

Berlin Hyp – Interim Financial Report as at 30 June 2020

# Foreword by the Board of Management

## Dear readers,

Do you still remember what you expected the year 2020 to look like? Words like “social distancing”, “self-isolation” or “face mask” probably didn’t even come into it. By now, these words roll off the tongue. We are all slowly finding our way into the new normal with the COVID-19 virus – although it is not yet clear exactly what this normal will look like.

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This also applies to the real estate markets. 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.

For us, however, it is clear that people will continue to want “real” experiences and encounters in the future: at work, while shopping, in their leisure time and on holiday. Real estate provides space for this desire in the true sense of the word. It remains in demand and is also a stable and reliable investment (please refer to [LINK](#) for more thoughts on the potential “new normal”).

Therefore, the basis for commercial real estate financing remains intact. However, the crisis has shown us how important stability and resilience – in other words, the ability to cope with and cushion external disruptions – are for a society, economy and for every company.

Berlin Hyp has proven its resilience in the course of the crisis to date. This covers many aspects: for example, the stability of all operating systems, the smooth transition of more than 90 per cent of our employees to work remotely, or the fact that we were always able to act both in our core business and in refinancing.

Safeguarding stability and resilience remains a priority. This includes further strengthening the equity base and expanding the risk buffer. Significant negative effects of the COVID-19 pandemic have not yet been recorded. Despite the fact that credit risks have not yet materialised, the Bank has formed provision reserves and continued to strengthen the special item pursuant to Section 340g of the German Commercial Code (HGB) by allocating a further € 20.0 million (previous year: € 55.0 million) using its own resources. The fund for general banking risks has thus grown to € 438 million.

At € 2.5 billion, new lending was € 258 million higher than in the same period of the previous year and thus almost at the expected level. As a result of the significant increase in the balance sheet volume in the previous year, net interest and commission income rose by 9.0 % to € 178.5 million. Accordingly, operating result before risk provisioning was 22.7 % higher than in the previous year at € 92.4 million. After taking risk provisioning into consideration, the operating result amounted to € 27.0 million and was thus, as expected, significantly below the figure for the first half of 2019.

Overall, the first half of 2020 has shown that Berlin Hyp is operationally stable and efficient. At the same time, the figures make it clear that we are operating in a challenging and difficult market environment. These conditions will not change as the year progresses.

Looking at the long-term development, we are convinced that the COVID-19 pandemic and its consequences will act as an accelerator of the two megatrends that are of particular concern to our industry and to us at Berlin Hyp:

On the one hand, the question of a sustainable economy, i.e. one that is balanced in economic, ecological and social terms, is more important than ever. The fight against climate change in particular has lost none of its urgency. On the other hand, the pandemic has boosted digitisation.

At Berlin Hyp, we consolidated our position as a pioneer in the financing of green real estate in the first half of the year. Proof of this is the issue of what is now the ninth green covered bond at the end of June.

Furthermore, the Bank has drawn up a far-reaching sustainability agenda, which includes a clear commitment to the Paris Agreement and the Climate Paths of the Federal Republic of Germany as well as a comprehensive set of measures (please refer to [LINK](#) for more information).

We have also made progress in digitising and modernising our processes and were the first bank in Germany to set up a state-of-the-art "Financial Services Data Platform". Berlin Hyp has thus created a completely new data world that can be easily filled from all modules of the IT system and lays the foundation for all subsequent steps to migrate Berlin Hyp's entire core banking system onto the SAP HANA platform (please refer to [LINK](#) for more information).

The total of all major projects and measures form the basis for the continuation of the Bank's future-oriented process. Berlin Hyp is thus moving to the next stage of its development: next dimension berlin hyp (please refer to [LINK](#) for more information).

During the COVID-19 pandemic in particular, it has become clear that our relationship with our customers is based on partnership and trust. Despite difficult underlying conditions, we remained in touch with our customers and sought solutions together where necessary. And Berlin Hyp employees have proven that they are a team and can pull together – even under radically changed circumstances and conditions. All this makes us optimistic that we will continue to master this situation well.

We believe that awareness of one's own responsibility and contribution is essential to continue to manage the pandemic and its effects in the best possible way. It's not going to be easy. However, in Germany and Europe in particular, we have a good basis for achieving this together. Let us continue to move on this path with determination.

Warm regards,



Sascha Klaus



Gero Bergmann



Alexander Stuwe

## Ihre Ansprechpartnerin



### Nicole Hanke

Head of Communications & Marketing,  
Press officer

**T +49 30 2599 9123**

✉ [Nicole.Hanke@BerlinHyp.de](mailto:Nicole.Hanke@BerlinHyp.de)