

Press Information, 13 November 2018

Berlin Hyp's Results Improve after Nine Months

- **Results before taxes above previous year's level**
- **New lending volume above plan**
- **Significant increase in S-Group business**
- **Fund for General Banking Risks notably consolidated**
- **Risk provisioning benefits from good framework conditions**
- **Multiple awards for commitment to the Green Bond market**
- **Progress in digitisation strategy**

Berlin Hyp sustainably continued its successful economic development in the third quarter, thus further expanding its position as one of the leading commercial real estate financiers in Germany.

With **operating results before income taxes and profit transfer** of EUR 85.8 million, the previous year's figure (EUR 74.1 million) has been exceeded again. The positive development of new lending and the resulting growth in the interest-bearing loan portfolio are the drivers of business development. The contracted volume of **new lending** (including realised extensions) amounted to approx. EUR 4.8 billion (previous year: EUR 5.1 billion). The extensions amounted to EUR 901 million (previous year: EUR 1.0 billion). Due to the high degree of market maturity, the Bank is taking a more selective approach to new lending. With a share of 58%, the investors' customer group accounted for the lion's share of new lending. Another 10% was realised with housing societies. The remaining 32% was attributable to developers and building contractors.

While in previous years, the very good development in risk provisioning made it possible to form, amongst other things, hidden provision reserves, additions could be made to the special item pursuant to Section 340g German Commercial Code (HGB) amounting to a total of EUR 92.5 million (previous year: EUR 30 million). "From our own resources, we used the first successful nine months of this year to strengthen our equity base at an early stage," explains Sascha Klaus, Chairman of the Board of Management at Berlin Hyp. "This will have a positive effect on our Bank's T1 capital ratio. As in the past, the aim is to ensure a good balance between growth and equity base."

Berlin Hyp increased its **S-Group business** as planned and continuously expanded its network within the Sparkassen-Finanzgruppe. The volume of S-Group business with the German savings banks came to roughly EUR 1.9 billion (previous year: EUR 844 million) and was thus significantly above the previous year's level. Growth in ImmoSchuldschein and ImmoAval transactions, as well as the increase in joint traditional syndicated business, made a significant contribution to this. Thanks to joint financing, Berlin Hyp is now a partner to a total of 129 savings banks (previous year: 114 savings banks).

Berlin Hyp also had very good market access in the first nine months of 2018. This was reflected in the number and amount of issues taking place. In the first nine months, the Bank issued EUR 3.8 billion in **debt instruments**. Mortgage Pfandbriefe accounted for almost EUR 2.6 billion of this and senior unsecured instruments for around EUR 1.2 billion. Outside the reporting period, Berlin Hyp also placed its sixth Green Bond in October 2018. The Bank thus remains the most active issuer of Green Bonds in the segment of commercial banks in Europe. The EUR 500 million seven-year Green Pfandbrief had an order book of over EUR 950 million. Once again, the Bank's commitment to the Green Bond market won several Global Capital Sustainable and Responsible Capital Market Awards this year for the best impact reporting and being the best bank issuer for Green Covered Bonds. Berlin Hyp's issuer ratings remained stable in the reporting period.

"The financial year to date has been very pleasing for us," emphasised Sascha Klaus, Chairman of the Board of Management at Berlin Hyp. "Despite the continuing challenging environment, we expect to be able to match the very good level of the previous year."

Notes on the Financial Performance

Compared to the previous year, **net interest and commission income** increased by EUR 17.8 million to EUR 258.8 million (previous year: EUR 241 million). In comparison to the previous year, **net interest income** improved by EUR 30.5 million to EUR 242.4 million (previous year: EUR 211.9 million). In addition to the increase in the average mortgage portfolio as a result of successful new lending, the increase is due to special effects, including the pro rata waiver of the interest payable of EUR 14.8 million for the Deutsche Bundesbank's so-called targeted longer-term refinancing operations (TLTROs). Berlin Hyp achieved a similarly good growth in new lending as in the previous year. Nevertheless, at EUR 16.4 million, **net commission income** was, as expected, significantly below the very good previous year's figure of EUR 29.1 million. This is due to the adjustment of the mapping of processing fees in the wake of the BGH rulings on loan processing fees.

In view of further reductions in discount rates in calculating pension obligations and the increasing requirements for information technology and regulatory reporting requirements, the **administrative expenses** of EUR 111.6 million increased as planned (previous year: EUR 97.3 million).

