

A partnership built on trust

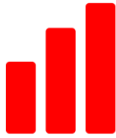
Berlin Hyp

A photograph of the Berlin Hyp building facade, featuring the company name in large, 3D, metallic letters. The letters are partially obscured by a red graphic overlay.

Berlin Hyp

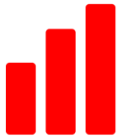
Investor Call – Interim Report H1/2020
Gero Bergmann, Member of the Board

13th August 2020



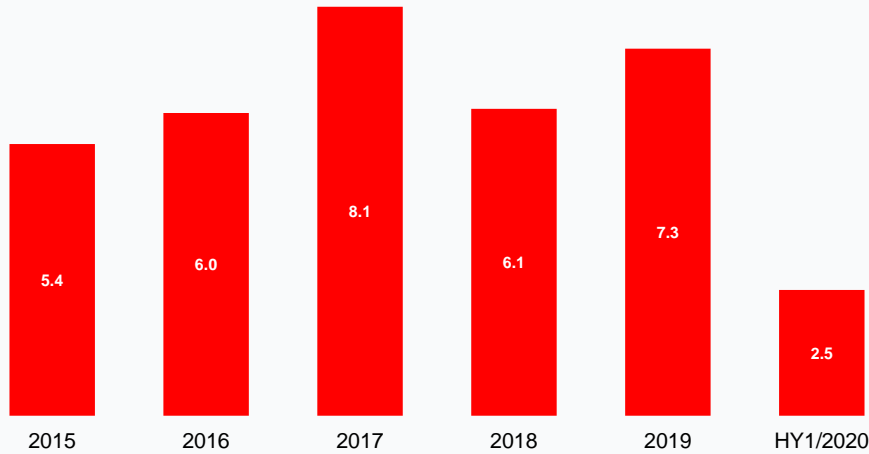
Statement of Profit and Loss

Euro mn	H1/2020	H1/2019	Δ Difference	
Interest / Commission income	178,5	163,8	14,7 ↑	
Net interest income	167,8	155,4	12,4	
Net commission income	10,7	8,4	2,3	
Operating expenditure	86,8	86,1	0,8 →	
Staff expenditure	35,1	45,9	-10,8	
Other operating expenditure	39,6	37,0	2,6	
of which expenditure for bank levy	13,4	12,0	1,4	
Depreciation of tangible assets	12,1	3,2	8,9	!
Other operating earnings/expenditure	0,7	-2,4	3,1	
Operating result before risk provisioning	92,4	75,3	17,1 ↑	
Risk provisioning	65,4	-5,4	70,8	!
Operating result after risk provisioning	27,0	80,7	-53,7	
Net income from financial investments	-1,1	0,5	-1,6	
Allocation to the fund for general banking risks	20,0	55,0	-35,0	!
Other taxes	0,1	0,0	0,1	
Pre-tax profit	5,8	26,2	-20,4 ↓	
Income tax	0,1	0,3	-0,2	
Expenditure from profit transfer	5,7	25,9	-20,2	
Net income	0,0	0,0	0,0	

