

Annual Report 2020

Foreword by the Board of Management

Dear readers,

The world was turned upside down more or less without any warning in 2020. The COVID-19 pandemic arrived in Europe and disrupted our normal working routines – and everything else as well. The economy and society as a whole were severely tested in 2020, as was each and every company and individual. The economic and social impact of the pandemic have become very noticeable by now, but it's extremely difficult to predict what the long-term effects will be.

Economic output declined dramatically in Germany as a result of the pandemic. At the same time, ongoing low-interest rates, a lack of investment alternatives, and a high level of liquidity helped keep the real estate market remarkably stable, and Berlin Hyp also benefited from this stability.

During the difficult year of 2020, the Bank once again showed just how well it can adapt to changed circumstances: After it became apparent at the beginning of March 2020 that the virus would spread very dynamically in Germany, we transferred nearly 90% of our employees into a mobile working arrangement within just a few days. All systems and core processes at the Bank functioned perfectly from the very first day of across-the-board mobile work, and operational stability was guaranteed at all times. As it turned out, the extensive investments the Bank had made in IT infrastructure and the modernisation of core processes in previous years paid off during the pandemic. The financial year also went well for Berlin Hyp, with annual results significantly exceeding the rather reserved expectations expressed at the end of the first quarter:

At €6.7 billion, new lending (including extensions in the amount of €1.0 billion) was lower than the outstanding result achieved in the previous year (€7.3 billion, including extensions in the amount of €1.0 billion), but it was also higher than what the Bank expected to achieve. In a particularly positive development, the Bank succeeded in increasing its interest-bearing business with customers by €2.0 billion to €24.4 billion (2019: €22.4 billion).

The Bank was also very successful on the capital market. In general, Berlin Hyp is considered to be a solid and reliable bond issuer, and it lived up to its reputation as a pioneer and innovator once again by issuing three more Green Bonds in 2020 (please refer to this [page](#) for more information).

The most important thing, however, is that our books still do not show any lending risks.

We are taking advantage of the Bank's good performance here in order to prepare our company for potential economic turbulence in the coming years. This includes further strengthening the equity base and expanding the risk buffer. Along with creating reserves to protect against latent risks resulting from the pandemic, the Bank has therefore also once again added to the Fund for General Banking Risks by setting aside a further €70 million (2019: €90 million).

Our actions in 2020 were guided by the principle of safeguarding the Bank's stability and resilience, as these attributes have enabled us to successfully navigate through the crisis thus far.

The impact and duration of the second lockdown, the sluggish start of the vaccination process in nearly all European countries, and the danger of a third wave of infections all serve as an indication that 2021 may prove to be more challenging in some ways than 2020. Our actions will therefore also be guided in 2021 by the principle of safeguarding the Bank's stability and resilience, whereby our future-oriented process will play a key role here.

Culture and organisation form the foundation of this process, while modern IT represents the technical backbone and our sustainability agenda serves as the strategic focus.

We will systematically move ahead with our major projects while simultaneously testing new forms of work at our interim office locations in order to ensure the best possible workplace environment at our new headquarters (please refer to this [page](#) for more information). All of these measures will make Berlin Hyp fit for the future.

Real estate will serve as the anchor of stability in the coming year as well (please refer to this [page](#) for more information). Despite this fact, certain asset classes will be subject to market corrections. Will companies need less office space in the future because their employees largely work remotely? Or even more space, because extensive rules for social distancing should be observed? Will people in the future primarily shop online? Do we need other logistics properties because supply chains and the flows of goods are changing? It is not yet possible to give definitive answers to these and other questions. What is certain is that structural adjustments will have to be made.

The real estate sector faces additional challenges stemming from the German government's climate targets and the EU Action Plan, both of which will necessitate a clear transformation of the real estate sector. Berlin Hyp also has ambitious climate targets that are a top priority (please refer to this [page](#) for more information). Among other things, we will expand our range of products in a manner that will enable the Bank to make an active contribution to promoting the more extensive use of climate protection targets in the real estate and finance sectors.

We will also further expand the application of our real estate expertise within the Sparkassen-Finanzgruppe savings bank group. We want to act as a valuable partner for the Sparkassen-Finanzgruppe by offering products and services precisely tailored to its needs. We developed and launched our new ImmoDigital online platform exclusively for German savings banks in 2020. We executed the first completely digital transaction via the platform at the end of the year – and the positive feedback we received makes us confident that more transactions will follow in 2021. Our goal here is to achieve complete digital processing of all investment formats from the Immo product range developed by Berlin Hyp for German savings banks.

We also want to continue to be a reliable partner for our customers – a partner who is competent and networked, sustainable and inspiring (please refer to this [page](#) for more information). We will consistently work together with our customers to develop the right solutions for their projects and operations. Our partnership with our customers is built on trust – and it's also the foundation of everything we do.

Warm regards,



Sascha Klaus
CEO



Alexander Stuwe
Chief Risk Officer

Any use of the generic masculine form naturally also includes individuals of all other genders.