A partnership built on trust

Berlin Hyp

Create the future

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

Management Report

Finanzgruppe

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Organisational Structure

Berlin Hyp AG (Berlin Hyp) is a stock corporation whose shares were solely owned by Landesbank Berlin Holding AG (LBBH), Berlin, until 30 June 2022. The majority of shares in LBBH are held by the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG. As a former subsidiary of Landesbank Berlin Holding, Berlin Hyp is included in the consolidated financial statements of the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG (smallest and largest consolidation group as defined in Section 285 (14) and (14a) of the German Commercial Code [HGB]) until 30 June 2022. A profit and loss transfer agreement was in place between Berlin Hyp and Landesbank Berlin Holding until 30 June 2022. The Group structure as at 30 June 2022 was as follows[1]:

Since 1 July 2022, Landesbank Baden-Württemberg has owned 100% of Berlin Hyp. A control agreement has been in place between Berlin Hyp and Landesbank Baden-Württemberg since 1 July 2022.

As at 30 June 2022, the Berlin Hyp Board of Management comprises three members who had the following areas of responsibility:

[1] The names Landesbank Berlin AG and Berliner Sparkasse are used synonymously in the following.

Sascha Klaus (Vorstandsvorsitzender)
- → B-One
- → Finance
- → Governance
- → Information technology
- → Communications and Marketing
- → Personal (staff)
- → Internal Audit
- → Company Strategy

Maria Teresa Dreo-Tempsch
- → Treasury
- → Sales Foreign Real Estate Financing
- → Domestic Sales Real Estate Financing and Portfolio Management

Alexander Stuwe
- → Data Management
- → Lending (Real Estate and Capital Market)
- → Risk Controlling
- → Valuation
- → Risk Management (division)
- → Future Management Process (division)
- → Representatives

Berlin Hyp is divided overall into 15 divisions with 47 departments and seven teams.

The Supervisory Board of Berlin Hyp has formed four committees: the Loans Committee, the Audit Committee, the Presiding and Nomination Committee and the Remuneration Control Committee.

Business Activities

Berlin Hyp is a banking institution which specialises in large-volume real estate financing for professional investors and housing companies. It also provides German savings banks with a comprehensive range of products and services. Sustainability has been a central component of the Bank's business strategy for years. It plays a pioneering role on the capital market in the development of sustainable refinancing products. At the same time, the Bank also promotes the financing of sustainable real estate in order to help drive the transformation of the real estate market and contribute to achieving the goal of climate neutrality. Berlin Hyp's clear focus, more than 150 years of experience and the ability to actively shape digital transformation in the real estate sector characterise the Bank as a leading German real estate and Pfandbrief bank.

As an S-Group partner with its specially developed Immo product range, the Bank is creating added value for the savings banks by offering them a wide range of investment opportunities in financing at Berlin Hyp. The ImmoDigital portal solution, launched at the end of 2020, supports the sale of S-Group products and takes the digitalisation of transactions one major step further. The range of products and services Berlin Hyp offers to savings banks also includes support for traditional syndicate financing and restructuring of problematic loans. As an S-Group partner, Berlin Hyp is constantly developing products and services for the Group institutions with the aim of making a lasting and positive contribution to the success of the Sparkassen-Finanzgruppe.

As a real estate sector partner, Berlin Hyp is one of the first ports of call for investors from the private and commercial real estate sectors. In addition to capital investment companies and real estate funds, this also includes housing construction companies and cooperatives as well as selected project developers. The Bank offers its customers individual solutions for real estate financing in all common asset classes, either as individual properties or in portfolios. In addition to traditional mortgage loans, the Bank offers guarantees as well as building contractor and development financing. Through its business model, Berlin Hyp focuses on real estate financing in economic centres in Germany and select foreign markets.
The Bank is an issuer of mortgage Pfandbriefe and senior unsecured and subordinated bonds on the capital market. Both mortgage Pfandbriefe and senior unsecured bonds can also be issued as Green Bonds. As a bank specialising in the financing of commercial real estate, Pfandbriefe are the primary refinancing instruments of Berlin Hyp. These are issued both as benchmark bonds as well as private placements in the form of bearer bonds or registered bonds. As the issuer of the first Green Pfandbrief, Berlin Hyp is a pioneer in the capital market. Its position as such was reinforced in 2021 when, according to its own assessment, it became the first bank to issue a Sustainability-Linked Bond. Berlin Hyp is the most active issuer of Green Bonds in Europe in the commercial bank segment.

Locations

Berlin Hyp is headquartered in Berlin. It also has domestic sales offices in Dusseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart, as well as abroad in Amsterdam, Warsaw and Paris.

Products and Services

Berlin Hyp develops individual financing solutions for its customers. A broad range of products is used to meet customers' requirements. Among other products, this includes fixed-interest loans, reference interest rate loans, cash loans and sureties, framework lines, interest hedge products, financing products for construction work (construction enterprises and developers), business current accounts, operating equipment loans and overnight money/term money, as well as valuations and payment transaction services. These enable the Bank to offer a full range of customer care as a real estate financer.

To manage risks and optimise returns, many financing transactions are processed together with partners. For the most part, Berlin Hyp's product range is therefore consequently suitable for syndicates.

Berlin Hyp has launched a range of standardised products consistently tailored to the needs of savings banks, including ImmoSchuldschein, which allows savings banks to make cash investments in senior large-volume real estate financing transactions, ImmoAval, which combines co-liability through a guarantee with simple documentation, ImmoGarant, for which savings banks represent the entire refinancing of a financing transaction against a partial guarantee from Berlin Hyp, ImmoNachrang, which was newly developed in 2020 and enables savings banks to participate in personal loans for financing transactions as subordinated investors, and ImmoBar, a variant of the traditional syndicate financing, which is

Locations

Germany and throughout Europe

still in its test phase. In line with the strategic orientation of the Bank, all Immo products will be offered in the last quarter of 2022 via the ImmoDigital portal solution, which was newly developed in 2020; until then, only ImmoAval offers are available via ImmoDigital. The Berlin Hyp product portfolio for savings banks also includes standard syndicated financing, investment products such as Pfandbriefe and debentures, and support services in valuation and restructuring. Berlin Hyp continually analyses its product portfolio with the aim of establishing its position over the long term as a real estate service provider for savings banks. The sales structure is decentralised and targeted to meet the needs of the savings banks in order to strengthen the group philosophy. Regional savings bank advisers and appraisers advise the savings banks from the Bank's branches in Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart. An advisory board consisting of the boards of selected savings banks in all S-Group regions advises Berlin Hyp twice a year on all issues relating to the S-Group business.

OnSite ImmoAgent GmbH, a company founded by Berlin Hyp, provides commercial real estate inspection services on the market for both savings banks and third parties.

Sustainability is a central aspect of Berlin Hyp's company strategy. Since 2015, Berlin Hyp's value chain has included an additional important element of sustainability – green bonds for the refinancing of green assets. They thus offer investors added value beyond the creditworthiness of the bank and its cover funds. Green bonds are issued in the form Green Pfandbriefe and Green Senior Unsecured Bonds. The financing of green buildings, among other things, represents an element of the bank's sustainability activities that relates directly to its core business, commercial real estate financing.

Medium and long-term refinancing is generally carried out by issuing mortgage Pfandbriefe, as well as through unsecured issues.

Objectives and Strategies

The Berlin Hyp Board of Management has summarised the medium to long term company strategy in a strategy document. It describes the business strategy that forms a binding strategic framework for the Bank's business activities. The functional strategies and operating targets are derived from this. The strategic guiding principles maintain their validity. The strategy and the performance indicators are verified and, if required, modified in the annual strategy review process.

Berlin Hyp pursues two mayor strategic goals:

1. Berlin Hyp is the most modern commercial real estate financier in Germany.
2. Berlin Hyp is an S-Group partner of the German savings banks.

The Most Modern Real Estate Financier in Germany

As part of its innovation agenda, Berlin Hyp is pursuing the consistent implementation of its digitalisation and innovation activities. In this regard, important elements, on the one hand, consist of large-scale internal projects that aim to digitise and partially automate the Bank's key business processes and make them data-driven. In addition, Berlin Hyp considers itself to be actively involved in the digital real estate ecosystem and is testing new business models and additional product and service offerings for its customers with innovative companies and start-ups from the PropTech realm. As an active strategic investor, Berlin Hyp participates in selected companies while also entering into strategic partnerships and cooperations. This will allow it to tap into additional earnings potential adjacent to the core business of real estate financing in the future.

Moreover, its strategic goal of becoming the most modern real estate financier in Germany also involves the achievement of specific sustainability objectives. Through our goal of becoming a green real estate financier, the Bank feels committed to the climate goals of the EU and the Federal Republic of Germany and intends to make an ambitious contribution in this regard. At the same time, the definition of sustainability used here is intentionally broad: For Berlin Hyp, sustainability means not only reducing its own carbon footprint, but also promoting, simplifying and financing the transition to a sustainable economy and in this manner contributing to the transformation that is currently under way – not only in terms of ecology but also with regard to the economy and society as a whole.

