



Berlin Hyp  
Sustainability-Linked  
Bond

Berlin Hyp

## Sustainability-Linked Bond Presentation

### Deal-related Roadshow: EUR 10y Senior Preferred Sustainability-Linked Bond

April 2021

All data as of 31 December 2020 if not marked differently



Finanzgruppe

Partnership built on trust



# Berlin Hyp – Brief Overview



- Founded 1868
- One of Germany's leading commercial real estate financiers
- Main refinancing instrument: Mortgage Pfandbrief



- Member of the Savings Banks Finance Group
- Institutional Protection Scheme; 0% risk-weighted for savings banks
- Exclusively owned by savings banks
- Increase of intra-group business



- Green bonds as an important expansion of the bank's funding mix
- Issuer of the first Green Pfandbrief
- Most active European bank issuer of green bonds
- 13 benchmark-sized green bonds outstanding in three different formats (Covered Bonds, Senior Preferred, Senior Non-Preferred)
- Early achievement of the strategic goal for 2020 and definition of new sustainability goals
- **First bank to publish a Sustainability-Linked Bond Framework**



Total Assets (EUR bn)  
 Operating Income before risk-provisioning  
 Allocation to the fund for general banking risks (EUR mn)  
 Pre-tax profit (EUR mn)  
 CET1 Ratio

	2020	2019	2018
Total Assets (EUR bn)	33.4	27.0	27.2
Operating Income before risk-provisioning	158,2	153,6	183.0
Allocation to the fund for general banking risks (EUR mn)	70.0	90.0	105.0
Pre-tax profit (EUR mn)	23.6	61.6	116.4
CET1 Ratio	13.4%	13.3%	13.5%



## Ratings

Moody's  
 Fitch

	Senior Non-Preferred	Senior Preferred	Pfandbriefe
Moody's	A2	Aa2	Aaa
Fitch	A+	AA-	--



## Agenda

Berlin Hyp



**Short Credit and Funding Update**

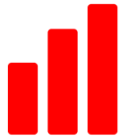


Berlin Hyp's Sustainability-Linked Bond



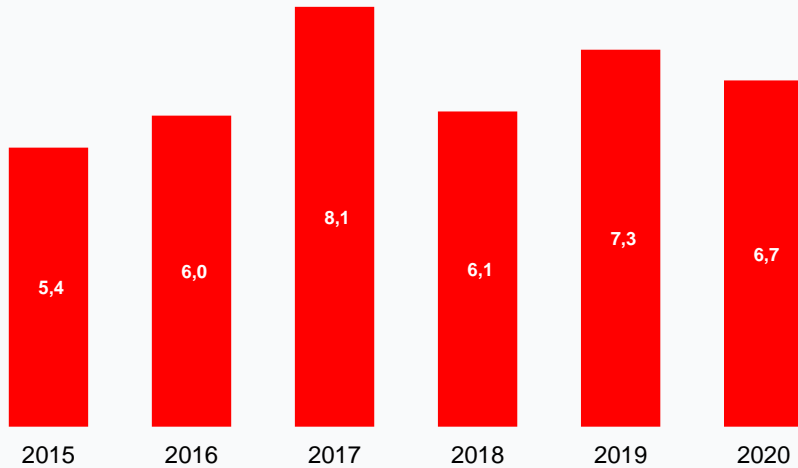
Appendix

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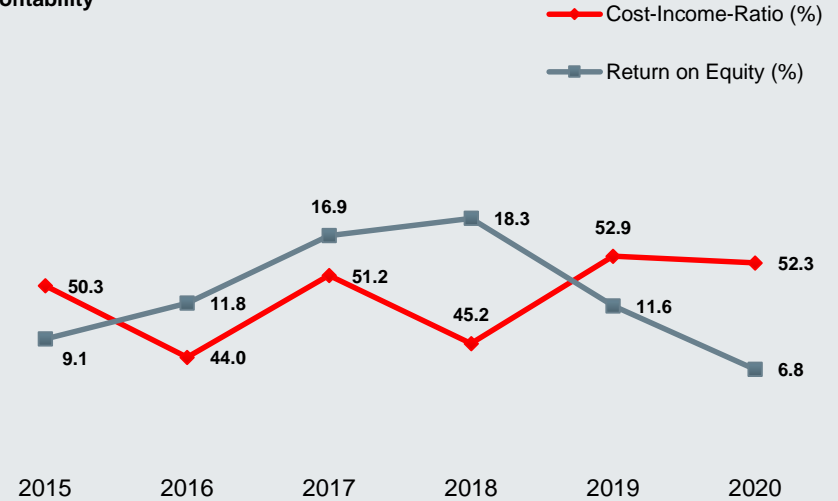


# Key Figures & Business Development

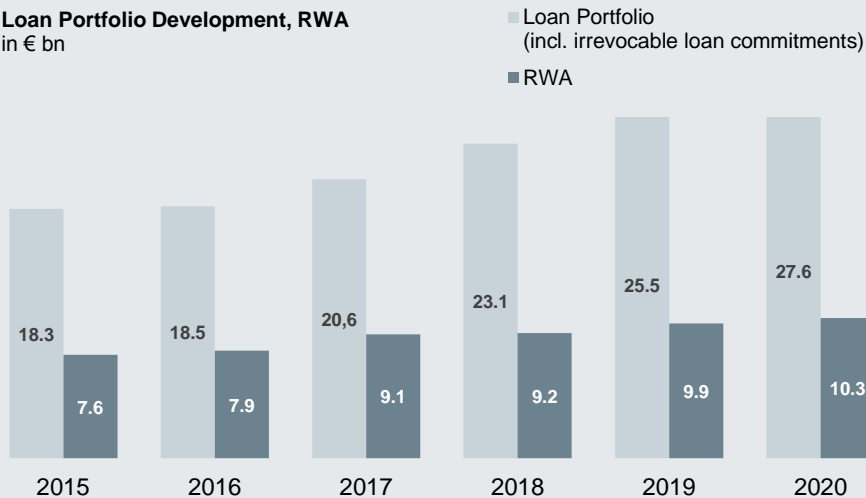
**New lending**  
in € bn, incl. extensions



