

Defining values – and living up to them

Interim Report as at
30 September 2021

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Performance indicators at a glance

Excerpt from the Condensed Statement of Profit or Loss in € m	01.01. – 30.09.2021	01.01. – 30.09.2020
Net interest income	317.4	240.6
Net commission income	17.8	14.0
Operating expenditure	136.3	134.4
Risk provisioning	0.7	50.4
Operating result	194.1	69.3
Allocation to the fund for general banking risks	157.0	52.5
Profit transfer	40.0	13.8
Net income for the year	0.0	0.0
Cost-income ratio in %	41.2	52.9
Return on equity in %	17.7	6.4

Excerpt from the Balance Sheet in € m	30.09.2021	31.12.2020
Balance sheet total	36,671	33,423
incl. mortgage loans ¹	26,113	23,864
NPL	71	141
¹ Average 1 January – 30 June 2021 and 1 January – 30 June 2020	24,978	22,053

Business Development in € m	01.01. – 30.09.2021	01.01. – 30.09.2020
New Lending	4,507	3,348
Extensions (capital employed ≥ 1 year)	587	828

Regulatory Key Figures	30.09.2021	31.12.2020 ¹
RWA in € m	11,474	10,321
CET ¹ ratio in %	13.3	13.4
Total capital ratio in %	15.4	15.8
Leverage ratio in %	4.3	4.1

¹ after adoption

Issue ratings	30.09.2021	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	AA- (stable)	A+ (negative)

Sustainability Ratings	MSCI	ISS ESG	Sustainalytics
Reporting date	AAA	B- (Prime)	Low risk (11.9)

Other	30.09.2021	31.12.2020
Number of employees (as at the reporting date)	597	593

Business Report

Significant Events

Due to certain regulatory requirements, as well as strategic considerations in the Sparkassen-Finanzgruppe, the shareholders of Landesbank Berlin Holding AG (LBBH) have decided to examine the possibility of restructuring the current supervisory arrangements within the LBBH Group. Several options that could potentially have an effect on the shareholder structure at Berlin Hyp are being analysed in this connection.

Business Development

Berlin Hyp was able to continue its positive business development. Developments over the first three quarters of 2021 were better than expected, despite the strict regulatory requirements that remain in effect, as well as strong competitive pressure and the continued impact of the COVID-19 pandemic. At € 5.1 billion, the result for new contracted lending volume, including realised extensions (capital employed \geq 1 year), was particularly positive (previous year: € 4.2 billion), and the operating

result after risk provisioning also increased significantly, to € 194.1 million (previous year: € 69.3 million). The Bank's conservative risk strategy and its focus on financing real estate of lasting value have not had any significant negative impact on its profitability to date.

Earnings Situation

Earnings before profit transfer to LBBH amounted to € 40.0 million at Berlin Hyp as at 30 September 2021 (previous year: € 13.8 million). This increase was primarily due to significantly higher net interest income and a lower need for risk provisioning. No significant lending risks in connection with the COVID-19 pandemic materialised during the reporting period. Along with the creation of additional provision reserves, the Bank also used the high-er-than-expected earnings trend to further strengthen its capital reserve, adding € 157.0 million (previous year: € 52.5 million) to the fund for general banking risks using its own resources pursuant to Section 340g of the German Commercial Code (HGB).

Condensed Profit and Loss Account

from 1 January to 30 September 2021

	01.01.2021 – 30.09.2021	01.01.2020 – 30.09.2020	Change	Change
	€ m	€ m	€ m	%
Net interest income	317.4	240.6	76.8	31.9
Net commission income	17.8	14.0	3.8	27.1
Operating expenditure	136.3	134.4	1.9	1.4
Staff expenditure	67.6	58.9	8.7	14.8
Other operating expenditure	61.9	56.6	5.3	9.4
<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	6.8	18.9	-12.1	-64.0
Other operating earnings / expenditure	-4.1	-0.5	-3.6	-
Operating result before risk provisioning	194.8	119.7	75.1	62.7
Risk provisioning	0.7	50.4	-49.7	-98.6
Operating result after risk provisioning	194.1	69.3	124.8	-
Financial investment result	3.2	-2.8	6.0	-
Contribution to the fund for general banking risks	157.0	52.5	104.5	-
Other taxes	0.1	0.1	0.0	0.0
Profit before income tax and profit transfer	40.2	13.9	26.3	-
Income tax	0.2	0.1	0.1	-
Expenditure from profit transfer	40.0	13.8	26.2	-
Net income	0.0	0.0	0.0	-

Net interest and commission income increased by €80.6 million to €335.2 million and thus developed better than expected.

Net interest income amounted to €317.4 million and was thus €76.8 million higher than the figure for the same period in the previous year. This increase, which was higher than expected, was mainly due to higher interest income resulting from an increase in the average mortgage loans portfolio of €2.9 billion, as well the reduced interest rates granted within the framework of ECB's targeted longer-term refinancing operations (TLTRO III). Income from prepayment charges received during the reporting period was largely compensated for by negative close outs in order to improve the future interest income result. Historically low interest rates, combined with a flat yield curve, continue to represent a challenge.

Net commission income increased by €3.8 million to €17.8 million as a result of the positive development of new lending, which was higher than expected.

Operating expenditure comprises staff expenditure, other operating expenditure as well as depreciation of tangible assets and amortisation of intangible assets. At €136.3 million, operating expenditure was €1.9 million higher than during the same period in the previous year, and was also slightly higher than what had been expected. Compared to the previous year, staff expenditure increased by €8.7 million to €67.6 million. This increase was primarily due to higher allocations to pension reserves. Other operating expenditure totalled €61.9 million and was thus €5.3 million higher than the previous year's figure, whereby this increase was in part due to higher expenditure for consulting services associated with the implementation of strategic projects, as well as an increase in the European bank levy. Depreciation of property, plant and equipment and amortisation of intangible assets declined sharply from €12.1 million to €6.8 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.