Within this context, Berlin Hyp adopted a far-reaching sustainability agenda in 2020. In line with the Bank's commitment to sustainability, the ESG vision, which focuses holistically on four dimensions in the future, was set as early as the 2021 financial year.

1. Sustainability in business operations
Berlin Hyp plans to continuously reduce the adverse environmental effects of its business operations and thus reduce its carbon footprint as much as possible. It also considers itself a responsible employer.

2. Sustainable business portfolio
The focus on sustainability in the business portfolio is considered to be the key to achieving the defined sustainability goals. According to insights obtained by Berlin Hyp, many Berlin Hyp customers are working to make their own business activities more sustainable. Berlin Hyp has set itself the goal of helping its customers transform buildings into more energy-efficient and sustainable properties.

3. ESG risk management
Berlin Hyp is currently integrating ESG criteria into existing risk management systems and processes in order to ensure that all opportunities and risks can be identified and systematically controlled. These systems and processes are intended to address both financial and non-financial risks.

4. Transparency and ESG capabilities
It will take a long time to create a sustainability-based economy and social structure, and many issues will need to be clarified in the interim. We want to integrate principles of sustainability into our normal business processes step by step. Consistency, competence and transparency are a must here. We also seek to

Objective by 2025

1/3

share of green buildings in the real estate portfolio promote sustainability in society in general.

Through the ambitions and measures defined for each individual dimension, Berlin Hyp wants to make an important contribution to the development of a future-oriented and sustainable real estate sector.

S-Group Partner of the Savings Banks

As an S-Group partner of the savings banks for commercial real estate financing, Berlin Hyp applies its expertise and develops its portfolio of products and services consistently in line with the needs of the savings banks. In this way, it contributes to the success of the Sparkassen-Finanzgruppe and establishes its position over the long term as a real estate service provider for savings banks. The introduction of the “ImmoDigital” platform also created a basis for offering a single point of entry for savings banks in the S-Group business through which all financial investment activities in the S-Group business can be handled in the future. This also underscores the Bank’s self-image as a driver of innovation in the group.

Management System

Berlin Hyp's business policies are managed on the basis of an annually recurring strategy and planning process. This is carried out in compliance with regulatory requirements and the risk strategy approved by the Board of Management. The management is therefore risk and value-oriented, and is generally based on the process stages of planning, implementation, assessment and adjustment. The central management tools are the financial statements and budgets, the financial and risk reports, as well as liquidity, new business and portfolio reports as prepared in accordance with German commercial law and regulations. Potential deviations and their causes are continuously analysed on the basis of budget/actual comparisons.

Financial Performance Indicators

Berlin Hyp has defined the following most important financial performance indicators to manage its business activities:

- → Transfer of profit to Landesbank Berlin Holding
- → Net interest and commission income
- → Cost-income ratio: ratio of operating expenditure to net interest and commission income, plus other operating income
- → Return on equity: ratio of profit before income tax and profit transfer, plus the change in the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) and the average balance sheet equity including the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB)
- → Common equity Tier 1 ratio: ratio of Common equity tier 1 capital allocable under regulatory requirements to the total risk-weighted assets
- → New lending volume

Other financial indicators are also included in the management, such as the liquidity coverage ratio (LCR) and the (not yet mandatory) leverage ratio.

Non-Financial Performance Indicators

Berlin Hyp has defined the following most important non-financial performance indicators to manage its business activities:

- → Acquisition of new customers: the Bank defines all new business partners that cannot be assigned to any group of clustered customers in the portfolio as new customers. The key performance indicator "Acquisition of new customers" describes the share of lending concluded with new customers in new lending.
- → S-Group Business: volume of business conducted with S-Group partners and the number of active business relationships within the Sparkassen-Finanzgruppe.

In addition, the management also relies on other supporting non-financial performance indicators, such as the employee capacity measured in FTEs (full time equivalents).

In terms of sustainability, supporting non-financial performance indicators include Green Bonds, green financing and the sustainability rating.

We will address the most important financial and non-financial performance indicators in more detail, particularly in the Economic Report.

II Economic Report – Macroeconomic and Sector-Related Underlying Conditions

Macroeconomic Development[2]

The economic recovery started in 2021, but was overshadowed by the effects of the Russia-Ukraine conflict and the still ongoing COVID-19 pandemic in the first half of 2022. This resulted in higher energy and food prices as well as in ongoing disruptions in the supply chains, which had a negative effect on the already high inflation 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.

So far, the German economy has been impacted less than initially expected by the fourth wave of the COVID-19 pandemic in the first quarter of 2022. The German gross domestic product slightly increased compared to the fourth quarter of 2021. With the exception of the processing trade and the energy and water industry, gross value added rose in all areas.

Despite positive order volumes, the conditions for construction projects in the first half of 2022 were influenced by shortages in materials and rising material prices, which even resulted in the suspension of construction projects.

Industry Development[3]

In the first half of 2022, the stock markets were driven by high inflation rates, the conflict in Ukraine and the more restrictive monetary policy. The DAX decreased by 20 per cent.

Considering the high inflation rate, the US Federal Reserve (Fed) and the ECB are attempting to gradually reverse their expansionary monetary policy. In the first half of the year, the US central bank increased their key interest rate in three steps by a total of 1.5 percentage points to a range of 1.5 to 1.75 per cent. Moreover, the Fed stopped the bond-buying programme launched during the COVID-19 pandemic and started reducing the inflated balance sheet total in June. The ECB confirmed time and again their intent to proceed methodically and gradually when putting an end to the extremely relaxed monetary policy. In March 2022, they stopped the net purchases from the Pandemic Emergency Purchase Programme (PEPP). Furthermore, the ECB announced that – in July 2022 – they will stop the net purchases from the Asset Purchase Programme (APP) that has been established for years, and to increase interest rates twice in the second half of 2022.

The high inflation rates and the fact that the major central banks put an end to the expansionary monetary policy had an impact on the interest markets. Yields on ten-year German bonds rose significantly in the first half of 2022, increasing from minus 0.12 per cent to 1.34 per cent despite increased volatility. Swap yields also rose sharply, increasing from 0.34 per cent to 2.17 per cent in the reporting period with ten-year terms.

Issuing activities on the covered bond market were a lot more pronounced in the first half of the year compared to the previous years. In the first six months, covered bonds totalling €118 billion were issued, i.e. more than the entire volume in 2021 (€97 billion) and 2020 (€96 billion). In the same period, the maturities totalled approximately €88 billion. The risk premiums for covered bonds widened across jurisdictions in the course of the year, whereas the spreads of Spanish and Italian covered bonds suffered a higher impact than those in core European countries. Furthermore, higher new issue premiums were observed, in particular for longer terms. However, the German Pfandbrief managed to still defend its position as the most expensive product in the asset class. The predominant geopolitical and macroeconomic uncertainties are reflected in the risk premiums for senior bonds throughout the year. The spread of the Iboxx € Banks-Senior Preferred widened by approximately 60 basis points at the end of the year, while the mark-ups for the Iboxx € Banks-Senior Bail-In

[2] Sources for macroeconomic underlying conditions: Kiel Institute for the World Economy (IfW), destatis.
[3] Sources for industry development: ECB, CBRE, Colliers, HDE/IFH, ifo, DG ECFIN, Savills.

went up by approximately 80 basis points. As a general rule, the bond spreads with a better rating did not widen as significantly as bonds with a worse rating.

The accumulated issue volume in the ESG segment in the reporting period was slightly lower than in the previous year. In the first six months, a total of €370 billion (31.12.2021: €431 billion) were issued in Green Bonds, Social Bonds, Sustainability Bonds and Sustainability-Linked Bonds worldwide.

While at €35.6 billion, the transaction volume of the German commercial real estate market – including commercially traded residential real estate – was around three per cent above the previous year's figure of €34.4 billion in the first half of 2022, this result is exclusively attributable to the strong first quarter of this year, and first and foremost to the takeover of alstria office REIT-AG by Brookfield. In the second quarter of 2022, the transaction volume lost approximately one third compared to the same period in the previous year (€11.6 billion vs €18.6 billion).

Office properties are still the most sought after type of real estate, holding a share in transaction volume of approximately 38 per cent or €13.5 billion. Above all, office properties in central locations with long lease terms, tenants with strong credit ratings and a good energetic performance were in high demand. Factors such as a stable situation on the German labour market, once again increasing take-ups and higher but still moderate vacancy rates of below five per cent on average on Germany's top five markets outweighed the uncertainty that working from home causes in the demand for office space in the mid to long term. Currently, demand is mainly driven by the need of companies to catch up in implementing hybrid and flexible office use with fewer single-user workstations, but more common areas. The take-up in the five most important German office markets went up by 28 per cent to 1.35 million square metres in the first half of 2022 compared to the same period in the previous year. Compared to the average take-up in the first half of the pre-COVID-19 years 2015 to 2019, the deficit is still almost twelve per cent.