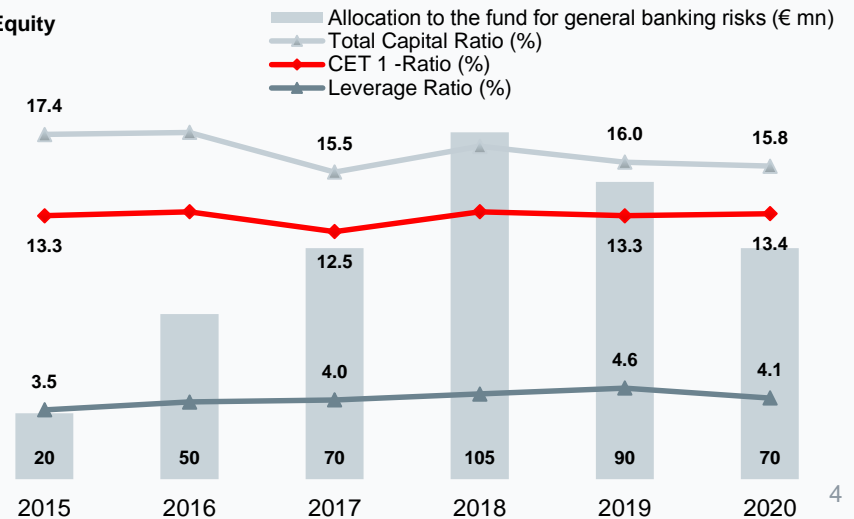
**Profitability**

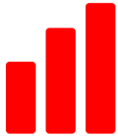


**Loan Portfolio Development, RWA**  
in € bn



**Equity**

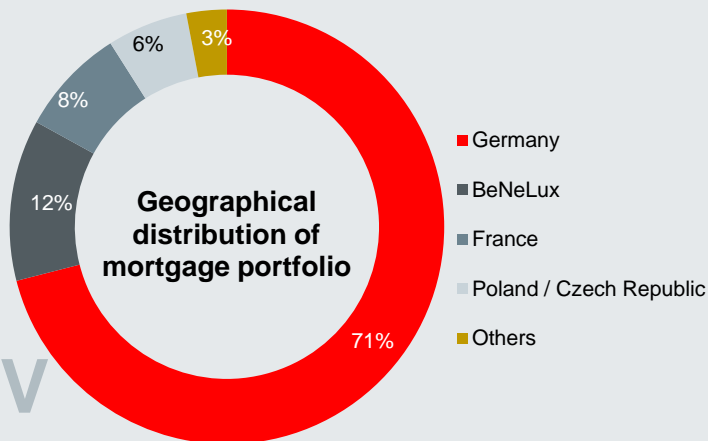
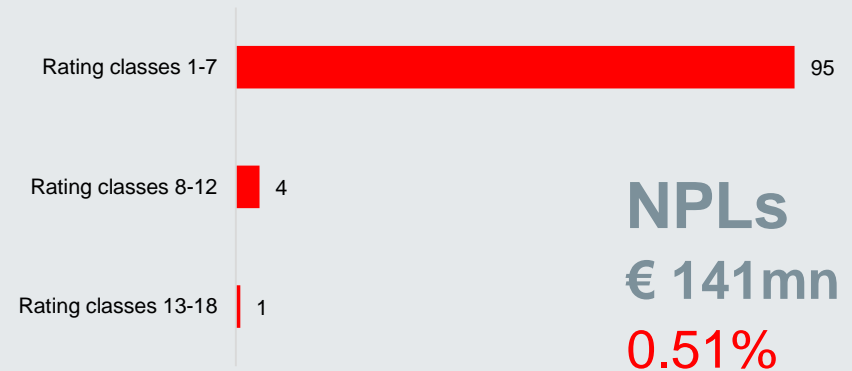




# Loan Portfolio

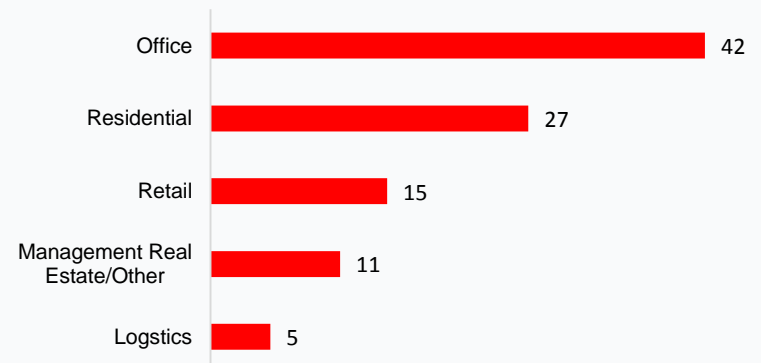
- High quality loan portfolio
- Current crisis has main impact on hotels & retail properties → limited exposure
- New business based on stringent conservative lending policy
- Close monitoring and stress testing of loan portfolio

