Editorial

Dear Readers,

In April this year, Berlin Hyp broke new ground on the capital market by issuing the first ever Green Pfandbrief. Given the huge interest in this product, the wealth of positive feedback from investors and widespread coverage in the finance and trade press, it’s clear that Berlin Hyp has its finger on the pulse. The “Cover Award – Best Debut Deal” in September was not only a pleasant surprise, it was also a testament to the growing importance of sustainable refinancing. The trend is clear: demand for green bonds is rising consistently and current issue volume cannot satisfy it. There has been a particular rise in issues from banks who have previously only played a niche role in the green bond market; in most cases, these issues have been significantly oversubscribed. Outstanding volume on the green bond market is already 64 % higher than it was at the end of 2014.

It’s a similar story on the real estate market, where there is a growing trend towards greater sustainability. The latest studies show that almost 20 % of investments on the German commercial real estate market last year flowed into sustainable buildings. By comparison, this figure was just 5 % in 2008. Berlin Hyp plays an active role in this respect and is continuously increasing its volume of green building financing. This is especially pleasing for us to see because sustainability issues play such an important role in our corporate strategy.

In this newsletter, we would like to inform you about the development of green building financing in our mortgage cover pool and present some new properties in the portfolio. In addition, Jens Tolckmitt, Chief Executive of the Association of German Pfandbrief Banks, explains how important he considers sustainable refinancing on the capital market. Last but not least, we also report on the awarding of the “Best Debut Deal” prize at this year’s The Cover Awards. We would be pleased if the success of our Green Pfandbrief were to encourage other issuers to do something similar and work with us to promote and support more sustainability on the capital market. Berlin Hyp will certainly do everything it can moving forward to cover part of its refinancing requirements through Green Pfandbriefe.

Gero Bergmann
Member of the Board of Management of Berlin Hyp AG
Since issuing the Green Pfandbrief, Berlin Hyp has been able to consistently expand the share of green building financing in its cover pool. At the current time, the cover pool encompasses 22 separate financing portfolios totalling some € 772 million. This represents a 17 % rise compared to the point at which the Green Pfandbrief was issued in April earlier this year. Business in Germany has experienced the most significant rise. Below is an overview of current portfolios and the structure of our green building financing in cover pool.

Distribution of green building financing in the cover pool (as at 31 October 2015) in %

<table>
<thead>
<tr>
<th>Property type</th>
<th>Amount</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office buildings</td>
<td>69</td>
<td>Germany</td>
</tr>
<tr>
<td>Retail buildings</td>
<td>27</td>
<td>France</td>
</tr>
<tr>
<td>Logistic buildings</td>
<td>4</td>
<td>UK</td>
</tr>
<tr>
<td>Management buildings</td>
<td>1</td>
<td>The Netherlands</td>
</tr>
</tbody>
</table>

Certificates

- BREEAM Excellent: € 104, 14%
- BREEAM Very Good: € 207, 27%
- BREEAM Good: € 0, 0%
- DGNB Platín: € 25, 3%
- DGNB Gold: € 82, 11%
- DGNB Silber: € 26, 3%
- HQE High Level: € 104, 13%
- HQE Basic Level: € 28, 4%
- LEED Gold: € 19, 2%
- Others (energy certificate A+/A): € 177, 23%

Total: € 772, 100%

Maturity structure

- ≤ 0.5 years: € 0, 0%
- > 0.5 years and ≤ 1 year: € 70, 9%
- > 1 year and ≤ 0.5 years: € 101, 13%
- > 1.5 years and ≤ 2 years: € 7, 1%
- > 2 years and ≤ 3 years: € 155, 20%
- > 3 years and ≤ 4 years: € 184, 24%
- > 4 years and ≤ 5 years: € 0, 0%
- > 5 years and ≤ 10 years: € 229, 30%
- > 10 years: € 25, 3%

Total: € 772, 100%

In April 2016, we will publish a detailed report on existing and new green building financing business on our website www.green-pfandbrief.com.
The trend towards greater sustainability continues unabated

The trend towards greater sustainability continues unabated on the commercial real estate market. Sustainable investments are becoming increasingly important, with growth in this investment class outperforming the market as a whole. Investors are increasingly on the lookout for sustainable, certified spaces to attract international tenants. The share of office spaces with long-term certification is dominating the market at the moment, closely followed by retail and logistics spaces.