Due to Berlin Hyp's good economic development and business environment, as well as the Bank's active risk management, it was possible to release **risk provisioning** totalling EUR 15.4 million (net) in the first nine months of 2018. EUR 63.5 million had been added in the same period of the previous year. EUR 33.9 million of the total risk provisions including risk provisions for securities were released (previous year: addition of EUR 39.7 million).

The **cost-income ratio** as at the reporting date was 43.7% (previous year: 40.9%).

On 30 September 2018, the **CET 1 ratio** stood at 11.8% and the **total capital ratio** at 14.4% (12.5% and 15.5%, respectively, determined as of 31 December 2017). Taking into account the EUR 80 million already transferred to the fund for general banking risks pursuant to Section 340g German Commercial Code (HGB) as disclosed in the interim financial statements as at 30 June 2018, the CET1 ratio is 12.6% and the total capital ratio is 15.2%. Despite the pleasing development of new lending and portfolios, Berlin Hyp was able to keep its capital ratios constant through its own efforts.

Outlook

The continuing low interest rate policy is keeping investors in the German residential and commercial real estate market under pressure to invest. Berlin Hyp therefore expects investment activity to remain extraordinarily high. All the more reason why the Bank will continue to attach great importance to its conservative risk policy in the future.

If the development in the fourth quarter continues as it did in the first three quarters of the year, the portfolio of mortgage loans will continue to rise. Two further ImmoAval transactions are planned for the fourth quarter and are currently in the marketing phase. This is intended to further promote the S-Group business with the savings banks. In terms of refinancing, Berlin Hyp continues to benefit from its reputation as a sound and reliable issuer.

The “berlinhyp21” future-oriented process is a key driver in positioning Berlin Hyp as one of the leading German real estate banks with above-average innovative strength and in actively shaping our industry’s digital transformation. Berlin Hyp will continue to consistently implement and advance its digitisation strategy. In addition to IT infrastructure, the processes are to be increasingly improved, networked and automated. At the same time, the Bank is also examining cooperation opportunities based on sustainable business models.

The strategic partnership with Brickvest, a leading London/Berlin-based online platform for commercial real estate investments and the only regulated one to date, was entered into at the end of 2017 and further intensified in 2018. With its subsidiary OnSite ImmoAgent, founded in September 2018, Berlin Hyp is now offering a new product: a nationwide real estate inspection service. In the future, helpful information on real estate properties will be generated “in real time”. With its investment at the beginning of October of this year, Berlin Hyp concluded another strategic partnership with 21st Real Estate, a Berlin-based PropTech company. In cooperation with each other, an evaluation tool will be developed with which, amongst other things, the appraisal process can be optimised and thus made more efficient, faster and more transparent.

“We are innovative and have positioned ourselves successfully on the market. This opens up additional potential for Berlin Hyp and forms a good basis for continuing our business activities profitably,” said Sascha Klaus.

The Bank will also use its positive business performance to further strengthen its equity base and make advance provision for the stricter regulatory requirements of the future. The Bank expects the financial year to proceed according to plan, with results before profit transfer, which may well reach the very good level of the previous year.

Excerpt from the Profit and Loss Account

from 1 January until 30 September 2018

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	01/01 – 30/09/2018 € m	01/01 – 30/09/2017 € m	Change € m	Change %
Net interest income	242.4	211.9	30.5	14.4
Net commission income	16.4	29.1	-12.7	-43.6
Operating expenditure	111.6	97.3	14.3	14.7
Staff expenditure	58.9	49.8	9.1	18.3
Other operating expenditure	48.8	43.9	4.9	11.2
<i>Of which expenditure for bank levy</i>	10.6	10.1	0.5	5.0
Depreciations and valuation adjustments on intangible investment assets and tangible assets	3.9	3.6	0.3	8.3
Other operating earnings / expenditure	-3.2	-2.9	-0.3	10.3
Operating result before risk provisioning	144.0	140.8	3.2	2.3
Risk provisioning	-33.9	39.7	-73.6	-
Operating result after risk provisioning	177.9	101.1	76.8	76.0
Financial investment result	0.5	3.2	-2.7	-84.4
Contribution to the fund for general bank risk	92.5	30.0	62.5	-
Other taxes	0.1	0.2	-0.1	-50.0
Operating result before income taxes and profit transfer	85.8	74.1	11.7	15.8
Income tax	0.0	0.3	-0.3	-
Expenditure from profit transfer	85.8	73.8	12.0	16.3
Net income for the year	0.0	0.0	0.0	-

The complete interim report as at 30 September 2018 can be found 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 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.