

Press Information, 28 March 2018

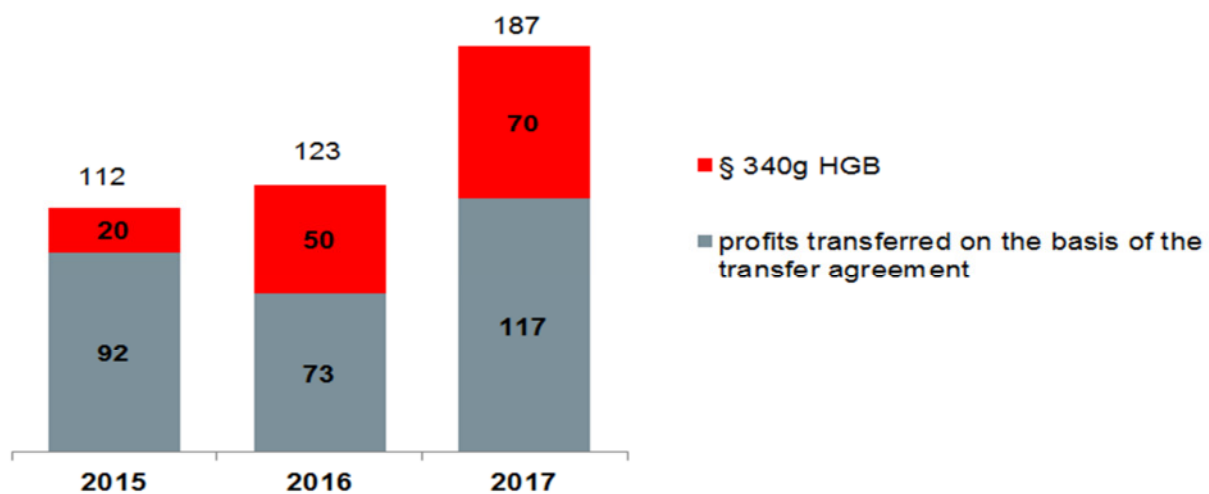
Berlin Hyp looks back on successful 2017 financial year

- **Result before profit transfer and allocation to the fund for general banking risks increased significantly to € 187 million (previous year: € 123 million)**
- **New business volume up sharply by 35 % to € 8.1 billion (including extensions; previous year: € 6.0 billion)**
- **S-Group business remained stable at a consistently high level of € 1.5 billion (previous year: € 1.5 billion)**
- **Excellent issuer rating raised by Moody's to A1**
- **Sustainability: oekom research and Sustainalytics upgrade Berlin Hyp to industry leader status**
- **Good progress made with digitalisation strategy**

The financial year 2017 was extremely successful for Berlin Hyp, with the Bank generating a result before profit transfer and allocation to the fund for general banking risks of € 187 million (previous year: € 123 million). "Our excellent operating result allows us to plan for future challenges such as digitalisation using our own resources and equip ourselves to tackle a constantly changing market environment," says Sascha Klaus, Chair of Berlin Hyp's Board of Management.

Earnings before profit transfer and taxes stood at € 117 million (previous year: € 73 million). Additions to the fund for general bank risks came to € 70 million (previous year: € 50 million)

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



***Profit Transfer**

New business in real estate finance expands in spite of fierce competition

The ongoing positive economic environment has been and continues to be accompanied by fierce competition and increasingly strict regulatory requirements. In spite of this, Berlin Hyp managed to increase new business volume by 35 % from € 6.0 billion in the previous year to € 8.1 billion. A total of € 1.4 billion was attributable to extensions (previous year: € 0.6 billion). Contracted new business stood at € 6.7 billion (previous year: € 5.4 billion). 67 % of financed properties are located in Germany.

“We stuck by our conservative risk policy and have still managed to achieve great success on the market,” Klaus says. “The rise in extensions shows that our customers are keen to stay with a bank with which they have a positive and reliable partnership.”

With these figures, Berlin Hyp once again underlines its status as one of Germany’s leading commercial real estate financiers.

S-Group business remains at a consistently positive level

Business realised jointly with savings banks was just as positive as in the previous year, remaining on a par with 2016 at € 1.5 billion. Berlin Hyp has expanded its S-Group business by adding new products such as ImmoAval. The rise in joint syndication business with savings banks is particularly noteworthy; it was up by € 300 million to € 1.4 billion in 2017 (previous year: € 1.1 billion).

