

Create the future

**Management Report for the short financial year
from 01.07.2022 to 31.12.2022**

Supervisory Board Report

Supervisory Board Report of Berlin Hyp AG – Short Financial Year II 2022

Berlin Hyp has been a subsidiary of Landesbank Baden-Württemberg (LBBW) since 1 July 2022. Berlin Hyp is an independent commercial real estate financier within the S-Group of the Sparkassen-Finanzgruppe. In accordance with the regulations of the German One-Third Participation Act, the Supervisory Board has, since 1 July 2022, been made up of three employee representatives, five representatives from LBBW and the President of the Sparkassenverband Niedersachsen (Savings Banks Association of Lower Saxony).

In the second half of 2022 as well, Berlin Hyp successfully upheld its business model and continued to demonstrate its ability to perform under extraordinary circumstances relating to integration into the LBBW Group, the COVID-19 pandemic and the Russian war of aggression against Ukraine. The Bank continued its solid business development and reinforced its position as one of the leading real estate and Pfandbrief banks. Despite the many challenges, the Bank is still pursuing the consistent implementation of its digitalisation and innovation activities and is explicitly reinforcing its sustainability claim.

Berlin Hyp's earnings performance was above the pro rata figure expected for the second short financial year in 2022, despite the additional burden of the teaming up process, the sharp increase in interest rates, ongoing price volatility, the decline in transaction volumes on the market and regulatory requirements that remained quite demanding. So far, no significant negative impacts of the Russia-Ukraine conflict and the still ongoing COVID-19 pandemic have been identified. The Supervisory Board considers Berlin Hyp's performance and its ability to hold its own ground in a challenging market environment while maintaining a conservative risk strategy and culture to be steadfast and highly favourable.

In accordance with the legal requirements, the Supervisory Board once again concerned itself promptly, regularly and comprehensively with the position and the development of Berlin Hyp, the planning situation, the risk situation, risk management as well as

compliance, discussing this in depth with the Board of Management and providing advice, both orally and in writing, in the second half of 2022. It regularly monitored the actions of the Board of Management and satisfied itself that it was acting properly, deliberated on all relevant aspects in this context and provided recommendations. In particular, the Supervisory Board intensively discussed and reviewed the plausibility of business transactions of importance to the company on the basis of written and oral reports of the Board of Management.

Meetings of the Supervisory Board

The Supervisory Board held two regular and one extraordinary meetings in the second half of 2022.

In addition to the detailed reporting by the Board of Management on the current business development, including the environment and projects, the risk situation and the status of strategic investments, each ordinary Supervisory Board meeting reviewed the development of the S-Group business, the ongoing external audits at Berlin Hyp and the respective implementation status of the important projects. In addition, the Supervisory Board dealt with the legal, regulatory and supervisory framework.

Within the framework of the change in ownership with effect from 1 July 2022, a resolution was adopted by the Annual General Meeting on that same day. Among other things, this resolution reduced the number of members of the Supervisory Board from 15 to nine and approved the conclusion of a control agreement between Berlin Hyp and LBBW. At the same time, 11 previous members resigned from the Supervisory Board and five new members were elected to it. During the extraordinary meeting of 4 July 2022, and due to the new composition of the Supervisory Board, a new Chair of the Supervisory Board was elected and positions on committees were filled in line with the new composition of the body. In addition, new provisions that are important in terms of cooperation with LBBW were added to the rules of procedure.

Following the reports made by the Board of Management and the auditors, and after intensive consultation and review, the accounts and management report for the first short financial year from 1 January 2022 to 30 June 2022 (Short Financial Year I 2022) were approved and adopted during the balance sheet meeting of the Supervisory Board on 28 September 2022. The Supervisory Board's Report, the Corporate Governance Report and the Non-Financial Statement (sustainability report) were discussed and adopted. Furthermore, the Supervisory Board noted the quality report from the audit of the accounts for the first short financial year in 2022. In addition, the Supervisory Board passed the necessary resolutions regarding the Annual General Meeting of Berlin Hyp. The proposal to appoint Deloitte GmbH Wirtschaftsprüfungsgesellschaft as the auditor for the second short financial year in 2022 from 1 July 2022 to 31 December 2022 (Short Financial Year II 2022) was also made at this meeting. Additional preparations for the conclusion of Short Financial Year II in 2022 were made as well. One measure involved the Supervisory Board, on the recommendation of its Audit Committee, choosing not to define an auditing focus for Short Financial Year II in 2022. With regard to credit decisions that need to be made quickly, it was decided that the previous written circulation procedures should be replaced by a new approach.

