

A partnership built on trust

Berlin Hyp

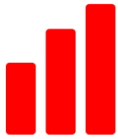
A photograph of the Berlin Hyp building facade, featuring the company name in large, three-dimensional letters. The letters are white with red outlines, set against a dark background. The building is made of glass and metal, and the sky is visible in the background.

Berlin Hyp

**Investors and Analysts Call – Annual
Report 2020**

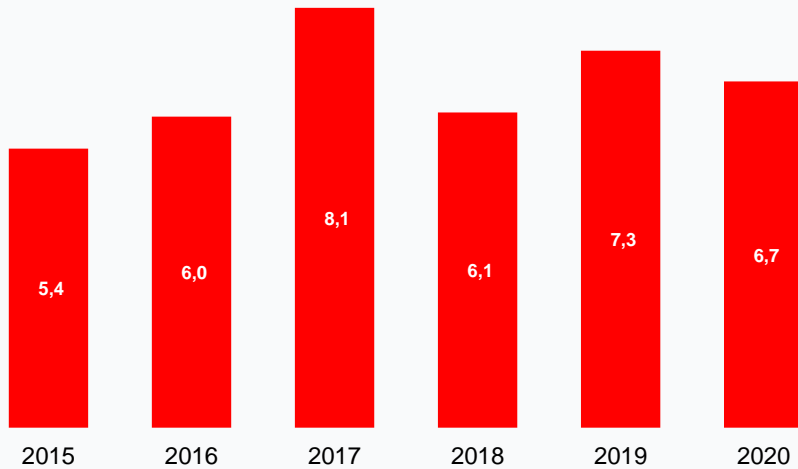
Sascha Klaus, Chairman of the Board of Management