The balance of other operating earnings and expenditure decreased by €3.6 million to €-4.1 million. This figure mainly includes the interest portions from the compounding of reserves.

The operating result before risk provisioning increased by €75.1 million to €194.8 million.

Net allocation to risk provisioning for the lending and securities business totalled €0.7 million. This was below the figure recorded for the same period in the previous year (€50.4 million). Berlin Hyp formed lending risk provisioning of €17.4 million (net; previous year: €65.5 million) during the reporting period. This mainly includes provision reserves to compensate for possible lending risks that may still arise from the COVID-19 pandemic.

Risk provisioning for securities mainly consists of gains on disposal from the sale of securities in the liquidity reserve. The net amount totalled €16.7 million (previous year: €15.1 million).

At €3.2 million, net income from investments was up from the previous year's comparable figure of €-2.8 million.

During the reporting period, the Bank added €157.0 million (comparable figure for the previous year: €52.5 million) to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB). This fund amounted to €645.0 million as at the reporting date.

Taking into account the further increase in provision reserves, Berlin Hyp reports earnings before taxes of €40.2 million, which is significantly higher than expected. This represents an increase of €26.3 million compared with the same period in the previous year.

Excerpt from the Condensed Balance Sheet

as at 30 September 2021

Assets	30.09.2021 €m	31.12.2020 €m	Change €m	Change %
Cash reserves	2,684	1,894	790	41.7
Claims against banking institutions	102	112	-10	-8.9
Mortgage loans	0	0	0	-
Public-sector loans	0	0	0	-
Other receivables	102	112	-10	-8.9
Claims against customers	26,673	24,383	2,290	9.4
Mortgage loans	26,113	23,864	2,249	9.4
Public-sector loans	418	418	0	0.0
Other receivables	142	101	41	40.6
Debentures	6,694	6,223	471	7.6
Participations	4	3	1	33.3
Shares in affiliated enterprises	0	0	0	-
Intangible investment assets	40	37	3	8.1
Tangible assets	45	43	2	4.7
Other assets	339	624	-285	-45.7
Deferred income	90	104	-14	-13.5
Total assets	36,671	33,423	3,248	9.7

Liabilities	30.09.2021 €m	31.12.2020 €m	Change €m	Change %
Liabilities to banking institutions	9,650	9,458	192	2.0
Registered mortgage Pfandbriefe	252	125	127	-
Registered public Pfandbriefe	24	9	15	-
Other liabilities	9,374	9,324	50	0.5
Liabilities to customers	4,335	4,476	-141	-3.2
Registered mortgage Pfandbriefe	1,400	1,506	-106	-7.0
Registered public Pfandbriefe	190	238	-48	-20.2
Other liabilities	2,745	2,732	13	0.5
Securitised liabilities	20,153	17,081	3,072	18.0
Mortgage Pfandbriefe	12,413	10,453	1,960	18.8
Public Pfandbriefe	0	21	-21	-
Other debentures	7,740	6,607	1,133	17.1
Other liabilities	310	361	-51	-14.1
Deferred income	125	114	11	9.6
Reserves	284	276	8	2.9
Subordinated liabilities	233	233	0	0.0
Fund for general banking risks	645	488	157	32.2
Equity	936	936	0	0.0
Total liabilities	36,671	33,423	3,248	9.7
Contingent liabilities				
Liabilities from guarantees and warranty contracts	235	184	51	27.7
Other obligations				
Irrevocable loan commitments	2,987	3,006	-19	-0.6

The Berlin Hyp balance sheet total amounted to €36.7 billion as at the reporting date. It increased by €3.2 billion compared to the end of 2020.

At €0.1 billion, claims against banking institutions remained at more or less the same level as during the same period in the previous year. Claims against customers increased by €2.3 billion to €26.7 billion. Such claims consist of €26.1 billion in mortgage loans (previous year: €23.9 billion) and €0.4 billion in public sector loans (previous year: €0.4 billion). In respect of mortgage loans, additions from

new business were offset by extraordinary outflows through early repayments. As a result of purchases, the portfolio of fixed-interest debentures increased by €0.5 billion to €6.7 billion.

Liabilities to banking institutions increased by €0.2 billion to €9.7 billion, while liabilities to customers decreased by €0.1 billion to €4.4 billion. As a result of new issues, the portfolio of securitised liabilities increased by €3.1 billion to €20.2 billion compared with the year-end figure for 2020.

Forecast report

Conditions for the overall economy, the industry and thus also for Berlin Hyp remain very challenging, despite the more relaxed situation regarding the pandemic at the moment. The exact consequences of the pandemic, as well as their scope, remain difficult to assess. Berlin Hyp nevertheless expects that the positive development of business with its customers will continue.

Taking into account the economic impact of COVID-19 and the uncertain course of development on the real estate and capital markets, Berlin Hyp continues to assume that earnings before profit transfer in the current financial year will be significantly higher than in 2020, and also higher than what was indicated in the expectations described in last year's forecast report. We therefore also expect return on equity to increase as compared to the previous year.

Report on Subsequent Events

No events of particular significance occurred after the reporting date that would need to be reported here.

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Publications of 2021 for our business partners

- Annual Report 2020
(German/English)
- Half-year financial report as at 30 June 2021
(German/English)
- Interim Report as at 30 September 2021
(German/English)
- 2020 GRI report
(German/English)