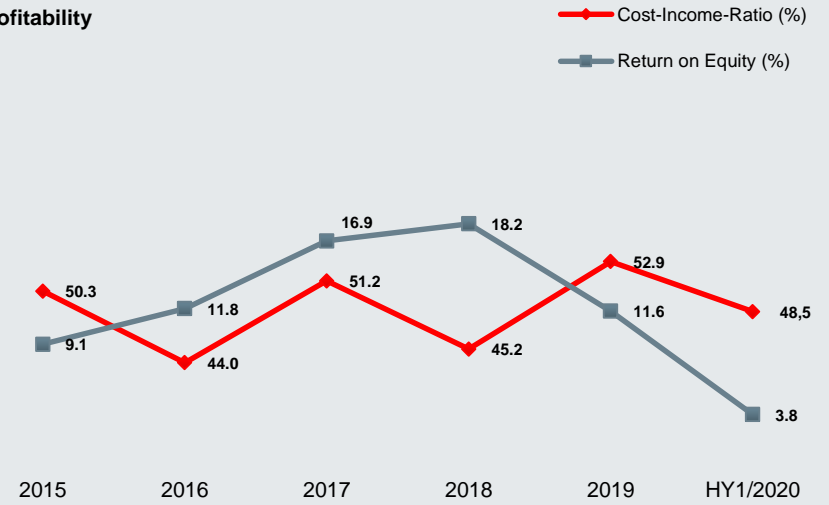


Key Figures & Business Development

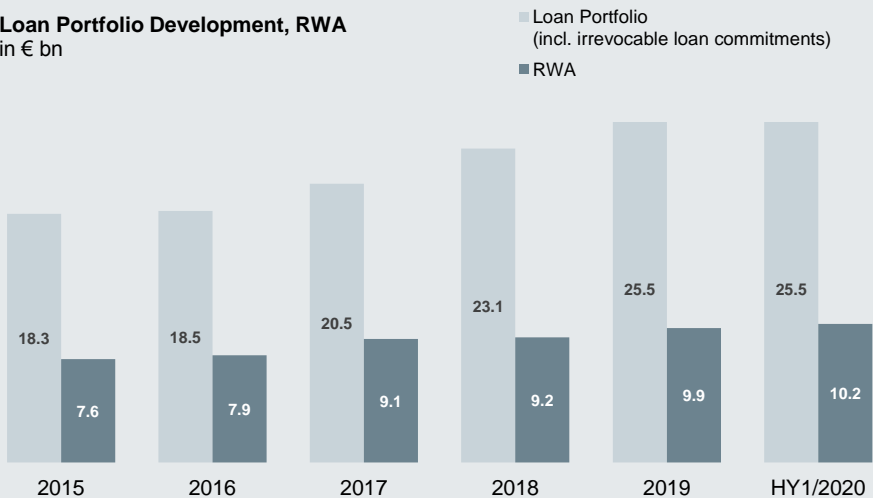
New lending
in € bn, incl. extension



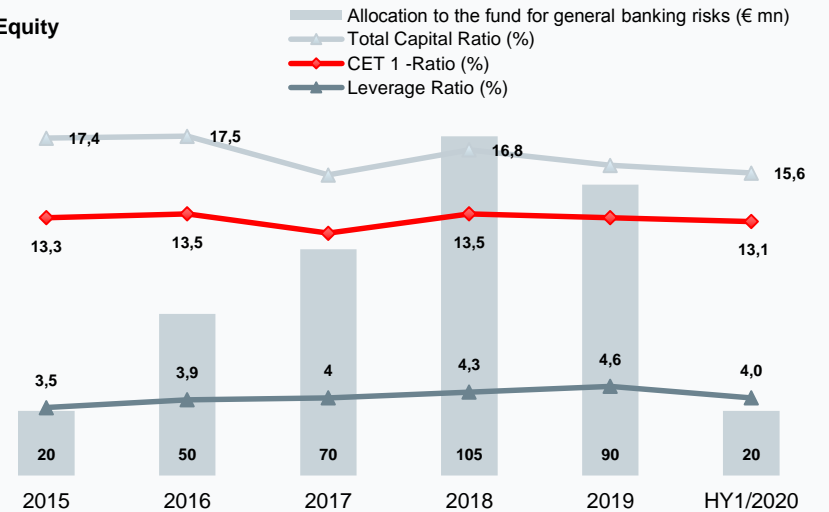
Profitability

