

Create the future

**Report for the short financial year
from 1 January 2022 to 30 June 2022**

Supervisory Board Report

Supervisory Board Report of Berlin Hyp AG – Short Financial Year I 2022

Until 30 June 2022, Berlin Hyp was a subsidiary of Landesbank Berlin Holding AG (LBBH). Since 1 July 2022, Landesbank Baden-Württemberg (LBBW) has owned 100% of the Bank. Berlin Hyp is 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, the Supervisory Board as of 30 June 2022 is comprised of five employee representatives and ten shareholder representatives. On 1 July 2022, the Annual General Meeting adopted a resolution pursuant to which the Supervisory Board is to be reduced to nine members. Currently, the Supervisory Board is comprised of three employee representatives, five representatives of LBBW and one independent member.

The planned dissolution of the horizontal Landesbank Berlin Holding Group as an institutional group was initiated with the conclusion of a contract for the sale of the shares in Berlin Hyp held by LBBH to LBBW on 26 January 2022 (signing). The preparation of Berlin Hyp for the integration in the LBBW Group within a few months went according to schedule for the most part. In the first half of 2022, almost all of the Bank's divisions were involved in the subsequent process of teaming up with the LBBW Group, in order to ensure business operations starting on the closing date. The transaction was closed on 30 June 2022/1 July 2022.

Berlin Hyp successfully upheld its business model and demonstrated its ability to perform under the extraordinary circumstances of the COVID-19 pandemic and the Russian war of aggression against Ukraine in the first half of 2022. The Bank continued its solid business development and reinforced its position as one of the leading real estate and Pfandbrief banks. Despite the many challenges, the Bank is still pursuing the consistent implementation of its digitalisation and innovation activities and is explicitly reinforcing its sustainability claim.

On a pro rata basis, Berlin Hyp's earnings performance was above the value expected for the 2022 financial year despite the additional burden of the teaming up process, the initially ongoing low-interest phase and the

fierce competition among commercial real estate financiers. So far, no significant negative impacts of the Russia-Ukraine conflict and the still ongoing COVID-19 pandemic have been identified. 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 the first half of 2022. 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 two regular and one extraordinary meetings in the first half of 2022. Furthermore, the Supervisory Board resolved additional topics in two written procedures (circulation procedures).

In addition to the detailed reporting by the Board of Management on the 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 and the respective implementation status of the important projects. In addition, the Supervisory Board dealt with the legal, regulatory and supervisory framework.

In the **extraordinary meeting on 20 January 2022**, which took place in conjunction with the supervisory boards of Berliner Sparkasse and

LBBH, the results of the 2021 SREP notice were discussed at length with the representatives of the regulatory authorities.

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 2021 were approved and adopted in the **balance sheet meeting of the Supervisory Board on 28 March 2022**. The Supervisory Board's Report, the Corporate Governance Report and the Non-Financial Statement (sustainability report) were discussed and adopted. Furthermore, the auditor presented their quality report; the Supervisory Board then decided on how to conduct a quality evaluation of the audit.

In the course of this meeting, the annual reports of the Compliance Officer, of Internal Audit and the report on the achievement of the targets defined in the 2021 business strategy were discussed and acknowledged. Moreover, required resolutions were adopted on the agenda of the Annual General Meeting.

In order to execute the selling process of Berlin Hyp to LBBW, the required resolutions for the establishment of two short financial years and for the termination of the profit and loss transfer agreement with LBBH were adopted. In this context, the procedure for the selection of a new auditor and details on required new appointments in the governing bodies were acknowledged.

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.

In the **meeting on 28 June 2022**, the regular reports were acknowledged, but also details presented by the Board of Management on strategic investments, donations and sponsoring measures as well as the report on the status of the sale of Berlin Hyp by LBBH to LBBW.

Furthermore, the Supervisory Board updated the selection and diversity strategy, as well as job descriptions and applicant profiles for future Supervisory Board members and adopted a resolution on an orientation and training policy for the Supervisory Board.

In addition, the Supervisory Board adopted two resolutions by circulation procedure in May 2022. Matters of the Board of Management were decided in the first circulation procedure. In the second circulation procedure, the Annual General Meeting was presented with proposals, e.g. the appointment of Deloitte GmbH Wirtschaftsprüfungsgesellschaft as the auditor for the first short financial year 2022.