Commercially traded residential real estate was second most popular with investors. In the first half of 2022, the transaction volume registered was €7.7 billion, which, contingent upon the weak second quarter, corresponds to a decline of 21 per cent compared to the previous year. This decline is based on the fact that clearly fewer residential portfolios were traded – the portfolio ratio was as low as 58 per cent (five-year average: 70 per cent). Especially investors who invest in the German housing market with borrowed capital face the challenge of the recently increased financing costs. For users, the situation on the German housing market is still favourable: In 2021, Germany once again recorded a clear migration surplus. Add to this the current additional demand caused by the hundreds of thousands of people seeking refuge. On the supply side, the new construction activities are currently being slowed down drastically by shortages in materials and/or significantly increased construction costs in connection with disruptions in the worldwide supply chains, resulting in a lower completion rate than expected. Therefore, especially in agglomeration areas, the vacancy rates are expected to remain low and the rents to go up.

In the first half of 2022, the market for logistics properties was in upheaval: With a transaction volume of approximately €6 billion and an increase of 33 per cent over the same period in the previous year, logistics properties are now the third most popular property investment category in Germany after residential and office. The supply chains, already disrupted by the COVID-19 pandemic, are now under even more pressure due to the Russian invasion of Ukraine – also due to high freight costs and shortages in raw materials. Considering the lower momentum of global trade, logistics capacities were reduced. On the other hand, e-commerce sales in Germany are still growing – albeit at a slower growth rate – and this is forcing the carriers to process higher parcel volumes. However, the demand for additional space is met by a shortage in available real estate, resulting in rents for existing logistics properties increasing in the past few months.

In the year-on-year comparison, the investment market for retail properties stagnated in the first half of 2022 with a transaction volume of €3.7 billion – a relatively low level compared to the other types of real estate. New stress factors, such as high inflation rates and a declining economic momentum have been impacting the trade segment in the post-pandemic recovery phase since spring of 2022. In addition to the purchasing power diminished by the high inflation rate, consumer confidence took a hit as a consequence of the Russia-Ukraine conflict. The differentiation of the retail properties in individual sub-segments is currently playing a special role for investors: as partial segments of the retail property market experience COVID-19-induced yield increases and as food-focused properties such as supermarkets are still in high demand and accordingly expensive, yield adjustments in the retail segment have been rather moderate thus far.

For users, the hotel sector was successful in the first half of 2022: Starting in spring 2022, the utilisation rates of German hotels increased significantly and continually, resulting in an average utilisation of more than 70 per cent of the 2019 pre-COVID-19 level in May 2022. In conjunction with the change in monetary policy and thus the increase in borrowing costs, the market for investors developed rather conservatively, with a transaction volume of approximately €790 million and a decline of 28 per cent compared to the first half of the previous year. Nevertheless, hotel transactions in the first half of 2022 showed that high-quality properties in very favourable locations, and in particular four- and five-star hotels, remain very fungible on the market.

Business Development

The underlying conditions remained difficult in the first half of 2022, which coincides with the short financial year. In addition to the fierce competition in commercial real-estate financing and the high regulatory requirements, interest rates remained at a historically low level, albeit with an upward trend. In general, the Russia-Ukraine conflict caused considerably higher energy and raw material prices and, in connection with the monetary policy counter-measures taken by the central banks, a restrained propensity to invest.

Furthermore, in addition to the Russia-Ukraine conflict, the COVID-19 pandemic, which continues to be difficult to predict, and their consequences for the industry was still a hot topic. The Bank has continuously analysed and discussed the real estate types specifically affected by the crises and their related financing as part of task forces. There was no significant increase in the need for specific valuation allowances or depreciation in commercial real estate financing in the first half of 2022. The risk strategy, risk management and the high share of financing in good and very good rating classes paid off here. In this regard, please refer to the information provided in the risk report of this management report, which contains additional statements on the Bank's approach, the potential impact of the crises on the real estate market and on risk provisions.

Following the dissolution of the Landesbank Berlin Holding Group as an institutional group due to reasons including the new regulatory requirements imposed by the Risk Reduction Act and other regulatory requirements, it was agreed on 26 January 2022 (signing) to sell all shares held by Landesbank Berlin Holding in Berlin Hyp to Landesbank Baden-Württemberg. The preparation of Berlin Hyp for the integration in the Landesbank Baden-Württemberg Group within a few months went according to schedule for the most part. As a result, in the first half of 2022, almost all of the Bank's divisions were involved in the subsequent process of teaming up with the Landesbank Baden-Württemberg Group, in order to ensure business operations starting on the closing date. The corresponding approvals by the antitrust authorities and the approvals of the bodies of the German savings banks were granted in the first half of the year, therefore the transaction was closed on 30 June 2022/1 July 2022. Despite the double stress, the operative business was successfully continued, as well.

In the first half of 2022, Berlin Hyp continued to pursue the objective of becoming the most modern real estate financier in Germany. The focus areas included but were not limited to the further digitalisation of the core processes, the modernisation of the IT system environment and the ongoing integration of ESG in business operations in accordance with the ESG implementation agenda. This includes the further expansion of the ESG product range within the Sustainable Finance Framework, the expansion of the risk methodology in the ESG context and the execution of an ESG data project. Thus, the latter aims to implement new, relevant data fields in the core process systems of the Bank for the core business, for external reporting and the fulfilment of regulatory requirements. Further activities of the Bank include the participation in the ECB thematic review and the climate risk stress test.

The Bank has worked on cloud solutions for digitalisation purposes and has enabled employees to work even more independently by providing digital workstations. 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. Part of the loan application process, from financing application to approval, went live. In addition, progress was made in the development of the KYC tool, which is scheduled to go live in the second half of 2022. Portfolio management procedures were further refined and an increasing number of transactions were placed to S-Group partners via the ImmoDigital platform. At the same time, it was important to establish the central availability of data while maintaining high quality standards in order to be able to respond flexibly and quickly to customer requests and regulatory requirements.

In the context of the selling process, the cultural change process >next dimension berlin hyp< was of special importance. Among others, a sounding board was implemented, which was used to collect feedback from employees directly and which was also integrated in internal communications.

The organisational structure as well as the job descriptions and requirements must be reviewed and, where necessary, adjusted in line with regulatory and strategic requirements. In the reporting period, the focus was on ESG, risk IT and IFRS compliance.

The demolition of the Bank building at the old headquarters of the Bank is generally on track and made considerable progress.

The Bank currently holds three strategic investments with active business operations: the company OnSite ImmoAgent GmbH, founded by Berlin Hyp and in which another strategic investor is involved, 21st Real Estate GmbH and the venture capital fund PropTech1 Fund 1 GmbH & Co. KG. The objective of exploring new business approaches and cooperation projects with innovative companies in the PropTech scene is being further pursued unchanged. Additional opportunities for participation are under continuous review.

New lending

including long-term extensions

First half of 2022

€ 3.1 billion

New Lending above the Previous Year's Level

Berlin Hyp reports contracted new lending in the amount of €2.8 billion for the first half of 2022 which, despite the ongoing COVID-19 pandemic and the Russia-Ukraine conflict, is slightly above the result of the previous year (30.06.2021: €2.5 billion). With realised extensions (capital employed ≥ 1 year) of €0.3 billion (30.06.2021: €0.4 billion), this put the total new business volume at €3.1 billion (30.06.2021: €2.9 billion). Despite the current market uncertainties, this result is still only slightly below the planned level.

Of Berlin Hyp's new lending, 72 per cent (30.06.2021: 71 per cent) was accounted for by domestic properties, 42 per cent (30.06.2021: 52 per cent) of which were in A cities, 21 per cent (30.06.2021: nine per cent) in B cities, and nine per cent (30.06.2021: eight per cent) in other locations in Germany. 28 per cent (30.06.2021: 29 per cent) involved the financing of properties abroad. These were distributed across France at twelve per cent (30.06.2021: seven per cent), Poland at eleven per cent (30.06.2021: five per cent) and the Netherlands at five per cent (30.06.2021: 17 per cent).

At 69 per cent (30.06.2021: 85 per cent), most new lending related to the investors customer group. Another 20 per cent (30.06.2021: 15 per cent) was realised with developers and builders. Contracts with housing societies accounted for eleven per cent (30.06.2021: 0 per cent) of new business.

New lending is broken down by real estate type as shown on the next page.

Public Sector Lending Unchanged

The Bank no longer actively pursues new public sector lending in accordance with its strategy. As in previous years, no new loans were issued in the first half of 2022. The loan volume remained unchanged at €0.4 billion and will gradually decline as and when individual loans become due.

S-Group Business Remains Stable

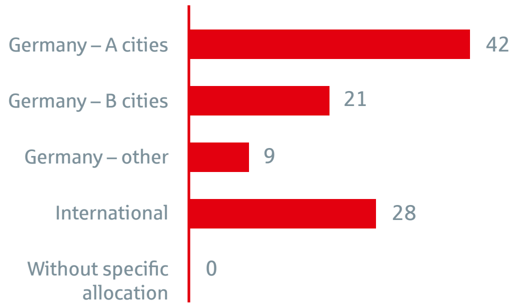
The S-Group business of Berlin Hyp generated an amount of more than €0.8 billion in the first half of 2022 with the total volume of business conducted with S-Group partners (30.06.2021: €1.1 billion).