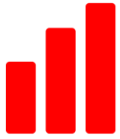


Loan Portfolio Development, RWA
in € bn

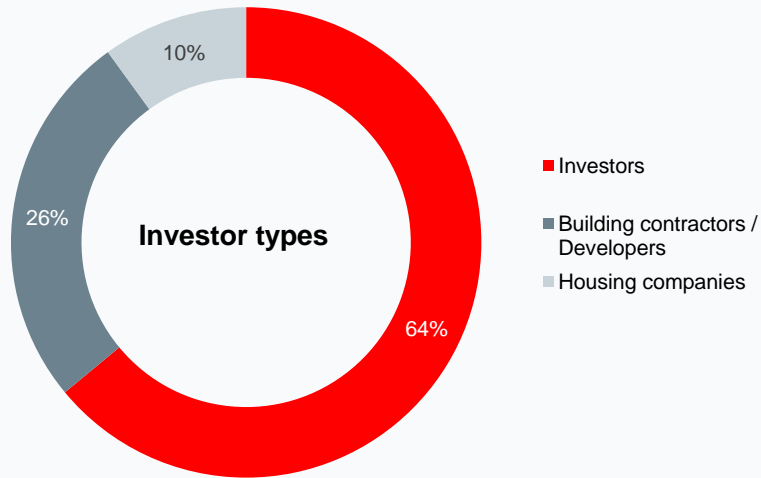


Equity

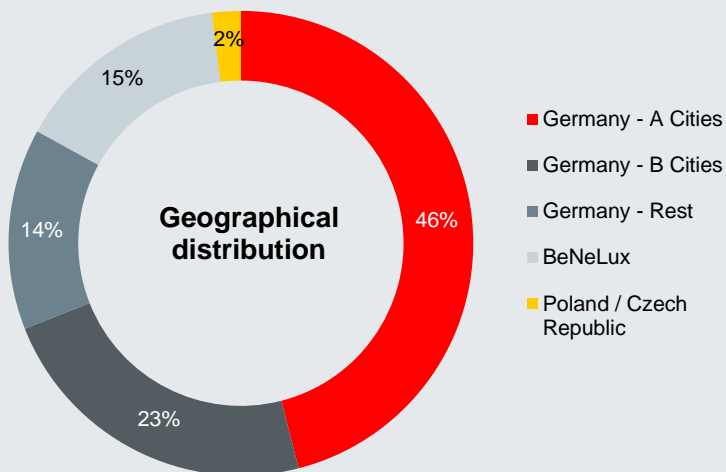
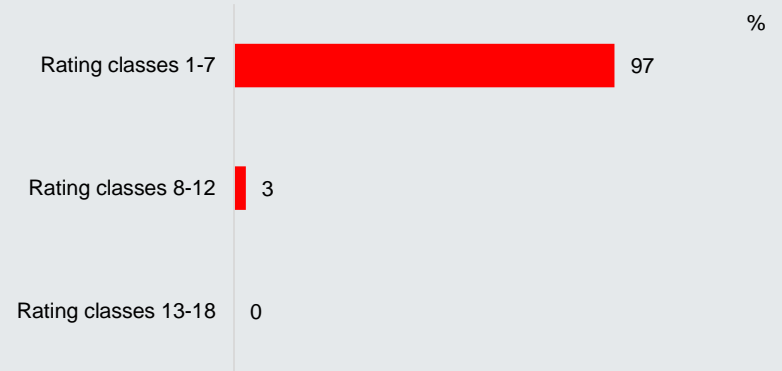