A total of 116 Savings Banks Finance Group banks participated in Berlin Hyp financing offers through syndication business and the ImmoSchuldschein product.

Outstanding access to refinancing resources

Berlin Hyp has a well-balanced refinancing and maturity profile. The Bank’s solid position on the capital market is reflected by the high levels of oversubscription and the significant share of financing attributable to investors abroad. The Bank primarily drew on mortgage Pfandbriefe and uncovered bonds as forms of refinancing in the reporting year. It is also worth noting that the Bank once again successfully issued a mortgage Pfandbrief with a negative initial rate of return on the capital market. At 51 %, the share of this Pfandbrief attributable to international investors was higher than all previous covered bonds issued by Berlin Hyp. In addition, the Bank issued two green bonds in a single year for the first time in its history in the shape of the Green Pfandbrief and the Green Senior Unsecured Bond. A total of 19 % of the Green Senior Unsecured Bond was placed with companies in the Savings Bank Finance Group; 12 % was placed directly with savings banks. Berlin Hyp was able to gain 38 new investors through the bond.

Outstanding position on the green bond market

The Bank further cemented its position on the green bond market in the reporting year. The issue of the ten-year Green Senior Unsecured Bond for

€ 500 million is particularly noteworthy in this respect. With four outstanding bonds in benchmark format on offer, Berlin Hyp is now the largest European issuer in the commercial banks sector.

In the reporting year, Berlin Hyp was upgraded to industry leader status in its peer group by sustainability ratings agencies oekom research and Sustainalytics. With a rating of B-, the Bank is now ranked first out of a total of 52 companies by oekom research in the Financials/Mortgage & Public Sector peer group. Sustainalytics ranks the Bank fifth out of 332 financial institutions worldwide.

At the end of the year, green building financing accounted for 12 % of the total financing portfolio. The Bank has set itself the target of increasing this share to 20 % by the end of 2020.

Berlin Hyp continues to drive digitalisation forward

Back in 2016, Berlin Hyp launched the future-oriented initiative “berlinhyp21” to safeguard its competitiveness for the future. berlinhyp21 involves employees from a variety of functions contributing ideas and strategies regarding the corporate culture and organisational structure at Berlin Hyp and aims to continue to drive these areas forward. In addition, the initiative also involves key measures concerning digitalisation, including the expansion of the business model with the addition of new equity investments in the digital sector, the development of innovative digital products such as a financing platform for commercial real estate clients, the optimising of front- and back-office processes and the expansion of the IT system environment to a SAP HANA core banking platform.

Berlin Hyp is also preparing for the digital transformation in the area of strategic resources planning. The ten-year investment programme is centred on required capacities, demographic development and expertise. “Digitalisation will fundamentally change our business model and business processes,” says Klaus, “Besides significant technological investment, this will also require active personnel management.”

Berlin Hyp’s investment in BrickVest, the only regulated online platform for commercial real estate investments, as lead investor last September marked a milestone. We will systematically implement our digital strategy and continually expand our range of products,” Sascha Klaus adds. “Together with our employees, we are laying the foundations to diversify our income and secure the future of our Bank. Over 60 % of employees are already involved in digitalisation projects.”

Individual earnings components at a glance:

Net interest and commission income up

Net interest and commission income rose by € 11.6 million to € 310 million compared to the previous year. Net commission income declined slightly, whereas net interest income was up on last year due to positive economic conditions, new business volume and lower refinancing expenses.

Operating expenditure lower after adjustment for one-off effects

Operating expenditure, which consists of staff expenditure, other operating expenditure and write-offs on fixed assets and intangible assets, increased by € 12.5 million on last year to € 134.8 million as expected due to a one-off effect from the expansion of the evaluation period for the calculation of pension obligations to 10 years. Adjusted for this amount, operating expenditure declined.

Risk provisioning benefits from market environment

Risk provisioning in the loans and securities business benefited in particular from the positive economic and business environment in the reporting year. Net earnings amounted to € 56.2 million (in contrast to net expenditure of € 35.7 million in the previous year).

One-off effects with negative impact on the other operating result

The other operating result declined by € 26.7 million on last year to € -47.0 million. It was mainly characterised by the formation of provisioning reserves for strategic resources planning and legal risks.

Return on equity capital exceeds expectations

Adjusted for the increase in the special item for general banking risks pursuant to Section 340g German Commercial Code (HGB), the return on equity capital improved to a satisfactory level of 16.9 % (previous year: 11.8 %).