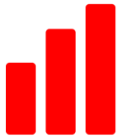
## Rating classes



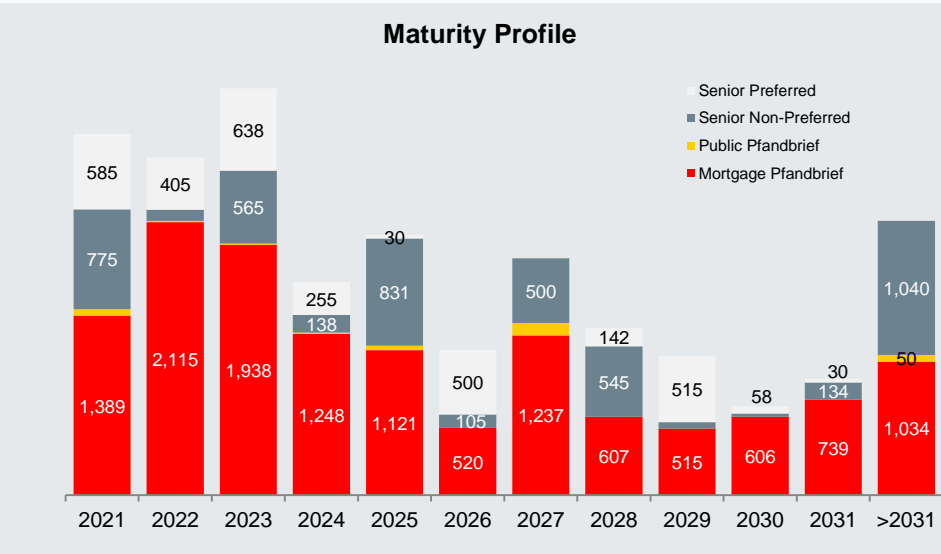
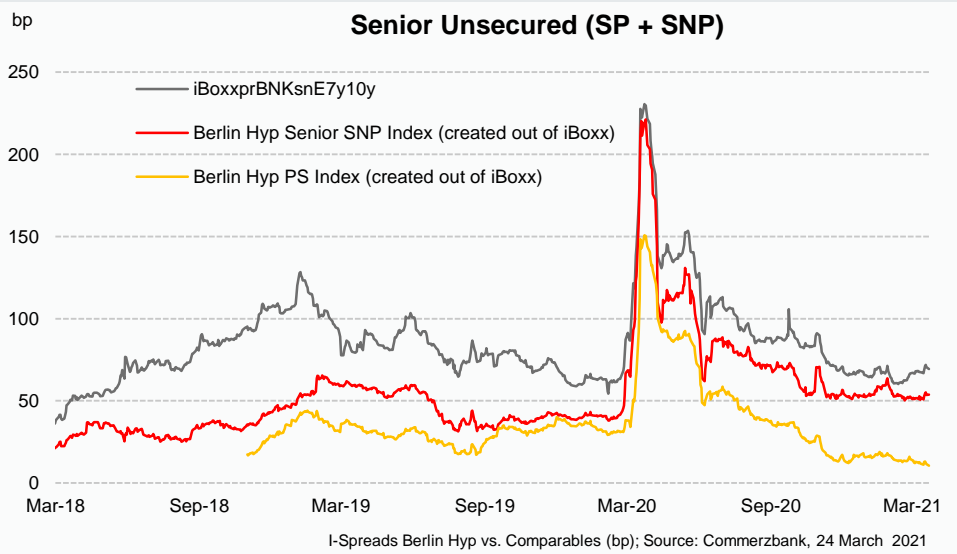
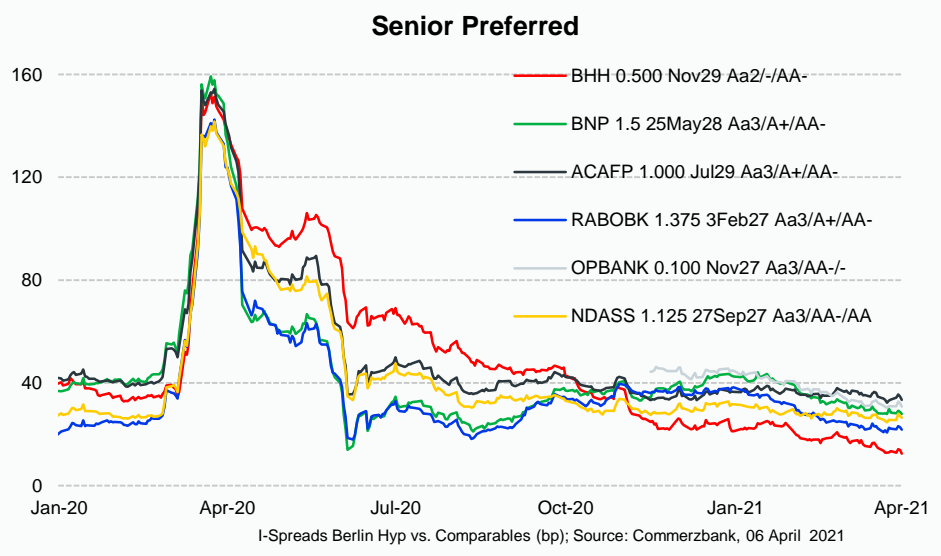
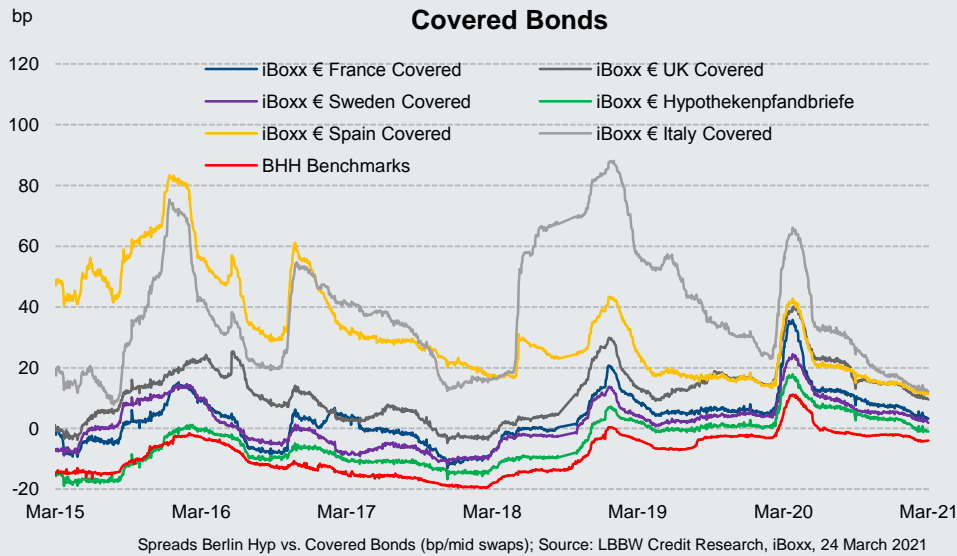
Ø LTV  
54.3%

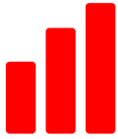
## Type of Use





# Funding & Spread Development





## 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.



## Agenda

Berlin Hyp



Short Credit and Funding Update



**Berlin Hyp's Sustainability-Linked Bond**



Appendix

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# Sustainability Ratings 2021

Corporate ESG Performance

RATED BY  
**ISS ESG**

Prime

Ranked 3<sup>rd</sup> out of 129 banks in the peergroup Financials/Mortgage & Public Sector (November 2020)

S/G Rating	C+	„Prime“
Environmental Rating	B	„Prime“
Total:	B-	„Prime“

Industry Leader

 **SUSTAINALYTICS**

Ranked 2<sup>nd</sup> out of 389 diversified banks worldwide (October 2020)

ESG Risk Report	11.9 of 100	Low
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**MSCI**  
ESG RATINGS

AAA

CCC B BB BBB A AA AAA

Sustainability Rating (December 2020)	AAA
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# Our Path to Become a Green Real Estate Financier

## 2015

- Issuance of the first **Green Pfandbrief**
- Establishing a **Green Building Commission**  
Introduction of standardized processes



September 2015:  
Best Debut Deal

## 2016

- **Sales promotion:** price incentives for green building loans
- Publication of first **Annual Green Bond Reporting**
- Development/documentation **Green Bond Program**
- Issuance of Berlin Hyp's first **green senior unsecured bond**