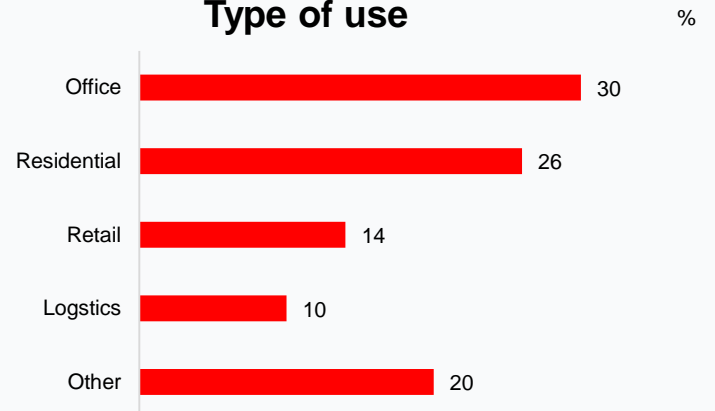
New Business

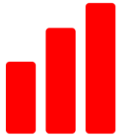


Rating classes



Type of use

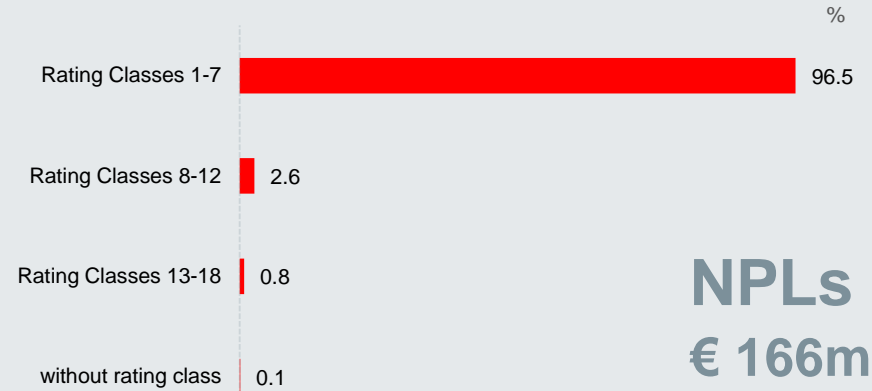




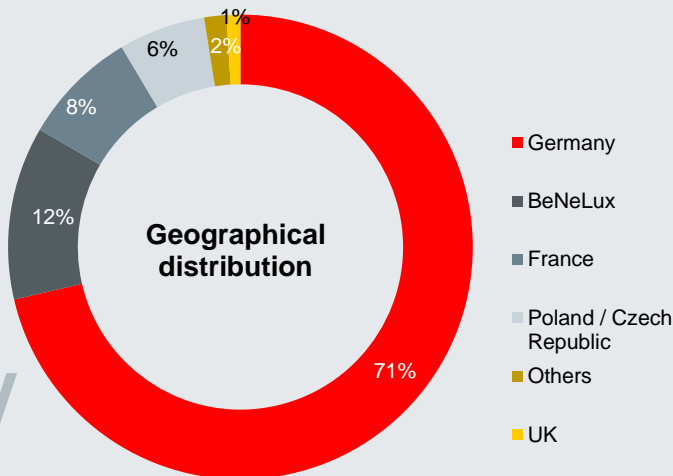
Loan Portfolio

- Current crisis has main impact on hotels & retail properties
- Close monitoring and stress testing of loan portfolio
- Participation in the vdp moratorium on repayments and bilateral agreements with clients
- Affected loan nominal: € ~326 Mio.
- Transfer of loans to restructuring department not necessary yet

Rating classes

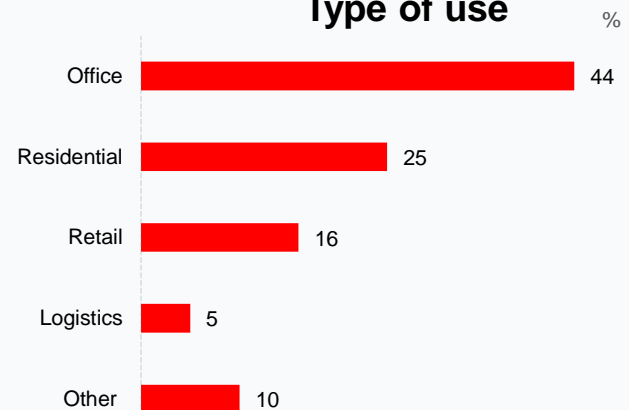


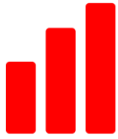
NPLs
€ 166mn
0.66% ↓



Ø LTV
54.6% ↓

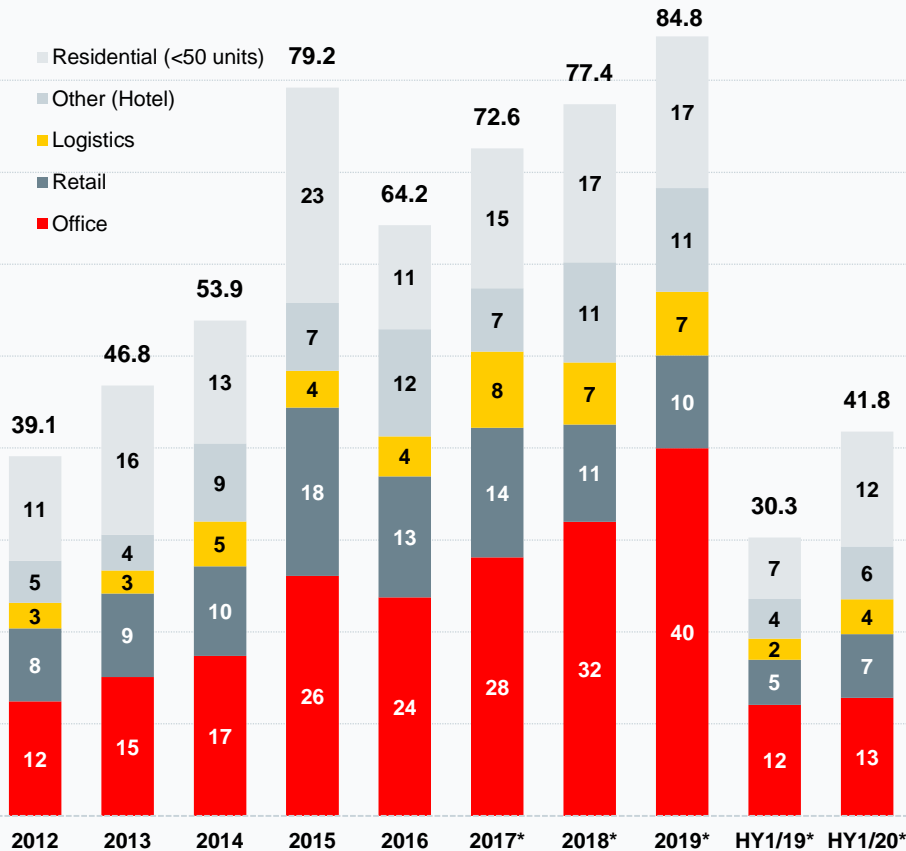
Type of use





Commercial Real Estate Market – Germany HY1/2020 (I)