31 March 2021

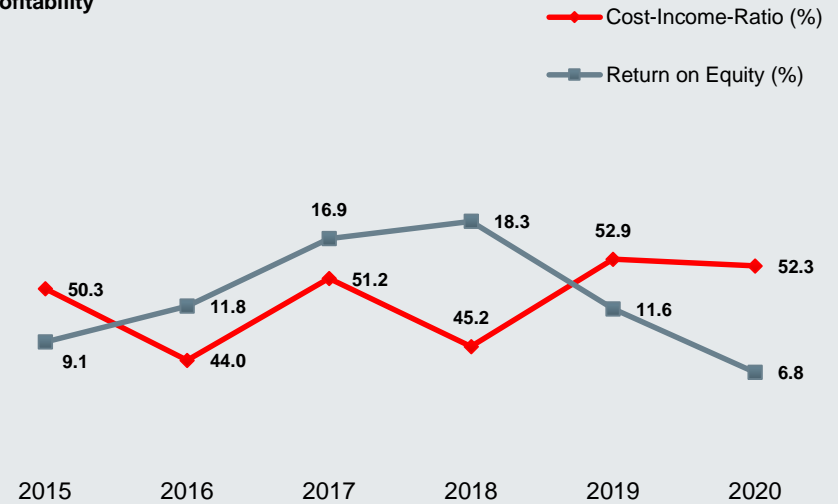


Key Figures & Business Development

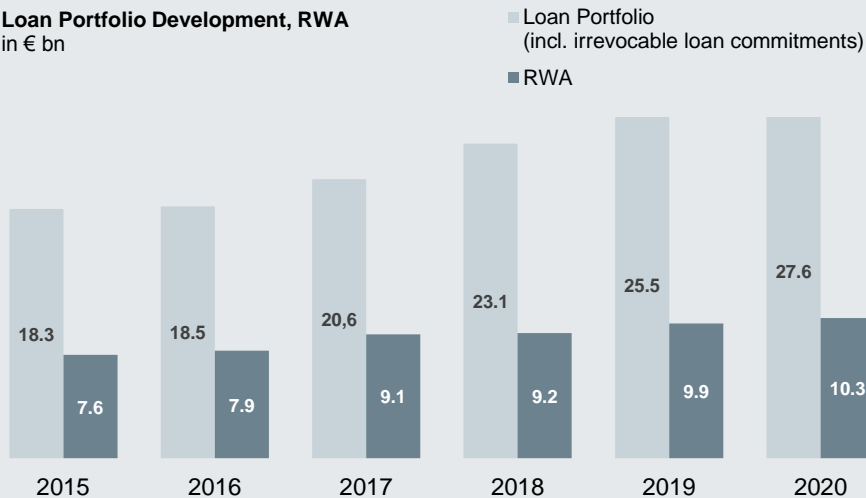
New lending
in € bn, incl. extension



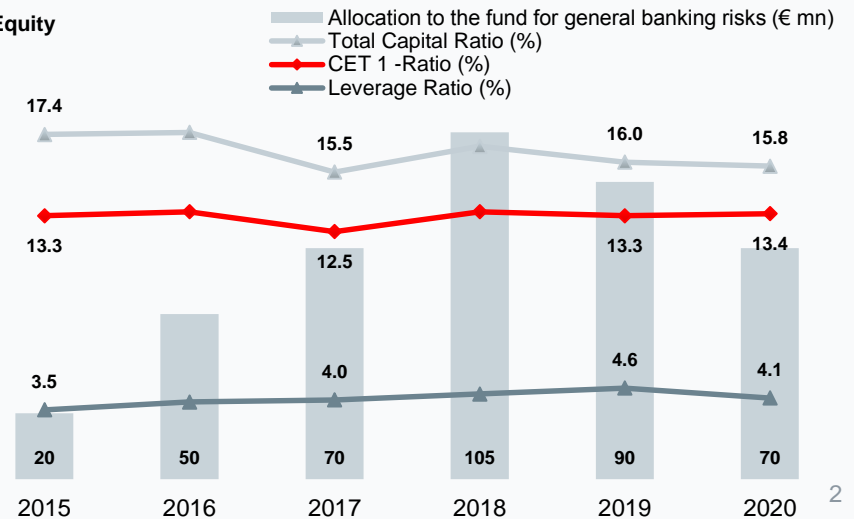
Profitability

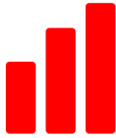


