

Create the future

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

Foreword by the Board of Management

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**Dear readers,
Dear friends of Berlin Hyp,**

Nine years ago, we turned red – we became an independent part of the savings bank family, affording us the opportunity of organic growth. We were able to start in on our vision of becoming the most modern real estate financier in Germany. And together with you, we are on the right track, as evidenced by the successful merger with LBBW. As an independent subsidiary of Landesbank Baden-Württemberg, we are optimistic about our future. The change in ownership effective 1 July 2022 is the reason for the Bank's detailed reporting. We are hereby publishing an annual report for the short financial year from 1 January to 30 June 2022.

The first six months of the year showed that our forecasts in the 2021 annual report were correct. We managed to integrate Berlin Hyp in LBBW – in addition to managing our day-to-day business successfully. We continue to be a strong partner in the Sparkassen-Finanzgruppe and for our business partners in the real estate sector. Our activities on the capital market are guided by the Bank's sustainability targets and the Paris Agreement.

Unfortunately, the positive outlook at the end of 2021 was overshadowed by the effects of the Russia-Ukraine conflict and the still ongoing COVID-19 pandemic in the first half of 2022. The related increase in cost of living and the continuing disruptions of supply chains and their negative impacts have a notable effect on the already high inflation rates and the economy.

In the eurozone, economic performance in the first quarter of 2022 showed a slight recovery, despite the negative effects of the COVID-19 pandemic and the Russia-Ukraine conflict subsisting since the beginning of the year. At the same time, the recovery of private consumption and the industry's value creation is notably subdued due to the high price pressure and existing uncertainties.

Nonetheless, in the first half of 2022, Berlin Hyp's figures for all key income components surpassed or at least matched those recorded during the same period in the previous year.

The stable new lending volume compared to the previous years and the increased interest income deserve special mention in this context. The interest income also represents a result of the continuously growing mortgage portfolio of Berlin Hyp.

We are proud to say that Berlin Hyp's business model is successful despite the difficult environment. The Bank's very reasonable risk policy and the many proactive employees of Berlin Hyp played an important role.

The COVID-19 pandemic slowed down at the beginning of the year, allowing us to once again get closer to our business partners in the course of the year. The fact that we managed to stay close to our business partners is also owed to our newly developed digital formats. They will continue to form a valuable supplement in our daily work. It also emphasises our pioneering role in digitalisation: The Bank was able to further advance the core processes and the modernisation of the IT system environment. Key milestones were also achieved as part of the alignment of the IT architecture with a complete digital platform that partially automates all essential processes, from initial customer contact to external reporting. We will continue along this path in future and will also further expand our networking activities.

Not only did Berlin Hyp generate record demand with the first Social Bond, but it was also the first bank in Europe to issue three ESG categories. The proceeds from the Social Bond will be used for loans used to finance affordable housing in Germany and the Netherlands. In total, the Bank issued debt instruments with a volume of €2.4 billion in the first half of 2022. With a total of four benchmark transactions, the Bank is a regular issuer on the syndicated bond market and, with 15 outstanding euro issues, Berlin Hyp remains the most active

issuer of Green Bonds in Europe in the commercial banking segment.

All of this illustrates how sustainability has been a central aspect of Berlin Hyp's business approach for many years now and is therefore a firm component of the Bank's corporate strategy and system of corporate values. We continued to pursue our goal of becoming the most modern real estate financier in Germany during the first half of 2022 and we are intensively working on implementing our own – very ambitious – sustainability agenda. In this context, we confirmed our position as a pioneer in the Green & Sustainable Finance segment and recently published our new Sustainable Finance Framework. This framework provides an overarching approach to classifying our sustainable financing products on a holistic scale. Currently, the Green Loan portfolio comprises the energy-efficiency loan, the taxonomy loan and the transformation loan.

Increasing energy prices and imminent supply shortages, high inflation and rising interest rates will also shape the next few months. The uncertainty related thereto is reflected in the forecasts, as well:

For the second half of 2022, Berlin Hyp expects new lending business to be slightly below the very successful level reached in the first half of 2022. The operating result before income taxes and profit transfer will likely reach the level of the first half of 2022 and thus be above 50 per cent of the 2021 result.

Technological innovations contribute to strengthening the Group, as the expanding business relationships with savings banks across all regions are also attributable to the digital platform "ImmoDigital", where – so far – only the product "ImmoAval" has been offered. The aim is to achieve a completely digital processing for all S-Group products in the fourth quarter of 2022.

The change in ownership also holds great opportunities for Berlin Hyp. This creates a centre of expertise for commercial real estate

financing within the Savings Bank Finance Group, thus granting Berlin Hyp's customers access to an even broader range of products. At the same time, Berlin Hyp will play an important role within the Group with its strengths in sustainability and digitalisation and its innovative operating procedures.

Warm regards,

Sascha Klaus

Maria Teresa Dreio-Tempsch

Alexander Stuwe

