

Defining values – and living up to them

Interim Financial Report as at 30 June 2021

Management

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