

Defining values – and living up to them

Interim Financial Report as at 30 June 2021

Key Figures

Excerpt from the Condensed Statement of Profit or Loss in € m	01.01.– 30.06.2021	01.01.– 30.06.2020
Net interest income	220.8	167.8
Net commission income	13.0	10.7
Staff expenditure	45.2	35.1
Other operating expenditure	44.4	39.6
<i>of which Expenditure for bank levy</i>	16.4	13.4
Depreciation on fixed assets	4.7	12.1
Operating expenditure	94.3	86.8
Other Operating Result	-3.0	0.7
Risk provisioning	-2.5	65.4
Valuation result of lending business	13.1	55.4
Valuation result of securities business	-15.6	10.0
Operating result	139.0	27.0
Financial investment result	3.2	-1.1
Allocation to the Fund for General Banking Risks	112.0	20.0
Other taxes	0.1	0.1
Operating result before income taxes and profit transfer	30.1	5.8
Profit transfer	30.0	5.7
Net income for the year	0.0	0.0
Cost-income ratio in %	40.9	48.5
Return on equity in %	19.5	3.8

Excerpt from the Balance Sheet in €m	30.06.2021	31.12.2020
Balance sheet total	35,391	33,423
incl. mortgage loans	25,410	23,864
NPL	74	141

Business Development in €m	01.01.– 30.06.2021	01.01.– 30.06.2020
New Lending	2,462	1,826
Extensions (capital employed ≥ 1 year)	462	649

Regulatory Key Figures	30.06.2021	31.12.2020
RWA in €m	10,741	10,321
CET1 ratio in %	13.9	13.4
Total capital ratio in %	16.1	15.8
Leverage ratio in %	4.3	4.1

Issue ratings	30.06.2021	31.12.2020
Moody's		
Pfandbriefe	Aaa (stable)	Aaa (stable)
Senior preferred	Aa2 (stable)	Aa2 (stable)
Senior non-preferred	A2	A2
Fitch		
Pfandbriefe	-	-
Senior preferred	AA- (stable)	AA- (negative)
Senior non-preferred	A+ (stable)	A+ (negative)

Sustainability Ratings	MSCI	ISS ESG	Sustainalytics
Reporting date	AAA	B- (Prime)	Low Risk (11,9)

Other	30.06.2021	31.12.2020
Number of employees (as at the reporting date)	603	593

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Preface

Liebe Leserinnen und Leser, liebe Freunde der Berlin Hyp,

The first half of 2021 was marked by mixed feelings brought about by transitions in and out of “light lockdowns”, “hard lockdowns” and “emergency measures”, as we alternated between hope and uncertainty about the future. The economy and society, and every company and individual, were tested once again.

Even with all the restrictions we experienced in our daily lives, the real estate market proved to be an anchor of stability. Low interest rates and ongoing high investment pressure have led and continue to lead to positive developments in the market. Although some issues have become less important during the crisis, climate protection and sustainability are actually becoming even more important at the moment. This makes us confident and optimistic, and it also confirms that we are on the right track with our approach.

Berlin Hyp got off to a successful start in 2021. The Bank improved its position on the market, increased its profitability and capital base, strengthened its pioneering role in strategically important business areas and further expanded its cooperation with the savings banks.

In the first half of 2021, the figures for all key income components surpassed those recorded during the same period in the previous year. For example, net interest income increased by nearly one-third, to €220.8 million. This development was in large part due to the reduced interest rates granted within the framework of the ECB’s targeted longer-term refinancing operations (TLTRO III). Our higher loan volume also played a role here, however. Good new lending led to net commission income of €13.0 million, which was more than 20 per cent higher than the half-year figure for 2020. At €30.0 million, profit before profit transfer was more than five times higher than in the first half of last year (€5.7 million).

This result is all the more remarkable in view of the fact that Berlin Hyp capitalised on the solid development of business operations to

further strengthen its capital base and thus keep the Bank stable and resilient. In the first half of 2021 alone, for example, the Bank added a further €112.0 million to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB), thereby increasing the fund’s total volume to €600.0 million. The capital base was also strengthened in order to prepare for the upcoming introduction of additional regulatory requirements.

As was the case in the previous year, the figure for lending risk provisioning of €13.1 million (net; previous year: €55.4 million) primarily contains allocations to provision reserves. Risk provisioning for securities in the net amount of €15.6 million (previous year: allocation of €10.0 million) mostly resulted from disposals.

Berlin Hyp generated new lending in the amount of €2.9 billion over the first six months of the year, an increase of 16 per cent from the figure of €2.5 billion recorded during the same period in the previous year. Newly issued loans accounted for €2.5 billion of this contracted new lending, while extensions accounted for €0.4 billion.

Thanks to its steadily growing product portfolio for the German savings banks, Berlin Hyp was able to further expand its networking activities within the Sparkassen-Finanzgruppe in the first half of 2021. The total volume of business undertaken with the S-Group amounted to €1.1 billion in the first half of the year, which was nearly three times higher than the volume recorded in the same period of the previous year (€0.4 billion). This result was made possible by the ImmoDigital platform for the digital processing of Berlin Hyp’s investment offers for savings banks, as well as by the new ImmoNachrang product. As at 30 June 2021, Berlin Hyp maintained active business relationships with 161 German savings banks, which is eight more than at the end of the 2020 financial year (153). The total business volume placed with the savings banks currently amounts to approximately €4.0 billion.

We view this positive business development as confirmation of our partnership-based approach, which we expanded further during the COVID-19 pandemic. Contact with our customers is very important to us, which is why we have been making increasing use of digital communication formats and generating additional momentum with new services for customers, such as market briefings and livestream events. We will continue along this path in future and will also further expand our networking activities.

Looking at long-term developments, we are convinced that the COVID-19 pandemic and its consequences will focus even more attention on two of the most important issues of our time: sustainability and digitisation. In order to remain successful in future, our industry will need to operate in line with the principles of a sustainable economy, by which I mean an ecologically and socially balanced economy that also addresses issues relating to climate change. At the same time, digitisation will continue to advance and become more a part of our lives in the years to come.

We consolidated our position as a pioneer in the financing of green real estate in the first half of 2021 and issued our 13th green bond in benchmark format. In the spring of 2021, we became the first bank in the world to issue a Sustainability-Linked Bond (SLB) in what was a very successful placement. All of this illustrates how sustainability has been a central aspect of Berlin Hyp's business approach for many years now and is therefore a firm component of the Bank's corporate strategy and system of corporate values. Our strategic goal of becoming the most modern commercial real estate financier in Germany also always involves the achievement of certain sustainability objectives. Our commitment to sustainability will focus on the following four objectives in future:

1. Sustainability in business operations
2. A sustainable business portfolio
3. ESG risk management
4. Transparency and ESG capabilities

These ESG targets are being integrated into Berlin Hyp's business strategy as a core component, whereby the targets will be made known throughout the organisation via the Bank's target achievement system. The pandemic, as well as the recent catastrophic floods in western Germany and the increasingly frequent extreme weather events in many parts of the world, have focused even more attention on the importance of resilience and the ability to adapt to crisis situations. They have also made it clear that we need to address the question as to how economic activities can be made more sustainable and balanced in terms of their environmental and social impact as well. Digitisation has also further accelerated essential aspects of economic activity, as well as the way we work and how we interact in society. In view of all these developments, Berlin Hyp plans to work all the more extensively on the implementation of its far-reaching sustainability agenda, and we will continue to move forward with the digitisation of our core processes as well. We have set the proper course and our current structure puts us in an ideal position to create additional value for our customers and partners, for the Sparkassen-Finanzgruppe and for society as a whole.

Warm regards,



Sascha Klaus



Maria Teresa Dreio-Tempsch



Alexander Stuwe

Berlin, im August 2021

Bodies of the Bank and Other Important Functions

Aufsichtsrat

Helmut Schleweis

- Chair
- President of Deutscher Sparkassen- und Giroverband e. V.

