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Annual Report 2021

Supervisory Board Report

2021 Supervisory Board Report of Berlin Hyp AG

Berlin Hyp is a subsidiary of Landesbank Berlin Holding AG and an independent commercial real estate financier within the S-Group of the Sparkassen-Finanzgruppe. According to the regulations of the German One-Third Participation Act, its Supervisory Board comprises five members on the staff side and ten on the shareholder side. Apart from the five employee representatives, the Supervisory Board is made up of representatives of the Sparkassen-Finanzgruppe and a representative of the local authorities. It advises and monitors the Board of Management and particularly supports the Board of Management in networking with savings banks throughout Germany.

Berlin Hyp successfully upheld its business model and demonstrated its ability to perform under the extraordinary circumstances of the COVID-19 pandemic in 2021. It continued its solid business development in 2021 and strengthened its position as one of the key real estate and Pfandbrief banks. Despite the many challenges, the Bank is pursuing the consistent implementation of its digitalisation and innovation activities and is explicitly reinforcing its sustainability claim. Berlin Hyp's well-developed digital infrastructure made it possible for work to be carried out at all times time without any fixed location.

Following the dissolution of the Landesbank Berlin Holding Group as an institutional group, many of the Bank's divisions were involved in the process of selling the Bank, data provision activities for potential investors and management discussions in the second half of 2021. In this context, the sale of the Bank within the Sparkassen-Finanzgruppe was also discussed as one of the strategic options and then initiated with the conclusion of a contract for the sale of the shares held by Landesbank Berlin Holding AG in Berlin Hyp to Landesbank Baden-Württemberg on 26 January 2022 (signing).

Berlin Hyp significantly exceeded its expected results despite the additional burden created by the sales process, the ongoing low-interest phase and the fierce competition among commercial real estate financiers. Significant

negative effects of the COVID-19 pandemic have not yet been recorded. The Supervisory Board regards Berlin Hyp's performance and its ability to hold its own ground in a difficult market environment while adhering to a conservative risk strategy and culture as steadfast and highly favourable.

In accordance with the legal requirements, the Supervisory Board once again concerned itself promptly, regularly and comprehensively with the position and the development of Berlin Hyp, the planning situation, the risk situation, risk management as well as compliance, discussing this in depth with the Board of Management and providing advice, both orally and in writing, in 2021. It regularly monitored the actions of the Board of Management and satisfied itself that it was acting properly, deliberated on all relevant aspects in this context and provided recommendations. In particular, the Supervisory Board intensively discussed and reviewed the plausibility of business transactions of importance to the company on the basis of written and oral reports of the Board of Management.

Meetings of the Supervisory Board

The Supervisory Board held four regular and two extraordinary meetings in the reporting year. In addition, the inaugural meeting of the newly elected Board took place following the Annual General Meeting on 23 June 2021, after the Annual General Meeting had previously reappointed the members of the Supervisory Board of Berlin Hyp AG on a regular basis. In addition to the detailed reporting by the Board of Management on current business development, including the environment and projects, the risk situation and the status of strategic investments, each ordinary Supervisory Board meeting reviewed the development of the S-Group business, the ongoing external audits at Berlin Hyp, the respective implementation status of the IT project SAP-HANA and details on the construction of the new building for the Berlin Hyp headquarters on Budapester Strasse 1. The Supervisory Board went over matters relating to the Board of Management on a case-by-case basis. In addition, the Supervisory Board continued to

deal with the legal, regulatory and supervisory framework.

At the **extraordinary meeting on 4 February 2021**, Maria Teresa Dreo-Tempsch was appointed a member of the Bank's Board of Management for a period of five years as Gero Bergmann's successor.

Following the reports made by the Board of Management and the auditors and after intensive consultation and review, the annual accounts and Management Report as at 31 December 2020 were approved and adopted in the **balance sheet meeting of the Supervisory Board on 29 March 2021**. The Supervisory Board's Report, the Corporate Governance Report and the Non-Financial Statement (sustainability report) were discussed and adopted.

In the course of this meeting, the annual reports of the Compliance Officer and the Internal Audit were also discussed and acknowledged. A report on the necessity for the Bank to develop its own risk IT architecture was also noted.

