the proportion of higher-margin developer and property developer financing also contributed to this.

Of the new financing (excluding extensions), 80 % were attributed to properties located in Germany. 64 % of properties were allocated between former West German territory and 16 % in Berlin and the former territory of East Germany. 20 % relate to the financing of properties located outside Germany.

At 57 %, most new lending related to the investors customer group. Another 14 % was realised with housing societies. The remaining 29 % was attributable to developers and building contractors.

S-Group Business

After Berlin Hyp's offer was further geared to the needs of the German savings banks in the past financial year and expanded accordingly, the savings banks participated in Berlin Hyp's financing via the syndicated financing, ImmoSchuldschein and ImmoAval products. As at 30 June 2018, the total volume of business conducted in the S-Group business amounted to around € 825 million (€ 650 million). Berlin Hyp is thus already a partner of a total of 124 German savings banks (111 savings banks) through joint financing.

Financial Position

In view of the expected end of the ECB's Asset Purchase Programme (APP), risk premiums on European covered bonds widened by several basis points in the first half of 2018. Mortgage Pfandbriefe of German issuers traded higher in the mid-single-digit basis point range. Historically, however, the spread level remains very narrow. Covered bonds from the southern peripheral countries responded to the formation of the Italian government with a double-digit widening of spreads.

The European market for unsecured bank bonds was also the focus of political attention in the first half of 2018. On average, the risk premiums of non-preferential senior unsecured bonds increased by between 20 and 35 basis points in the period under review, depending on their maturity. By contrast, the development of spreads on outstanding unsecured bank bonds of Berlin Hyp has so far this year remained stable.

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 the year, the Bank issued € 2.5 billion in debt securities, of which € 0.9 billion were unsecured bonds and € 1.6 billion were covered bonds. In the market for syndicated issues, it was initially active in January 2018 with the increase of the four-year € 250 billion Pfandbrief issue in November 2017 at mid-swap –20 basis points. Subsequently, the first benchmark issue with a re-offer spread of mid-swaps of 15 basis points was placed on the market in February 2018. This April, a third Green Unsecured Bond was issued — the fifth Green Bond issued by Berlin Hyp in benchmark format. The bond has a term of ten years and is used to refinance loans for particularly energy-efficient and sustainable commercial properties. The coupon for the € 500 million was fixed at 1.50 %. The five-year anniversary Pfandbrief to mark the 150th anniversary of € 500 million was issued in May with a coupon of 0.25 %. The majority of the issue, 66 %, went to domestic investors, followed by investors from BeNeLux (18 %) and Asia (10 %). Banks and savings banks were the largest investor group with 54 %, whereas the latter accounted for 24 %.

Berlin Hyp's issuer ratings remained stable in the reporting period. Moody's ratings for Berlin Hyp's unsecured bonds remained unchanged at A1. After Moody's changed it for Berlin Hyp and 15 other German banks in December last year against the background of the expected amendment to section 46f of the Gesetz über das Kreditwesen (German Banking Act, KWG), the outlook remains negative. Fitch continues to rate the senior unsecured bonds as A+ with a stable outlook.

Moody's ratings for Berlin Hyp's Mortgage Pfandbriefe and Public Pfandbriefe also remained unchanged at Aaa with a stable outlook.