Andrea Schlenzig

- Deputy Chair (as at 23 June 2021)
- Bank Employee

Thomas Esterle (as at 23 June 2021)

- Bank Employee
- Member of the Works Council of Berlin Hyp AG

Joachim Fechteler (until 23 June 2021)

- Bank employee (until 31 December 2019)
- Employee representative

Bernd Fröhlich

- Chair of the Board of Management of Sparkasse Mainfranken Würzburg

Gerhard Grandke

- Managing President of Sparkassen- und Giroverband Hessen-Thüringen

Jan Magnus Hausadel (as at 23 June 2021)

- Bank Employee

Dr. Harald Langenfeld

- Chair of the Board of Management of Stadt- und Kreissparkasse Leipzig

Thomas Mang

- President of Sparkassenverband Niedersachsen

Thomas Meister

- Bank Employee
- Chair of the Works Council of Berlin Hyp AG

Siegmar Müller

- Chair of the Board of Management of Sparkasse Germersheim-Kandel
- State Chair (Landesobmann) of the Rhineland-Palatinate Savings Banks Board of Management Members

Jana Pabst

- Deputy Chair (until 23 June 2021)
- Bank Employee
- Deputy Chair of the Works Council of Berlin Hyp AG

Reinhard Sager

- President of the German Administrative District Parliament
- County Council Chairman of East Holstein District

Peter Schneider

- President of Sparkassenverband Baden-Württemberg

Walter Strohmaier

- Chair of the Board of Management of Sparkasse Niederbayern-Mitte
- Bundesobmann of the German Savings Banks

Ulrich Voigt

- Chair of the Board of Management of Sparkasse KölnBonn

René Wulff (until 23 June 2021)

- Bank employee (until 31 August 2019)
- Employee representative

Board of Management

Sascha Klaus

- Chair

Maria Teresa Dreö-Tempsch (as at 1 May 2021)

Alexander Stuwe

Committees of the Supervisory Board

Presiding and Nomination Committee

Helmut Schleweis

→ Chair

Walter Strohmaier

→ Deputy Chair

Dr. Harald Langenfeld

Thomas Mang

Thomas Meister

Andrea Schlenzig

Audit Committee

Thomas Mang

→ Chair

Gerhard Grandke

→ Deputy Chair

Joachim Fichteler (until 23 June 2021)

Jan Magnus Hausadel (as at 23 June 2021)

Siegmar Müller

Peter Schneider

Kreditausschuss (Loans Committee)

Walter Strohmaier

→ Chair

Dr. Harald Langenfeld

→ Deputy Chair

Thomas Esterle (as at 23 June 2021)

Bernd Fröhlich

Ulrich Voigt

René Wulff (until 23 June 2021)

Compensation Control Committee

Helmut Schleweis

→ Chair

Walter Strohmaier

→ Deputy Chair

Thomas Mang

Jana Pabst

Cover Pool Monitor

Christian Ax

Deputy Cover Pool Monitors

Wolfgang Rips

Philip Warner

Business Report

Macroeconomic and Sector-Related Underlying Conditions

Macroeconomic Development¹

The COVID-19 pandemic continued to influence global economic development in the first half of 2021. While gross world product did increase, the temporary economic restrictions made necessary by the pandemic containment measures once again had a negative effect in many countries during the reporting period. Regional developments were quite varied. The progress made with vaccinations played an important role here, with more economically advanced countries vaccinating their populations much more quickly than developing countries and emerging markets. Supply constraints and logistical problems also hampered potential growth, and raw material prices began to rise sharply as the year proceeded. Monetary policy remained highly expansionary.

Industrial production in the eurozone declined slightly during the first quarter due to the pandemic. An increase in export demand and higher domestic demand brought about by a decline in infections in the second quarter led to a sharp increase in production capacity utilisation at the end of the reporting period, with figures moving towards pre-pandemic levels. This, along with an attractive level of financing, has also served to stimulate corporate investment somewhat as of late. As early as the second quarter, the retail and service sectors also increasingly began to benefit from the gradual easing of COVID-19 restrictions.

The third wave of the COVID-19 pandemic impacted economic growth in Germany as well. As a result of the restrictive measures that were reintroduced in response to this third wave, gross domestic product growth in the first quarter of 2021 was even lower than in the fourth quarter of 2020. Nevertheless, the scope and impact of this decline can in no way be compared with the shocking massive downturn that occurred in the first quarter of 2020. Lower infection numbers in China and the high rate of vaccinations in the USA and the UK

led to extensive demand from abroad as early as the first quarter of 2021. By this time, the manufacturing industries had also long since gotten used to conducting their production operations under the restrictive conditions associated with the measures taken to prevent the spread of the virus. The only problems the manufacturing industries encountered at this point involved issues relating to the procurement of raw materials and intermediate goods. Private consumption began to increase towards the end of the first half of the year after lockdown restrictions in the service and retail sectors in Germany were lifted, and this gave a boost to the economic recovery that was already under way. All in all, and as we had expected, gross domestic product increased in Germany over the first half of the year, and we continue to stand by our prediction of a strong recovery that we made in the 2020 forecast report.

Specific Industry Development²

Despite the emerging concerns regarding inflation, the major central banks on both sides of the Atlantic chose not to make any changes to their loose monetary policies during the reporting period, and the favourable financing conditions they are offering governments and companies are helping to drive an economic upturn in the aftermath of the previous year's massive downturn caused by the outbreak of the COVID-19 pandemic. The European Central Bank (ECB) kept the main refinancing rate at 0.00 per cent. The ECB is also continuing its €1,850 billion Pandemic Emergency Purchase Programme (PEPP) for bonds, which was launched in response to the pandemic and is scheduled to run until March 2022. In addition, the ECB continues to purchase eurozone bonds at a monthly price of €20 billion within the framework of its Asset Purchase Programme (APP), which was already launched before the COVID-19 outbreak. There are also no indications that the Federal Reserve (FED) in the United States plans to raise the benchmark

¹ Sources for macroeconomic underlying conditions: DIW, IfW

² Sources for real estate market data: Berlin Hyp Research, CBRE, EZB, Fairmas-Hotel-Report, ZIA/HDE.

rate from the current 0.00%-0.25% range. However, the FED did indicate in June for the first time that two interest rate increases of half of a per cent each might be implemented in 2023. The FED also plans to continue its bond purchases in the amount of \$120 billion per month for the time being.

Inflation has increased noticeably in both the USA and the eurozone recently. While the ECB now assumes that the inflation rate in the eurozone will increase to 1.9 per cent in 2021, the FED is forecasting inflation of 3.4 per cent for the United States. However, both central banks believe that this inflation is only a temporary phenomenon and therefore see no reason to raise interest rates at the moment. Expectations of increasing inflation have led to higher returns on the capital market since the beginning of 2021. For example, the yield on ten-year German federal bonds stood at minus 0.57 per cent at the end of 2020 but had risen to minus 0.21 per cent by the end of June 2021. Ten-year swaps even recorded a positive rate during the reporting period, increasing from minus 0.26 per cent at the end of 2020 to 0.1 per cent at the end of the first half of the year.

The economies in both the USA and Europe recovered noticeably in the first half of the year despite the continuation or reintroduction of COVID-19 restrictions at certain times during the reporting period, with the type and duration of lockdowns varying between different countries. In June, the ECB revised its 2021 eurozone GDP growth expectations upward from 4 per cent to 4.6 per cent. The FED is now forecasting growth of 7.5 per cent for the United States for full-year 2021. These positive developments also had an effect on the stock market, with the DAX closing the first half of the year at 15,531 points, a 13 per cent increase from the figure recorded at the end of 2020.

The ongoing low interest rate environment and the still unforeseeable long-term economic impact of the pandemic continue to pose major challenges for banking institutions. Furthermore, regulatory authorities continue to raise their requirements on banking supervision. This development is also increasingly having an impact on ESG-related activities. The measures that need to be taken in this context continue to tie up both human and monetary resources.

At €33.2 billion, the transaction volume of the German commercial real estate market – including commercially traded residential real estate – was in the first half of 2021 around 21 per cent below the previous year's figure of €41.8 billion. This decline was largely due to the third wave of the pandemic at the beginning of the year, which led to a lower transaction volume in the first quarter of 2021. Unlike the first half of 2020, which was marked by the onset of the pandemic in the second quarter and the resulting decline in transaction volume, the second quarter of 2021 saw a significant recovery of the German real estate investment market. Investor interest in core real estate in Germany was high, with this development due to the increasing progress made with the vaccination campaign, combined with a noticeably more upbeat sentiment in the German economy (according to an ifo Institute report).

In the first half of 2021, demand was highest for office real estate and commercially traded residential real estate. Despite all the discussions about the impact mobile work arrangements might have on demand for office space, investment volume in the office segment reached €10.8 billion at the end of the reporting period. Investors also focused once again on residential real estate as a low-risk property type barely affected by the pandemic. Investment volume in this segment amounted to €9.7 billion at the end of the first half of 2021. This was a good result given the general circumstances, but was nevertheless around 22 per cent lower than the figure of €12.5 billion recorded for the first half of 2020. At the same time, the merger of Adler Real Estate and Ado Properties (volume of €6 billion) that took place in the first half of 2020 distorts the comparison somewhat. With regard to the German residential investment market in particular, it remains the case that demand far exceeds the available supply. One of the main reasons for this high investor demand has to do with the extensive government support measures that were implemented in Germany – for example short-time work compensation and COVID-19 assistance packages. These measures cushioned the loss of income brought about by the pandemic and in this manner also helped ensure that tenants would be able to pay their rent. The unemployment rate in Germany also fell in the first half of 2021, and this too had a positive effect on rental payment security. The unemployment rate had risen moderately

to 6.4 per cent in June 2020; one year later, it had fallen to 5.9 per cent. By comparison, the unemployment rate in the “pre-crisis” year of 2019 remained steady at around 5 per cent.