Loan Portfolio Development, RWA
in € bn



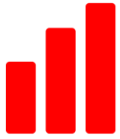
Equity



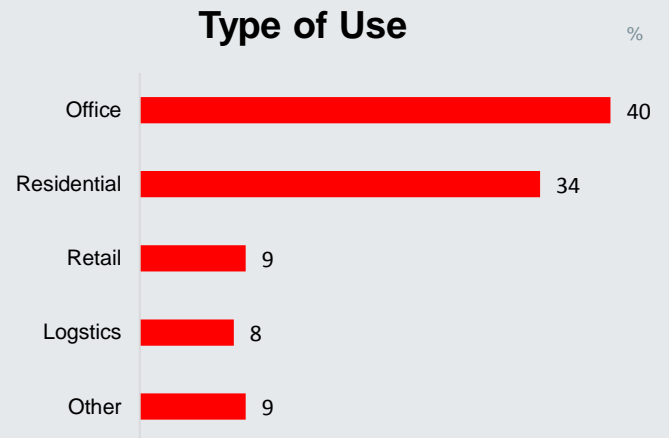
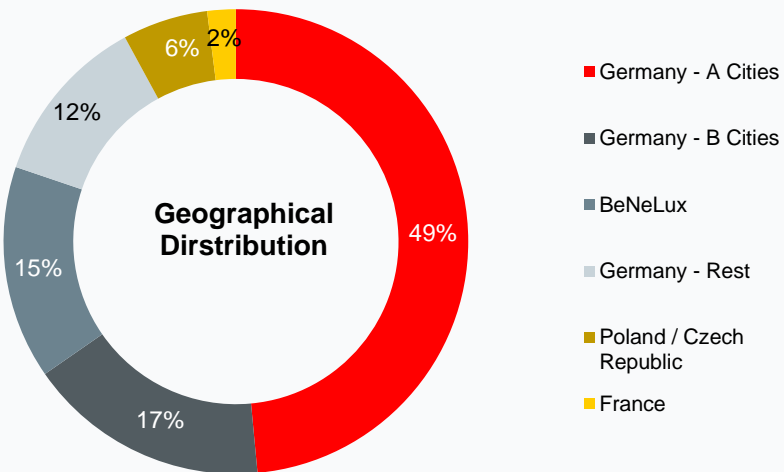
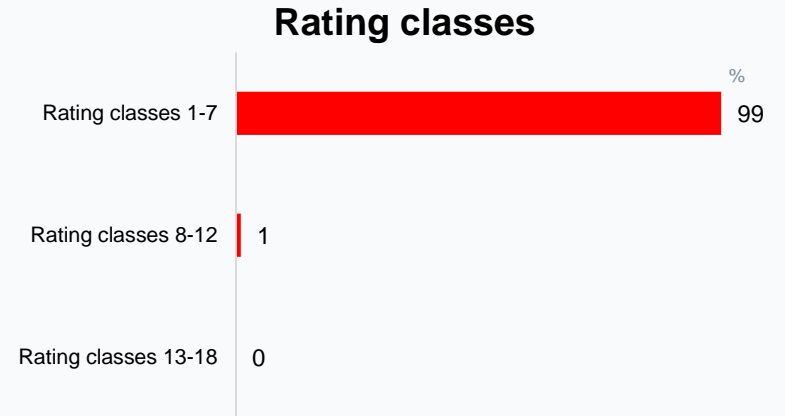
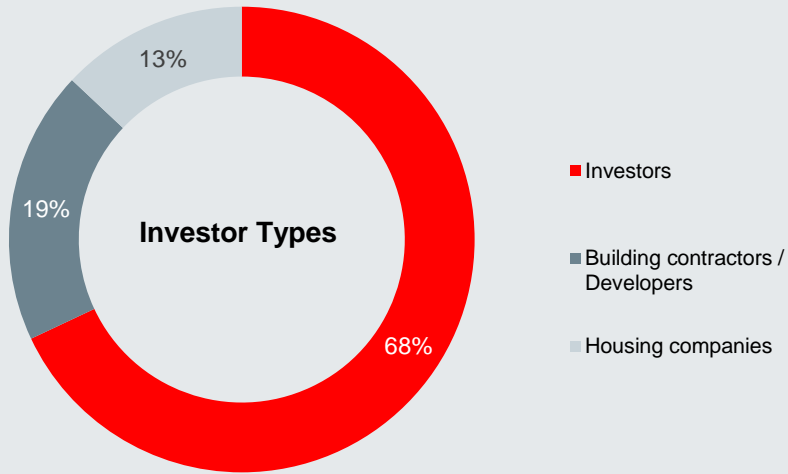