S-Group partners participated in financing through the product ImmoAval with a total volume of €349 million (30.06.2021: €427 million). In the traditional syndicate business, a total volume of €386 million (€30.06.2021: 530 million) was financed in several transactions. An ImmoSchuldschein transaction was realised at €19 million (30.06.2021: €0 million). S-Group partners participated in financing through the product ImmoNachrang with a total volume of €57 million (30.06.2021: €154 million). The product ImmoGarant was not used in the reporting period.

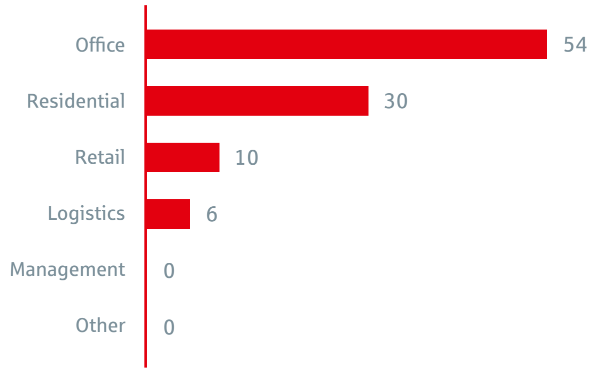
The number of business relationships with savings banks increased further with 168 institutions (30.06.2021: 161) from all S-Group regions. This increase is mainly due to the introduction of the ImmoDigital platform. As at 30 June 2022, 67 institutions were already users of the platform.

Since its introduction at the end of 2020, a total of nine transactions have been concluded via the ImmoDigital platform. As planned during the development, the platform unbur-

Regions
in %



Real estate types
in %



dens conventional communication channels, reduces media discontinuities and facilitates processes by pooling all relevant information centrally in one place. In its current version, the ImmoDigital platform will only offer the product ImmoAval. As a result of the successful market launch, Berlin Hyp is currently developing the platform further. The objective is to achieve a completely digital processing of the investment formats of the Immo product range developed for German savings banks in the fourth quarter of 2022.

By expanding the range of the products and services for savings banks, Berlin Hyp is responding to the needs of the savings banks for further diversification of investment opportunities and additional services while strengthening its position as the S-Group partner of the savings banks.

Refinancing Guaranteed at All Times

Medium and long-term refinancing is generally carried out by issuing mortgage Pfandbriefe and unsecured bonds. In the first half 2022, the Bank borrowed €2.4 billion in capital using these instruments. The Bank had market access at all times. With a total of four benchmark transactions, including the initial issue of a Social Bond, the Bank was a regular issuer on the syndicated bond market. Two of the issues, one senior preferred bond in euros and one in Swiss francs, were structured as Green Bonds. With 15 outstanding euro issues, Berlin Hyp remains the most active issuer of Green Bonds in Europe in the commercial banking segment.

Equity Position Strengthened Through Further Additions

The common equity Tier 1 ratio is 14.0 per cent (30.06.2021: 13.9 per cent) and the total capital ratio is 15.9 per cent (30.06.2021: 16.1 per cent), taking into account the approval of the annual accounts. By reinforcing the special item for general banking risks according to Section 340g of the German Commercial Code (HGB) with an additional €50.0 million (30.06.2021: €112.0 million) and applying the simplification rules of CRR II, capital ratios were kept relatively constant with slightly increased risk assets. The capital ratios were above the previous year’s forecast of the Bank.

Earnings Situation

Profit Transfer Exceeds Expectations
Berlin Hyp recorded earnings before profit transfer of €30.0 million (30.06.2021: €30.0 million) in the short financial year. Thus, on a pro-rata basis, the earnings performance exceeded the value expected for the year 2022 as a whole. Given the impacts of the Russia-Ukraine conflict and the ongoing negative impact of the COVID-19 pandemic, the high regulatory requirements, the low interest rate environment and the fierce competition in commercial real estate financing, the earnings performance is all the more gratifying from the Bank's perspective.

The Russia-Ukraine conflict and the COVID-19 pandemic did not have a significantly negative effect on the loans portfolio in the short financial year. Berlin Hyp has further increased its pension reserves and made a further addition the special item pursuant to Section 340g of the German Commercial Code (HGB) by allocating €50.0 million (30.06.2021: €112.0 million). The reasons for this development of profit are described in the following sections.

The profit and loss account for the short financial year from 1 January to 30 June 2022 is comparable to the previous year to a limited degree only. The year-on-year comparison

Earnings Development	01.01. – 30.06.2022 €m	01.01. – 30.06.2021 €m	Change €m	Change %
Net interest and commission income	**270.0**	**233.8**	**36.2**	**15.5**
Net interest income	258.6	220.8	37.8	17.1
Net commission income	11.4	13.0	–1.6	–12.3
Operating expenditure	**116.7**	**94.3**	**22.4**	**23.8**
Staff expenditure	49.9	45.2	4.7	10.4
Other operating expenditure	61.9	44.4	17.5	39.4
of which expenditure for bank levy	*25.5*	*16.4*	*9.1*	*55.5*
Depreciation on fixed assets	4.9	4.7	0.2	4.3
Other operating revenue/expenditure	–11.8	–3.0	–8.8	-
Operating result before risk provisioning	**141.5**	**136.5**	**5.0**	**3.7**
Risk provisioning	**–61.4**	**2.5**	**–63.9**	**-**
Valuation result of lending business	–6.7	–13.1	6.4	–48.9
Valuation result of securities business	–54.7	15.6	–70.3	-
Operating result after risk provisioning	**80.1**	**139.0**	**–58.9**	**–42.4**
Financial investment result	0.0	3.2	–3.2	-
Fund for general banking risks	50.0	112.0	–62.0	–55.4
Other taxes	0.1	0.1	0.0	0.0
Operating result before income taxes and profit transfer	**30.0**	**30.1**	**–0.1**	**–0.3**
Income taxes ("–" = earnings)	0.0	0.1	–0.1	-
Profits transferred on the basis of the profit transfer agreement	30.0	30.0	0.0	0.0
Net income	**0.0**	**0.0**	**0.0**	**0.0**

figures contained in the profit and loss account refer to twelve months and therefore to a longer period than the current short financial year, which is six months. For better comparability, the corresponding reference period in the previous year is presented hereinafter.

Net Interest Income Above Previous Year’s Level

Net interest income totalled €258.6 million (30.06.2021: €220.8 million). As such, it was proportionately better than expected. The positive development is mainly due to the average mortgage loan portfolios, which grew by €1.4 billion in comparison to the previous year, with stable margins in the core business, as well as one-off effects from derivative transactions. Participation in the targeted longer-term refinancing operations with the Deutsche Bundesbank (TLTRO-III) and the resulting favourable refinancing led to a reduction in interest rates of €64.5 million in comparison to €67.1 million in the previous year.

Slight Decrease in Net Commission Income

The net commission income of €11.4 million was slightly lower than the previous year’s figure (30.06.2021: €13.0 million). Therefore, the slightly declining development was in line with expectations. Commission income from the lending business is a substantial part of the net commission income, which – despite the positive development of new lending – did not quite reach the previous year’s level (on a pro-rata basis); other substantial parts are sureties and credit brokerage. Additional credit processing fees are distributed in the interest margins over the term.

Operating Expenditure Increased Due to One-Off Effects

Operating expenditure comprises staff expenditure, other operating expenditure, depreciation on tangible assets and amortisation of intangible assets. This totalled €116.7 million (30.06.2021: €94.3 million).

As expected in our prior-year forecast, the development of staff expenditure was subject to higher pension obligations caused by falling average interest rates, resulting in staff expenditure of a total of €49.9 million (30.06.2021: €45.2 million).

Other operating expenditure increased to €61.9 million in comparison to the previous year (30.06.2021: €44.4 million). The item mainly includes the expenses from the annual payment of the European bank levy, legal and consulting costs, IT expenditure and building and premises costs. Based on strategically necessary projects such as the optimisation and digitalisation of the loan process, the creation of an integrated SAP bank and the construction of the new headquarters, a rise in expenditure was expected, which was increased by required expenditures for the process of teaming up with Landesbank Baden-Württemberg, e.g. in order to meet the reporting requirements in accordance with IFRS. However, most of the increase is attributable to the 2022 banking levy, which was once again notably marked up from €16.4 million to €25.5 million and which is completely included in the operating expenditure.

Write-off on fixed assets and intangible assets saw a slight increase to €4.9 million (30.06.2021: €4.7 million).

Other Operating Result Below Previous Year

The other operating result amounted to €-11.8 million (30.06.2021: €-3.0 million). It mainly comprises the real estate acquisition tax expenses expected from the sale of Berlin Hyp and further additions to provisions and interest portions, above all from the compounding of pension reserves. The latter formed a substantial part of previous year’s result.

Deteriorated Cost-Income Ratio

The cost-income ratio expresses the ratio of operating expenditure to net interest and commission income, including the other operating result. The increase in operating expenditure and the deterioration in the other operating result led to an increase in the cost-income ratio by 4.3 percentage points to 45.2 per cent (30.06.2021: 40.9 per cent), despite the increase in net interest and commission income. A considerable increase in the cost-income ratio had been expected in the plan.