With a transaction volume of €4.4 billion in the first half of 2021 (previous year: €3.8 billion), logistics properties have surpassed retail properties and now follow office and residential real estate as the third most popular investment segment. Demand in the logistics real estate segment is being driven by Germany’s solid economic fundamentals, the growth outlook for the country and the positive impact the pandemic has had on online retail sales.

Unlike the case with the office, residential and logistics segments, the COVID-19 pandemic has had a highly adverse effect on the transaction market for retail properties. Transaction volume in the retail segment amounted to €3.5 billion at the end of the second quarter – a decrease of around 49 per cent compared to the first half of 2020. In combination with the structural upheaval that was already under way in the department store and shopping centre sub-segment, the lockdown phases focused investor interest almost exclusively towards grocery-anchored retail properties such as supermarkets, discount stores and local shopping centres. Demand here is high and focused at the moment, but it cannot be met in the current supply situation. In the case of high-quality shopping centres in favourable locations, investors are now waiting for rents to increase, which is why transaction volume is at a low level at the moment.

The hotel investment market experienced negative development similar to that of the retail segment in the first half of the year: At approximately €1 billion, transaction volume decreased once again, by 16 per cent as compared to the figure recorded in the first half of 2020. The establishment of digital event formats brought about by the pandemic and the resulting decrease in hotel guests made hotel-segment investors cautious and hesitant, especially given the fact that business stays during trade fairs and exhibitions are an important source of income for hotels in cities. Nevertheless, transactions in the hotel segment in the first half of the year showed that new or planned high-quality properties in very favourable locations, and with operators with strong credit ratings, remain very fungible on the market.

Business Development

Despite the continuation of the pandemic and the challenging underlying conditions on the market (in particular the ongoing low interest rate phase), as well as increasing regulatory requirements and strong competition in commercial real estate financing, the Bank is satisfied with developments over the first half of 2021. In selecting its debtors, the Bank has remained true to its conservative risk strategy and continued to focus on financing sustainable real estate.

Berlin Hyp consistently continues to pursue its objective of becoming the most modern commercial real estate financier in Germany. The Bank continues to move ahead with its digitisation and innovation activities in order to digitise and partially automate its key business processes and make them data-driven. In addition, Berlin Hyp is actively involved in the digital real estate ecosystem and is testing new business models and additional product and service offerings for its customers with innovative companies and start-ups from the PropTech realm. As a strategic investor, Berlin Hyp participates in selected companies while also entering into strategic partnerships and cooperations.

The Bank currently holds three strategic investments and a further investment of no relevance to the core business. The strategic investments are “OnSite ImmoAgent GmbH” (a company founded by the Bank and supported by another strategic investor), the investment in the “PropTech1” venture capital fund and the investment in “21st Real Estate GmbH”.

Sustainability has been a central aspect of Berlin Hyp’s business approach for many years now and is therefore a firm component of the Bank’s corporate strategy and system of corporate values. The Bank’s strategic goal of becoming the most modern real estate financier in Germany also involves the achievement of specific sustainability objectives.

Berlin Hyp’s commitment to sustainability will focus on the following four objectives in future:

1. Sustainability in business operations
2. A sustainable business portfolio
3. ESG risk management
4. Transparency and ESG capabilities.

ESG targets are being integrated into Berlin

Hyp's business strategy as a core component, whereby the targets will be made known throughout the organisation via the Bank's target achievement system.

Berlin Hyp is supervised by the ECB, as it is an institution in the regulatory group of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG.

New contracted lending volume, including realised extensions (capital employed \geq 1 year), amounted to approximately €2.9 billion in the first half of 2021 (previous year: €2.5 billion). The Bank's proportionate performance in the first half of 2021 was therefore slightly above the level that was expected in the forecast report as at 31 December 2020.

The total volume of core business undertaken with the S-Group developed as planned and amounted to €1.1 billion in the first half of 2021 (previous year: €0.4 billion).

By means of its steadily expanding product portfolio for the German savings banks, Berlin Hyp succeeded in further expanding its networking within the Sparkassen-Finanzgruppe in the first half of 2021. This was made possible by the ImmoDigital platform for the digital processing of Berlin Hyp's investment offers for savings banks, as well as by the new ImmoNachrang product that was developed and launched in 2021. ImmoNachrang – the youngest member of Berlin Hyp's "Immo Product Family" – offers savings banks an additional alternative for cash investments alongside ImmoSchuldschein and ImmoGarant transactions. In the latter setup, Berlin Hyp enables its savings bank partners to participate in financing transactions as second-tier investors, but it always retains at least 51 per cent of the financing volume itself. This product is suitable for selected financing structures that have high loan-to-value ratios but which are characterised by intense conditional competition due to moderate loan-to-market-value ratios. ImmoNachrang offers savings banks the opportunity to generate profitable new business and at the same time achieve a significant outflow of liquidity. The product offers Berlin Hyp the opportunity to improve the performance of both the bank and its partners in a highly competitive field.

Earnings Situation

Berlin Hyp got off to a very good start in

2021 and achieved a higher-than-expected profit before profit transfer result of €30.0 million in the first half of the year (previous year: €5.7 million). This positive development was primarily due to the noticeable rise in net interest income and a lower need for risk provisioning. Berlin Hyp capitalised on the satisfactory overall earnings trend to further strengthen its capital reserve, adding €112.0 million (previous year: €20.0 million) to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB).

Net Interest and Commission Income Increased

Net interest and commission income increased significantly from €178.5 million to €233.8 million when compared to the previous year.

At €220.8 million, net interest income was €53.0 million higher than in the same period in the previous year. This increase, which was much higher than expected, was mainly due to higher interest income resulting from an increase in the average mortgage loans portfolio of €2.7 billion, as well as the reduced interest rates granted within the framework of ECB's targeted longer-term refinancing operations (TLTRO III). The additional interest rate reduction with a value of €46.5 million that was granted on the basis of the increase in allocable net lending was accrued at the end of the reporting period. Other one-off effects, including prepayment charges for unplanned repayments, were largely neutralised by compensatory measures, particularly the closing of interest rate swaps with negative market values.

Commission income amounted to €13.0 million. This increase of €2.3 million from the previous year was not expected and was mainly due to good new lending.

Operating Expenditure Slightly Higher

Operating expenditure comprises staff expenditure, other operating expenditure and amortisation on tangible assets and depreciation of intangible assets. Operating expenditure amounted to €94.3 million which, as expected, was slightly higher than the previous year's figure of €86.8 million.

Compared to the previous year, staff expenditure increased by €10.1 million to €45.2 million due to one-off effects included in pension

New lending with extensions



€ 2.9 billion

obligations.

Other operating expenditure amounted to €44.4 million and was thus €4.8 million above the previous year's comparable figure. This increase was in line with expectations given the significant increase in the European bank levy of €3.0 million and the increasing demands on information technology and data storage.

Depreciation of property, plant and equipment and amortisation of intangible assets decreased sharply by €7.4 million to €4.7 million. During the same period in the previous year, depreciation was negatively impacted by the significantly reduced remaining useful life of the existing building at Budapester Strasse 1 in connection with the planned new building at the Berlin headquarters.

Other Operating Result Stable

In line with expectations, the bank reported an other operating result figure of -€3.0 million, compared to €0.7 million in the previous year. This figure mainly includes the interest portions from the compounding of reserves.

Lower Need for Risk Provisioning Overall

In the first half of 2021, the Bank formed lending risk provisioning of €13.1 million (net; previous year: €55.4 million). This includes mainly provision reserves to compensate for possible lending risks arising from the COVID-19 pandemic.

Risk provisioning for securities mostly resulted from disposals. The net amount totalled €15.6 million (previous year: allocation of €10.0 million).

Positive Net Income from Investments

Net income from investments amounted to €3.2 million after €-1.1 million in the previous year.

Significant additions to the fund for general banking risks

The Bank has allocated a further €112.0 million (previous year: €20.0 million) to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) already in the first half of 2021. This fund now amounts to €600.0 million.

Increase in Profit Before Taxes

Despite the further increase in provision reserves, the Bank reported a higher-than-expected profit before taxes result of €30.0

million. This represents an increase of €24.3 million compared with the same period in the previous year.

Net Assets Position

Compared with the year-end of 2020, the balance sheet total increased by €2.0 billion to €35.4 billion.