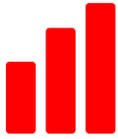
Statement of Profit and Loss

EUR mn	2020	2019	Δ Difference
Interest / Commission income	333.1	327.5	5.6 →
Interest income	313.1	309.7	3.4
Commission income	20.0	17.8	2.2
General operating expenditure	173.2	172.3	0.9 →
Staff expenditure	82.0	92.4	-10.4
Other operating expenditure	70.1	67.5	2.6
of which expenditure for bank levy	13.4	12.0	1.4
Depreciation of tangible assets	21.1	12.4	8.7 !
Other operating earnings / expenditure	-1.7	-1.6	-0.1
Operating income before risk provisioning	158.2	153.6	4.6 →
Risk provisioning	-61.6	2.2	63.8 !
Operating income after risk provisioning	96.6	155.8	-59.2 ↓
Income of financial assets	-2.8	-4.0	1.2
Allocation to the fund for general banking risks	70.0	90.0	-20.0 !
Other taxes	0.2	0.2	0.0
Profit before income tax and profit transfer	23.6	61.6	-38.0 ↓
Income tax	0.2	0.6	-0.4
Expenditure from profit transfer	23.4	61.0	-37.6
Net income of the year	0.0	0.0	0.0



New Business 2020

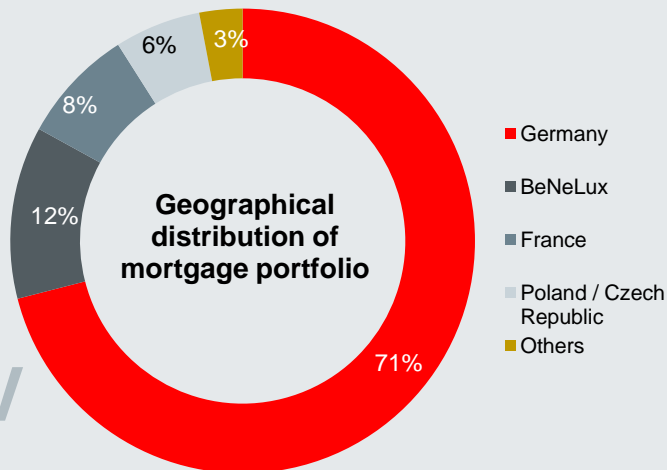
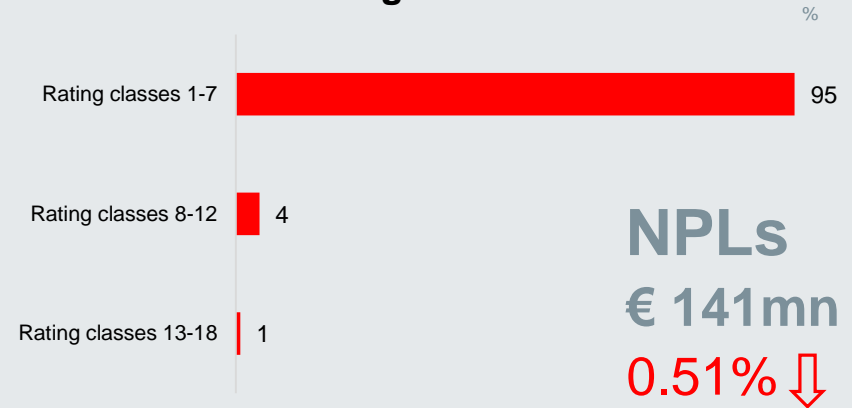




Total Loan Portfolio

- High quality loan portfolio
- Real estate market has proven to be stable in the crisis
- Close monitoring and stress testing of loan portfolio
- No defaults or impairments due to the corona crisis in 2020

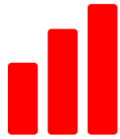
Rating classes



Ø LTV
54.3% ↓

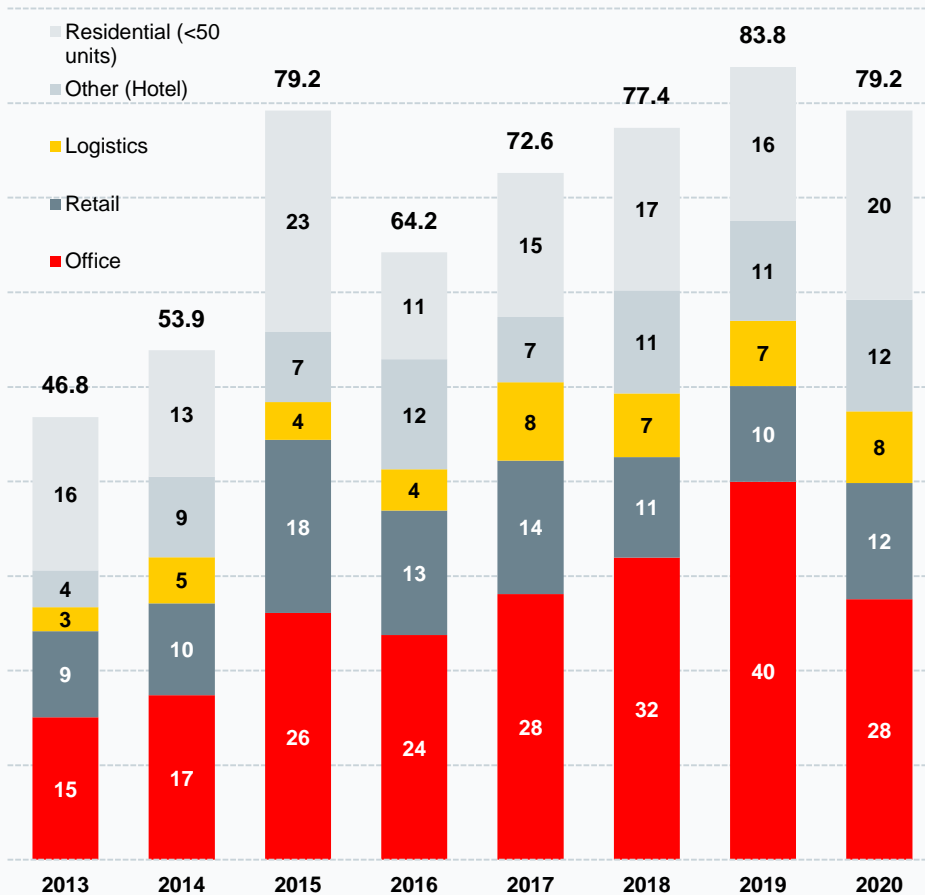
Type of Use





Commercial Real Estate Market Overview: Germany (I)

Transaction Volume in Germany (in EUR bn)

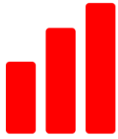


Full Year 2020

- In 2020, despite COVID-19, a very high transaction volume of € 79bn was turned over on the commercial and residential real estate market.
- The pandemic left visible traces on office properties, which were traded significantly less. The investors' focus was on core properties in prime locations.
- The share of foreign investors and portfolio transactions increased – a result of Germany's reputation as a safe investment haven and of the growing risk aversion of investors.