Transaction Volume in Germany (in EUR bn)

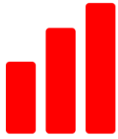


Source: RIWIS / bulwiengesa, Berlin Hyp Research, CBRE ab 2017, BNPPRE, RCA

1st half of 2020

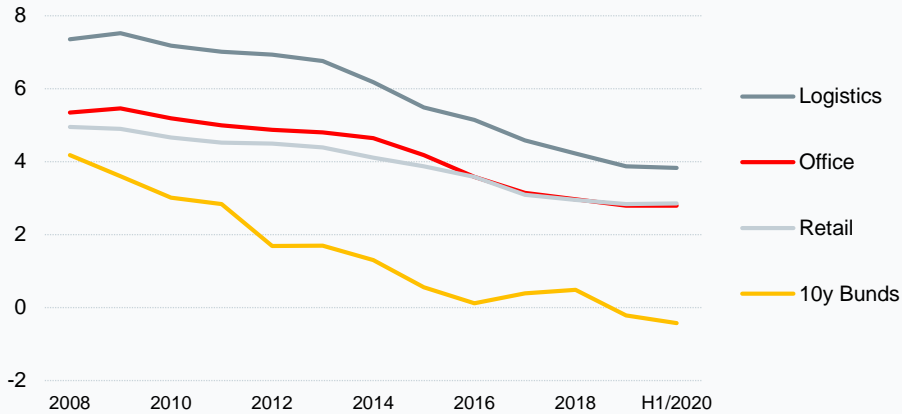
- The current year started with a strong first quarter, which was mainly characterised by company participations, such as Aroundtown's investment in TLG
- The second quarter was marked by a sharp drop in transactions as deals were postponed or cancelled due to the corona virus
- Nevertheless, a 24% increase in transaction volume to a total of EUR 41.8 billion was achieved in the first half of the year.

Source: CBRE



Commercial Real Estate Market – Germany HY1/2020 (II)

Ø Top Yields in German A-Cities (Initial Net Yields, weighted average acc. to inhabitants, in %)

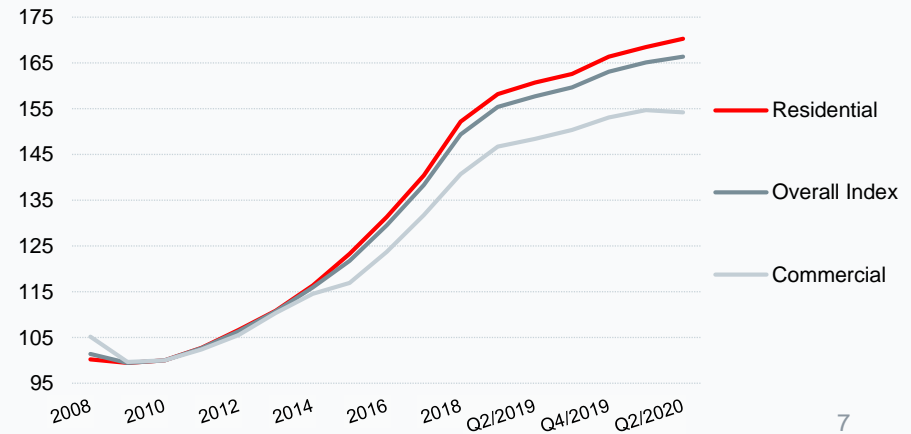


Source: Berlin Hyp Research, RIWIS/bulwiengesa, Macrobond

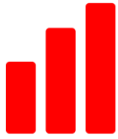
- Initial yields in all segments almost stable at previous year's level
- Yields tending to rise
- Current widening of yield spreads due to declining 10-year Bunds

- Price index for commercial real estate declines for the first time since 2009, residential index continues to rise
- Corona pandemic amplifies structural change in the retail sector and thus price decreases

vdp-Property-Price-Index (2010=100)