The mortgage loans portfolio increased in the first half of 2021 to €25.4 billion (31 December 2020: €23.9 billion). Additions to new lending were offset to a lesser extent by planned and extraordinary outflows through early repayments.

As a result of further purchases, the portfolio of fixed-interest securities increased by €0.3 billion to €6.5 billion.

On the liabilities side, liabilities to banking institutions decreased by €0.3 billion to €9.2 billion. At €4.4 billion, liabilities to customers almost reached the level from the previous year (31 December 2020: €4.5 billion). As a result of new issues, the portfolio of securitised liabilities increased from €17.1 billion to €19.3 billion.

Equity

Berlin Hyp's reported balance sheet equity as at 30 June 2021 remains unchanged at €935.9 million. In addition, €600.0 million is available in the form of a special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) and €174.9 million of subordinated equity, which can be taken into consideration under regulatory law.

In relation to the risk items pursuant to the Solvency Regulation, the Tier 1 capital ratio was 13.9 per cent and the total equity ratio 16.1 per cent as at 30 June 2021 (13.4 per cent and 15.8 per cent, respectively, as determined as of 31 December 2020).

Despite the increase in RWA as a result of the expansion of new business, capital ratios rose due to the allocation to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) in the context of the interim financial statements as of 30 June 2021. There is sufficient scope in the capital ratios for planned new lending.

New Lending

New lending in the real estate financing

business, including realised extensions (capital employed ≥ 1 year), amounted to approximately €2.9 billion (previous year: €2.5 billion) in the first half of 2021. The intense competition among lenders remained in the market even under the COVID-19-related uncertainty and continued to put pressure on margins, especially in the context of good credit ratings and stable asset classes. Compared with the first half of 2020, the contracted new business margins were maintained at the previous year's level while the Bank's risk behaviour remained almost unchanged.

Of the new lending (excluding extensions), 71 per cent were attributed to properties located in Germany. 52 per cent of the properties were located in A cities and 19 per cent in B cities, as well as other locations in Germany. 29 per cent relate to the financing of properties located outside of Germany.

With a share of 85 per cent, the investor customer group accounted for most of the new lending, while a further 15 per cent was realised with developers and builders.

S-Group Business

The total volume of business undertaken together with the S-Group developed as planned and amounted to €1.1 billion in the first half of 2021 (previous year: €0.4 billion). As at 30 June 2021, Berlin Hyp is a partner of 161 German savings banks from all S-Group regions (previous year: 153 savings banks).

Financial Position

At €46.3 billion, issue volume on the covered bond market was significantly lower than in the previous year. Once again, this was due to the more favourable borrowing conditions offered by the ECB's targeted longer-term refinancing operations (TLTRO III). The low volume of new issues initially led to a further narrowing of the risk premiums. In March 2021, issuers were once again able to obtain spreads in the primary market that were lower than mid-swaps for the first time since the onset of the pandemic. However, at around the same time the European Union issued its first bond within the framework of its NextGenerationEU programme, a countermovement arose that resulted in positive risk premiums for issues once again.

There was no such countermovement in the segments for uncovered bank bonds during the reporting period. Following the sharp narrow-

ing in the second half of 2020, the spreads for both senior preferred and senior non-preferred bonds entered a sideways drift. As at the reporting date, many issuers had refinanced with uncovered bonds at a similar or even more favourable level than was the case at the onset of the pandemic.

Berlin Hyp had access to the market at all times.

In the first half of 2021, the Bank issued €3,123 million in debt instruments, of which €2,119 million were covered bonds and €1,004 million were unsecured bonds. Berlin Hyp appeared on the capital market with syndicated bonds five times. Two issues were particularly noteworthy here. In April, Berlin Hyp became the first banking institution to issue a Sustainability-Linked Bond. Unlike the case with Green Bonds, the proceeds from a Sustainability-Linked Bond are used for corporate refinancing in general and not for refinancing specific predefined projects. The structural characteristics of the bond are based on the achievement of one or more strategic ESG goals. In the case of Berlin Hyp, the interest rate in the last year of the term will increase by 25 basis points if the bank is not able to reduce the CO₂ intensity of its loan portfolio by 40 per cent (between 2020 and 2030). The bond, which has a volume of €500 million, was issued in a senior preferred format at a re-offer spread of mid-swap +35 basis points and has a yield of 0.411 per cent. The Bank's final order book shows 73 investors from 13 countries. A total of 55 per cent of the issue was placed with asset managers and 32 per cent with banks. A total of 71 per cent of investors were from Germany; the next biggest group of investors (10 per cent) was from Asia. In mid-May, the Bank issued a Pfandbrief with a term of 12 years, which is the longest term for such a bond to date. This Pfandbrief has a volume of €750 million and offers an interest coupon of 0.25 per cent. The re-offer yield amounted to 0.262 per cent at a final spread of mid-swap -2 basis points. The majority of this issue (62 per cent) went to investors from Germany. Orders were received from 11 different countries. The Bank also launched two additional mortgage Pfandbrief benchmark issues, each with a volume of €500 million. One of these was the Bank's seventh Green Pfandbrief to date. In February, Berlin Hyp ventured into the Swiss capital market for the second time, after having made its debut on this market in August 2020. This latest issue was a green senior preferred bond with a volume of CHF 125 million.

Additional refinancing funds of €758 million were raised in the course of the first half of the year at attractive conditions via private placements. Covered issues accounted for €369 million of this amount, uncovered issues for €389 million.

As of the reporting date, Moody's continued to rate Berlin Hyp's mortgage Pfandbriefe Aaa with a stable outlook, while the senior preferred and senior non-preferred ratings remained Aa2 (with a stable outlook) and A2, respectively. Immediately after the reporting date, on 2 July 2021, Fitch rescinded the negative outlook for Berlin Hyp's senior preferred and senior non-preferred ratings that had been in effect since March 2020. The outlook for the unchanged AA- and A+ ratings is now stable.

Financial and Non-Financial Performance Indicators

Financial Performance Indicators

Berlin Hyp has defined the following financial performance indicators to manage its business activities:

- Transfer of profit to Landesbank Berlin Holding AG
- Net interest and commission income
- Cost-income ratio: ratio of operating expenditure to net interest and commission income, plus other operating income
- Return on equity: ratio of profit before income tax and profit transfer, plus the change in the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) and the average balance sheet equity including the special item for general banking risks



for mortgage Pfandbriefe and public Pfandbriefe of Berlin Hyp

Refinancing funds ¹	Portfolio without pro rata interest 31.12.2020	New issues ² 01.01.– 30.06.2021		Maturities ³ 01.01.– 30.06.2021	Portfolio without pro rata interest 30.06.2021
	€ m	€ m	%	€ m	€ m
Mortgage Pfandbriefe	10,435.8	2,025.0	67.4	500.0	11,960.8
Public Pfandbriefe	20.0	–	–	20.0	–
Other bearer bonds, non-preferred	3,130.0	100.0	3.3	110.0	3,120.0
Other bearer bonds, preferred	2,396.5	775.0	25.8	–	3,171.5
Registered mortgage Pfandbriefe	1,607.4	94.1	3.1	89.0	1,612.5
Registered public Pfandbriefe	240.0	–	–	5.0	235.0
Schuldschein, non-preferred	410.3	–	–	154.1	256.2
Schuldschein, preferred	100.8	10.0	0.3	–	110.8
Registered bonds, non-preferred	1,319.5	4.5	0.1	108.1	1,215.9
Registered bonds, preferred	143.4	–	–	5.0	138.4
Subordinated bearer bonds	–	–	–	–	–
Subordinated Schuldscheine	119.5	–	–	–	119.5
Subordinated registered bonds	108.0	–	–	–	108.0
Total	20,031.2	3,008.6	100.0	991.2	22,048.6

¹ Zero balances.

² New issues in 2021 incl. capitalisation at zeros.

³ Maturities and early repayments incl. terminations.

pursuant to Section 340g of the German Commercial Code (HGB)

- Common equity Tier 1 ratio: ratio of Common equity tier 1 capital allocable under regulatory requirements to the total risk-weighted assets
- New lending volume

The Bank's management also relies on other financial performance indicators, for example, the Liquidity Coverage Ratio (LCR) and the Leverage Ratio, both of which will become more important in the future.

At €30.0 million, profit before profit transfer was significantly higher than the previous year's figure of €5.7 million. It was also above last year's forecast of a profit before profit transfer result for full-year 2021 that would be slightly lower than the figure recorded in 2020. Given the addition to the €112.0 million in funds for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) (previous year: €20.0 million), this result is that much better, even if the one-off effects explained in the Earnings Situation section are taken into account.

Net interest and commission income rose by €55.3 million to €233.8 million when compared to the previous year, thus also exceeding our expectations when viewed from a pro rata perspective. The main reasons for the increase in net interest income were the growth in the average mortgage loans portfolio and the reduced interests rates granted within the framework of the ECB's targeted longer-term refinancing operations (TLTRO III).