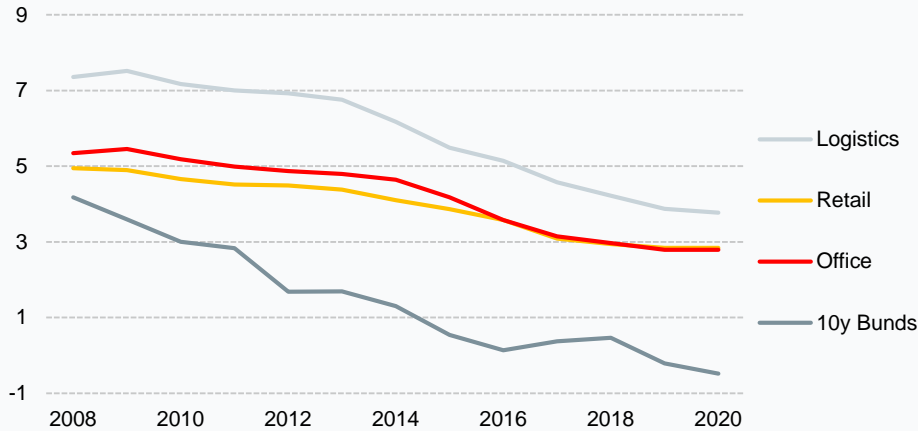
Forecast 2021

- The share of foreign investors and portfolio transactions should further increase out of the above mentioned reason.
- The € 70bn threshold of seems to be feasible in the commercial and residential property investment market again.



Commercial Real Estate Market Overview: Germany (II)

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

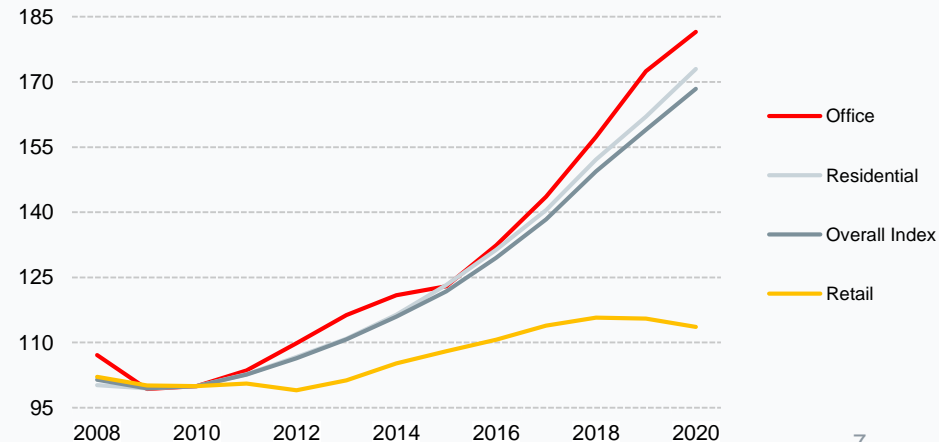


Source: Berlin Hyp Research, RIWIS/bulwiengesa, Macrobond

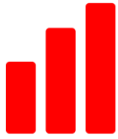
- Initial yields in all segments almost stable at previous year's level
- Current widening of yield spreads due to declining 10-year Bunds

- Overall price index continuous to rise. Main driver in 2020 were residential buildings, as the commercial real estate index declined for the first time since 2009
- Corona pandemic amplifies structural change in the retail sector and thus prices decreases

vdp Property Price Index
2010 = 100












Source: Berlin Hyp Research, vdp



Quo Vadis Commercial Real Estate?