Aaa
by Moody's

for mortgage Pfandbriefe and public Pfandbriefe of Berlin Hyp

Refinancing Funds[1]	Portfolio without pro rata interest 31.12.2017	New issues 01.01–30.06.2018[2]		Maturities and early repayments 01.01–30.06.2018[3]	Portfolio without pro rata interest 30.06.2018
	€ m	€ m	%	€ m	€ m
Registered Mortgage Pfandbriefe	8,602.0	1,550.0	62.1	1.275.0	8,877.0
Registered Public Pfandbriefe	699.6	-	-	0.0	699.6
Other Bearer Bonds	4,169.0	670.0	26.9	525.0	4,314.0
Registered Mortgage Pfandbriefe	2,582.0	23.5	0.9	244.4	2,361.1
Registered Public Pfandbriefe	887.0	0.0	0.0	277.0	610.0
Bonded Loans	877.3	176.6	7.1	149.7	904.2
Registered Bonds	1,411.7	74.4	3.0	35.0	1,451.1
Subordinated Bearer Bonds	6.0	-	0.0	-	6.0
Subordinated Bonded Loads	327.2	-	0.0	65.0	262.2
Subordinated Registered Bonds	40.0	-	0.0	-	40.0
	19,601.8	**2,494.5**	**100.0**	**2,571.1**	**19,525.2**

[1] Zero balances
[2] New issues until 30.06.2018 incl. capitalisation at zeros
[3] 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 in accordance with Section 340g German Commercial Code (HGB) and the average balance sheet equity including the special item for general bank risks in accordance with Section 340g German Commercial Code (HGB)
→ 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

Other financial indicators are also included in the management, such as the liquidity coverage ratio (LCR) and the (not yet mandatory) leverage ratio, becoming even more important in the future.

The result before profit transfer amounted to € 62.2 million as at 30 June 2018. This is significantly higher than the previous year's figure of € 44.2 million. Considering the expenses from the addition to the funds for general banking risks pursuant to Section 340g German Commercial Code (HGB) of € 80.0 million, this is an extremely satisfying result.

Net interest and commission income improved considerably from € 154.6 million to € 172.2 million compared to the previous year. The main drivers for this were one-off effects in net interest income, including the pro rata waiver of the interestdebt of € 12.7 million for the so-called targeted longer-term refinancing operations of the Deutsche Bundesbank (GLRG II) with still stable margins in the core business.

The cost-income ratio remained virtually unchanged at 44.6 % (44.5 %).

The return on equity increased significantly to 23.9 % (12.4 %) due to the increased result before profit transfer and before allocation to the special item in accordance with Section 340g German Commercial Code (HGB).

All earnings-related financial performance indicators are thus noticeably above our expectations.

As at 30 June 2018, the common equity Tier 1 ratio stood at 12.0 % (12.5 % after the adoption as at 31 December 2017).

Berlin Hyp’s new lending volume (including long-term extensions) came to € 3.5 billion in the first half of 2018, up on the first six months of 2017 (€ 3.1 billion).

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: employee structure, motivation, leadership and development
- → Sustainability: green bonds, green financing, sustainability rating and compliance

For steering purposes, the respective target portfolio is also important: distinctions are made in this context between types of real estate, customer groups, lending regions and risk classes. The target figures set for these, which are in conformity with our conservative risk strategy, were complied with overall in the first half-year of 2018. Markets are analysed and assessed in terms of quality and quantity through regular internal research studies.

The total volume of business undertaken together with the savings banks amounted to € 835 m (previous year: € 650 million). A total of 22 savings banks participated in an ImmoSchuldschein secured by commercial real estate in Berlin with a total volume of € 346 million in February 2018. The second transaction of the ImmoAval product was successfully started in the first half-year of 2018; to date, a liability volume in excess of € 90 million has been placed with nine savings banks. 37 savings banks participated in the capital market with € 484 million and eight S-Group enterprises with € 86 million of bonds issued by Berlin Hyp. By this time last year, 15 savings banks had subscribed to two issues with a volume of € 124 million.

As part of the “strategic resource planning” project launched in 2017, Berlin Hyp is preparing for digital transformation. The ten-year investment programme focuses on future capacity requirements, a balanced age structure and employee expertise.

Similar to many other companies, Berlin Hyp must contend with issues of demographic change and skills shortage. Against this backdrop, the Bank has continuously intensified its activities in recruiting and promoting the next generation of talent in the first half of 2018.