February 2016:  
First Green Covered Bond

## 2017

- **Strategic objective:** 20% of loan portfolio to be green by 2020
- **Most active European bank issuer of green bonds**



September 2017:  
Most Impressive Bank  
Green/SRI Bond Issuer

## 2018

- Further **strengthening of eligibility criteria** in Berlin Hyp's Green Bond Framework
- Participation in **EeMAP** pilot scheme



September 2018:  
Best Green/ SRI Issuer  
for Impact Reporting

## 2019

- **Transfer of brand rights** „Green Pfandbrief“ to the Association of German Pfandbrief Banks (**vdp**)
- **Update** of impact reporting **methodology**
- **Development of minimum standards** for **Green Pfandbriefe** on national level (**vdp**)
- **Early achievement of strategic goal for 2020:** 20% of the loan portfolio green by the end of 2020



September 2019:  
Most Impressive Green/  
SRI Covered Bond Issuer

## 2020

- First issuance of **green private placements**
- **New strategic sustainability goals:** climate neutral by 2050, 1/3 green by 2030, complete carbon transparency by 2023, launch of transformation loan (Transformationskredit)
- First **issuance of green bond in foreign currency** (CHF 125mn)

## 2021

- Development/launch of **Carbon Footprint Assessment Methodology** to calculate carbon emission and intensity of the entire loan portfolio
- First bank issuer to publish a **Sustainability-Linked Bond Framework**



# 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 carbon emissions between 2020 and 2030 (→ Climate path)

2.

## 1/3 of Portfolio Green by 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 by 2023

- Systematic determination of energy values, carbon emissions and climate risks
- **Expansion of the data base** at portfolio level by obtaining, analyzing 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





# Sustainability-Linked Bond to Support Climate-Neutrality



## European Real Estate Sector

- 75% Energy-inefficient
- 40% Share of overall energy demand
- 36% Share of carbon emissions
- 35% Older than 50 years
- 1-2% Renovation rate

➔ Urgent need for ecological transformation of real estate sector



## Set Targets

- Global:** United Nation’s Paris Climate Agreement
- National:** Federal Republic of Germany’s Climate Path for the real estate sector
- Berlin Hyp:** 2020 Sustainability Agenda provides for a holistic strategic approach

➔ Reduce global warming to less than 2°C, targeting 1,5°C

## Sustainability-Linked Bond

**Bond characteristics** (e.g. coupon, repayment amount) are linked to whether the issuer manages to reach certain quantifiable strategic **ESG targets**



## Rationale for Sustainability-Linked Bonds

- I. Further increase our **contribution to combat climate change**
- II. Embed **ESG** further into the **core of our business operations**
- III. Share progress in achieving our ESG targets in a **consistent and transparent manner**
- IV. Raising **awareness** for necessity of carbon reduction
- V. Inspiring **capital market participants** to provide financial means necessary to achieve climate goals
- VI. Broadening and **strengthening our investor base**



## Alignment with Sustainability-Linked Bond Principles



### KPI

**Carbon intensity reduction rate** of Berlin Hyp's entire loan portfolio



### Sustainability Performance Target

Reducing the carbon intensity of the entire loan portfolio by **40% between 2020 and 2030**



### Bond Characteristics

**Step-up coupon:** coupon will be increased by 25 bp if sustainability performance target is not met at the observation date (31 December 2030)



### Reporting

**Annual Sustainable-Linked Bond Reporting** on KPI progress



### Verification

**Second Party Opinion by Sustainalytics**, annual re-verification, verification assurance certificate



# 1. Key Performance Indicator (KPI)

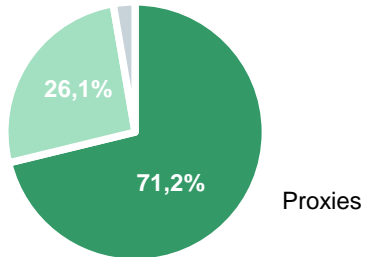


## Carbon intensity reduction rate of Berlin Hyp's entire loan portfolio

1.

### Loan portfolio's energy data (% of financed area)

Energy data from EPCs recorded in loan monitoring system



### → Energy data for 97.3% of entire loan portfolio

- Energy demand data for heating and electricity in kWh/m<sup>2</sup>/a
- Financed area (net floor area) in m<sup>2</sup>

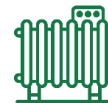
2.

### Conversion factors Translating kWh into CO<sub>2</sub>



#### Electricity

CF<sub>E</sub>: based on **national energy mixes**  
in kgCO<sub>2</sub>e/kWh



#### Heating

CF: based on individual **energy provider** or  
**national energy mixes**  
in kgCO<sub>2</sub>e/kWh

"Icon made by Pixel perfect from www.flaticon.com"

3.

(1) Energy demand for heating and electricity

x

(2) Conversion factors

x

Financed area

= Carbon emission of entire loan portfolio

4.