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 needed 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. Until 30 June 2022, the **PA** was comprised of five members, currently it is comprised of four 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. Until 30 June 2022, the PNA was comprised of six members, currently it is comprised of four 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. Until 30 June 2022, it was comprised of four members, currently it is comprised of three 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 credit decisions, which are within its competence – also regularly take place in the KA. Until 30 June 2022, the KA was comprised of five members, currently it is comprised of four 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

In the first half of 2022, a total of two regular and one extraordinary Supervisory Board meetings, and seven committee meetings took place. Mainly due to COVID-19 restrictions, the sessions were mostly held as videoconferences. The meeting of the Supervisory Board on 28 June 2022 was held as an in-person meeting.

Members prevented from attending usually participated in the passing of resolutions

through voting instructions. With one exception, all Supervisory Board members took part in more than half of the meetings of the plenum and the committees to which they belong.

Additional resolutions were adopted in written procedures (circulation procedures). The Supervisory Board adopted resolutions in two circulation procedures, the KA adopted eleven loan resolutions in ten circulation procedures, the PA adopted four resolutions and the VKA one resolution in circulation procedures.

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 first half of 2022, three members of the Board abstained from voting on three resolutions to avoid the appearance of a conflict of interest.

Personnel Issues of the Supervisory Board

Until 30 June 2022, Berlin Hyp’s Supervisory Board was comprised of 15 members. No changes were made in the Supervisory Board in the first short financial year 2022.

Some changes occurred in connection with the completed change in ownership and the amendment to the articles of association resolved in the extraordinary General Meeting on 1 July 2022, reducing the number of members from 15 to nine. Messrs Helmut Schleweis, Bernd Fröhlich, Dr. Harald Langenfeld, Stefan Reuß, Reinhard Sager, Peter Schneider, Walter Strohmaier, Ulrich Voigt and Dieter Zimmermann as shareholder representatives, and Messrs Thomas Esterle and Jan Hausadel as employee representatives resigned from the Supervisory Board effective as of the end of the extraordinary General Meeting on 1 July 2022.

In this extraordinary General Meeting, Ms Stefanie Münz and Messrs Thorsten Schönenberger, Anastasios Agathagelidis, Dr. Christian Ricken and Thomas Weiß were elected new members of the Supervisory Board. They were elected synchronously with the continuing 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 2024 financial year.

Personnel Issues of the Board of Management

In the first short financial year 2022, the Board of Management continues to comprise three members – Sascha Klaus, Maria Teresa Dreotempsch and Alexander Stuwe.

Accounts for the First Half of 2022

The accounts of Berlin Hyp and the management report for the first half of 2022 have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, appointed by the Annual General Meeting, and have received an unqualified audit certificate. The Supervisory Board has acknowledged the audit certificate.

The accounts of Berlin Hyp were prepared in accordance with the provisions of the German Commercial Code (HGB). The accounts, the management report and the auditor's report were presented to the Supervisory Board in due time before its meetings. The Board of Management explained the accounts and the risk management system in detail at the meeting of the PA in preparation for the balance sheet meeting and also at the Supervisory Board's balance sheet meeting. The auditor attended these two 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 report for the accounts of the first half of 2022, to the extent that it contains 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 financial statements. The Supervisory Board approved the results of the audit following inspection of the auditor's report and detailed discussion and determined that there were no objections to be raised even after the final results of its own audit. It approved the annual financial statements prepared by the Board of Management. This completes the accounts for the first short financial year 2022. According to the profit transfer agreement, the earnings as at 30 June 2022 are transferred to LBBH. During the audit of the accounts, the Chair of the PA obtained regular information on the audit's status in consultation with the auditor Deloitte.

Sustainability Report (Non-Financial Declaration)

The PA and the Supervisory Board also addressed the non-financial statement for the first half of 2022 that was prepared by the Board of Management. In its role as auditor, Deloitte 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 Deloitte 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.

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 individual commitment in the first half of 2022.

Berlin, September 2022

For the Supervisory Board

Thorsten Schönenberger
Chair