Berlin Hyp extended its focus to recruiting young skilled workers, particularly trainees, students in dual study programmes and student workers, to interns as a target group. Besides providing individually tailored training programmes, the Bank's stronger positioning in the labour market as an attractive employer is also being advanced. Continuing to attend career fairs for junior employees should contribute to this. Including current trainees in visits to these kinds of fairs is part of Berlin Hyp’s very fabric as a bank, hereby facilitating direct dialogue on equal footing between current and potential talent and supporting the Bank’s declared aim of presenting itself as an attractive employer. The increase in the number of positions for trainees and working students established in 2017 will enable Berlin Hyp to adequately cover its internal demand for junior staff.

Besides recruiting the next generation of employees, Berlin Hyp also focused on promoting young talent in the first half of 2018. The top-level qualification programme for young professionals, developed in 2016 and comprising a mentoring programme in conjunction with IMMOEBS e. V. and a study course in real estate economics at the International Real Estate Business School (IREBS), has once again welcomed cohorts of employees.

The change process at Berlin Hyp has been continuing apace in 2018. In the course of the project to review human resources instruments, a new competency model was developed for all Bank employees and managers, which on the one hand represents the expectations of the company with regard to the competencies of employees and, on the other, the basis of the new human resources instruments. Our holistic qualification activities for employees and managers, with which Berlin Hyp began in the first half of 2018, is also geared towards these competencies. These will be continued in the second half of 2018.

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 above all supported by the development and promotion of sustainable products (such as Green Building financing and Green Bonds) and through the comprehensive sustainability and environmental management system and the fostering of social corporate responsibility among employees.

In a separate non-financial report on its activities last year and in the sustainability report 2017, published in accordance with the standards of the Global Reporting Initiative (GRI), Berlin Hyp reported in detail on the strategy, goals, fields of action and measures relating to sustainability. Once again in 2017, the independent rating agencies oekom research AG and Sustainalytics positively attested to the Bank's commitment to sustainability. In September 2017, Berlin Hyp rose to "Industry Leader" in the sustainability rating of oekom research AG and in has since been rated in the Financials/Mortgage & Public Sector rating peer group with "B-" and "Prime", the highest assigned rating. The result of the Sustainalytics rating is equally pleasing. Here, the result improved again compared to the previous year — receiving 86 out of 100 possible points, Berlin Hyp is thus still classified as an "Outperformer". This has made it the best bank in the peer group and one of the top 5 banks worldwide since September 2017.

Opportunities, Forecast and Risk Report

Opportunities and Forecast Report

Contrary to our forecast in our Management Report as at 31 December 2017, the operating result before profit transfer was significantly exceeded in the first half of 2018. The positive development should continue in the second half of the year. Changing framework conditions will be briefly described below.

The intensifying situation of the trade conflict originating in the United States could potentially be accompanied by a noticeable slowdown in the global economy.

Increasing risks for the economic activities in the eurozone emanate in particular from the change of government in Italy, which increasingly raises questions about the country's economic stability. The continuing ambiguities in the negotiations regarding the United Kingdom's departure from the European Union have also not eased any further.

The Federal Reserve is likely to gradually continue to increase its benchmark interest rate and reduce its balance sheet total by trimming down its bond-buying activities. As the net purchase of securities as part of the quantitative easing expires at the end of the year, the ECB will continue its expansionary monetary policy, albeit to a lesser extent. Against this background, challenging market parameters can be expected in the second half of the year. An increase in the refinancing rates by the ECB is not expected before the second half of next year.

The current economic risks, such as the trade conflict with the US, have not yet had any negative effects on the demand for residential and commercial real properties in Germany. The high investment volume at the end of the first half of 2018, which almost reached the result of the strong prior-year period, confirms the very high investment activity expected by Berlin Hyp for 2018. In view of the ECB Governing Council's decision to leave key interest rates unchanged at 0.0 % and the announcement not to raise interest rates before the summer of 2019, investment activity in Germany is also expected to be brisk in the second half of 2018.

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

Other conditions and, above all, competition in the real estate financing market remain challenging. Expansionary monetary policy and the low-interest phase are still ongoing. Margin pressure also remains noticeable. The further increase in mortgage loans is not expected to reach the previous year's level, as the very good new business transactions will continue to be offset by significant unscheduled repayments. Over time, we expect portfolios to increase steadily and moderately.