The one-off effects that played a role in the increase in net interest income also had a major positive impact on the cost-income ratio, which declined significantly compared with the year-end figure for 2020 – from 52.3 per cent to 40.9 per cent. If the one-off interest rate reduction with a value of €46.5 million from TLTRO III were to be excluded, the adjusted cost-income ratio figure would still only be 51.2 per cent. Planning assumed a noticeable increase for the year as a whole.

The return on equity also increased significantly due to the positive development of profit before profit transfer and the higher allocations to the special item pursuant to Section 340g of the German Commercial Code (HGB). Return on equity was 19.5 per cent as

at the reporting date (31 December 2020: 6.8 per cent). Our forecast figure was exceeded due to the higher-than-planned allocation to the special item for general banking risks.

As at 30 June 2021, the common equity Tier 1 ratio was at 13.9 per cent (31 December 2020: 13.4 per cent as determined). We have thus exceeded our internal target for 2021.

Berlin Hyp's new lending volume (including long-term extensions) came to €2.9 billion in the first half of 2021, which was above the level of the first six months of 2020 (previous year: €2.5 billion) and thus also higher than expected, despite the market situation shaped by the pandemic.

Non-Financial Performance Indicators

Berlin Hyp has defined the following most important non-financial performance indicators to manage its business activities:

- Acquisition of new customers: the Bank defines all new business partners that cannot be assigned to any group of clustered customers in the portfolio as new customers. The key figure "Acquisition of new customers" describes the share of lending concluded with new customers in new lending.
- S-Group Business: volume of business conducted with S-Group partners and the number of active business relationships within the Sparkassen-Finanzgruppe.

In the first half of 2021, the share of business concluded with new customers was 28 per cent. This share was thus above the target of 20 per cent.

The total volume of business undertaken together with the S-Group amounted to €1,111 million (previous year: €436 million). Of this total, €530 million was attributable to the joint syndicate business with German savings banks, €427 million to ImmoAval transactions and €154 million to the new ImmoNachrang product that was developed and launched in 2021.

Within the scope of capital market business, 13 German savings banks participated with €127 million and S-Group companies with €140 million in three syndicated Pfandbrief issues of Berlin Hyp. A total of seven savings banks participated with €52 million and S-Group companies with €31 million in the only euro-denominated syndicated senior preferred bond issue. Furthermore, German savings banks

invested €330 million in refinancing products of the Bank via private placements.

Overall, Berlin Hyp was able to further expand its level of networking within the S-Finanzgruppe and welcome eight new business partners in the first half of 2021. Thus, Berlin Hyp is partner of 161 German savings banks from all S-Group regions as of 30 June 2021 (previous year: 153 savings banks).

We expect positive developments to continue in the current financial year and we anticipate a moderate increase in S-Group business as compared to the previous year.

In its corporate management processes, Berlin Hyp's management takes further non-financial performance indicators such as headcount measured in FTEs (full time equivalents) into consideration. As at 30 June 2021, the headcount was 561 FTEs (31 December 2020: 552 FTEs). The new future-oriented organisational structure has been implemented in other departments and units at Berlin Hyp in a process that also included the utilisation of training and qualification measures. The results of the ESG project for the implementation of regulatory requirements reveal a general need for additional staff in certain units and departments at the Bank at the moment, as well as a need for training throughout the organisation. These needs will be specified in more detail in the second half of the year, at which time the implementation of corresponding measures will also begin.

In line with the sustainability agenda published in 2020, green bonds are now being used as an additional performance indicator in the controlling process – along with green financing (measured as the share of green properties in the loans portfolio), the CO₂ emissions resulting from the loans portfolio, the degree of transparency with regard to information provided on the energy efficiency of financed properties, and the Bank's sustainability rating. In addition, an integral component of the Bank's corporate strategy is to ensure that the strategic goals of Berlin Hyp are also supported in particular by the development and promotion of sustainable products (such as green building financing and green bonds), by the comprehensive sustainability and environmental management system that has been established, and by the fostering of

social responsibility among employees. These strategic goals will also be defined in more detail in the Bank's future ESG targets.

Detailed reporting on the strategy, objectives, fields of action and sustainability measures were provided in June 2021 in the 2020 Sustainability Report published in accordance with the standards of the Global Reporting Initiative (GRI).

Opportunities, Forecast and Risk Report

Opportunities and Forecast Report

The forecast report should be read together with the other chapters of this management report. The forecasts presented are forward-looking statements that are based on the knowledge that was available, and the assumptions regarding future events that were made, at the time the report was produced. Many of these events are subject to factors that are beyond the control and influence of Berlin Hyp.

In particular, the concrete effects of the COVID-19 pandemic on the economy, individual markets and sectors cannot be conclusively assessed as yet. Given the situation, the forecasts presented below are highly uncertain.

Assumptions Relating to Macroeconomic Development³

With regard to the estimates and assessments of general economic developments for 2021 that we presented in last year's forecast report, we do not see any need to make significant changes in terms of risks and opportunities and we also do not believe there will be any major positive or negative deviations from the anticipated developments.

The global economy continued to recover in the first half of 2021, although the pace of growth was somewhat slower than expected during this period. Nevertheless, we can expect to see substantial growth in the second half of the year. Such an upturn is indicated by the increasing progress being made with vaccination campaigns in most industrialised countries, the high likelihood that vaccines will become more widely available in the emerging markets and the stabilisation of supply chains for raw materials and intermediate goods for manufacturing industries. The latter development will also likely stabilise prices again following the price increases brought about by temporary shortages, and this should also slow down inflation somewhat.

A wide range of fiscal policy measures at the national level that have been implemented in the eurozone have been extended until well into 2021, and even completely relaunched in some cases. Further fiscal policy momentum will be generated through the EU's Recovery and Resilience Facility regulation. Monetary policy will also likely remain highly expansionary until at least the end of the year.

The above-mentioned favourable factors apply to Germany as well. For example, Germany as a manufacturing nation will particularly benefit from the normalisation of supply chains for raw materials and intermediate goods. Order volumes in the manufacturing sector are already significantly higher than pre-pandemic levels. The economy is also getting a major boost from fiscal and monetary policies and the possible lifting of certain remaining restrictive measures as a result of the progress made with vaccinations and the generally lower infection rates at the moment. The revitalisation of the service sector will further accelerate the expected growth in GDP by triggering an increase in consumer spending. This will also noticeably improve the situation on the labour market.

Nevertheless, temporary slowdowns can also be expected to occur throughout the rest of the year as a result of infection-rate spikes, including those caused by mutations. Depending on their scope and extent, such spikes or new waves of infections could pose the biggest risks. At the same time, opportunities could arise if such spikes can be brought under control or their effects mitigated more rapidly than in the past as a result of ongoing vaccinations and further adjustments in the workplace and the retail sector. This would allow for less restrictive lockdown policies that could also be lifted more quickly, which in turn would have a positive effect on economic development.

Along with the recent increase in the risk of inflation, there still remains the risk of a major wave of corporate and private bankruptcies if restrictions lead to even greater economic damage than has previously been the case.

³ Sources for assumptions about macroeconomic and sector-related underlying conditions: Federal Ministry for Economic Affairs and Energy (BMWi), ECB, CBRE, Colliers, German Institute for Economic Research (IDW), Kiel Institute for the World Economy (IfW).

Assumptions Relating to Industry Development

The monetary policy of the most important central banks will remain expansive for the foreseeable future, resulting in continued low and negative interest rates. Depending on how the economic recovery progresses, certain quantitative easing measures in the eurozone that have already been scheduled could be terminated from the beginning of 2022.

Due to the negative effects of the third wave of the pandemic in the first quarter of 2021, transaction volume in the first half of 2021 did not meet expectations. Nevertheless, as vaccinations continued and restrictions were gradually eased, the real estate investment market began to show signs of recovery in the second quarter of the year. A further increase in transaction volume appears realistic given the current easing of restrictions and the positive full-year forecasts released by the German government in the spring, which anticipate growth of 3.5 per cent in 2021 and 3.6 per cent in 2022. The European Central Bank's continued low interest rate policy will likely support this positive development. With regard to the commercial real estate market, the recovery of the German economy, higher consumer spending and the deal pipeline all indicate that the transaction volume mark of around €80 billion can once again be reached or even exceeded in full-year 2021.

Other underlying conditions and, above all, competition in the real estate financing market pose challenges for the industry. The expansionary monetary policy and the low-interest phase remain unchanged. Margin pressure also remains noticeable.

In the 2020 Annual Report, we predicted a significantly reduced volume of new lending for 2021. Contracted new lending as at 30 June 2021, including long-term extensions, amounted to €2.9 billion. Due to the anticipated positive developments on the markets, we expect the volume of new lending in 2021 as a whole to be close to the figure recorded in 2020, and in any case higher than the forecast.