Mid-Term Expectations According to Asset Classes

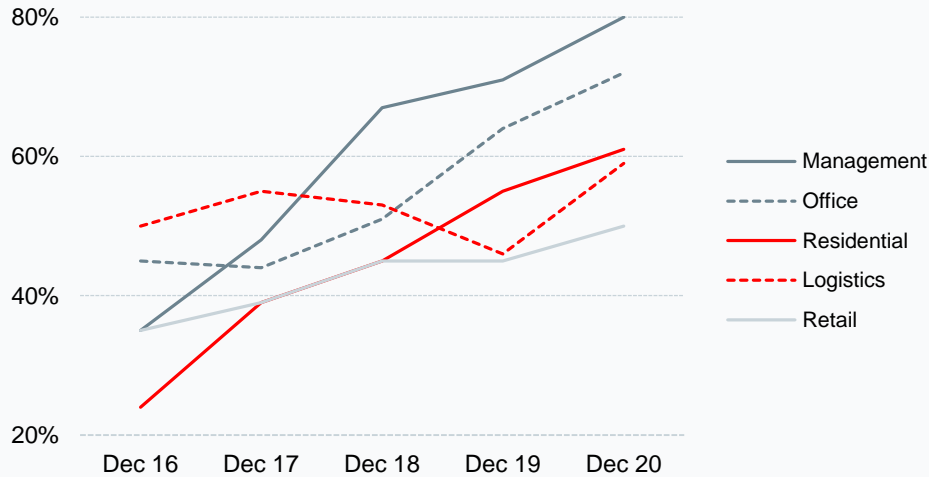
	Residential	± 0%		Asset class has shown stability through the crisis
	Office	- 10%		Less liquidity in the market & larger supply due to subsequent insolvencies and structural changes in the work environment (home office)
	Shopping – Non Food	- 15%		Clear drop due to longer lockdown, especially shopping centers suffer from structural change
	Shopping – Food	± 0%		Stable. Local supermarkets remain attractive
	Logistics	± 0%		Online shopping and digitalization lead to a high demand in logistics, lockdown measures speeded the process up
	Hotel	-10%		Further negative effects due to subsequent insolvencies and further lockdown measures



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

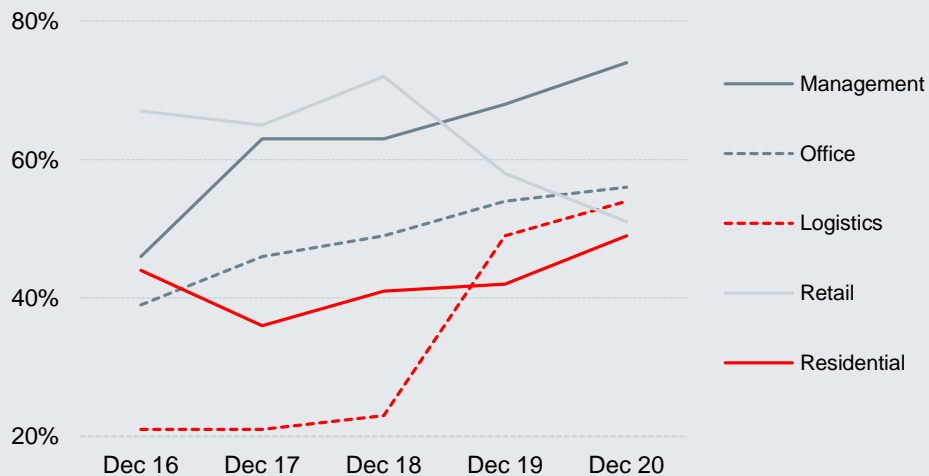


Germany

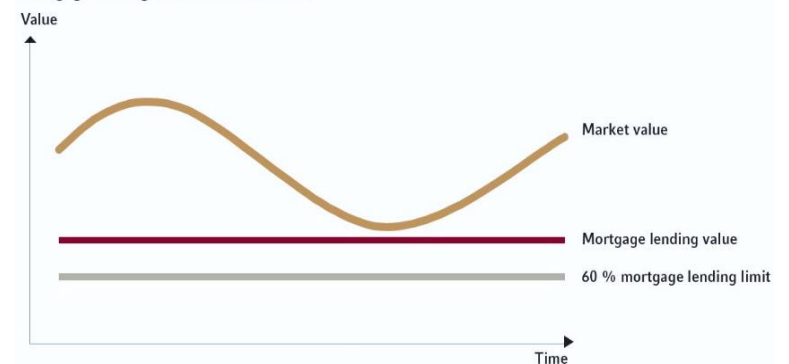


- The charts on the left side show by what percentage the market value of Berlin Hyp's domestic and international portfolio exceeds the mortgage lending value (MLV)
- The MLV is a conservative value of a property that can be expected to be realised at any point during the term of the loan, irrespective 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.