In the Forecast Report as at 31 December 2017, we expected the volume of new business in 2018 to be noticeably below the very good level of 2017. Against the background of the very good development of new business up to 30 June 2018, our forecast for Berlin Hyp is that the deviation in 2018 will no longer be significant compared to the previous year.

In response to Germany's Federal Court of Justice rulings of 4 July 2017 on the administrative fees agreed in a standard form for commercial bank customers, the Bank implemented corresponding adaptions to its agreements and its terms and conditions. Berlin Hyp had already created suitable provision for old cases to 31 December 2017.

The targeted expansion of the product range in line with the requirements of German savings banks will inject further impetus into S-Group business. The range of ImmoSchuldscheine offered by Berlin Hyp will be extended further. In addition, products and product variants such as ImmoAval and ImmoRisikoDialog are being used. The development of 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 also have a positive effect.

Increasing regulatory requirements are also expected in the future. In addition, the further development and optimisation of business processes and the technical equipment supporting them pose major challenges. With the future process initiated, Berlin Hyp will come closer to its goal of becoming Germany's most modern real estate financier. The IT architecture consistently follows standardised further development to an integrated SAP bank. Flexibility, security, quality and availability of data and reporting will thus attain a new dimension. Combined with process optimisations, even faster possibilities to react to customer requirements are being created. Furthermore, the digitisation strategy is working intensively on generating new business approaches and developing models to benefit from them.

The additional potential resulting from this and from Berlin Hyp´s positioning on the market, combined with a sound refinancing strategy, are solid foundations for the continuation of Berlin Hyp's successful business operations. Refinancing activities are bolstered by the additional focus on refinancing green buildings and the corresponding widening of the group of prospective investors. The successive results of the project to optimise HR instruments and the optimisation of the allocation of human resources that has already begun will promote the skills of each individual even better and thus support the fulfilment of customer wishes even better.

Barring any unforeseeable ruptures on the markets, we expect the remainder of the financial year to continue on a very positive level. Including the expenses for forming provisioning reserves to strengthen equity capital requirements, the operating result before profit transfer in 2018 will develop better than planned. On this basis, we forecast a result before profit transfer which may well reach the previous year's level.

Risk Report

For details on risk policy, models applied in the assessment of the material 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 2017.

The Bank's risk-bearing capacity had sufficient leeway in the first half of 2018, both according to internal standards and from a regulatory perspective.

Overall loan exposure slightly increased in the first half of 2018, compared to 31 December 2017. The distribution of overall loan exposure by rating category has remained largely unchanged.

The prospective leverage ratio stands unchanged at 4.0 %.

The value at risk, in terms of market price risk, was consistently below applicable limits and pre-warning levels throughout the first half of 2018.

Liquidity risk management continues to be very important. The liquidity coverage ratio was 174.0 % as at 30 June 2018 (31 December 2017: 183.3 %). 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.

This report has already pointed out the potential legal risks relating to the ruling by the Federal Court of Justice in Germany from 4 July 2017 on administrative fees in loan agreements. The Bank has created suitable provisioning reserves for these risks.

Condensed Statement of Financial Position

Assets	30.06.2018 €m	31.12.2017 €m	Change €m	Change %
Cash reserves	**803**	**543**	**260**	**47.9**
Loans to banks	**803**	**444**	**359**	**80.9**
Mortgage loans	0	0	0	-
Public-sector loans	0	52	−52	-
Other receivables	803	392	411	-
Loans to customers	**21,759**	**20,974**	**785**	**3.7**
Mortgage loans	21,006	20,081	925	4.6
Public-sector loans	547	764	−217	−28.4
Other receivables	206	129	77	59.7
Debentures	**3,386**	**4.624**	**−1,238**	**−26.8**
Participations	**2**	**2**	**0**	**-**
Intangible investment assets	**15**	**12**	**3**	**25.0**
Tangible assets	**57**	**58**	**−1**	**−1.7**
Other assets	**283**	**273**	**10**	**3.7**
Prepaid expenses	**175**	**193**	**−18**	**−9.3**
Total assets	**27,283**	**27,123**	**160**	**0.6**