Source: Berlin Hyp Research, vdp



Estimation of the short-/medium-term performance

Mid-term market value expectations

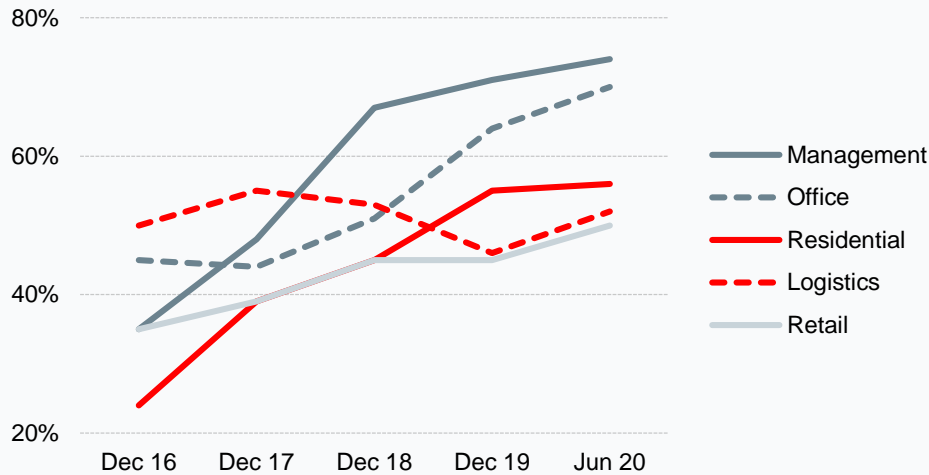
	Residential	± 0%		Stable to slight decline due to less liquidity in the market
	Office	- 10%		Less liquidity in the market & larger supply. Future drivers: space efficiency, hygienic regulations and new working environments
	Shopping – Non Food	-25%		Clear drop due to lockdown; accelerated structural change (regional)
	Shopping – Food	± 0%		Stable. Rather positive effects by COVID-19
	Logistics	± 0%		Stable because mainly independent of COVID-19, rather positive effects by lockdown and digitization
	Hotel	-25%		Sharp decline due to oversupply, ongoing travel limitations, virtual meetings, etc.



Deviation of the Market Value from the Mortgage Lending Value by Asset Class

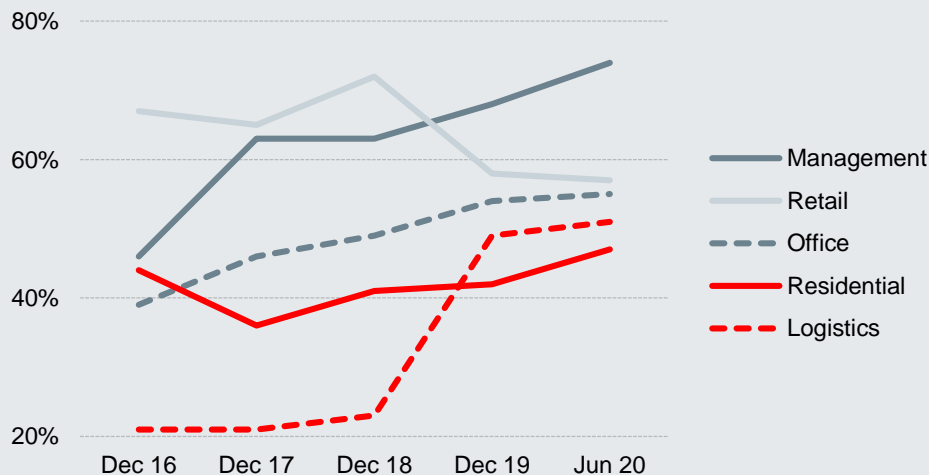


Germany

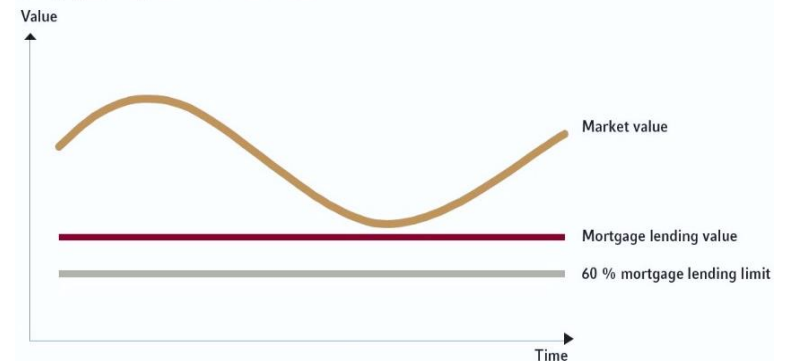


- The charts on the left side show by what percentage the market value of Berlin Hyp's domestic and international portfolio exceeds the mortgage lending value (MLV)
- The MLV is a conservative value of a property that can be expected to be realised at any point during the term of the loan, irrespective of temporary fluctuations in the property value
- According to the Pfandbrief Act, only 60% of the MLV are eligible for the cover pool