Operating result
(after risk provisioning)

€ 80.1
million

Risk Provisioning Increased

In the first half of 2022, again Berlin Hyp did not have any significant loan defaults, despite the fact that in particular the impacts of the Russia-Ukraine conflict constituted a considerable burden for the economic environment. For the risk mapping of existing potential counterparty default risks in connection with the current crisis factors a management adjustment of €27.3 million was established for valuated loans and of €2.7 million through the creation of reserves for irrevocable lending commitments as lump-sum value adjustments. As such, the special developments resulting from the crises mentioned were taken into account when assessing the loan portfolio at Berlin Hyp. In turn, the management adjustment established in 2020 for latent risks arising from the COVID-19 pandemic amounting to €30.0 million was released in full, as potential pandemic-related effects are now reflected in the ratings for the most part. The net allocation to the lending risk provisioning amounted to €6.7 million (30.06.2021: €13.1 million). A detailed overview of the development of the lending risk provisioning can be found in the notes.

Negative valuation results for securities in the liquidity reserves resulted in an expenditure of €54.7 million due to exchange rate losses. The net income in the same period in the previous year was €15.6 million.

Further Additions to the Fund for General Banking Risks

The Bank added another €50.0 million (30.06.2021: €112.0 million) to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB). This fund amounted to €725.0 million as of the reporting date.

Almost No Change in Operating Result Before

Income Taxes and Profit Transfer

Despite the further increase in provision reserves, the Bank reported a higher-than-expected profit before taxes prorated result of €30.0 million (30.06.2021: €30.1 million).

Profit and Loss Transfer Agreement

Based on the profit and loss transfer agreement concluded with Landesbank Berlin Holding, Berlin Hyp transferred a profit of €30.0 million (30.06.2021: €30.0 million).

Return on Equity Declined

The return on equity, which also includes the allocation to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB), was well on target at 9.8 per cent (30.06.2021: 19.5 per cent).

Net Assets Position

Increased Balance Sheet Total

Compared to the previous year, Berlin Hyp's balance sheet total rose by €1.9 billion to €38.1 billion as at 30 June 2022 (31.12.2021: €36.2 billion). On the assets side, the growth was mainly driven by the increase in Bundesbank deposits by €1.4 billion to €4.1 billion, and of the mortgage loan portfolios by €0.8 billion to €26.4 billion.

Changes in Major Balance Sheet Items

Claims against banking institutions rose moderately by €0.6 billion to €0.8 billion. They mainly comprise short-term claims from collateral loans and time deposits.

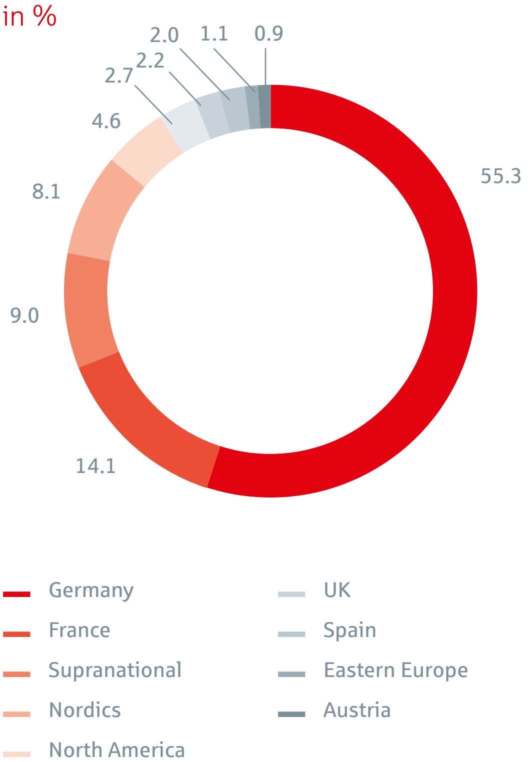
Claims against customers increased by €0.7 billion to €26.9 billion. The increase was due to the positive development of mortgage loan portfolios which, at €26.4 billion, were higher than the previous year's figure of €25.6 billion.

Additions to new lending were offset to a lesser extent by planned and extraordinary outflows through early repayments. The public sector lending portfolio, which is not strategic anymore, remained unchanged at €0.4 billion. Loan commitments not yet disbursed amounted to €3.4 billion on 30 June 2022 (31.12.2021: €3.4 billion).

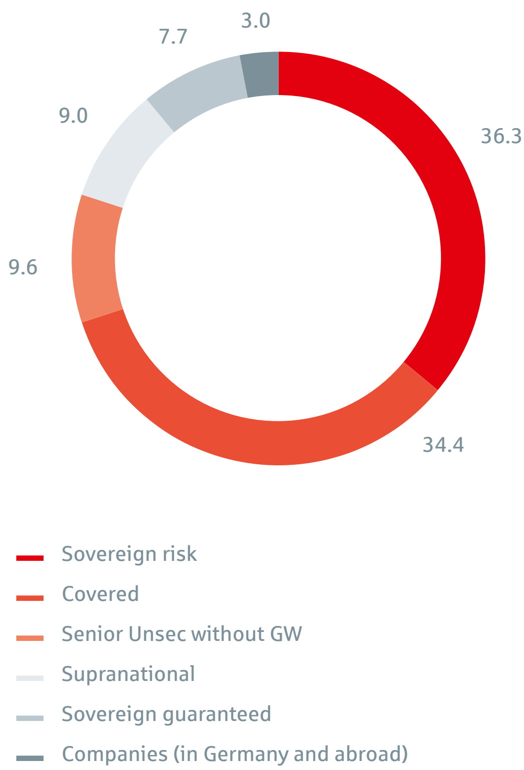
The portfolio of debentures and other fixed-interest securities decreased by €1.0 billion to €5.8 billion. Nominal additions of €2.4 billion were offset by nominal disposals of €3.3 billion. All securities are allocated to the liquidity reserve and are partially used to cover Pfandbriefe issued by the Bank.

As at 30 June 2022, the issuer structure of the securities portfolio was as follows:

Countries
in %



Lending risk
in %



The €0.1 billion increase in liabilities to banking institutions to €9.2 billion resulted from the rise in liabilities from fixed-term deposits. The portfolio of liabilities from the TLTRO-III programmes of the Deutsche Bundesbank remained unchanged at a nominal value of €8.5 billion.

Liabilities to customers increased by €0.9 billion to €4.9 billion compared to the previous year due to higher overnight money and term money.

Securitised liabilities to customers increased by €0.8 billion to €21.4 billion. New issues of €7.5 billion were offset by maturities of €4.0 billion.

Equity

Berlin Hyp's subscribed capital amounted to €753,389,240.32 as at 30 June 2022. It is fully paid up and divided into 294,292,672 bearer shares. The shares have a theoretical par value of €2.56. Furthermore, the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) included a reserve of €725.0 million as at 30 June 2022 (31.12.2021: €675.0 million). Subordinated capital of €152.5 million can also be taken into consideration as available under regulatory law.

During the reporting year, the requirements with respect to regulatory capitalisation (CRR II/CRD V, Solvency Regulation) were complied with as of the individual reporting dates. Berlin Hyp identifies regulatory capital backing for counterparty default risk with the aid of the IRB-based approach (internal ratings-based approach). Operational risk is calculated using the Advanced Measurement Approach (AMA). The common equity tier 1 capital after adoption was €1,604.1 million as at 30 June 2022, equity was €1,824.1 million, and overall risk (RWA) amounted to €11,487.3 million. The capital ratios were 14.0 per cent for the common equity tier 1 capital ratio and 15.9 per cent for the total capital ratio.

Additional Performance Indicators

The leverage ratio calculated according to the Delegate Regulation (EU) 2015/62 was 4.1 per cent after adoption as at 30 June 2022. The balance-sheet-oriented minimum requirement for eligible liabilities (MREL) has become relevant for reporting in 2022 based on the decision of the liquidation authority. As at 30 June 2022, it was 23.4 per cent based on the leverage ratio exposure (LRE) and 78.7 per cent based on the total risk exposure amount (TREA).

The ratio of net profits (earnings before profit transfer) amounting to €30.0 million and the balance sheet total as at 30 June 2022 amounting to €38.1 billion results in a return on capital of 0.1 per cent as at 30 June 2022.

Financial Position

In the reporting period, the refinancing funds raised amounted to €2.4 billion. Of this total, €1.4 billion were attributable to mortgage Pfandbriefe and €1.0 billion to unsecured bank bonds, which were assumed at very good conditions compared to competitors. €148 million of covered and €419 million of uncovered securities were issued as private placements.