In the meeting on 30 November 2022, the Board of Management's periodic reports were supplemented by a presentation on Treasury activities. In addition, for the first time – and in future at every Supervisory Board meeting – information on ESG targets and activities at Berlin Hyp was presented to the Supervisory Board in a separate report. The updates of the strategy documents were discussed on a regular basis. Subsequently, the Supervisory Board addressed the projections for 2022 in detail and after extensive discussions approved the medium-term planning for the years 2023 to 2027.

Berlin Hyp's remuneration systems were reviewed on a regular basis and considered appropriate. The report on the identification

of risk carriers was noted, as was an analysis of the gender-neutral remuneration policy at Berlin Hyp.

Committees of the Supervisory Board

The work of the Supervisory Board of Berlin Hyp was supported by four committees – the Audit Committee (PA), the Loans Committee (KA), the Presiding and Nomination Committee (PNA) and the Remuneration Control Committee (VKA). Each committee generally convened as needed prior to Supervisory Board meetings. Reports from the committees were then presented at the Supervisory Board meetings.

The main objective of the PA is to assist in the review and preparation of the adoption of the annual financial statements. Moreover, it is responsible for monitoring the accounting process, the efficacy of the risk management system, the internal management and controlling system, and the functionality of the Internal Audit division. It also deals with compliance issues. The PA currently comprises four members.

The PNA deals with HR and strategy issues (including short and long-term succession planning for both the Board of Management and the Supervisory Board), evaluates the efficiency and suitability of the Board of Management in accordance with the German Banking Act (KWG) and assesses the suitability of members of the management bodies in accordance with ESMA/EBA guidelines. The PNA currently comprises four members.

The VKA monitors the remuneration systems used for the members of the Board of Management and employees, paying particular attention to the effects on risks and risk management at Berlin Hyp. The VKA currently comprises three members.

The KA has its own loan approval powers and also acts as the Risk Committee. It therefore primarily deals with loan decisions, which exceed the powers of the "overall Board of Management", as well as with the risk strategy, the regular risk reports and the principles of the loan business policy. Apart from its regular

quarterly meetings, the KA also holds videoconferences when fast credit decisions have to be made. The KA currently comprises four members.

The committees reported regularly and in detail to the Supervisory Board on their work.

Corporate Governance

As a non-listed public limited company, Berlin Hyp is not subject to the regulations of the German Corporate Governance Code (DCGK), but voluntarily applied it for many years. As from the 2020 financial year, it no longer applies the DCGK, but is committed to complying with the principles of good corporate governance as set out in the DCGK. The Supervisory Board receives a report on corporate governance at the Bank at least once a year at the balance sheet meeting.

Meetings and Attendance

In the second half of 2022, a total of two regular and one extraordinary Supervisory Board meetings, and 16 committee meetings took place. After the COVID-19 pandemic began to subside and protection measures were lifted, most Supervisory Board meetings were held in-person. By resolution of the Supervisory Board on 28 September 2022, the previous written circulation procedures for credit decisions that need to be made quickly were supplemented by a KA meeting format using videoconferences.

A total of ten credit decisions were made by KA in four written circulation procedures before the supplementary videoconference meeting format for fast credit decisions was adopted on 28 September 2022.

Members prevented from attending usually participated in the passing of resolutions through voting instructions. All Supervisory Board members took part in more than half of the meetings of the plenum and the committees to which they belong.