In accordance with the provisions of the German Remuneration Ordinance for Institutions (IVV), the Supervisory Board took note of the overall bonus pool for employees set by the Board of Management and established the total amount of variable remuneration for the Board of Management. Subsequently, on the basis of the individual achievement of targets, a decision was made on the individual target bonuses of the individual members of the Board of Management and on the payment of conditional bonuses.

Additional adjustments to the rules of procedure due to new supervisory or legal regulations and a new business distribution plan for the Board of Management due to the new appointment of Maria Teresa Dreo-Tempsch as a further member of the Board of Management were also noted.

The results of the 2020 SREP were discussed in detail with the participation of representatives of the regulatory authorities.

At the **meeting on 23 June 2021**, in addition to the regular reports, the Board of Management took note of statements on the strategic investments, donations and sponsorship measures and the Bank's handling of conflicts of interest.

The Supervisory Board also adopted guidelines for succession for the Board of Management and Supervisory Board. Furthermore, it prepared the annual efficiency and suitability examination for the Board of Management and the Supervisory Board. The targets for 2021 were agreed for Maria Teresa Dreo-Tempsch.

The necessary resolutions were adopted on the agenda of the Annual General Meeting, which took place immediately after this meeting of the Supervisory Board. These also included the nomination of the shareholders' Supervisory Board members up for regular re-election at the Annual General Meeting. At the same time, the Supervisory Board acknowledged the results of the election of employee representatives in May for the new term of office of the Supervisory Board.

Following the Annual General Meeting on 23 June 2021, in which the shareholders' side of the Supervisory Board of Berlin Hyp AG was reappointed on a regular basis, the inaugural meeting of the newly elected Board took place. The Supervisory Board elected the signatory as Chair of the Supervisory Board and Andrea Schlenzig as Deputy Chair. In addition, the four Supervisory Board committees were filled and the respective committee chairs and deputy chairs were elected.

In an **extraordinary meeting on 26 July 2021**, the Berlin Hyp Supervisory Board was informed of the decisions taken by the shareholders and the Board of Management of Landesbank Berlin Holding AG within the context of the project "Dissolution of the horizontal group".

In its **meeting on 30 September 2021**, the Supervisory Board defined the key audit issues for the 2021 financial year based on a proposal from its Audit Committee. It also adopted a conflict of interest guideline for the Board of Management and Supervisory

Board. The changes resulting from this and from new regulations on loans to members of management bodies have been incorporated into the respective rules of procedure. In addition to the regular reports, the Supervisory Board acknowledged the status of the project “Dissolution of the horizontal group” and the results of the preliminary study for the Bank’s own risk IT architecture. The Chair of the Supervisory Board presented a summary report of the findings from the efficiency review and suitability examination of the Supervisory Board and the Board of Management. The review revealed that the Supervisory Board’s work is effective and that the members of the Board of Management and Supervisory Board possess the necessary expertise, skills and experience.

In the **meeting on 26 November 2021**, the Board of Management’s periodic reports were supplemented by a presentation on Treasury activities. The updates of the strategy documents were discussed on a regular basis. Subsequently, the Supervisory Board addressed the projections for 2021 and the medium-term planning for the years 2022 to 2026.

Berlin Hyp’s remuneration systems were reviewed on a regular basis and considered appropriate. The report on the identification of risk carriers was noted as well as the restructuring plan of the LBBH Group and the amended jurisprudence on the remuneration systems for the Supervisory Board. Due to the entry into force of the Financial Market Integrity Strengthening Act (FISG), further adjustments to the rules of procedure were necessary.

Following the resignation of Gerhard Grandke and Sigmar Müller from the Supervisory Board as of 31 December 2021, the shareholders required a by-election of two new Supervisory Board members. Having conducted its own review, the Supervisory Board endorsed the recommendation of its Presiding and Nomination Committee and proposed to the Annual General Meeting the election of Stefan Reuss and Dieter Zimmermann as new members of the Supervisory Board.

Corporate and individual targets for 2022 were agreed for the members of the Board of Management.