Liabilities	30.06.2018 €m	31.12.2017 €m	Change €m	Change %
Liabilities to banking institutions	**5,144**	**4,955**	**189**	**3.8**
Registered Mortgage Pfandbriefe	318	251	67	26.7
Registered Public Pfandbriefe	55	251	–196	–78.1
Other liabilities	4,771	4,453	318	7.1
Liabilities to customers	**5,768**	**6,094**	**–326**	**–5.3**
Registered Mortgage Pfandbriefe	2,087	2,376	–289	–12.2
Registered Public Pfandbriefe	565	666	–101	–15.2
Other liabilities	3,116	3,052	64	2.1
Securitised liabilities	**13,939**	**13,552**	**387**	**2.9**
Registered Mortgage Pfandbriefe	8,893	8,630	263	3.0
Registered Public Pfandbriefe	705	720	–15	–2,1
Other liabilities	4,341	4,202	139	3.3
Other liabilities	**504**	**589**	**–85**	**–14.4**
Deferred income	**155**	**170**	**–15**	**–8.8**
Reserves	**220**	**221**	**–1**	**–0.5**
Subordinated liabilities	**314**	**383**	**–69**	**–18.0**
Fund for general bank risks	**303**	**223**	**80**	**35.9**
Equity	**936**	**936**	**0**	**-**
Of which: balance sheet profit	0	2	–2	-
Total liabilities	**27,283**	**27,123**	**160**	**0.6**
Contingent liabilities				
Liabilities from guarantees and warranty contracts	188	207	–19	–9.2
Other obligations				
Irrevocable loan commitments	2,118	2,178	–60	–2.8

Condensed Statement of Profit or Loss

from 1 January until 30 June 2018

	01.01. – 30.06.2018 €m	01.01.– 30.06.2017 €m	Change €m	Change %
Net interest income	**161.4**	**136.7**	**24.7**	**18.1**
Net commission income	**10.8**	**17.9**	**–7.1**	**–39.7**
Operating expenditure	**76.1**	**68.1**	**8.0**	**11.7**
Staff expenditure	39.0	33.0	6.0	18.2
Other operating expenditure	34.6	32.7	1.9	5.8
Of which expenditure for bank levy	10.6	10.1	0.5	5.0
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	2.5	2.4	0.1	4.2
Other operating earnings / expenditure	–1.7	–1.6	–0.1	6.2
Operating result before risk provisioning	**94.4**	**84.9**	**9.5**	**11.2**
Risk provisioning	–47.3	22.3	–69.6	-
Operating result after risk provisioning	**141.7**	**62.6**	**79.1**	**-**
Financial investment result	0.6	1.9	–1.3	–68.4
Contribution to the fund for general bank risks	80.0	20.0	60.0	-
Other taxes	0.1	0.1	0.0	-
Profit before income tax and profit transfer	**62.2**	**44.4**	**17.8**	**40.1**
Income tax	0.0	0.2	–0.2	-
Expenditure from profit transfer	62.2	44.2	18.0	40.7
Net income	**0.0**	**0.0**	**0,0**	**-**

Condensed Statement of Changes in Equity

€m	Subscribed capital	Capital reserve	Profit reserves	Balance sheet profit	Total equity capital
As at 01.01.2017	**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**	**0**	**0**	**0**
As at 30.06.2017	**753.4**	**158.3**	**22.0**	**2.2**	**935.9**

€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**

Selected Explanatory Notes

General Information

The Half-Year 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 RechKredV. 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 German Commercial Code (HGB).

Reporting and Valuation Principles

The reporting and valuation methods used for the preparation of the annual financial accounts to 31 December 2017 have been applied essentially without change in the preparation of the condensed half-year financial report. Any amendments which have arisen are explained below.