Regulatory requirements / capital ratios

Extremely positive new business resulted in a decline in capital ratios. After the adoption of the annual financial statements, the common equity Tier 1 ratio stood at 12.5 % (previous year: 13.5 %). The total capital ratio was 15.5 % (previous year: 17.5 %),

Outlook

The 2017 financial year exceeded the Bank's own expectations, with the Bank able to capitalise on positive business performance to form additional reserves. However, the market environment is set to pose a challenge to Berlin Hyp's business in 2018. The economic environment will continue to be characterised by fierce competition in commercial real estate financing, the challenges posed by digital transformation, volatile capital and financial markets and further regulatory requirements.

Berlin Hyp will continue to press ahead with the digitalisation and optimisation of its business model and processes as part of its future-oriented berlinhyp21 initiative with the aim of cementing and further expanding its market position. This is also in line with the Bank's sustainability objectives, which are firmly anchored in its corporate strategy. This, coupled with a solid refinancing strategy, will allow the Bank to plot the right course for long-term growth.

"We are well-positioned to rise to the challenges of digitalisation and prepare ourselves for the fundamental changes that will impact our market

environment,” says Sascha Klaus. “Together with our employees and strategic partnerships, and thanks to our stable involvement in the Savings Banks Finance Group, we are working towards responding to customer requests even more quickly and efficiently.

In summary, earnings before profit transfer are expected to be up slightly compared to 2017. Return on equity should remain on a par with the previous year at just over 10 %.

Selected key figures of Berlin Hyp

| | 2017 | 2016 |
|---------------------------------------|----------------|----------------|
| Cost income ratio including bank levy | 51.2 % | 44.0 % |
| Reported equity | € 936 million | € 936 million |
| Balance sheet total | € 27.1 billion | € 26.4 billion |
| Risk weighted assets (RWA) | 12.5 % | 13.5 % |
| Total capital ratio | 15.5 % | 17.5 % |
| Employees | 585 | 585 |

| Earnings Development | 31.12.2017 € m | 31.12.2016 € m | Change € m | Change % |
|---|-------------------|-------------------|---------------|-------------|
| Net interest and commission income | 310.0 | 298.4 | 11.6 | 3.9 |
| Net interest | 270.9 | 255.9 | 15.0 | 5.9 |
| Commission income | 39.1 | 42.5 | -3.4 | -8.0 |
| Operating expenditure | 134.8 | 122.3 | 12.5 | 10.2 |
| Staff expenditure | 73.6 | 62.6 | 11.0 | 17.6 |
| Other operating expenditure | 55.9 | 55.3 | 0.6 | 1.1 |
| of which: expenditure for bank levy | 10.1 | 10.9 | -0.8 | -7.3 |
| Write-offs on fixed assets | 5.3 | 4.4 | 0.9 | 20.5 |
| Other operating revenue/expenditure | -47.0 | -20.3 | -26.7 | - |
| Operating result before risk provisioning | 128.2 | 155.8 | -27.6 | -17.7 |
| Risk provisioning | 56.2 | -35.7 | 91.9 | - |
| Valuation of lending business | 33.5 | -51.3 | 84.8 | - |
| Valuation of securities business | 22.7 | 15.6 | 7.1 | 45.5 |
| Operating result after risk provisioning | 184.4 | 120.1 | 64.3 | 53.5 |
| Net income from investments | 3.2 | 2.8 | 0.4 | 14.3 |
| Fund for general bank risks | 70.0 | 50.0 | 20.0 | 40.0 |
| Other taxes | 0.2 | 0.2 | 0.0 | 0.0 |
| Operating result before income taxes and profit transfer | 117.4 | 72.7 | 44.7 | 61.5 |
| Income taxes (“-“ = earnings) | 0.4 | -0.3 | 0.7 | - |
| Profits transferred on the basis of the profit transfer agreement | 117.0 | 73.0 | 44.0 | 60.3 |
| Net income for the year | 0.0 | 0.0 | 0.0 | - |

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

The full annual report will be published on www.berlinhyp.de on 28 March 2018.

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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 is not only at the forefront as the issuer of the first Green Pfandbrief; the bank also supports the financing of sustainable real estate. Berlin Hyp's clear focus, 150 years of experience and the ability to actively shape the digital transformation in the real estate sector with an eye to the future characterise the Bank as a leading German real estate and Pfandbrief bank.