As far as the sphere of Berlin Hyp was concerned, the Supervisory Board was also informed about the status of the current project “Dissolution of the horizontal group”.

Committees of the Supervisory Board

The work of the Supervisory Board of Berlin Hyp was supported by four committees – the Audit Committee (**PA**), the Loans Committee (**KA**), the Presiding and Nomination Committee (**PNA**) and the Remuneration Control Committee (**VKA**). Each committee generally convened as necessary approximately 10 to 14 days prior to Supervisory Board meetings. Written reports from the committees were then presented at the Supervisory Board meetings.

The main objective of the **PA** is to assist in the review and preparation of the adoption of the annual financial statements. Moreover, it is responsible for monitoring the accounting process, the efficacy of the risk management system, the internal management and controlling system, and the functionality of the Internal Audit division. It also deals with compliance issues. The **PA** comprises five members.

The **PNA** deals with HR and strategy issues, evaluates the efficiency and suitability of the Board of Management in accordance with the German Banking Act (KWG) and assesses the suitability of members of the management bodies in accordance with ESMA/EBA guidelines. The **PNA** comprises five members.

The **VKA** monitors the remuneration systems of the members of the Board of Management and employees, paying particular attention to the effects on risks and risk management at Berlin Hyp. It consists of four members.

The **KA** has its own loan approval powers and also acts as the Risk Committee. It therefore primarily deals with loan decisions, which exceed the powers of the “overall Board of Management”, as well as with the risk strategy, the regular risk reports and the principles of the loan business policy. Apart from its meetings, written circulation procedures and, where necessary, teleconferences – on loan decisions, which are within its competence – also regularly take place in the **KA**. The **KA** comprises five members.

The committees reported regularly and in detail to the Supervisory Board on their work.

Corporate Governance

As a non-listed public limited company, Berlin Hyp is not subject to the regulations of the German Corporate Governance Code (DCGK), but voluntarily applied it for many years. As from the 2020 financial year, it no longer applies

the DCGK, but is committed to complying with the principles of good corporate governance as set out in the DCGK. The Supervisory Board receives a report on corporate governance in the Bank once a year at the balance sheet meeting.

Meetings and Attendance

A total of four ordinary, two extraordinary and one inaugural Supervisory Board meetings and 23 committee meetings (of which four inaugural meetings) took place in the 2021 financial year. Due to COVID-19 restrictions, all sessions were held as videoconferences.

In 22 circulation procedures of the KA, 28 loan resolutions were passed. In one case, the Group-wide credit limit was briefly exceeded; this was managed and the proposal was also submitted to the Risk Committee (RA) of LBBH for information.

Members prevented from attending usually participated in the passing of resolutions through voting instructions. All Supervisory Board members took part in more than half of the meetings of the plenum and the committees to which they belong.

Conflicts of interest and how they are handled

The Supervisory Board has adopted regulations – in particular the guidelines for dealing with conflicts of interest on the Supervisory Board and the Board of Management adopted on 30 September 2021 – to prevent conflicts of interest. In the 2021 financial year, a total of four committee members abstained from voting on a resolution to avoid the appearance of a conflict of interest; in addition, three committee members were not given meeting documents on the relevant topics at two meetings to avoid conflicts of interest and did not participate in the discussions on these issues.

Personnel Issues of the Supervisory Board

The term of office of the Supervisory Board – both employee and shareholder representatives – ended at the end of the Annual General Meeting which resolves on the discharge for the 2020 financial year. At the Annual General Meeting on 23 June 2021, the shareholders reappointed Helmut Schleweis, Bernd Fröhlich, Gerhard Grandke, Dr Harald Langenfeld, Thomas Mang, Siegmär Müller, Reinhard Sager, Peter Schneider, Walter Strohmaier and Ulrich Voigt as members of the Supervisory Board.

The employees had already elected Andrea Schlenzig, Jana Pabst and Thomas Esterle, Jan Hausadel and Thomas Meister to the Supervisory Board of Berlin Hyp AG on 26 May 2021. Thomas Esterle and Jan Hausadel have joined as new members; former members Joachim Fichteler and René Wulff were no longer candidates for the election. All members were elected for the period up to the end of the Annual General Meeting which resolves on the discharge of the Supervisory Board for the 2025 financial year.