Berlin Hyp is a subsidiary of Landesbank Berlin Holding AG and is included in the consolidated annual accounts of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG, Neuhardenberg/Germany, (holding company and smallest and largest consolidation group as defined in Section 285 No. 14 and No. 14a 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.–30.06.2018 €m	01.01.–30.06.2017 €m	Change €m	Change %
Interest earnings from				
Mortgage loans	178.0	192.6	–14.6	–7.6
Public-sector loans	–0.4	1.5	–1.9	-
Other receivables	–1.8	–0.3	–1.5	-
Fixed-income securities and book-entry securities	3.2	8.0	–4.8	–60.0
	179.0	**201.8**	**–22.8**	**–11.3**
Interest expenditure for				
Deposits and registered Pfandbriefe	8.7	42.8	–34.1	–79.7
Securitised liabilities	5.0	16.4	–11.4	–69.5
Subordinated liabilities	3.9	5.9	–2.0	–33.9
	17.6	**65.1**	**–47.5**	**–73.0**
Net interest income	**161.4**	**136.7**	**24.7**	**18.1**

Interest gains from balance sheet transactions generated by Berlin Hyp in the first half of 2018 resulting from the current negative-interest market conditions and targeted longer-term refinancing transactions with the Deutsche Bundesbank (GLRG II) are included in interest income of € 2.7 million (previous year: € 1.1 million) and interest expenditure of € 19.5 million (previous year: € 6.3 million).

Operating expenditure	01.01.–30.06.2018 €m	01.01.–30.06.2017 €m	Change €m	Change %
Staff expenditure				
Wages and salaries	27.3	25.1	2.2	8.8
Social security contributions / retirement pensions	11.7	7.9	3.8	48.1
	39.0	**33.0**	**6.0**	**18.2**
Other operating expenditure				
Bank levy	10.6	10.1	0.5	5.0
Staff-related material costs	1.7	1.4	0.3	21.4
Building and premises costs	1.9	1.8	0.1	5.6
Operating and business equipment	0.4	0.4	0.0	-
IT expenditure	8.1	8.2	–0.1	–1.2
Advertising and marketing	1.9	1.1	0.8	72.7
Business operation costs	1.7	1.0	0.7	70.0
Consultants / audits / subscriptions	5.1	5.4	–0.3	–5.6
Group payment set-off	3.2	3.3	–0.1	–3.0
	34.6	**32.7**	**1.9**	**5.8**
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	**2.5**	**2.4**	**0.1**	**4.2**
Operating expenditure	**76.1**	**68.1**	**8.0**	**11.7**

Since 1 January 2018, there has been no compound item formation for low-value assets. For reasons of simplification, up to an amount of € 800 net, these assets 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 useful life.

Risk provisioning	01.01.–30.06.2018 €m	01.01.–30.06.2017 €m	Change €m	Change %
Risk provisioning for loan business	–31.5	40.1	–71.6	-
Securities results	–15.8	–17.8	2.0	–11.2
Risk provisioning	**–47.3**	**22.3**	**–69.6**	**-**

Earnings shown with a minus symbol

Notes to the Balance Sheet

Securities with a nominal volume of € 320.0 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 stands above their market value of € 88.9 million, amounts to € 90.8 million. This takes into account the valuation results from interest swaps.