In the first half of 2022, Berlin Hyp appeared on the capital market with syndicated bonds four times. In January 2022, the Bank issued a five-year senior preferred bond with a volume of €500 million and a coupon of 0.375 per cent in the form of a Green Bond, with a re-offer spread of mid-swap plus 30 basis points. This was the first bond issued within the new taxonomy-compliant EU Green Bond Framework. The major part of the bond, i.e. 78 per cent, went to domestic investors. Banks and savings banks were the largest investors at 47 per cent. In February 2022, another green senior preferred bond was issued, with a volume of CHF100 million and a spread of SARON +28. Also in February 2022, the Bank issued a seven-year Pfandbrief with a volume of €500 million and a coupon of 0.625 per cent at a re-offer spread of mid-swap minus 1 basis point. A major part of the bond was placed abroad (40 per cent). While central banks and public institutions ordered 34 per cent of the bond, banks took a 33 per cent stake. In May 2022, Berlin Hyp issued the first Social Bond. It has a volume of €750 million and a swap spread of re-offer plus 2 basis points. The proceeds from a ten-year mortgage Pfandbrief will be used for loans used to finance affordable housing in Germany and the Netherlands. The coupon was 1.75 per cent. More than 100 investors invested in the bond, with a final order volume of €3.0 billion. 57 per cent of the issue went to German investors. From abroad, in particular French investors (9 per cent) and investors from the Nordic countries (7 per cent) were interested. Banks subscribed for 46 per cent of the bond, followed by central banks and public institutions (25 per cent) and funds (22 per cent).

Regarding liquidity management, regulatory requirements were complied with during the entire reporting period, as measured by the ratios LCR and NSFR.

As of the reporting date, the rating agency Moody's continued to rate Berlin Hyp's mortgage Pfandbriefe Aaa with a stable outlook, while the senior preferred and senior non-preferred ratings remained Aa2 and A2, respectively. Following the announcement of the takeover of Berlin Hyp by LBBW, the outlook of the senior unsecured rating was set to "under review". In light of this, Fitch also revised the outlook for the long-term issuer default rating (IDR) to "rating watch negative". As of the reporting date, the senior preferred and senior non-preferred ratings remained AA- and A+, respectively.

Outside the reporting period and following the takeover of Berlin Hyp by LBBW effective 1 July 2022, Moody's revised the long-term deposit, issuer and senior unsecured rating from Aa2 to Aa3. Fitch revised Berlin Hyp's long-term issuer default rating from A+ to A- and the rating of the senior preferred bonds from AA- to A. The respective outlooks were set to stable both by Moody's and Fitch.

Aaa
from Moody's

Pfandbrief issue rating

Refinancing funds *	Portfolio without pro rata interest 31.12.2021 €m	New issues** 01.01.– 30.06.2022 €m	%	Maturities*** 01.01.– 30.06.2022 €m	Portfolio without pro rata interest 30.06.2022 €m
Mortgage Pfandbriefe	12,910.0	1,315.0	56.4	500.0	13,725.0
Public Pfandbriefe	-	-	-	-	-
Other bearer bonds, non-preferred	2,620.0	-	-	15.0	2,605.0
Other bearer bonds, preferred	3,088.0	789.0	33.9	200.0	3,677.0
Registered mortgage Pfandbriefe	1,565.8	86.2	3.7	65.0	1,587.0
Registered public Pfandbriefe	210.0	-	-	10.0	200.0
Debenture loans, non-preferred	117.7	-	-	21.0	96.7
Debenture loans, preferred	170.8	100.3	4.3	-	271.1
Registered bonds, non-preferred	1,215.7	4.6	0.2	12.5	1,207.8
Registered bonds, preferred	148.4	35.0	1.5	-	183.4
Subordinated bearer bonds	-	-	-	-	-
Subordinated debenture loans	119.5	-	-	-	119.5
Subordinated registered bonds	108.0	-	-	-	108.0
	22,273.9	**2,330.0**	**100.0**	**823.5**	**23,780.4**

Capital market refinancing in foreign currencies* CHFm	Portfolio without pro rata interest 31.12.2021 CHFm	New issues** 01.01.– 30.06.2022 CHFm	%	Maturities*** 01.01.– 30.06.2022 CHFm	Portfolio without pro rata interest 30.06.2022 CHFm
Other bearer bonds, preferred	505.0	100.0	100.0	-	605.0
	505.0	**100.0**	**100.0**	-	**605.0**

* Zero balances.
** New issues in 2022 incl. capitalisation at zeros.
*** Maturities and early repayments incl. terminations.

Financial and Non-Financial Performance Indicators

Financial Performance Indicators

The profit transfer to Landesbank Berlin Holding was very satisfactory in the first half of 2022 and exceeded our forecast for 2022 as a whole on a pro-rata basis. It came to €30.0 million (30.06.2021: €30.0 million), despite the difficult underlying conditions described in the business development and the addition of €50.0 million to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB). The Bank assumed that the profit transfer in 2022 as a whole would be lower than in the previous year.

The positive development of the net interest and commission income facilitated the profit transfer and the increase in the special item for general banking risks. The Bank had expected the net interest and commission income to be somewhat declining in 2022 as a whole. However, compared to the 30 June 2021, it increased by €36.2 million to €270.0 million. Net interest income improved by €37.8 million to €258.6 million. The increase was attributable to a higher average mortgage loan portfolio and above all to one-off effects from derivative transactions. Reductions in interest rates amounting to €64.5 million (30.06.2021: €67.1 million) resulted from the participation in the targeted longer-term refinancing operations with the Deutsche Bundesbank (TLTRO-III). The net commission income which the Bank expected to be moderately below the level of 2021 in 2022 as a whole, was €11.4 million, below the previous year's figure of €13.0 million on 30 June 2021 by €1.6 million.

Due to anticipated expenses for strategically necessary projects, such as the optimisation and digitalisation of the loan process, the creation of an integrated SAP bank and the construction of the new headquarters, the Bank had expected a considerable increase in operating expenditure and the cost-income ratio for 2022 as a whole. Operating expenditure went up by €22.4 million to €116.7 million compared to the first half of 2021. Together with the deterioration in the other operating result, this led to a rise in the cost-income ratio by 4.3 percentage points to 45.2 per cent despite the increase in net interest and commission income.

At 14.0 per cent after adoption (30.06.2021: 13.9 per cent), the common equity tier 1 capital ratio – after the allocation to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) of €50.0 million (30.06.2021: €112.0 million) – exceeded expectations, even taking into consideration the stricter equity requirements according to CRR II/CRD IV. The Bank had forecast a common equity tier 1 capital ratio of 13.3 per cent based on a 12-month period in the previous year.

The volume of new lending was €2.8 billion and thus on the level of the prorated forecast value, and slightly above previous year's figure of €2.5 billion on 30 June 2021. Including long-term extensions, new lending increased by €0.3 billion to €3.1 billion (30.06.2021: €2.9 billion). Considering the COVID-19 pandemic and the Russia-Ukraine conflict, the bank expected lower new lending volumes for the 2022 financial year as a whole.

Non-Financial Performance Indicators

The share of new lending with new customers was 61 per cent (30.06.2021: 28 per cent) of the total volume of new lending, which was significantly higher than the expected share of 20 per cent for the 2022 financial year as a whole.

The market penetration at the savings banks, i.e. the number of savings banks with which Berlin Hyp maintains business relations, is a reflection of the Bank's strategic goal of positioning itself as S-Group partner of the savings banks and its brand core, based on partnership. Furthermore, Berlin Hyp strives to expand its product and service portfolio consistently in order to further increase its appeal as S-Group partner. In the first half of 2022, the volume of the S-Group business amounted to €0.8 billion (30.06.2021: €1.1 billion), and was therefore lower than in the comparable period in the previous year. The number of active business relationships with savings banks increased further to 168 institutions (30.06.2021: 161) from all S-Group regions. A key contributing factor was the successful market launch of the ImmoDigital platform.

For the market segment, the target portfolio for management purposes has become established in recent years and has been expanded with aspects on return on equity. The following aggregation groups are used to derive the target portfolio: real estate types, customer groups, lending regions and rating classes. The target portfolio targets set were all met in the first half of 2022. Individual deviations were analysed and taken into account in the portfolio management. Regular internal research studies are employed to analyse and evaluate Berlin Hyp's markets.

In addition to market conditions, the performance of Berlin Hyp depends largely on its employees. Since the reporting year 2018, the headcount in full-time equivalents (FTE) has been a non-financial performance indicator. As of 30 June 2022, the headcount was 564 FTEs (31.12.2021: 557 FTEs), which included 31 FTEs (31.12.2021: 23 FTEs) of junior staff.

The new future-oriented organisational structure has been largely implemented.

Strategic resource planning is a means to ensure the functional capability and future viability of Berlin Hyp. To support this quantitative and qualitative human resource planning, early retirement and severance agreements are offered on the basis of a works agreement. Positions requiring successors are filled early if at all possible, in order to ensure the transfer of expertise.

Through the financing of sustainable, climate-friendly properties (green buildings), and their refinancing via green bonds, Berlin Hyp has actively supported the dynamic development of the market for sustainable bonds since 2015. In 2015, the Bank made its debut with the world's first Green Bond. Now, the volume of outstanding Green Bonds amounts to €6.1 billion. Furthermore, in spring of 2021, the Bank issued a Sustainability-Linked Bond, in spring of 2022 a Social Bond. As of the reporting date, the total volume of all outstanding ESG bonds amounts to €7.4 billion. The development of other key non-financial performance indicators is described in the non-financial statement.

