

Press information, 7 November 2016

Berlin Hyp continues on successful path

Bank presents interim result as at 30 September 2016

- Operating result after risk provisioning increased by 10 % to
- € 85.3 million (previous year: € 77.7 million)
- Further strengthening of provision reserves
- Positive development in the key S-Group and real estate financing business

Berlin Hyp has managed to sustainably continue its successful business development also in the third quarter and strengthened its position as one of the leading real estate financiers in the German market.

The operating result after risk provisioning increased to € 85.3 million (previous year: € 77.7 million). At € 125.5 million, the result before risk provisioning remained on a par with the previous year (previous year: € 125.8 million). New business volume, including long-term extensions, stood at € 4.1 billion (previous year: € 4.0 billion). The bank took advantage of the positive business performance to increase its provision reserves (fund for general banking risks) by € 30.0 million.

“There has been no change in the business environment, which remains challenging due to the prolonged phase of low interest rates, stiff competition and the associated pressure on margins. Nonetheless, the bank maintained its new business volume at the same high level from the previous year without deviating from its conservative risk policy,” Sascha Klaus, Chairman of the Board of Management, says.

Berlin Hyp also acquired new customers in the third quarter as a partner with the Savings Banks Finance Group. The total volume of the joint loan business with savings banks rose to around € 1,181 million (previous year: € 703 million). More than 100 financial institutions across all member associations have participated in Berlin Hyp financing through the ImmoSchuldschein and syndicate transactions. In addition, Berlin Hyp successfully issued a Germany-wide retail portfolio as an ImmoSchuldschein to German savings banks for the first time. The plan is to further expand the ImmoSchuldschein product's range in the Savings Banks Finance Group with another retail portfolio currently in the marketing phase.

Thanks to its wealth of experience, excellent ratings and its integration in the Savings Banks Finance Group, Berlin Hyp was able to continue placing issues on the market at great conditions. The two mortgage Pfandbriefe each with a volume of € 500 million in the first half of the year were followed in the third quarter by the issue of the first green senior unsecured bond in benchmark format with a volume of € 500 million. Berlin Hyp uses the proceeds from the issue to refinance loans for green buildings that are especially energy efficient. After the issue of the first green Pfandbrief in April 2015, this makes the bank the first issuer to offer green bonds in more than one asset class.

Explanations on the earnings situation

As a result of the increase in the average mortgage portfolio and a fall in refinancing expenses, **net interest income** rose by € 14.7 million to € 199.3 million (previous year: € 184.6 million).

Net commission income benefited from healthy levels of new business despite stiff competition and rose by € 7.0 million to € 28.6 million (previous year: € 21.6 million).

Operating expenditure declined by 7.6 % to € 83.9 million (previous year: € 90.8 million). The reason for this was the € 10.5 million decrease in staff expenditure due to a change in the parameters in pension calculations.

The **other operating result** stood at € -18.5 million, substantially lower than the previous-year figure of € 10.4 million. Besides deferred amounts for pension obligations, this decline was the result of proceeds from the dissolution of reserves in the previous year.

Taking into account the formation of reserves pursuant to Section 340f German Commercial Code (HGB), **expenditures related to risk provisioning** for the first three quarters of financial year 2016 decreased by 16.4 %, falling to € 40.2 million (previous year: € 48.1 million). Risk provisioning benefited from favourable underlying economic conditions and the bank's active risk management strategy.

The **cost-income ratio** improved to 40.1 % as at 30 September 2016 (previous year: 41.6 %).

The bank added a further € 30.0 million (previous year: € 0.0 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. The fund now amounts to € 133.0 million.

Outlook

The general underlying conditions remain challenging. In addition to the continuing adverse factors, such as historically low interest rates, rising regulatory requirements, and increased pressure on margins, the implications of Brexit on the political and economic future of the EU are still unclear.

“We aim to take advantage of the bank’s positive business performance to further strengthen our equity capital and take adequate precautions today for the ever-increasing regulatory requirements,” Sascha Klaus says with respect to the remainder of the year. Operating results before profit transfer in 2016 will therefore be below the previous year’s results, as planned. Barring any unforeseeable ruptures on the markets, and provided it is possible to continue the favourable development in customer business, Berlin Hyp expects the remainder of the financial year to go to plan.

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

Profit and Loss Account from 1 January to 30 September 2016

	01.01.2016 – 30.09.2016 € m	01.01.2015 – 30.09.2015 € m	Change € m	Change %
Net interest income	199.3	184.6	14.7	8.0
Net commission income	28.6	21.6	7.0	32.4
Operating expenditure	83.9	90.8	-6.9	-7.6
Staff expenditure	45.9	56.4	-10.5	-18.6
Other operating expenditure	35.1	31.4	3.7	11.8
Depreciations and valuation adjustments on intangible investment assets and tangible assets	2.9	3.0	-0.1	-3.3
Other operating earnings and expenditure*	-18.5	10.4	-28.9	-
Operating result before risk provisioning	125.5	125.8	-0.3	-0.2
Risk provisioning	40.2	48.1	-7.9	-16.4
Operating result after risk provisioning	85.3	77.7	7.6	9.8
Financial investment result	2.7	1.8	0.9	50.0
Bank levy	10.9	17.7	-6.8	-38.4
Contribution to the fund for general bank risks	30.0	0.0	30.0	-
Other taxes	0.2	0.1	0.1	-
Profit before income tax and profit transfer	46.9	61.7	-14.8	-24.0
Income tax	-0.1	0.4	-0.5	-
Expenditure from profit transfer	47.0	61.3	-14.3	-23.3
Net income	0.0	0.0	0.0	-

*The previous year's figures have been adjusted accordingly for the discontinuation of the "extraordinary result" from 2016

The full Interim Report as at 30 September 2016 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.