Conflicts of Interest and How They are Handled

The Supervisory Board has adopted regulations to address and prevent conflicts of interest within the Supervisory Board and the Board of Management. There were no conflicts of interest during the second half of 2022.

Personnel Issues of the Supervisory Board

Some changes occurred in connection with the completed change in ownership and the amendment to the articles of association resolved in the extraordinary General Meeting on 1 July 2022, reducing the number of members from 15 to nine. Messrs Helmut Schleweis, Bernd Fröhlich, Dr. Harald Langenfeld, Stefan Reuß, Reinhard Sager, Peter Schneider, Walter Strohmaier, Ulrich Voigt and Dieter Zimmermann as shareholder representatives, and Messrs Thomas Esterle and Jan Hausadel as employee representatives resigned from the Supervisory Board effective as of the end of the extraordinary General Meeting on 1 July 2022. In the aforementioned extraordinary General Meeting, Ms Stefanie Münz and Messrs Thorsten Schönenberger, Anastasios Agathagelidis and Dr. Christian Ricken (all members of the Board of Management of LBBW) and Thomas Weiß (a division head at LBBW) were elected as new members of the Supervisory Board. They were elected synchronously with the continuing term of office of the current members of the Supervisory Board for the period up to the end of the Annual General Meeting which resolves on the discharge of the Supervisory Board for the 2024 financial year.

The Supervisory Board members who left were thanked for their support and the trust they placed in the Board of Management.

Personnel Issues of the Board of Management

In the second short financial year 2022, the Board of Management continues to comprise three members – Sascha Klaus, Maria Teresa Dreo-Tempsch and Alexander Stuwe.

Accounts for the Second Half of 2022

The accounts of Berlin Hyp and the management report for the second half of 2022 have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, appointed by the Annual General Meeting, and have received an unqualified audit certificate. The Supervisory Board has acknowledged the audit certificate.

The accounts of Berlin Hyp were prepared in accordance with the provisions of the German Commercial Code (HGB). The accounts, the management report, the non-financial statement and the auditor's report were presented to the Supervisory Board in due time before its meeting. The Board of Management explained the accounts and the risk management system in detail at the meeting of the PA in preparation

for the balance sheet meeting and also at the Supervisory Board's balance sheet meeting. The auditor attended these two meetings and reported on the scope, focus and material results of the audit. The auditor came to the overall conclusion that there were no major weaknesses in the internal control system or the risk management system.

The KA also dealt with the audit report for the accounts of the second half of 2022, to the extent that it contains statements on the lending business and risk situation of Berlin Hyp, and raised no objections.

The PA closely examined the documents and recommended that the Supervisory Board approve the financial statements. The Supervisory Board approved the results of the audit following inspection of the auditor's report and detailed discussion and determined that there were no objections to be raised even after the final results of its own audit. It approved the annual financial statements prepared by the Board of Management. This completes the accounts for the second short financial year 2022. The proposal by the Board of Management for the appropriation of the balance sheet profit, which calls for the payment of a dividend of 13.9 cents per share and for the remaining balance sheet profit to be carried forward to new account, was approved. During the audit of the accounts, the Chair of the PA obtained regular information on the audit's status in consultation with the auditor Deloitte.

Sustainability Report (Non-Financial Declaration)

The PA and the Supervisory Board also addressed the non-financial statement for the first half of 2022 that was prepared by the Board of Management. In its role as auditor, Deloitte performed an audit with limited certainty and found no grounds for objection. In the PA meeting in preparation for the balance sheet meeting as well as in the balance sheet meeting of the Supervisory Board, the Board of Management provided a detailed explanation of the documents, while the representatives of Deloitte reported on the material findings of their audit and answered follow-up questions by members of the Supervisory Board. The Supervisory Board had no objections after performing its review.

The Supervisory Board would like to thank the members of the Board of Management, as well as all employees at Berlin Hyp, for their tremendous dedication in the second short financial year in 2022 under conditions that remained difficult during this period.

Berlin, March 2023

For the Supervisory Board

Thorsten Schönenberger
Chair