Σ

(3) Carbon emission of entire loan portfolio

Σ

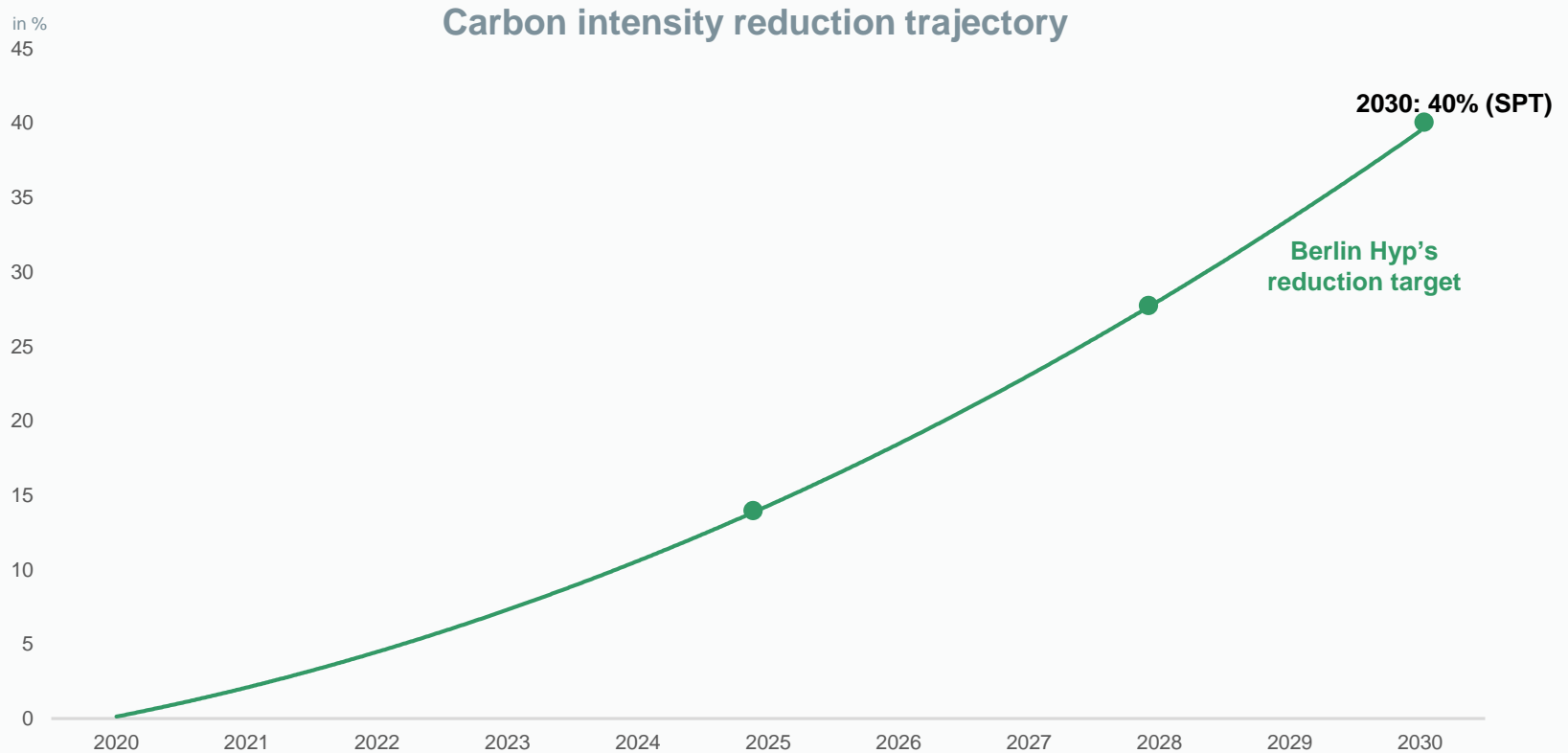
Financed area

= Carbon intensity of entire loan portfolio





## 2. Sustainability Performance Target – SPT (I)



Reducing the carbon intensity of the entire loan portfolio by **40% between 2020 and 2030**

1<sup>st</sup> intermediate target: 14% reduction by 2025

2<sup>nd</sup> intermediate target: 27% reduction by 2028



## 2. Sustainability Performance Target – SPT (II)



### Measures to achieve the SPT



- **Calculation of Scope 1 and Scope 2 emissions** for carbon footprint assessment (Scope 1 + Scope 2 of the buildings financed by Berlin Hyp represent the bank's own Scope 3 in its core business)
- **Increase of data quality** (to enhance portfolio transparency)
- **Increase share of green buildings** in loan portfolio
- Financing energetic renovations (transformation loan)
- Inclusion of ESG characteristics (in particular energy-efficiency) in **new-business process / credit decisions**
- Inclusion of ESG characteristics (in particular energy-efficiency) in **portfolio management**

### Risks to hinder us from achieving the SPT



- Political action is underway, but many regulations targetting carbon reduction are still in an implementation phase. Achieving the SPT depends on **successful implementation**
- **External factors** (e.g. related to current pandemic) to hinder the increase of energy-efficient real estate stock
- **Decarbonization of energy sector** slower than expected
- **Technical/engineer-technical ideas** to fail in leading to efficient solutions
- **Industry sectors closely-linked** to building sector to fail in contributing successfully



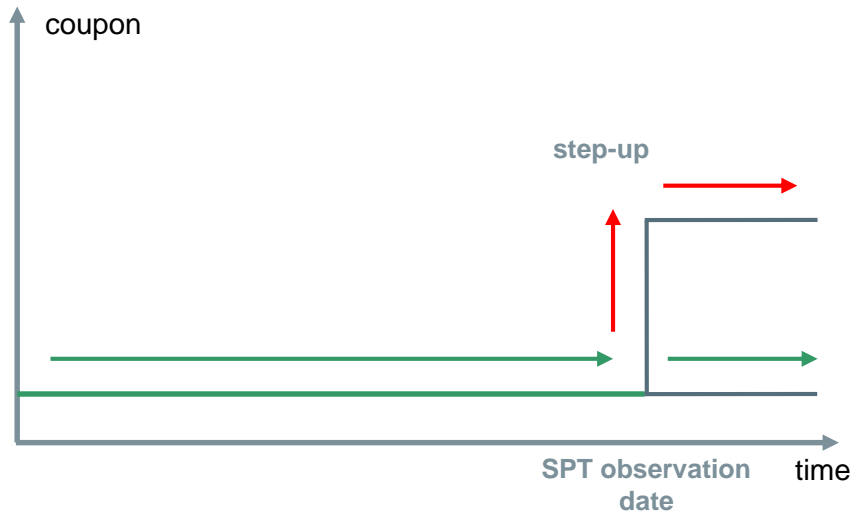


## 3. Bond Characteristics



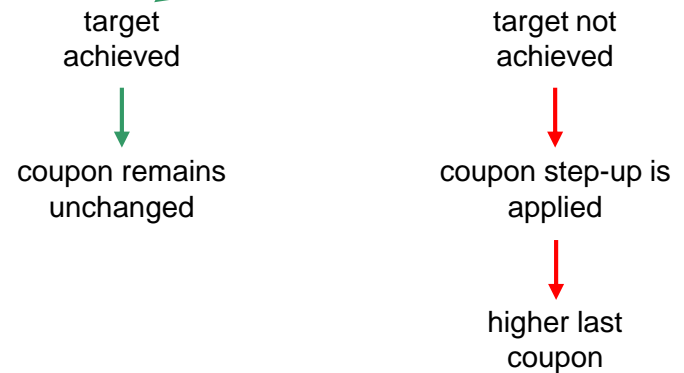
### Step-up coupon:

**Increase of the coupon** by a percentage expressed in bps per annum, payable from the first coupon payment date following the SPT observation date until maturity or at the point of maturity