Despite the persistently low and flat yield curve, net interest income in the first half of the year was significantly higher than during the same period in the previous year and also above target. In addition to the higher interest

income resulting from the increase in the average mortgage loans portfolio, the reduced interests rates granted within the framework of the TLTRO III transactions had a positive effect here. Net interest income is also expected to significantly exceed previous expectations as the year progresses.

With net earnings of €2.5 million resulting mainly from the disposal of securities, the net risk provisioning balance for the first half of the year exceeded expectations. In order to compensate for possible lending risks arising from the COVID-19 pandemic, a total of €65.4 million had been added to risk provisioning in the previous year, in particular through higher allocations to provision reserves, which were then increased once again in the first half of 2021. No lending risks have materialised to date, so we expect the need for risk provisioning to be lower than planned for the rest of the year. At the same time, the COVID-19 pandemic may lead to volatility in terms of market development and the debt service capacity of borrowers.

Additional stricter regulatory requirements, such as Basel IV provisions and capital/output floors, are planned in the coming years, and these will also have negative effect on Berlin Hyp. The Bank has therefore further strengthened its equity base by a higher-than-expected addition of €112.0 million to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (previous year: €20.0 million). The common equity tier 1 capital ratio (CET 1) was 13.9 per cent as at 30 June 2021.

The continuous development of its "Immo" product range for German savings banks enabled Berlin Hyp to continue its joint financing business with savings banks even under the influence of the COVID-19 pandemic and to increase its level of networking within the S-Finanzgruppe as at 30 June 2021. The development of the S-Group business is supported by customer-centric sales structures and the Bank's presence in Germany's core regions.

Berlin Hyp also continued to pursue its goal of remaining a value-creating member for the S-Finanzgruppe by launching the ImmoDigital investment platform for the savings banks in September 2020. As at 30 June 2021, a total of 47 German savings banks were participating

in ImmoDigital. A total of six transactions with a total volume of €668 million have now either been executed via the platform, which was initially developed for ImmoAval transactions only, or else are currently in the marketing phase. Due to this positive response, Berlin Hyp has decided to begin investing in the further development of the ImmoDigital platform this year. The new release will make the entire “Immo” product range available to the savings banks via the ImmoDigital platform from 2022 on. As a result, the simplification of operations and transactions brought about by digitisation will be rapidly expanded to the entire product range offered by the S-Finanzgruppe.

In the first half of 2021 as well, the Bank continued to systematically pursue its goal of becoming the most modern real estate financier in Germany. For example, the Bank is consistently moving ahead with major projects within the context of the <next dimension berlin hyp> future-oriented process. One important focus here involves the objective of providing a complete digital platform, from initial customer contact to external reporting, within the framework of the implementation of the Bank's IT strategy. SAP HANA and highly standardised applications play a key role here. These are being used to further digitise core processes at the Bank in order to introduce process optimisations that will make Berlin Hyp even more successful in its business with customers.

The stable shareholder background remains a solid basis for Berlin Hyp to continue its successful business activities. With its ever more extensive integration into the Sparkassen-Finanzgruppe and its experienced and motivated workforce, Berlin Hyp remains well positioned for the future in an increasingly challenging environment. The measures introduced to optimise the Bank's HR tools, and the resulting optimisation of the allocation of human resources, are designed to foster the skills of each individual staff member.

The framework conditions for the overall economy, the industry and thus for Berlin Hyp as well remain very challenging, despite the more relaxed situation regarding the pandemic at the moment.

Within this context, the generally stiff competition in real estate financing, the

continued low interest phase and the volatile capital and financial market environment as well as the need to strengthen equity capital and additional regulatory requirements continue to present challenges.

Even taking into account the recessionary economic development triggered by the COVID-19 pandemic, the inability to completely predict developments on the real estate market and the possibility of recurring upheavals on the capital markets, Berlin Hyp expects that the positive development of business with its customers will continue in 2021.

Berlin Hyp therefore assumes that profit before profit transfer in 2021 will be significantly higher than in 2020 and will also be above the expectations described in last year's forecast report. We therefore also expect return on equity to increase as compared to the previous year.

Risk Report

Für eine detaillierte Darstellung der For details on risk policy, models applied in the assessment of significant opportunities and risks, as well as the Bank's anticipated future development, please refer to the information provided in the Risk Report of the Management Report 2020.

Berlin Hyp's risk management system comprises an extensive range of tools to deal with risks the Bank enters into and to assess the economic and regulatory (normative) risk-bearing capacity within the framework of the strategy defined by the Bank's Board of Management. The objective of risk management is to maintain the risk-bearing capacity and compliance with specified minimum ratios through the limitation of economic risks and by establishing upper limits for tied capital.

In the context of a risk inventory carried out at least once a year, the Bank has classified the following risk types as material: counterparty default risks (including country risks), market price risks, operational risks and liquidity risks. All risk limits were complied with in the first half of 2021. The Bank's risk-bearing capacity was verified in the first half of 2021, both according to regulatory and normative perspectives. Furthermore, all regulatory requirements were complied with.

The Bank's current liquidity situation is analysed within the scope of the liquidity management system on the basis of a liquidity progress analysis. In addition, the short-term liquidity situation for up to 30 days is controlled and monitored daily (procurement risk). With regard to liquidity risk, all economic and regulatory limits were also complied with in the first half of 2021. At no time was the solvency of the Bank endangered.

Since the beginning of the COVID-19 crisis, the Bank's operational stability has been safeguarded at all times. As in many other banks, the Bank's operations were largely shifted to mobile workstations outside the offices. This did not result in any restrictions in the operational business. In addition, the Bank has laid down regulations for the protection of employees on the basis of the guidelines of the Federal Ministry of Labour and Social Affairs. All employees are regularly made of aware and informed about the current regulations. Berlin Hyp has offered vaccinations to all of its employees.

In the first half of 2021, the Bank continued the analysis of the loans portfolio that it had begun in the previous year in order to quickly assess the potential impact of the pandemic on the loans portfolio. The analysis of approximately 200 individual exposures includes short and long-term scenario calculations and customer surveys for selected exposures. As a result of in-depth bottom-up and top-down analyses, individual asset classes in the portfolio are more strongly affected by the pandemic than others, including above all department stores and shopping centres of the Retail segment as well as properties of the Hotel segment. Nevertheless, it remains the case that no significant effects on the portfolio have materialised to date. In the first half of 2021, there were no COVID-19-related loan defaults in the Bank's portfolio. The analyses also show that so far no particular risks have been identified in the Bank's individual exposures. The Bank has initiated measures to enable identifying potential deteriorations in the creditworthiness of individual exposures at an early stage. The analysis of the loans portfolio was supplemented by COVID-19-specific stress tests, which examined the possible effects of adverse developments.

Condensed Balance Sheet

as at 30 June 2021

Assets	30.06.2021 € m	31.12.2020 € m	Change € m	Change %
Cash reserves	2,314	1,894	420	22,2
Claims against banking institutions	89	112	-23	-20,5
Mortgage loans	0	0	0	-
Public-sector loans	0	0	0	-
Other receivables	89	112	-23	-20,5
Claims against customers	25,961	24,383	1,578	6,5
Mortgage loans	25,410	23,864	1,546	6,5
Public-sector loans	414	418	-4	-1,0
Other receivables	137	101	36	35,6
Debentures	6,527	6,223	304	4,9
Participations	3	3	0	0,0
Shares in affiliated enterprises	0	0	0	-
Intangible investment assets	38	37	1	2,7
Tangible assets	44	43	1	2,3
Other assets	319	624	-305	-48,9
Prepaid expenses	96	104	-8	-7,7
Total assets	35,391	33,423	1,968	5,9

Liabilities	30.06.2021 € m	31.12.2020 € m	Change € m	Change %
Liabilities to banking institutions	9,185	9,458	-273	-2.9
Registered Mortgage Pfandbriefe	205	125	80	64.0
Registered Public Pfandbriefe	24	9	15	-
Other liabilities	8,956	9,324	-368	-3.9
Liabilities to customers	4,403	4,476	-73	-1.6
Registered Mortgage Pfandbriefe	1,431	1,506	-75	-5.0
Registered Public Pfandbriefe	215	238	-23	-9.7
Other liabilities	2,757	2,732	25	0.9
Securitised liabilities	19,347	17,081	2,266	13.3
Registered Mortgage Pfandbriefe	11,971	10,453	1,518	14.5
Registered Public Pfandbriefe	0	21	-21	-
Other liabilities	7,376	6,607	769	11.6
Other liabilities	291	361	-70	-19.4
Deferred income	122	114	8	7.0
Reserves	276	276	0	0.0
Subordinated liabilities	231	233	-2	-0.9
Fund for general bank risks	600	488	112	23.0
Equity	936	936	0	0.0
Total liabilities	35,391	33,423	1,968	5.9
Contingent liabilities				
Liabilities from guarantees and warranty contracts	234	184	50	27.2
Other obligations				
Irrevocable loan commitments	2,479	3,006	-527	-17.5