The Supervisory Board therefore comprised 15 members throughout 2021 – ten shareholder representatives and five employee representatives.

Gerhard Grandke and Siegmär Müller resigned as of 31 December 2021. At the extraordinary General Meeting on 15 December 2021, Stefan Reuss and Dieter Zimmermann were elected to the Supervisory Board as their successors from 1 January 2022. Their election was synchronised with the term of office of the current members of the Supervisory Board for the period up to the end of the Annual General Meeting which resolves on the discharge of the Supervisory Board for the 2025 financial year.

Stefan Reuss and Dieter Zimmermann were also appointed as members of the Audit Committee from 1 January 2022.

Personnel Issues of the Board of Management

As from 1 January 2021, the Board of Management comprised two members, Sascha Klaus and Alexander Stuwe. On the recommendation of its Remuneration Control Committee and its Presiding and Nomination Committee, Ms. Maria Teresa Dreö-Tempsch was appointed as a member of the Board of Management at an extraordinary meeting on 4 February 2021, with effect from 1 May 2021, subject to the approval of the ECB. By letter dated 30 April 2021, the ECB raised no objections to the appointment of Maria Teresa Dreö-Tempsch as a member of the Board of Management. As of 1 May 2021, the Board of Management once again comprised three members.

2021 Annual Financial Statements

The annual financial statements of Berlin Hyp and the Management Report for the 2021 financial year have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, appointed by the Annual General Meeting,

taking into account the auditing focus defined by the Supervisory Board, and have received an unqualified audit certificate. The Supervisory Board has acknowledged the audit certificate.

The annual accounts of Berlin Hyp were prepared in accordance with the provisions of the German Commercial Code (HGB). The annual accounts, the Management Report and the auditor's reports were presented to the Supervisory Board before its meetings in time. The Board of Management explained the financial statements and the risk management system in detail at the two meetings of the PA in preparation for the balance sheet meeting and also at the Supervisory Board's balance sheet meeting. The auditor attended these three meetings and reported on the scope, focus and material results of the audit. The auditor came to the overall conclusion that there were no major weaknesses in the internal control system or the risk management system.

The KA also dealt with the audit reports for the 2021 annual accounts, to the extent that they contain statements on the lending business and risk situation of Berlin Hyp, and raised no objections.

The PA closely examined the documents and recommended that the Supervisory Board approve the annual financial statements. The Supervisory Board approved the results of the audits following inspection of the auditor's reports and detailed discussion and determined that there were no objections to be raised even after the final results of its own audits. It approved the annual financial statements prepared by the Board of Management. The 2021 annual financial statements are thereby adopted. According to the profit transfer agreement, the earnings for 2021 are transferred to Landesbank Berlin Holding AG. During the audit of the annual financial statements, the Chair of the PA regularly informed himself of the audit's status in consultation with the auditor KPMG.

Sustainability Report (Non-Financial Declaration)

The PA and the Supervisory Board also addressed the 2021 non-financial declaration prepared by the Board of Management. In its role as auditor, KPMG performed an audit with limited certainty and found no grounds for objection. In the PA meeting in preparation for the balance sheet meeting as well as in the balance sheet meeting of the Supervisory Board, the Board of Management provided a detailed explanation of the documents, while the representatives of KPMG reported on the material findings of their audit and answered follow-up questions by members of the Supervisory Board. The Supervisory Board had no objections after performing its review.

Education and Further Training

The members of the Supervisory Board were responsible for obtaining the necessary training and continuing education for their duties at their own responsibility and are adequately supported in this process by the company. In addition to individual training measures, the Supervisory Board also received training on "Latest developments in the banking industry and banking supervision" on 30 September 2021 and "ESG requirements and objectives" on 26 November 2021.

The Supervisory Board would like to thank the members of the Board of Management as well as all employees for the successful results and for their enormous personal dedication in the 2021 financial year.

Berlin, March 2022

For the Supervisory Board

Helmut Schleweis
Chair