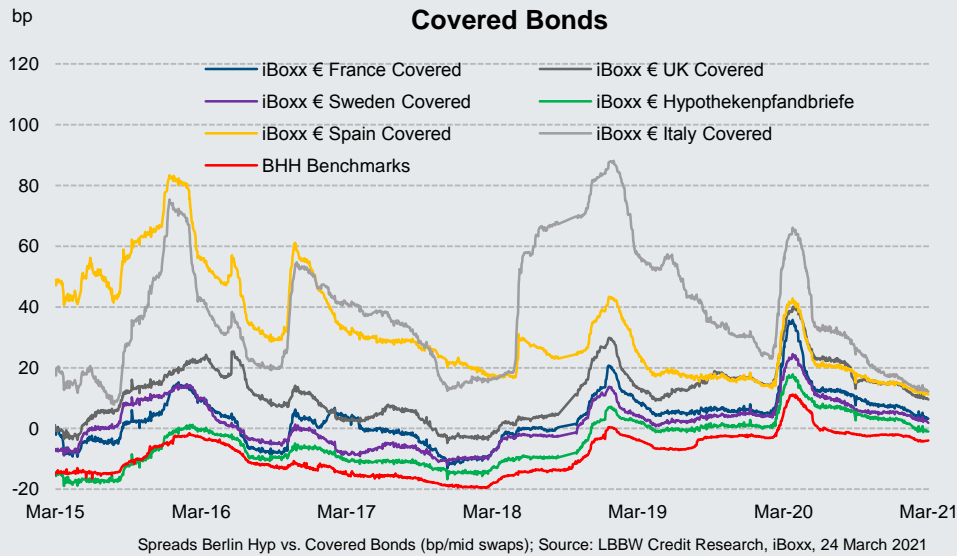
March 2020: As a result of the world wide coronavirus disruption Fitch changes the outlook on Berlin Hyp's IDR from stable to negative which impacts both, senior preferred and senior non-preferred ratings. The revision of the outlook follows a similar rating action on Berlin Hyp's ultimate parent Sparkassen-Finanzgruppe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



Funding	2020	2021
Mortgage Pfandbriefe	€ 1,612mn	€ 1,335mn
Senior Unsecured	€ 600mn	€ 390mn

2020 Highlights

- First FX-Funding in CHF
- First Green private placements
- € 303mn buy back of Pfandbriefe
- TLTRO participation