Condensed Profit and Loss Account

from 1 January to 30 June 2021

	01.01.2021 – 30.06.2021 € m	01.01.2020 – 30.06.2020 € m	Change € m	Change %
Net interest income	220.8	167.8	53.0	31.6
Net commission income	13.0	10.7	2.3	21.5
Operating expenditure	94.3	86.8	7.5	8.6
Staff expenditure	45.2	35.1	10.1	28.8
Other operating expenditure	44.4	39.6	4.8	12.1
<i>Of which expenditure for bank levy</i>	<i>16.4</i>	<i>13.4</i>	<i>3.0</i>	<i>22.4</i>
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	4.7	12.1	-7.4	-61.2
Other operating earnings / expenditure	-3.0	0.7	-3.7	-
Operating result before risk provisioning	136.5	92.4	44.1	47.7
Risk provisioning	-2.5	65.4	-67.9	-
Operating result after risk provisioning	139.0	27.0	112.0	-
Financial investment result	3.2	-1.1	4.3	-
Contribution to the fund for general bank risks	112.0	20.0	92.0	-
Other taxes	0.1	0.1	0.0	0.0
Profit before income tax and profit transfer	30.1	5.8	24.3	-
Income tax	0.1	0.1	0.0	0.0
Expenditure from profit transfer	30.0	5.7	24.3	-
Net income	0.0	0.0	0.0	-

Statement of Changes in Equity

as at 30 June 2021

€ m	Subscribed capital	Capital reserve	Profit reserves	Balance sheet profit	Total equity capital
As at 01.01.2021	753.4	158.3	24.2	0.0	935.9
Capital increases	0.0	0.0	0.0	0.0	0.0
Dividend payments	0.0	0.0	0.0	0.0	0.0
Other changes pursuant to Section 152 (3) No. 1 German Stock Corporation Act (AktG)	0.0	0.0	0.0	0.0	0.0
As at 30.06.2021	753.4	158.3	24.2	0.0	935.9

€ m	Subscribed capital	Capital reserve	Profit reserves	Balance sheet profit	Total equity capital
As at 01.01.2021	753.4	158.3	24.2	0.0	935.9
Capital increases	0.0	0.0	0.0	0.0	0.0
Dividend payments	0.0	0.0	0.0	0.0	0.0
Other changes pursuant to Section 152 (3) No. 1 German Stock Corporation Act (AktG)	0.0	0.0	0.0	0.0	0.0
As at 30.06.2021	753.4	158.3	24.2	0.0	935.9

General Information

The Interim Financial Report of Berlin Hyp was prepared according to the provisions of the German Commercial Code (HGB), provisions of supplementary stock corporation law (AktG) and in consideration of the German Securities Trading Act (WpHG), the German Pfandbrief Act (PfandBG) and the Regulation on the Accounts of Banking Institutions (RechKredV).

The balance sheet and profit and loss account are structured in accordance with the RechKredV. They were supplemented by the items prescribed for Pfandbrief banks.

Berlin Hyp holds shares in a subsidiary and four investments that have no material influence on the representation of the financial, assets and earnings situation of Berlin Hyp either individually or as a whole. Berlin Hyp has no legal obligation to produce consolidated annual accounts according to Section 290 of the German Commercial Code (HGB).

Reporting and Valuation Principles

The reporting and valuation methods used for the preparation of the annual financial statements as at 31 December 2020 have been applied essentially without change in the preparation of the condensed interim financial statements. Any amendments which have arisen are explained below. No audit or audit review of the 2021 interim financial statements was conducted.

Berlin Hyp is a subsidiary of Landesbank Berlin Holding AG, Berlin, and is included in the consolidated annual accounts of Erwerbsgesellschaft der S-Finanzgruppe mbH & Co.KG, Neuhardenberg, (Erwerbsgesellschaft) (smallest and largest consolidation group as defined in Section 285 Nos. 14 and 14a of the German Commercial Code (HGB)). Berlin Hyp and Landesbank Berlin Holding AG have a profit and loss transfer agreement and constitute a tax unity for sales and income tax purposes.

Notes to the Condensed Profit and Loss Account

Net interest income	01.01.2021 – 30.06.2021 € m	01.01.2020 – 30.06.2020 € m	Change € m	Change %
Interest income from				
mortgage loans	209.1	201.9	7.2	3.6
Public-sector loans	–0.9	0.0	–0.9	–
Other receivables	1.6	0.7	0.9	–
<i>less negative interest</i>	–7.6	–2.7	–4.9	–
Money market transactions	–0.6	0.0	–0.6	–
Fixed-income securities and book-entry securities	–6.6	–2.5	–4.1	–
	195.0	197.4	–2.4	–1.2
Interest expenditure for				
Deposits and registered Pfandbriefe	–2.4	0.8	–3.2	–
<i>less negative interest</i>	–70.3	–8.0	–62.3	–
Securitised liabilities	–12.3	–11.3	–1.0	8.8
Subordinated liabilities	1.7	2.3	–0.6	–26.1
Other liabilities	57.5	45.8	11.7	25.5
	–25.8	29.6	–55.4	–
Net interest income	220.8	167.8	53.0	31.6

The interest expenditures from other liabilities are essentially influenced by the negative interest result from macro-level management derivatives in the amount of €57.5 million (previous year: €45.8 million); this includes expenses for close-outs to compensate for the early-repayment fees received in interest income from mortgage loans. Interest gains from balance sheet transactions generated by Berlin Hyp in the first half of 2021

resulting from the current negative-interest environment are included in interest income of €7.6 million (previous year: €2.7 million) and interest expenditure of €70.3 million (previous year: €8.0 million). The increase in the negative interest rates that are included in interest expenditure is based on the reduced interest rates granted within the framework of the ECB's targeted longer-term refinancing operations (TLTRO III).

Operating expenditure	01.01.2021 – 30.06.2021 € m	01.01.2020 – 30.06.2020 € m	Change € m	Change %
Staff expenditure				
Wages and salaries	29.7	27.8	1.9	6.8
Social security contributions / retirement pensions	15.5	7.3	8.2	–
	45.2	35.1	10.1	28.8
Other operating expenditure				
Bank levy	16.4	13.4	3.0	22.4
Staff-related material costs	0.8	1.0	–0.2	–20.0
Building and premises costs	2.3	2.8	–0.5	–17.9
Operating and business equipment	0.5	0.5	0.0	0.0
IT expenditure	11.7	9.3	2.4	25.8
Advertising and marketing	0.8	0.7	0.1	14.3
Business operation costs	1.0	1.6	–0.6	–37.5
Consultants / audits / subscriptions	7.6	7.3	0.3	4.1
Group payment set-off	3.3	3.0	0.3	10.0
	44.4	39.6	4.8	12.1
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	4.7	12.1	–7.4	–61.2
Operating expenditure	94.3	86.8	7.5	8.6
Risk provisioning				
Risk provisioning for lending business	13.1	55.4	–42.3	–76.4
Securities results	–15.6	10.0	–25.6	–
Risk provisioning	–2.5	65.4	–67.9	–

Notes to the Balance Sheet

Securities with a nominal volume of €80.0 million are evaluated as fixed assets since they do not serve as a liquidity reserve and are partially used to cover Pfandbriefe issued by the Bank. The

book value of the securities, which stands above their market value of €79.5 million, amounts to €80.0 million. This takes into account the valuation results from interest swaps.