Claims from and Liabilities to Affiliated Enterprises and Related Companies	30.06.2018 *€ m*	31.12.2017 *€ m*	Change *€ m*	Change in %
Claims against banking institutions	2.9	3.9	–1.0	–25.6
Claims against customers	0.0	0.0	0.0	-
Other assets	0.0	0.0	0.0	-
Prepaid expenses and prepaid income	0.9	0.0	0.9	-
Liabilities to banking institutions	158.8	157.4	1.4	0.9
Liabilities to customers	0.6	0.6	0.0	-
Other liabilities	62.2	117.1	–54.9	–46.9
Subordinated liabilities	60.0	60.0	0.0	-

Derivatives as at 30 June 2018 *in € m*	Nominal amount / Remaining term					
	up to 1 year	from 1 to 5 years	5 years	Total Nominal	Total negative market values	Total positive market values
Interest-related transactions:						
Interest rate swaps	4,717	14,223	22,991	41,931	–613	950
Swaptions	6,450	1,200	0	7,650	–7	4
Caps	434	2,486	420	3,340	–3	3
Floors	0	3,000	250	3,250	–3	0
	11,601	**20,909**	**23,661**	**56,171**	**–626**	**957**
Currency-related transactions:						
Forward exchange transactions	90	0	0	90	–3	0
Interest and currency swaps	0	133	67	200	0	18
	90	**133**	**67**	**290**	**–3**	**18**
Total	**11,691**	**21,042**	**23,728**	**56,461**	**-629**	**975**

Completed business transactions largely serve to hedge exchange rate and credit risks of on-balance sheet underlying transactions. The market values of the derivative financial instruments are shown on the basis of the applicable interest rate on 29 June 2018 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 Landesbank Berlin due to the 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.

Staff Statistics

Number of Staff *Average of 01.01.–30.06.2018*	male	female	2018
Full-time staff	274	174	448
Part-time staff	22	118	140
School-leaver trainees / BA students	5	1	6
Total	**301**	**293**	**594**

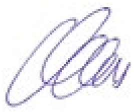
Information in Accordance with Section 28 German Pfandbrief Act (Pfandbriefgesetz)

Information to be published on a quarterly basis in accordance with Section 28 Pfandbrief Act is published on the Bank website at www.berlinhyp.de.

Statement of the Legal Representatives

"To the best of our knowledge, we give the assurance that, in accordance with the applicable accounting principles for the half-year financial statements, the Bank's half-year financial statements provide an accurate picture of the Bank's actual circumstances of the 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 picture conveyed corresponds to the actual circumstances, and the major opportunities and risks of the probable development of the enterprises during the rest of the financial year are described."

Berlin, July 2018



Sascha Klaus

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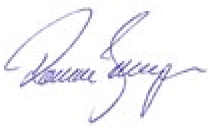

Roman Berninger

Review Report

To Berlin Hyp AG, Berlin

We have reviewed the condensed interim financial statements of the BerlinHyp AG, Berlin, — comprising condensed statement of financial position, condensed statement of profit and loss, statement of changes in equity and selected explanatory notes — together with the interim management report of the Berlin Hyp AG, Berlin, for the period from 1 January to 30 June, 2018 that are part of the semi annual financial report according to § 115 WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim financial statements in accordance with German commercial law (Deutscher Rechnungslegungs Standard Nr. 16 Halbjahresfinanzberichterstattung (DRS 16)), and of the interim management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim financial statements and on the interim management report based on our review.

We performed our review of the condensed interim financial statements and the interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim financial statements have not been prepared, in material respects, in accordance with German commercial law (Deutscher Rechnungslegungs Standard Nr. 16 Halbjahresfinanzberichterstattung (DRS 16)), and that the interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim financial statements have not been prepared, in material respects, in accordance with German commercial law (Deutscher Rechnungslegungs Standard Nr. 16 Halbjahresfinanzberichterstattung (DRS 16)), or that the interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim management reports.

Berlin, den 18. Juli 2018
KPMG AG
Wirtschaftsprüfungsgesellschaft

signed
Kügler
Wirtschaftsprüfer

signed
Ginzinger
Wirtschaftsprüfer

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Important company information is available immediately after publication at www.berlinhyp.de

Publications for our business partners in 2018

- Annual Report 2017 (German/English)
- Half-Year Financial Report as at 30 June 2018 (German/English)
- Interim Report as at 30 September 2018 (German/English)
- Sustainability Report 2017 (German/English)

In this Annual Report, reference to the masculine form naturally also includes the feminine form.

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