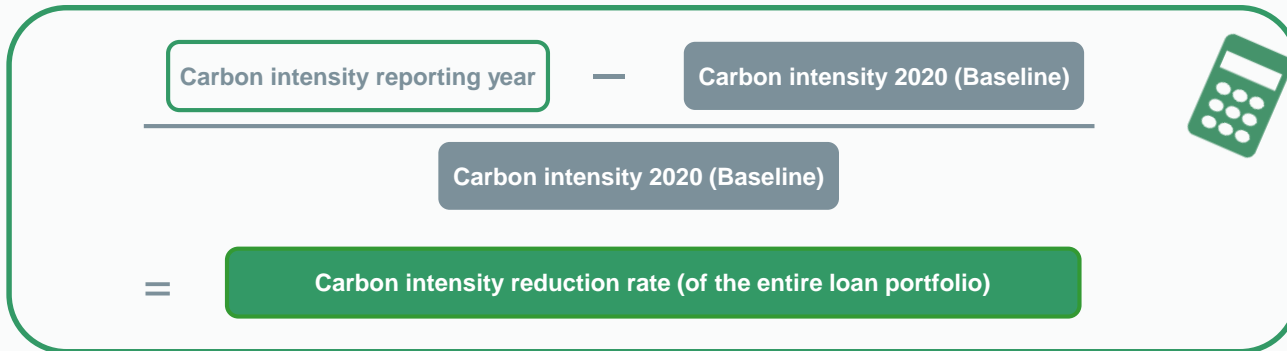
### Single coupon step-up

#### SPT observation date





## 4. Reporting



KPI	Strategic Performance Target	2019	2020 (Baseline)
<b>Carbon intensity reduction rate of the entire loan portfolio</b>	Reducing carbon intensity of the entire loan portfolio by <b>40% between 2020 and 2030</b>	40.3 kgCO <sub>2</sub> /m <sup>2</sup>	38.6 kgCO <sub>2</sub> /m <sup>2</sup>

### Content

- Annual KPI values as of 31 December of reporting year
- Historical KPI values since 2019
- Carbon intensity of Berlin Hyp's loan portfolio
- Historical carbon intensity since 2019
- Average energy demand of buildings included in loan portfolio
- Carbon conversion factors
- Any relevant information related to methodology and/or data update

### Results as of 31 December 2020

<b>Financed area (m<sup>2</sup>)</b>	<b>32,046,441</b>
<b>Total carbon emission (kgCO<sub>2</sub>/a)</b>	1,237,490,355
<b>Carbon intensity (kgCO<sub>2</sub>/m<sup>2</sup>/a)</b>	38.62
<b>Total energy demand (kWh)</b>	4,707,625,550
<b>Energy demand per m<sup>2</sup> (kWh/m<sup>2</sup>)</b>	146



## 5. Verification



Second-Party Opinion  
**Berlin Hyp Sustainability-Linked Bond Framework**

Evaluation Date	February 26, 2021
Issuer Location	Berlin, Germany

Sustainalytics is in the opinion that the Berlin Hyp Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020.

### KPI

KPI is strong based on its applicability and the relevance and materiality to the subindustry.

### SPT

SPT aligned with the issuer's sustainability strategy. SPT is ambitious and demonstrates industry leadership  
 SPT: i) goes beyond business as usual  
 ii) clearly exceeds peer performance/targets  
 iii) aligns with well-below-2-degree climate scenario

KPI	Baseline 2020	SPT	Strength of the KPI	Ambitiousness of SPT
Carbon Intensity of loan portfolio	38.6 kgCO2/m2	Reduce loan portfolio's carbon intensity by 40% between 2020 and 2030	Strong	Ambitious



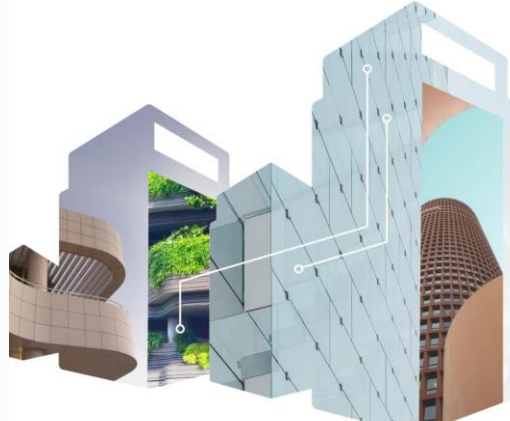
Annual re-verification and verification assurance certificate following the SPT observation data. Publication on Berlin Hyp's website: [www.berlinhyp.de/en/investors/sustainability-linked-bonds](http://www.berlinhyp.de/en/investors/sustainability-linked-bonds)



# Website

Investors > [Sustainability-Linked Bonds](#)


## Berlin Hyp's Sustainability-Linked Bonds – investments aligned with the Paris Agreement's goals



Berlin Hyp uses Sustainability-Linked Bonds to combine its strategic sustainability goals with its refinancing on the capital market. These goals are derived from our sustainability agenda, the core of which is our clear commitment to the Paris Climate Agreement and the German government's climate path for the building sector. We are thus committed to climate neutrality by 2050 and - analogous to the climate path - aim to reduce CO<sub>2</sub> emissions by 40% between 2020 and 2030. This applies not only to our own business operations, but also in particular to our core business, commercial real estate financing.

Sustainability-linked bonds represent an additional class of refinancing instruments within our ESG funding mix, thus joining our engagement in the green bond market. The basis for the issuance of Sustainability-Linked Bonds is the framework available for download below, which complies with the ICMA Sustainability-Linked Bonds Principles. The development of the underlying key performance indicator is reported annually in a Sustainability-Linked Bond Report.

[Framework and Methodology](#) 

[Reporting](#) 

[External Review](#) 

[Base Prospectus und Final Terms](#) 





## Your Contacts at Berlin Hyp



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You will find further information on Berlin Hyp if you visit our website [www.berlinhyp.de](http://www.berlinhyp.de):

- Ratings
- Green Bonds
  - Framework, reportings, external verification
- Sustainability-Linked Bonds
  - Framework, reportings (from 2022), external verification, videos
- Financial Reportings
- Base Prospectus / Final Terms
- §28 Pfandbrief Act / HTT
- Euro Commercial Paper Programme
- Awards