Abroad



Mortgage lending value vs. market value





Berlin Hyp's Ratings

MOODY'S

FitchRatings

	Rating	Outlook/ Watch	Rating	Outlook/ Watch
Mortgage Pfandbrief	Aaa	Stable	-	-
Senior Preferred	Aa2	Stable	AA-	Negative
Senior Non-Preferred	A2	-	A+	Negative
Short Term	P-1	-	F1+	Stable
Adj. BCA / Viability	a3	-	bbb	Stable

Last rating actions

April 2020: Fitch upgrades Berlin Hyp's senior preferred rating by one notch and confirms the rating for senior-non-preferred. The status under criteria observation (UCO) is removed.

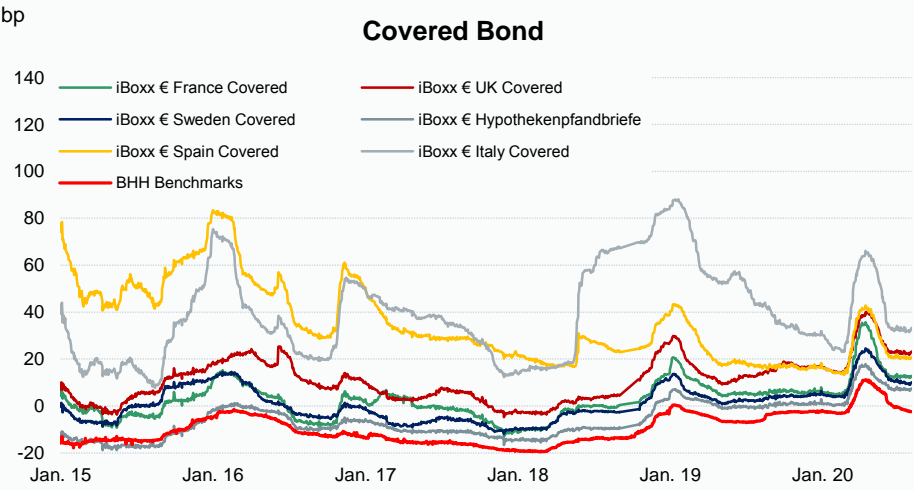
March 2020: As a result of the world wide coronavirus disruption Fitch changes the outlook on Berlin Hyp's IDR from stable to negative which impacts both, senior preferred and senior non-preferred ratings. The revision of the outlook follows a similar rating action on Berlin Hyp's ultimate parent Sparkassen-Finanzgruppe to negative.

March 2020: On 4 March Fitch places the rating for Berlin Hyp's senior preferred bonds under criteria observation (UCO) reflecting a possible upgrade under Fitch's revised rating methodology for banks.

January 2020: Fitch confirms Berlin Hyp's ratings and maintains the stable outlook.



Funding & Spread Development



Spreads Berlin Hyp vs. Covered Bonds (bp/mid swaps); Quelle: LBBW Credit Research, iBoxx, 4. August 2020

Berlin Hyp
EUR 500mn
0.01% / MS+5
Green Pfandbrief
Due 07/2028
July 2020

Berlin Hyp
EUR 500mn
0.01% / MS-1
Mortgage Pfandbrief
Due 02/2027
February 2020

Berlin Hyp
EUR 500mn
0.50% / MS+50
Green Senior Preferred
Due 11/2029
November 2019

Berlin Hyp
EUR 1.000mn
0.01% / MS-2
Mortgage Pfandbrief
Due 08/2022
August 2019

Berlin Hyp
EUR 500mn
0.01% / MS-3
Green Pfandbrief
Due 07/2027
July 2019

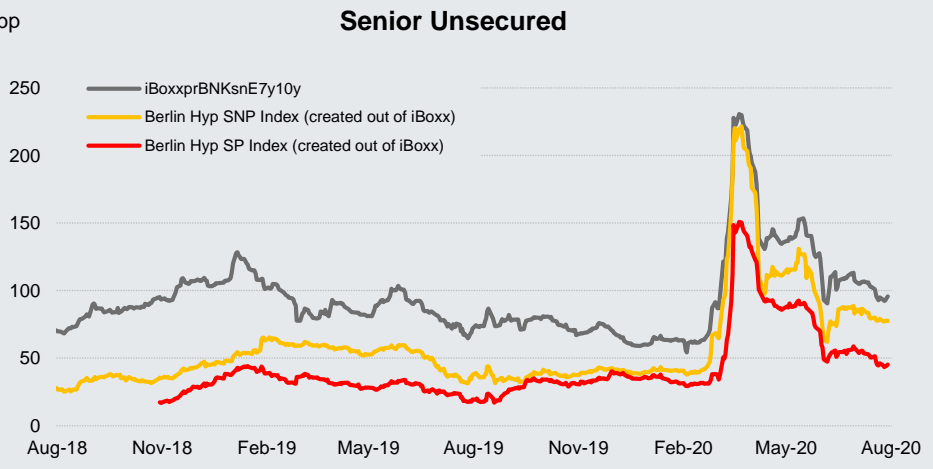
Berlin Hyp
EUR 500mn
0.375% / MS-2
Mortgage Pfandbrief
Due 05/2029
May 2019