Berlin Hyp

EUR 500mn

0.01% / MS -3

Green Pfandbrief

Due 01/2028

March 2021

Berlin Hyp

EUR 500mn

0.01% / MS +0

Mortgage Pfandbrief

Due 01/2031

January 2021

Berlin Hyp

EUR 500mn

0.01% / MS +6

Green Pfandbrief

Due 09/2030

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

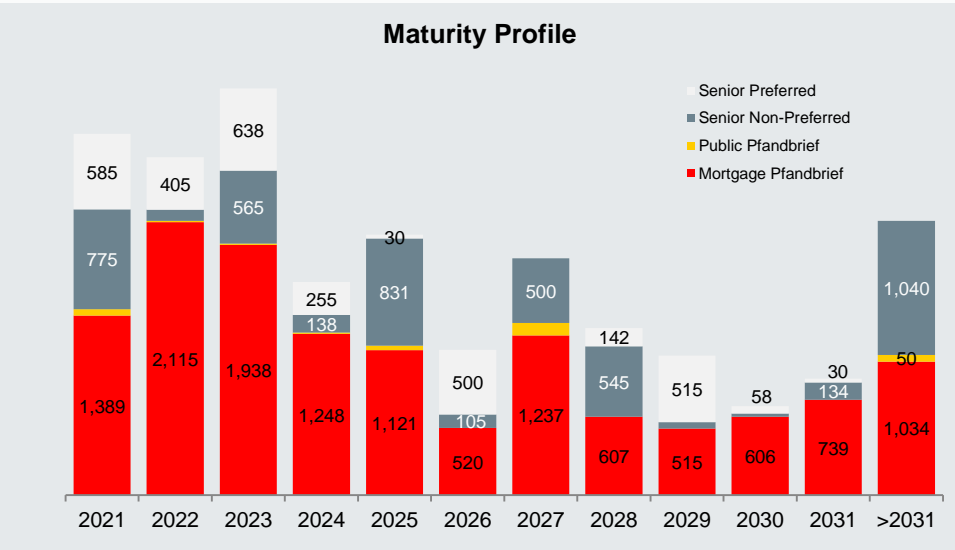
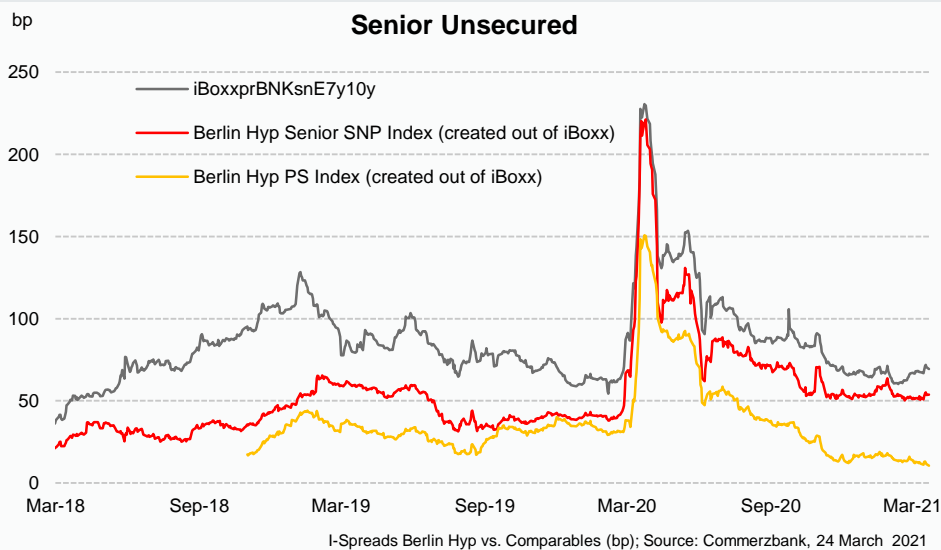
Due 02/2027

February 2020

The Covered Bond Report Awards 2020

Core Deal of the Year 2019

IFR Covered Bond of the Year 2019





Berlin Hyp's Sustainability Agenda

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

- **Goal:** Climate neutral by 2050; including a 40% reduction in carbon emissions between 2020 and 2030

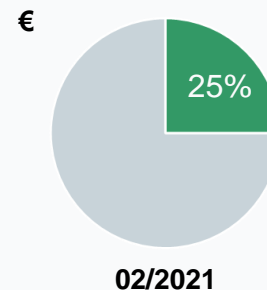


New: Methodology to calculate carbon emissions for the entire loan portfolio

2.

1/3 of Portfolio Green until 2025

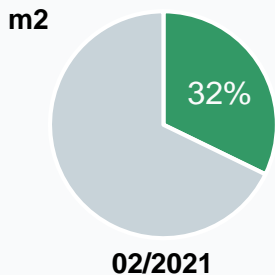
- Green new business continues to grow in importance



3.

Portfolio Transparency until 2023

- Systematic determination of energy values, carbon emissions and climate risks



4.

New Sustainability Product: Transformation Loan

- Incentivising and financing of energy-efficiency related refurbishments









Talks with potential pilot customers currently underway





Outlook 2021

 Key Figures	vs. previous year
New business	
Interest income	
Risk provisioning	
Allocation to the fund for general banking risks	
Return on equity	



Funding

2021	To Do	Thereof Benchmark
Mortgage Pfandbriefe	€ 1,300mn	€ 1,000mn
Senior Unsecured	€ 800mn	€ 500mn



CRE Market

- Real estate has proven to be an anchor of stability in times of crisis
- Low yields will keep demand for residential real estate, core office properties in A und B locations, supermarkets and logistic properties at a high level
- Resilience and structural change in the office and shopping segment as central topics of the future



Sustainability

- Sustainability agenda sets the scene for an even closer link between ESG and core business
- EU Taxonomy will have major impact on Green Bonds and the definition of green buildings. Final version to be expected end of April
- Inaugural publication of results of new carbon footprint assessment methodology on portfolio level in near future



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- Green Bonds
 - Framework
 - Reportings
- Financial Reportings
- Base Prospectus / Final Terms
- §28 Pfandbrief Act / HTT
- Euro Commercial Paper Programme
- Awards



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