

Press Information, 8 August 2016

Berlin Hyp reports extremely satisfactory half-year result

- **Operating result before profit transfer on target at € 31.5 million (30 June 2015: € 39.9 million) and fund for general banking risks additionally strengthened with € 30.0 million**
- **New lending volume upped to € 2.9 billion (30 June 2015: € 2.2 billion)**
- **Further expansion in business as a member of the Savings Banks Finance Group**

Considering the addition to the fund for general banking risks pursuant to Section 340g German Commercial Code of € 30 million, Berlin Hyp recorded an extremely satisfactory operating result before profit transfer of € 31.5 million, as planned (30 June 2015: € 39.9 million).

The bank was able to boost its new lending volume, including long-term extensions, year on year to € 2.9 billion in the first half of 2016 (30 June 2015: € 2.2 billion).

Business with the Savings Banks Finance Group (S-Group) was also successfully expanded, generating total volume of € 0.9 billion (30 June 2015: € 0.4 billion). A total of 23 savings banks invested in the ImmoSchuldschein, which was issued in the first half of the year. This takes the number of German savings banks that use the ImmoSchuldschein to 83. Demand once again outstripped supply in the placement of products. An increasing number of requests from German savings banks cemented Berlin Hyp's role as a member of the S-Group and intensified its cooperative activities in this regard. S-Group business is a core area of growth at the bank.

Berlin Hyp remained extremely well financed and benefited from its long-established reputation as a solid and reliable issuer and its integration in the Savings Banks Finance Group. Mortgage Pfandbriefe with a total volume of € 1.5 billion were issued in the first half of the year, including two benchmark issues. Green Bonds are also a cornerstone of Berlin Hyp's sustainability management strategy. Four awards that the Bank has received for its pioneering work in this field underline its importance in this area.

"In spite of fierce competition and a noticeable increase in pressure on margins, we still recorded an extremely satisfactory half-year result. We would like to express our thanks to our employees for this outstanding performance," said Jan Bettink, Chairman of the Board of Management of Berlin Hyp, summarising the first six months of financial year 2016.

Explanation of the Earnings Situation

Net interest income rose in the first half of the year by € 6.3 million year on year to € 132.0 million, primarily as a result of an increase in core lending and a further decline in refinancing expenditure. Once again we recorded significant unplanned repayments, which resulted in high prepayment penalties. However, the bank successfully neutralised these effects to avoid future interest burdens by taking adequate countermeasures.

Net commission income also developed extremely positively to € 19.3 million (30 June 2015: € 13.3 million).

Operating expenditure fell markedly from € 62.8 million to € 49.4 million in the first half of 2016 due to one-off effects. Due to the extension of the assessment period in the calculation of pension commitments to ten years and the resulting fall in the deferred amount, staff expenditure declined considerably by € 13.4 million.

The risk provisioning expenditure remained relatively constant after the formation of reserves pursuant to Section 340f German Commercial Code with **risk provisions** of € 32.1 million (30 June 2015: € 31.5 million).

All banks are having to deal with increased requirements in terms of equity capital requirements. This is why Berlin Hyp increased its **fund for general banking risks** pursuant to Section 340g German Commercial Code by a further € 30.0 million (30 June 2015: € 0 million) in the first half of 2016.

The **cost-income ratio** improved to 32.7 % as at 30 June 2016 (30 June 2015: 41.2 %).

Outlook

The full implications of Brexit on the political and economic future of the European Union are still unclear. High volatility will likely continue to dominate financial markets, while uncertainty over and the duration of Brexit negotiations mean that companies are likely to hold back on their investments considerably.

Given the associated decline in attractiveness of the British real estate market, Germany may become even more interesting for investors as a safe haven for their investments. The lack of alternative investment opportunities and the high level of liquidity on the market is likely to result in pressure on yields rising even further and competition on the real estate financing market remaining extremely fierce. Berlin Hyp will keep an eye on these risks moving forward and, as it has always done, finance appropriately. The implications of the ECB's monetary policy, as well as the constant rise in regulatory requirements, mean that the underlying conditions will remain challenging over the rest of the year.

“The Savings Banks Finance Group and our customers benefit from our extensive expertise, the opportunities carved from our market position and our solid refinancing strategy,” Bettink underlined. The bank expects the remainder of the financial year to go to plan, provided there are no unforeseeable events on the markets.

In July, the bank’s Supervisory Board identified a successor to long-time Chairman of the Board of Management, Jan Bettink, and appointed Sascha Klaus to the bank’s Board of Management. Klaus will become a member of the Board of Management on 1 September 2016 and succeed Jan Bettink as Chair on 1 October 2016.

The bank has also launched a comprehensive future-oriented strategy in which products and operating procedures are to be put under scrutiny and set up to tackle the challenges on the road ahead. Various new projects geared towards preparing the bank for the process of digitalisation and ever-increasing regulation are just as much a part of the new strategy as staff-related issues and sustainability management.

Profit and Loss Account from 1 January to 30 June 2016

	01.01.2016 – 30.06.2016 € m	01.01.2015 – 30.06.2015 € m	Change € m	Change %
Net interest income	132.0	125.7	6.3	5.0
Net commission income	19.3	13.3	6.0	45.1
Operating expenditure	49.4	62.8	-13.4	-21.3
Staff expenditure	25.7	39.1	-13.4	-34.3
Other operating expenditure	21.7	21.8	-0.1	-0.5
Depreciations and valuation adjustments on intangible investment assets and tangible assets	2.0	1.9	0.1	5.3
Other operating earnings / expenditure	-0.1	13.4	-13.5	-
Operating result before risk provisioning	101.8	89.6	12.2	13.6
Risk provisioning	32.1	31.5	0.6	1.9
Operating result after risk provisioning	69.7	58.1	11.6	20.0
Financial investment result	2.7	0.7	2.0	-
Bank levy	10.9	17.7	-6.8	-38.4
Contribution to the fund for general bank risks	30.0	0.0	30.0	-
Extraordinary expenditure	0.0*)	1.1	-1.1	-100.0
Other taxes	0.1	0.1	0.0	0.0
Profit before income tax and profit transfer	31.4	39.9	-8.5	-21.3
Income tax	-0.1	0.0	-0.1	-
Expenditure from profit transfer	31.5	39.9	-8.4	-21.1
Net income	0.0	0.0	0.0	-

* Entry of expenditure for the change to pension reserves resulting from the German Accounting Law Modernisation Act (BilMoG) under the item "Other operating earnings and expenditure" from 2010

The full Half-Year Financial Report is available under 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.