## Agenda

Berlin Hyp



Short Credit and Funding Update

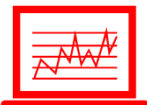


Berlin Hyp's Sustainability-Linked Bond



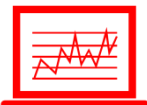
**Appendix**

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## Ownership Structure





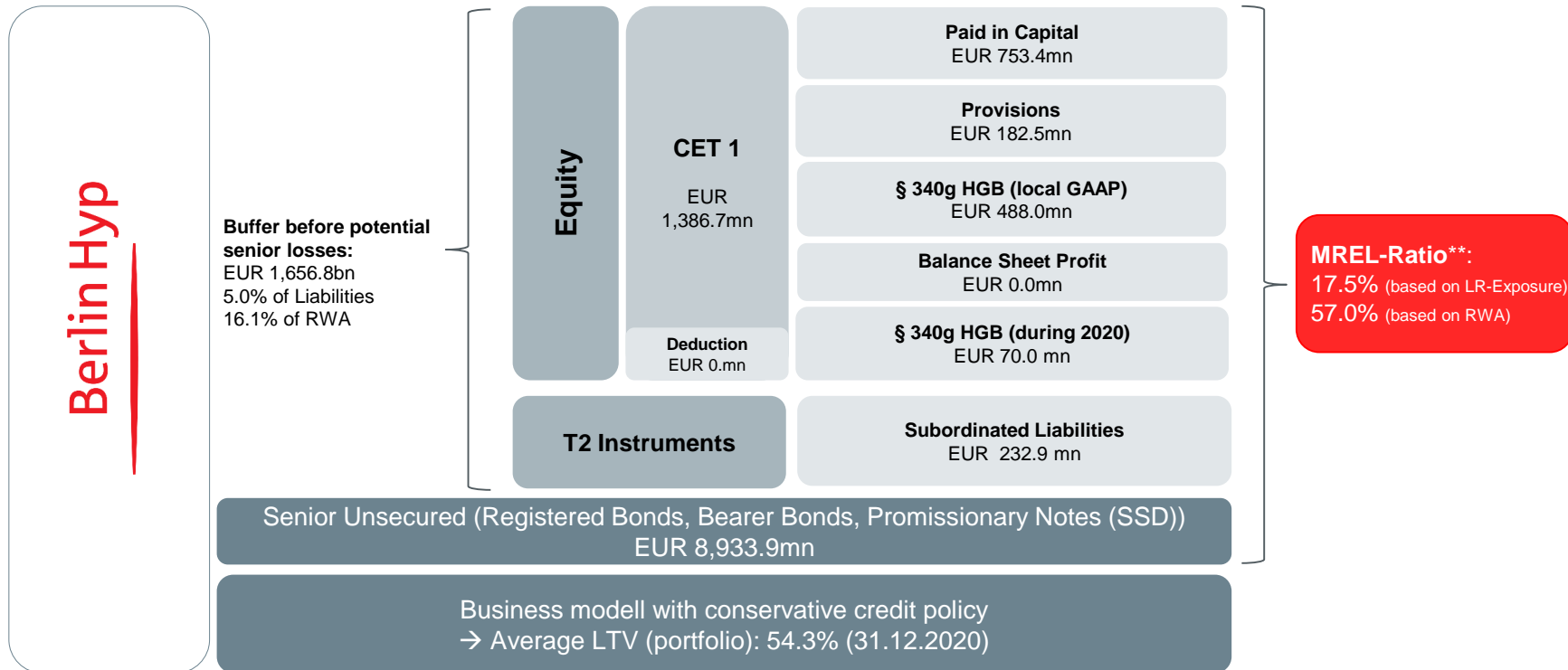
## Statement of Profit and Loss

EUR mn	2020	2019	2018	2017	2016
<b>Interest / Commission income</b>	<b>333.1</b>	<b>327.5</b>	<b>338.6</b>	<b>310.0</b>	<b>298.4</b>
Interest income	313.1	309.7	315.4	270.9	255.9
Commission income	20.0	17.8	23.2	39.1	42.5
<b>General operating expenditure</b>	<b>173.2</b>	<b>172.3</b>	<b>151.2</b>	<b>134.8</b>	<b>122.3</b>
Staff expenditure	82.0	92.4	83.8	73.6	62.6
Other operating expenditure	70.1	67.5	61.5	55.9	55.3
of which expenditure for bank levy	13.4	12.0	10.6	10.1	10.9
Depreciation of tangible assets	21.1	12.4	5.9	5.3	4.4
Other operating earnings / expenditure	-1.7	-1.6	-4.4	-47.0	-20.3
<b>Operating income before risk provisioning</b>	<b>158.2</b>	<b>153.6</b>	<b>183.0</b>	<b>128.2</b>	<b>155.8</b>
Risk provisioning	-61.6	2.2	37.4	56.2	-35.7
Provisioning loans	-81.4	-7.5	15.5	33.5	-51.3
Provisioning bonds	19.8	9.7	21.9	22.7	15.6
<b>Operating income after risk provisioning</b>	<b>96.6</b>	<b>155.8</b>	<b>220.4</b>	<b>184.4</b>	<b>120.1</b>
Income of financial assets	-2.8	-4.0	1.2	3.2	2.8
Allocation to the fund for general banking risks	70.0	90.0	105.0	70.0	50.0
Extraordinary expenditures	0.0	0.0	0.0	0.0	0.0
Other taxes	0.2	0.2	0.2	0.2	0.2
<b>Profit before income tax and profit transfer</b>	<b>23.6</b>	<b>61.6</b>	<b>116.4</b>	<b>117.4</b>	<b>72.7</b>
Income tax	0.2	0.6	0.0	0.4	-0.3
<b>Expenditure from profit transfer</b>	<b>23.4</b>	<b>61.0</b>	<b>116.4</b>	<b>117.0</b>	<b>73.0</b>
<b>Net income of the year</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>