The sustainability ratings for the first half of 2022 continue to confirm Berlin Hyp's above-average position in the sector. In the first half of 2022, the Bank's MSCI rating of AAA was confirmed. The ESG risk rating by Sustainalytics remained unchanged at 7.1 “negligible risk”. The ISS ESG Prime Status rating and overall score of B- maintain their validity. These very good rating results from the rating agencies document Berlin Hyp's outstanding commitment to sustainability management, honour its investment products – green and sustainability bonds – and recognise its responsible attitude to people and the environment.

Overall Statement

Given the described difficult underlying conditions and the allocation of €50.0 million (30.06.2021: €112.0 million) to the fund for general banking risks to strengthen regulatory capital, which impairs results, the Board of Management is satisfied with the higher-than-expected earnings performance.

The result after taxes of €30.0 million (30.06.2021: €30.0 million), which was more than planned on a pro-rata basis, will be transferred to Landesbank Berlin Holding as profit.

III Opportunities, Forecast and Risk Report Opportunities, Risk and Forecast Report

The forecast report should be read together with the other chapters of this management report. The forecast statements contained in the report are based on estimates and conclusions from the information currently available. The statements are based on a number of assumptions relating to future events that have been integrated into the corporate planning of Berlin Hyp. There are uncertainties and risks regarding the occurrence of future events, many of which are beyond the Bank's control. As such, actual events may differ from the forecasts made in the forecast report.

In particular, the specific effects of the Russia-Ukraine conflict, of the COVID-19 pandemic, of a potential energy crisis and of possible second-round effects on the economy, individual markets and sectors cannot be conclusively assessed as yet. Given the situation, the forecasts presented below are highly uncertain.

Forecasts can only be made in a volatile environment to a limited degree. The main opportunities and risks of the forecasts for the key management indicators are presented below. Opportunities are defined as possible future developments or events that may lead to a positive forecast or target deviation for Berlin Hyp. On the other hand, risks are defined as possible future developments or events that may lead to a negative forecast or target deviation for Berlin Hyp. The risk types specific to banks are explained separately in the extended risk report.

Assumptions Relating to Macroeconomic Development[4]

The recovery of the global economy is indeed expected to continue in 2022, but the growth rate will remain moderately below that of the previous year. The main factors influencing the course of global economic development in 2022 will be the supply bottlenecks due to the Russia-Ukraine conflict and pandemic-related restrictions, in particular in China, that will remain in place for the time being. We also expect tangible growth in the eurozone, albeit noticeably lower than in the previous year.

In view of the geopolitical and trade disruptions caused by the Russia-Ukraine conflict, the gross domestic product is expected to increase slightly compared to the previous year. The restricted supply chains and the price increases are countered by a higher consumption growth. Throughout the second half of the year, a recovery of the German economy will likely become noticeable, once the price increases and supply shortages abate.

Assumptions Relating to Industry Development[5]

In view of the high inflation rates, the monetary policy of the major central banks will likely be significantly more restrictive in the second half of 2022. Several interest rate hikes are expected both in the USA and in the eurozone. Furthermore, the European Central Bank is facing the challenge of preventing an excess fragmentation of the government bond yields in the eurozone. All in all, the fight against inflation is expected to be a dominant topic of the central bank policy in 2023, as well. In combination with the still ongoing economic uncertainties, this is likely to result in increased volatility on the capital markets in the forecast period and will likely limit the constricting potential of the spreads of uncovered bank bonds. This should influence the risk premiums of covered bonds to a limited extent only.

Even under demanding conditions, Berlin Hyp expects to be able to gain access to all segments of the capital market on fair market terms.

Considering the recently risen construction interest rates and in expectation of an ECB monetary policy that is not quite as expansive, Berlin Hyp expects activities on the real estate investment market to be considerably lower in 2022 as a whole compared to the previous

[4] Sources for assumptions relating to macroeconomic development: Kiel Institute for the World Economy (IfW), ifo Institute

[5] Sources for assumptions about macroeconomic and sector-related underlying conditions: CBRE, Savills, bulwiengesa, ifo. Capital Economics, DG ECFIN, ECB press release.

years. The continuing uncertainty regarding a solution to the Russia-Ukraine conflict yet to emerge, together with the high inflation rate, reduced economic momentum and above all, higher interest rates, manifests in a general restraint in investment decisions.

All market players now find themselves in a capital market environment that has completely changed in the space of just a few months – and a lot faster than expected. As the price expectations of buyers and sellers have to first approximate each other again, it is likely that the transaction market will not recover before the final quarter of 2022, provided the Russian energy supply is not discontinued, the Russia-Ukraine conflict does not escalate further and the pandemic situation does not worsen once again. Furthermore, it is assumed that the currently forecast economic growth, which was revised downward to 2.5 per cent in mid-June 2022, will not be considerably lower for 2022 as a whole.

In light of this, Berlin Hyp considers a transaction volume of approximately €50 billion for commercial real estate and up to €15 billion on the residential investment market to be realistic.

For 2023, as well, investments on the real estate market are expected to be conservative, considering the economic and geopolitical challenges. In consideration of the currently increasingly discernible risk of recession at the turn of the year, a realistic transaction volume for 2023 is merely on the level of the past ten years, an average of the years 2012 to 2021, i.e. €65 billion to €70 billion. Taking into account the significantly decreased ifo business climate index in July 2022, the loss of consumer confidence in Germany and in the eurozone as well as the key interest rates increased by the ECB in July 2022, and which are likely to continue to go up, an economic downturn is now even more likely than a few months ago.

With regard to the type of use, residential real estate will continue to be highly favoured by investors based on the enduring excess demand in agglomeration areas. Centrally located and sustainable office properties, food-related retail properties and logistics properties for e-commerce use also still profit from the interest of the investors. For all investment decisions, the ESG compliance of the property, tenants and borrowers will have to be taken into account – also conditional upon the EU taxonomy guidelines – will be increasingly more important, and for many existing properties of all types of use, high CapEx expenditure will be required in order to comply with ESG requirements.

Business Development

In the following years, Berlin Hyp is planning on establishing business relationships with additional savings banks in the S-Group business and to expand “ImmoDigital” into the central sales platform for S-Group products in the Immo product range. For this purpose, another release of “ImmoDigital” will be provided in the second half of 2022, which, starting in 2023, will facilitate the offer of additional product alternatives and that is to intensify the business relationships with our S-Group partners. However, due to the regional principle and the individual business focus of each savings bank, the growth rates in market penetration are generally limited. Failure to achieve these goals does not hold any significant risks to the Bank’s business model or business success. However, achieving these two goals increases Berlin Hyp’s chances of positioning itself sustainably as a long-term S-Group partner within the Sparkassen-Finanzgruppe.

The public-sector lending business is not part of the Bank’s core business and will continue to be hived off.

In consideration of the regulatory requirements, however, earnings potential that arises in the securities portfolio should continue to be used to support the interest result within the framework of a conservative investment strategy. Berlin Hyp does not expect the securities portfolio to increase significantly in the second half of 2022. In 2023, when the majority of the targeted longer-term refinancing operations of the European Central Bank (TLTRO-III) expire, the securities portfolio may continue to decline.

Berlin Hyp expects the net interest and commission income in the second half of 2022 to be somewhat lower than the impressively high level reached in the second half of 2021. A decline is expected in 2023, as well, as the TLTRO-III one-off effect will not apply anymore.

Berlin Hyp's net interest income is based on rising interest income in its core business resulting from portfolio growth at stable portfolio margins. The significant interest rate movements in the first half of 2022 have a positive impact on the equity yield. The net interest income will benefit from additional income from the "additional special interest period" of the targeted longer-term refinancing operations of the European Central Bank (TLTRO-III), as it did in the past year. These one-off effects were recognised in a profit and loss relevant manner in the first half of 2022. There are opportunities to further reinforce the market position by leveraging the expertise of Berlin Hyp as a commercial real estate financier and to exceed sales targets as well as the net interest income as a result. This could be further facilitated by the consistent implementation of the digitalisation strategy. Potential risks may arise if the sales targets are not met, for example, due to the COVID-19 pandemic or a downturn in the real estate markets. Cancelled or postponed investments could lead to a decline in demand for commercial real estate financing and, depending on how the real estate market and interest rates develop, could increase unscheduled loan repayments. In addition, earnings risks arise if, due to strong competition, only interest margins lower than planned can be agreed in the core business, or if delays in implementing the digitalisation strategy lead to lower business potential than expected.

In terms of acquisition of new customers, a 20 per cent share of new lending is expected in the second half of 2022. In 2023, the expected share in new customers will also represent 20 per cent.

Given the ongoing challenging and unstable planning environment impacted by the pandemic, Berlin Hyp expects new lending in the second half of 2022 to be slightly lower than the very successful level reached in the first half of 2022. Berlin Hyp estimates 2023 will be similar. Although the real estate markets and asset classes, which are still very crisis-resistant, run the risk of falling short of the plan, they may again also offer opportunities for a slightly higher level of new lending compared to planning, depending on how the Russia-Ukraine conflict, the interest rates and the pandemic progress.