Current green building financing at Berlin Hyp

Below is a selection of real estate projects financed by Berlin Hyp and included in our mortgage cover pool this year.

**Stuttgart: MILANEO**

- development of a shopping centre, with hotel, office and residential units in Stuttgart at Mailänder Platz
- financing partners: Berlin Hyp and Helaba
- facility amount: €245 million, syndicated loan by 50/50
- borrower: ECE and others
- term: 13 years/3 years
- opening the shopping centre in 10/2014
- energy certificate: DGNB-certificate platinum
Three questions for Jens Tolckmitt, Chief Executive of the Association of German Pfandbrief Banks

Mr Tolckmitt, Berlin Hyp became the first financial institution to issue a Green Pfandbrief in 2015. Would other members of your association be interested in issuing such a bond?

There is certainly potential for further Green Pfandbrief issues. Energy efficiency and ethical investments are held in high esteem by investors and issuers alike. We are observing how some Association members are looking into issuing Green Pfandbriefe. Ultimately, decisions will come down to whether the cost-benefit analysis is just as positive for other banks as it was for Berlin Hyp.

What role does energy-efficient real estate play in the Association?

As long-term financiers, Association members are interested in sustainable properties. The extent to which energy efficient buildings have higher market and lending values is currently the subject of intensive discussions in the Association’s committees. The KfW standard is a good benchmark for residential properties, whereas there are a number of certificates available for commercial properties, which take other aspects of sustainability into account in addition to energy efficiency. The more accurate we are in classifying buildings’ energy efficiency, the easier it is to group them together and label them as green assets.

What role can the Association play in tempting more issuers into issuing Green Pfandbriefe?

In terms of our active role, the Association acts as a platform for sharing opinions and information on the issue. It is clear that the range of interests and opinions among member banks is extremely broad. The Association is accompanying the fledgling Green Pfandbrief market in the knowledge that it can support its development by facilitating standardisation at an early stage. We also liaise with other interest groups, such as the Climate Bond Initiative. Traditionally, the Pfandbrief has always played a role in financing the way we tackle major challenges in our society. In principle, the Pfandbrief could assume such a role in respect of sustainability, but to do so other issuers must take the plunge and follow Berlin Hyp’s lead.
The trend towards greater sustainability continues unabated on the commercial real estate market. Certification is dominating the market at the moment, closely followed by retail and logistics. The Cover Awards.

Berlin Hyp receives “The Cover Awards”

Bodo Winkler, Head of Investor Relations/Credit Treasury at Berlin Hyp (left) receives the award from Bill Thornhill, from The Cover, in Barcelona on 10 September 2015.

At this year’s The Cover Awards in Barcelona in September 2015, the issue of Berlin Hyp’s first Green Pfandbrief was named Best Debut Deal. The Cover Awards are the most acclaimed awards in the global covered bond sector. They are bestowed by the international magazine Global Capital and its specialist covered bonds portal The Cover. The winners were determined as part of a survey among investors, issuers and investment banks on the covered bond market. In awarding the prize, market stakeholders reward stand-out performance in the sector.

### Certified buildings and property type

<table>
<thead>
<tr>
<th>Property type</th>
<th>Other</th>
<th>Hotel</th>
<th>2.2</th>
<th>6.0</th>
<th>104 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistic</td>
<td>96</td>
<td>26</td>
<td>17</td>
<td>20</td>
<td>71.5 KWh/sqm/a</td>
</tr>
<tr>
<td>Management</td>
<td>155</td>
<td>20</td>
<td>15</td>
<td>15</td>
<td>71.5 KWh/sqm/a</td>
</tr>
<tr>
<td>Retail</td>
<td>207</td>
<td>27</td>
<td>20</td>
<td>20</td>
<td>71.5 KWh/sqm/a</td>
</tr>
<tr>
<td>Office</td>
<td>28</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>71.5 KWh/sqm/a</td>
</tr>
</tbody>
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