Claims from and Liabilities to Affiliated Enterprises and Related Companies

	30.06.2021 €m	31.12.2020 €m	Veränderung €m	Veränderung %
Claims against banking institutions	0.2	4.2	-4.0	-95.2
Claims against customers	31.4	32.2	-0.8	-2.5
Other assets	0.1	0.0	0.1	-
Liabilities to banking institutions	0.0	0.0	0.0	-
Liabilities to customers	0.5	0.5	0.0	0.0
Securitised liabilities	0.0	0.0	0.0	-
Other liabilities	34.1	23.4	10.7	45.7
Subordinated liabilities	0.0	0.0	0.0	-

**Derivatives
as at 30.06.2021
in €m**

	Nominal amount / Remaining term			Total Nomi- nal	Total negative market values	Total positive market values	Total of negative book values (liabilities)	Balance sheet items (liabilities)	Total of positive book values (assets)	Balance sheet items (assets)
	up to 1 year	from 1 to 5 years	5 years							
Interest-related transactions										
Interest rate swaps	2,731	19,584	20,660	42,975	-827	979	-56	P6	48	A15
<i>of which in valuation units</i>	205	1,889	2,463	4,558	-104	12	0		0	
FRA sales	0	0	0	0	0	0	0		0	
Swaptions	2,471	19	200	2,690	-4	4	-5	P5	5	A14
Securities future	0	0	0	0	0	0	0		0	
Caps	362	2,796	203	3,361	-6	0	-4	P6	2	A15
Floors	0	3,942	127	4,069	-8	1	-4	P6	0	A15
	5,564	26,341	21,190	53,095	-845	984	-69		55	
Currency-related transactions:										
Forward exchange dealings	524	0	0	524	0	5	0	A14	6	A14
Interest and currency swaps	0	67	228	295	-2	0	-2	A14	0	A14
	524	67	228	819	-2	5	-2		6	
Total	6,088	26,408	21,418	53,914	-847	989	-71		61	

Derivatives
 as at 30.06.2020
 in €m

	Nominalbetrag/ Restlaufzeit			Total Nomi- nal	Total negative market values	Total positive market values	Total of negative book values (liabilities)	Balance sheet items (liabilities)	Total of positive book values (assets)	Balance sheet items (assets)
	up to 1 year	from 1 to 5 years	5 years							
Interest-related transactions										
Interest rate swaps	5,080	25,297	25,408	55,785	-1,578	1,650	-71	P6	64	A15
<i>of which in valuation units</i>	120	1,626	2,976	4,722	-288	0	0		0	
FRA sales	0	0	0	0	0	0	0		0	
Swaptions	1,075	1,000	200	2,275	-6	4	-6	P5	9	A14
Securities future	30	0	0	30	-53	0	0		0	
Caps	287	2,003	115	2,405	-1	0	-4	P6	3	A15
Floors	2,000	3,642	177	5,819	-14	2	-4	P6	0	A15
	8,472	31,942	25,900	66,314	-1,652	1,656	-85		76	
Currency-related transactions:										
Forward exchange dealings	139	0	0	139	0	1	0	A14	1	A14
Interest and currency swaps	132	67	0	199	0	23	0	A14	23	A14
	271	67	0	338	0	24	0		24	
Total	8,743	32,009	25,900	66,652	-1,652	1,680	-85		100	

Completed business transactions largely serve to hedge interest and exchange rate risks of financial underlying transactions. The market values of the derivative financial instruments are shown on the basis of the interest rate applicable on 30 June 2021 without taking into account interest accruals. The market values of the derivatives are counteracted by the valuation advantages of the balance sheet operations not assessed at market price. All

derivatives – with the exception of customer derivatives and transactions with Landesbank Berlin – are hedged using collateral agreements. No collateral agreements are used in transactions with Landesbank Berlin due to the group affiliation. In the case of customer derivatives, land charges pledged in relation to the underlying loans also apply as collateral for the derivative transaction.

Human Resource Statistics

 Number of Staff
 Average

	01.01.– 30.06.2021			01.01.– 30.06.2020		
	Male	Female	Total	Male	Female	Total
Full-time staff	276	182	458	279	174	453
Part-time staff	30	108	138	20	127	147
School-leaver trainees / BA students	2	2	4	5	0	5
Total	308	292	600	304	301	605

Information pursuant to Section 28 of the German Pfandbrief Act (Pfandbriefgesetz)

Information to be published on a quarterly basis in accordance with Section 28 of the Pfandbrief Act is published on the Bank's website at www.berlinhyp.de.



Sascha Klaus



Maria Teresa Dreio-Tempsch



Alexander Stuwe

Berlin, July 2021

Statement of the Legal Representatives

“To the best of our knowledge we give the assurance that, in accordance with the accounting principles applicable to an interim report, the Bank’s Interim Financial Statements accurately illustrate the Bank’s actual circumstances with regard to its net assets, financial and earnings situation and that the course of business, including the results and the Bank’s position, are shown in the Bank’s Interim Management Report in such a way that the image conveyed corresponds to the actual circumstances, and that the major opportunities and risks of the probable development of the enterprise during the rest of the financial year are described.”



Sascha Klaus



Maria Teresa Dreio-Tempsch



Alexander Stuwe

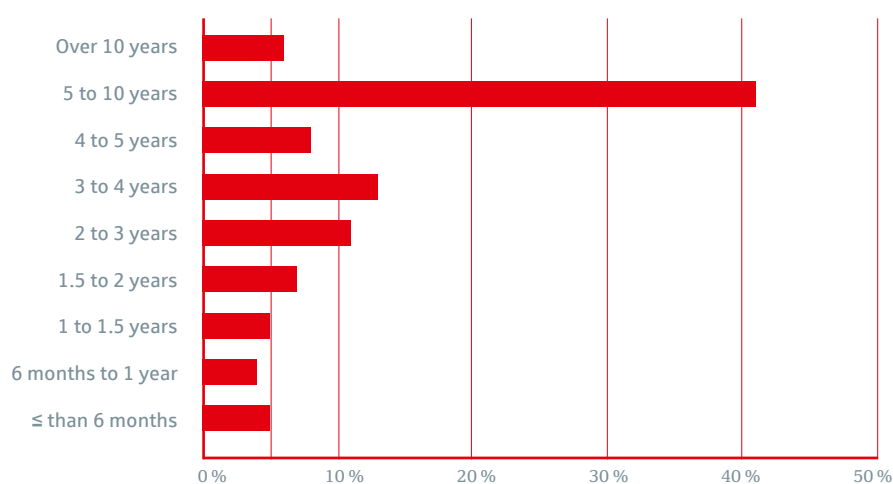
Berlin, July 2021

Further Information for Investors

Mortgage Loans Portfolio

The breakdown of the mortgage loans portfolio by maturity structure and loan-to-value ratio as at 30 June 2021 was as follows:

Maturity Structure of Loans



Loan To Value according to countries (with exposure >1% of the reporting total)

%

Lending Region	Ø LTV
Germany	53.5
Belgium/The Netherlands/Luxembourg	51.0
France	49.3
Poland / Czech Republic	55.1
Great Britain	60.1

ADI - Available Distributable Items

€m

	30.06.2021	31.12.2020
Balance sheet profit	0.0	0.0
Net income / loss for the year	0.0	0.0
Profit / loss carryforward from the previous year	0.0	0.0
Transfers to / withdrawals from retained earnings	0.0	0.0
Other profit reserves excluding statutory reserves*	2.2	2.2
Free capital reserve pursuant to Section 272 II No. 4 HGB	158.3	158.3
less amounts blocked from distribution pursuant to Section 268 VIII HGB	-29.0	-30.1
Available distributable items	131.5	130.4

* after allocations to profit reserves

Regulatory Key Figures

€m

	30.06.2021	31.12.2020
Common equity tier 1 (CET1)	1,495.0	1,386.6
Additional tier 1 capital (AT1)	0.0	0.0
Tier 1 capital (T1)	1,495.0	1,386.6
Tier 2 capital (T2)	236.1	244.2
Own funds / Total capital	1,731.1	1,630.8
Risk weighted assets (RWA)	10,741.2	10,320.9
CET1 ratio in %	13.9	13.4
T1 ratio in %	13.9	13.4
Total capital ratio in %	16.1	15.8
Leverage ratio in %	4.3	4.1
MREL (Leverage Ratio) *	24.0	17.5
MREL (Total Risk Exposure Amount)	76.9	57.0
LCR	171.8	140.7

Insolvency Hierarchy and Protection of Senior-Unsecured Investors

in €m

Buffer before senior unsecured losses 1,766.7 5.0 % (to Balance sheet total) 16.4 % (to RWA)	Equity 1,495.0 13.9 %	Subscribed capital 753.4	MREL ratio¹ 24.0 % (to LR exposure) 76.9 % (to RWA)
		Reserves 182.5	
		Fund for general banking risks (Section 340g HGB) 600.0 comprised in CET1 0.0 not comprised in CET1	
	T2 Instruments	Subordinated liabilities 230.8	
	Senior non-preferred and senior unsecured debt instruments 9,403.0 (6,477.4) ¹		

¹ MREL – minimum requirement for Berlin Hyp as a separate financial institution of 3.00% leverage ratio exposure (LRE) and 10.55% total risk exposure amount (TREA, incl. combined buffer requirement – CBR); effective from 01/02/2021; must be fully complied with from 01/01/2022. In 2021: inclusion of senior unsecured debt (senior preferred) with consideration of qualitative minimum requirements

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Publications for our business partners in 2021

- Annual Report 2020
(German/English)
- Half-Year Financial Report as at
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(German/English)
- Interim Report as at 30 September 2021
(German/English)
- GRI Report 2020
(German/English)

