

Annual Report 2021

# Foreword by the Board of Management

## Dear readers,

Berlin Hyp continued to operate in a challenging market environment in 2021. The underlying conditions were shaped by persistently low interest rates, intense competition in the commercial real estate financing market and continually high and increasing regulatory requirements. To add to this, of course, the pandemic and the restrictions and inconveniences resulting from this have also had a significant impact on our work. At the same time, the real estate markets have been remarkably robust, particularly in the asset classes on which Berlin Hyp focuses.

In view of the challenging environment, we are proud of the positive development of our key performance indicators for our business and earnings. In 2021, Berlin Hyp increased its volume of new lending to €7.1 billion. This not only clearly exceeded the previous year's figure, but was also both higher than originally planned and higher than our forecast. This growth is exclusively attributable to the conclusion of "real" new business, while the volume of extensions remained unchanged compared to the previous year.

We are particularly pleased that we were able to continue to strengthen our relationships with the member institutions of the Sparkassen-Finanzgruppe again this year. By the end of the year, we were maintaining an active business relationship with more than 160 savings banks from all over Germany, ten more than in 2020. Particularly thanks to our new ImmoDigital product platform, we were able to gain new S-Group partners. The total volume of business concluded with S-Group partners also increased significantly in 2021 to €1.8 billion, almost returning to the level of the year before the COVID-19 pandemic. This once again strengthens Berlin Hyp's position as a centre of expertise for commercial real estate financing within the Group and as a partner of the savings banks.

We also used the positive earnings development last year to further strengthen our risk buffers. The corresponding fund for general banking risks was amounted to €675.0 million as at the reporting date, €187.0 million more than in 2020.

We were able to set new priorities with our issues. For example, we were the first bank in the world to successfully place a Sustainability-Linked Bond (SLB) on the market, directly linking our sustainability and climate targets to our refinancing. More

than 7 years after Berlin Hyp issued the first "Green Pfandbrief", the Bank is once again pioneering in the field of sustainable financing and investment.

We will continue to build on our position as a pioneer in sustainable financing and corresponding refinancing solutions. We have a broad concept of "sustainability" which also considers social aspects in addition to ecological aspects.

In 2021, Berlin Hyp expanded its sustainability agenda in order to further develop the Bank and its portfolio by presenting its ambitious ESG vision to the public.

Addressing social aspects in real estate financing – including with regard to the available products – will become an important topic for the future, particularly when it comes to exploring opportunities to promote affordable housing. Social bonds can be a useful addition here. To do this, we at Berlin Hyp have been working on corresponding asset and liability products for some time now and we are confident that we will be able to present our solutions in the near future.

Comprehensive digitalisation of the Bank continues to be the second key direction for our strategic development. We are working on making the Bank's key business processes digital, data-driven and partially automated. The procedures for portfolio management have been further refined, the loan application process is increasingly digital, and our ImmoDigital platform is attracting more and more partners in the S-Group business. We will continue to move in this direction in order to be able to respond to customers' wishes in a quicker and more specific way.

Its strategic focus on digitalisation and sustainability is what Berlin Hyp has in common with Landesbank Baden-Württemberg. Berlin Hyp was sold to Landesbank Baden-Württemberg (LBBW) on 26 January 2022. The transaction is subject to the approval of the antitrust authorities and has yet to be approved by the competent bodies of the German savings banks. The closing of the transaction is planned for the summer. As a subsidiary of LBBW, we at Berlin Hyp will contribute our strengths and expertise in the Group and continue to act as a strong independent brand in the market. By teaming up with the largest German Landesbank, our customers will also benefit from a wide range of opportunities and they will be able to take advantage of the product portfolio of a leading universal bank in future.

Even during the first talks, it was clear that LBBW and Berlin Hyp have a lot more in common than 'just' digitalisation and sustainability. Both banks also fit together very well on a personal and cultural level. This makes us want more – which is why we are looking forward to working with our new colleagues and to building the new nationwide leader in commercial real estate finance together as one team.

Overall, it is looking like the current year will be no less challenging than the previous year. The pandemic will continue to keep us busy, at least in the coming months. With regards to

climate protection, the course for reducing emissions must be set as soon as possible, to ensure that the economy and society can in fact achieve such ambitious goals for emissions reduction. And all of this must be accomplished in a geopolitical environment in which peace in Europe is being seriously threatened for the first time in decades.

It is difficult to forecast how exactly all of this will affect the real estate markets in Europe. We are however convinced that, despite all the tasks and challenges, the opportunities here outweigh the risks, especially in the areas of green transformation and digitalisation. This is particularly true for stakeholders who rise to these challenges and actively work to overcome them. As a result, we expect 2022 to be another good year for our bank overall.

Best regards,



Sascha Klaus  
CEO



Maria Teresa Dreio-Tempsch  
Chief Risk Officer



Alexander Stuwe  
Chief Risk Officer