Berlin Hyp
EUR 500mn
1.00% / MS+60
Senior Preferred
Due 02/2026
February 2019

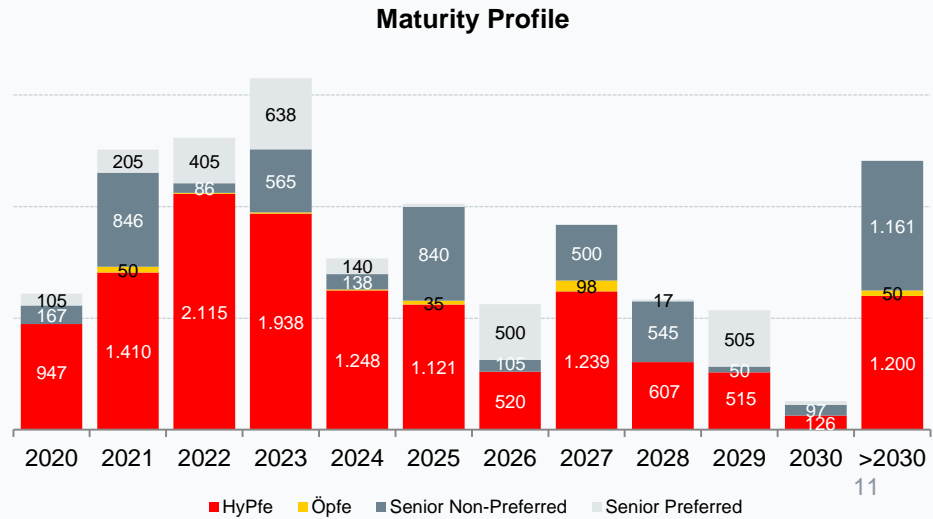
IFR Covered Bond of the Year 2019

The Covered Bond Report Awards 2020
Core Deal of the Year

+ € 458mn Privat Placements, for the first time also in green
- € 303mn buy back of Pfandbriefe
+ TLTRO participation



I-Spreads Berlin Hyp vs. Comparables (bp); Quelle: Commerzbank, 3. August 2020





New Sustainability Agenda

1. Commitment to the Paris Climate Agreement and the German Climate Path

- Sustainable development on an ecological, economic and social level based on the objectives of the Paris Climate Agreement and the Climate Path of the Federal Republic of Germany
- **Goal:** Climate neutral by 2050; including a 40% reduction in CO₂ emissions between 2020 and 2030 (→ Climate path)

2.

1/3 of Portfolio Green until 2025

- **Even stronger consideration of energy efficiency** in future lending decisions
- Green new business continues to grow in importance
- **Goal:** 1/3 of all financing in Berlin Hyp's loan portfolio green by 2025

3.

Portfolio Transparency until 2023

- Systematic determination of energy values, CO₂ emissions and climate risks
- **Expansion of the data base** at portfolio level by obtaining, analysing and recording **energy performance certificates for all loans financed by us**
- **Goal:** Achieving transparency across the entire portfolio

4.

New Sustainability Product: Transformation loan

- Incentivising and financing of energy-efficiency related refurbishments





Outlook HY2/2020

Outlook 2020	vs. previous year
New Business	
Interest income	
Risk provisioning	
Allocation to the fund for general banking risks	
Return on equity	

Funding

Mortgage Pfandbriefe	
Senior Unsecured	Currently no benchmark sized needs
Privat Placements	

CRE Market

- Due to the corona pandemic, a significant decrease in transaction volume is expected for the coming half-year
- Continued focus on asset classes hotel and shopping
- Resilience and structural change in the office and shopping segment as central themes
- People value exchange and personal interaction. Real estate offers space for that. Virtual channels increasingly offer alternatives, but are no substitute for personal contact or the "real experience"



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