# Protection of Senior Unsecured Investors / Insolvency Hierarchy\*



\* All Data as of 31.12.2020; financial figures

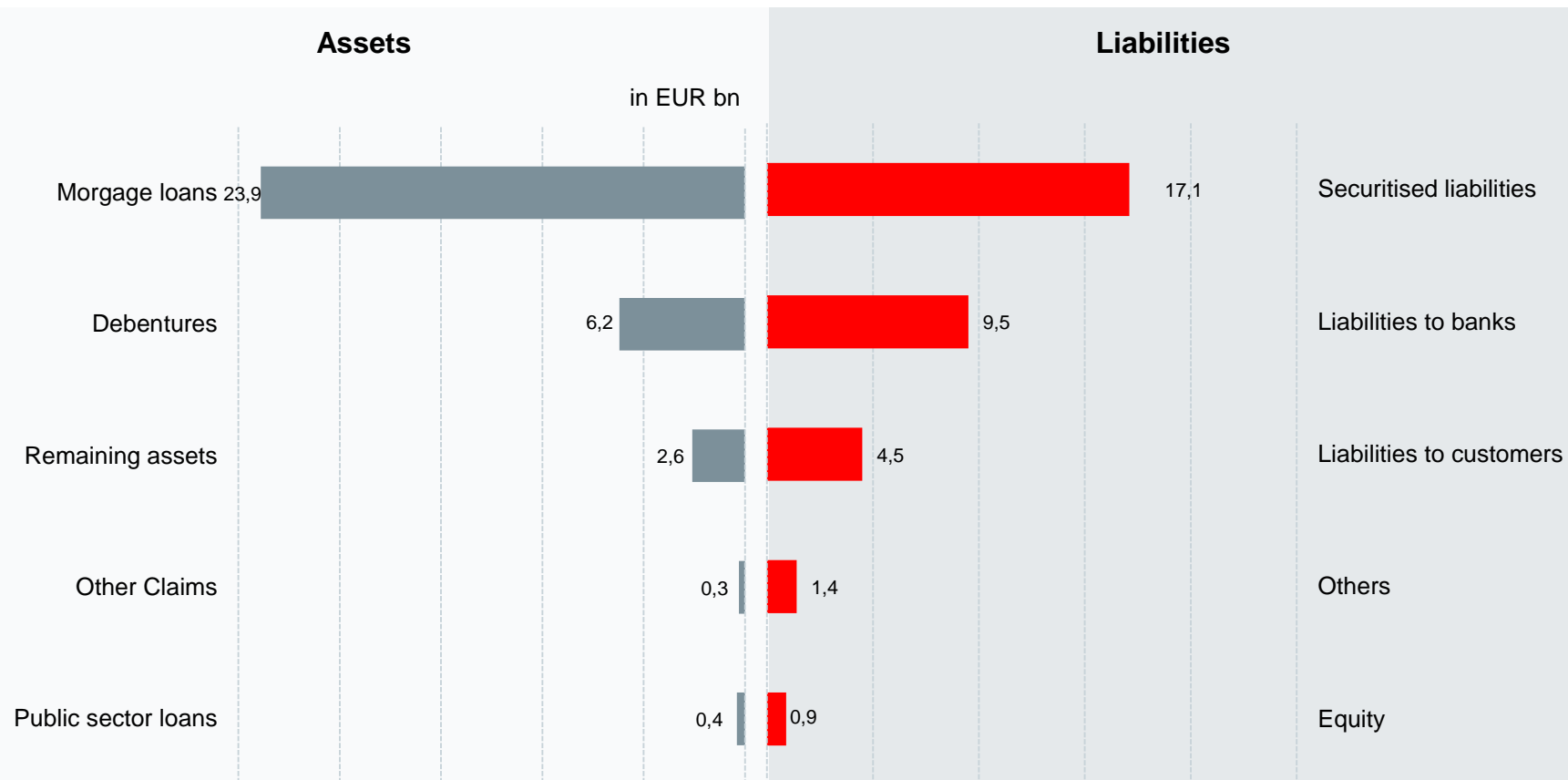
\*\* Note: MREL ratio =  $\frac{\text{Equity} + \text{T2-Instruments} + \text{Senior Unsecured}}{\text{Leverage Exposure}}$

→ For the MREL ratio only the regulatory senior debt EUR 4,206.9mn is accounted

Berlin Hyp is a member of the Institutional Protection Scheme of the Savings Banks Finance Group.

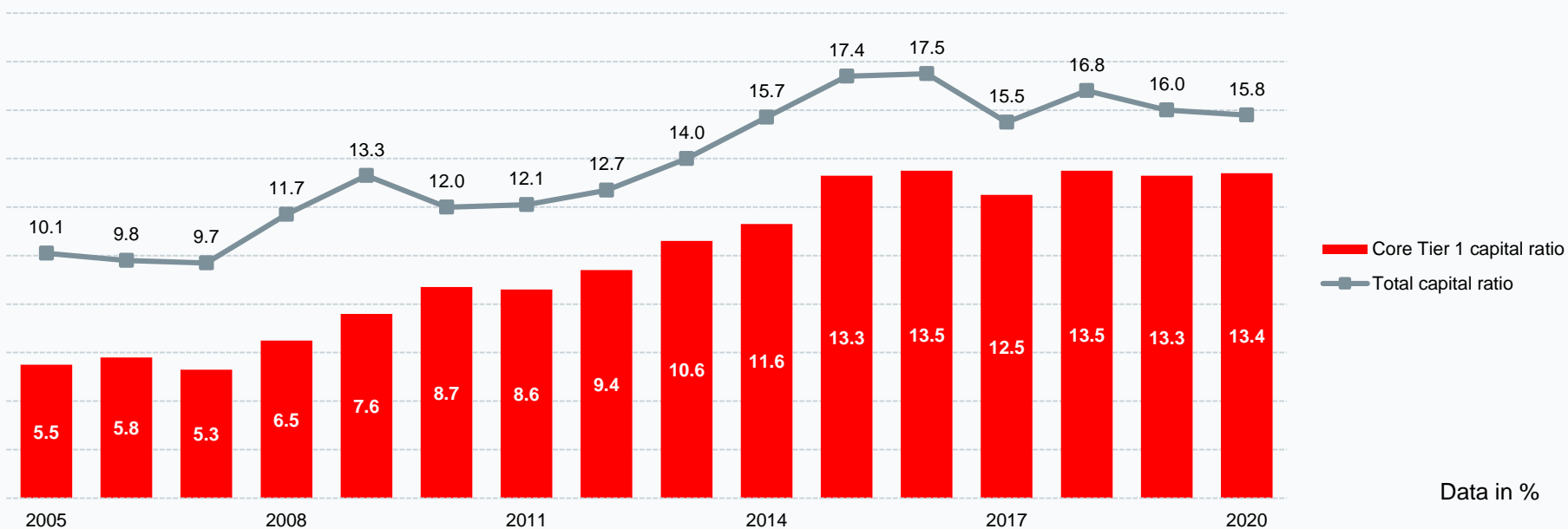


## Balance Sheet as of 31 December 2020





## Development of Capital Ratios



Data in %

Allocation to the fund for general banking risks: 2018 EUR 105mn, 2019 EUR 90.0mn, 2020 EUR 70mn

Corporate actions in 2009 (EUR 88.1mn), 2010 (EUR 97.5mn) and 2014 (EUR 105.0mn – equity transfer from Berliner Sparkasse)

Increase of total assets from 2017 - 2020: EUR 27.1bn to EUR 33.4bn



## Disclaimer

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