Due to the lower expected volume of new lending in the light of the market uncertainties, net commission income is expected to be moderately below the level of the first half of 2022.

Berlin Hyp expects an overall increase in operating expenditure in the second half of 2022 compared to the same period in the previous year, which is expected to slightly decrease in 2023. Human resource expenditures will develop under the influence of the negative effects associated with the allocations to pension obligations resulting from falling average interest rates and the results of collective agreements. In addition to the continuing high level of cost awareness and extensive optimisation activities for the adaptation of human resources, strategically essential projects, such as the optimisation and digitalisation of the loan process, the creation of an integrated SAP bank and the construction of the new headquarters, will lead to higher expenditures. The latter will be neutralised over time by lower operating costs. Berlin Hyp teaming up with Landesbank Baden-Württemberg will also cause additional costs, in particular as a result of IFRS reporting requirements. Berlin Hyp's headcount is expected to decline in the medium to long term based on the current state of knowledge. Since January 2019, resource management in this regard has been essentially based on a company agreement.

Contributions to the European banking levy are calculated by the banking supervisory authority. Berlin Hyp assumes that the contributions in 2023 will not see any major adjustments compared to the 2022 level. Starting in 2024, the situation is expected to ease notably.

For the above reasons, the cost-income ratio is expected to once again increase significantly in the second half of 2022. In 2023, the cost-income ratio is expected to decrease. With the results of the successful implementation of projects and other initiated measures, more reductions can be expected in the medium term.

If the plans for the above-mentioned projects and levies are exceeded, this can have a positive impact on operating expenditure and the cost-income ratio. On the other hand, there is a risk that failure to reach planned objectives, project cost increases, negative interest rate developments or a bank levy set above the previous level will lead to higher operating expenditures and in turn to an increasing cost-income ratio.

The negative other operating result increased as a result of a provision for real property acquisition tax in the first half of 2022. This expected expenditure was triggered by the takeover of Berlin Hyp by Landesbank Baden-Württemberg. For 2023, Berlin Hyp expects a negative amount in the single-digit million range and a positive one-off effect in the mid-double-digit million range following the planned sale of the building in Corneliusstrasse 7.

Without taking into account provision reserves, Berlin Hyp expects an increase in risk provisioning in 2022 and 2023 for planning purposes. In addition to the still unpredictable overall COVID-19 situation in the medium term in conjunction with the anticipated restrictions by measures and resulting negative effects on the economy, the ongoing war Russia started against Ukraine in February 2022 is having a significant influence on the economic activities on many markets. In this context, sanctions, disruptions of the raw material supply, disruptions of supply chains or value losses in investments in Russia, Belarus or Ukraine may cause negative impacts on the economy and restrictions in the business activities of many companies. Berlin Hyp does not have claims against debtors in these countries, therefore, the inability of debtors from these countries to pay does not have direct consequences for the risk provisioning expenditures in Berlin Hyp's credit portfolio. However, Berlin Hyp may experience indirect effects on the valuation of the claims from commercial real estate financing. Moreover, the Russia-Ukraine conflict may trigger indirect effects on the securities portfolio of Berlin Hyp. Increased volatility on capital markets may require additional value adjustments. Berlin Hyp does not hold any securities in its portfolio issued by issuers from Russia, Belarus or Ukraine, therefore the securities portfolio does not cause direct risks.
Higher energy prices, imminent shortages in energy supply, high inflation rates and increasing interest rates augment the uncertainties in the entire eurozone, including Germany. As such, it is still very likely that the economy will continue to struggle and that the real estate industry will also face negative consequences in future. The medium-term impact of the Russia-Ukraine conflict and of the COVID-19 pandemic on the economy and on the market development, particularly of hotel, office and retail properties, has so far been and will be difficult to estimate. The forecasts contained in the management report reveal a high degree of uncertainty in view of the dynamics that are emerging.

For example, unpredictable and unexpected developments in external macroeconomic, geopolitical and sector-related conditions and developments on the international financial markets can represent opportunities and risks for the risk result of the capital market business. Furthermore, despite careful planning, a trend reversal in the external framework conditions – for example in the event of a significant decline in real estate prices as a result of a higher-than-expected increase in interest rates – could lead to a deterioration in the creditworthiness of borrowers and also to a reduction in the value of the collateral provided, and could result in a need for additional risk provisioning or value adjustments for commercial real estate financing. It is also possible that the need for risk provisioning will be lower than expected if the economic environment is favourable.

Insofar as the effects of the Russia-Ukraine conflict and of the COVID-19 pandemic are reflected in sustainable economic and capital market pressures beyond current expectations, this could result in vacancy rates and further losses in commercial property values contrary to previous expectations, putting a significant strain on real estate markets and leading to increased risk provisioning expenditures, particularly for hotel financing or the financing of specific retail use properties. Furthermore, there could be a decrease in the volume of new business and the number of holdings in the Bank's commercial real estate financing business. Therefore, it cannot be ruled out that the further developments of the Russia-Ukraine conflict and of the COVID-19 crisis will lead to negative effects on the planned earnings figures.

For planning purposes, Berlin Hyp assumes that the operating result after risk provisioning will decline slightly in the second half of 2022 compared to the first half of 2022, taking into account careful risk provisioning planning and the above-mentioned expectations. The operating result before income taxes and profit transfer in the second half of 2022 will likely reach the level of the first half of 2022 and/or above 50 per cent of the 2021 result. The currently planned allocations to the special item pursuant to Section 340g of the German Commercial Code (HGB) will remain at a high level, but will be slightly lower than in 2021. For 2023, Berlin Hyp expects the operating result after risk provisioning to continue downwards, taking into account careful risk provisioning planning. The allocations to the special item pursuant to Section 340g of the German Commercial Code (HGB) for planning purposes will decrease, the operating result before income taxes and profit transfer will likely maintain the same level as 2021 as a whole.

The transfer of profit to Landesbank Berlin Holding will cease to be a management indicator due to the sale of shares to Landesbank Berlin-Württemberg and the related termination of the profit transfer agreement.

While a very negative progression of the pandemic, the Russia-Ukraine conflict or the future economic development may result in lower-than-expected earnings before profit transfer, there is a chance of higher earnings before profit transfer in case the overall economic environment takes a more positive course than anticipated.

In case the development is worse than expected, earnings before profit transfer in the second half of 2022 could also be significantly below the result in 2021 due to rising risk provisioning expenditures and a negative impact on the interest result. Should this be the case, the other key management indicators may also develop less favourably than those shown in the forecast report. There may also be consequences for regulatory capital and the regulatory indicators. Therefore, it cannot be ruled out that the further developments of the Russia-Ukraine conflict and of the COVID-19 pandemic as well as the interest rate environment may also have a considerable negative impact on risk management parameters.

In addition, such crises may produce shifts in credit spreads or market liquidity in the capital markets. This could lead to increased liquidity risks for banking institutions, which can also have an impact on Berlin Hyp.

At the same time, however, there is also a chance that the negative effects of the Russia-Ukraine conflict, the COVID-19 pandemic and the interest rate development will prove to be less persistent or milder than what the Bank has currently assessed and taken into account in the forecasts. Property markets could therefore take a more positive turn than the Bank currently expects. Factors such as a persistently high demand for real estate due to a lack of investment alternatives could also influence recovery. The resulting higher demand for loans would create opportunities for the Bank to develop new and existing business in its core business area.

In the second half of 2022, the return on equity should be on about the same level as in the first half of 2022 and still be at least at the upper end of the target range of eight to ten per cent. The same is expected for 2023. If the earnings before profit transfer or the allocations to the special item pursuant to Section 340g of the German Commercial Code (HGB) fall short of expectations, the return on equity will also be lower. Otherwise, there is a chance of a positive deviation from the plan.
At the end of 2022, the Bank expects a common equity tier 1 ratio of 13.4 per cent, which is likely to decrease again in 2023. Additional stricter regulatory requirements are planned in the coming years, such as the setting of macroprudential capital buffers and CRR II and "Basel IV", which will also have a strong impact on Berlin Hyp. Macroprudential capital buffers include the countercyclical capital buffer at 0.75 per cent for Germany and systemic risk buffer of 2.0 per cent of risk-weighted assets on residential real estate-backed assets in Germany. Both capital requirements will apply starting February 2023 and represent new additional capital requirements. The introduction of these capital buffers or additional capital requirements will reduce the Bank's free RWA potential and thereby also the new business opportunities accordingly.

In addition to further allocations to the special item for general banking risks, the active management of the total risk-weighted assets (RWA) will also make a significant contribution to achieving the targeted capital ratios and fulfilling the additional capital requirements as described. Events such as an increase in RWA above expectations as a result of reduced collateral values and rating changes due to the changed economic framework conditions caused by rising inflation and interest rates, the Russia-Ukraine conflict and the COVID-19 pandemic would put the achievement of targets at risk.

A change in the Bank's rating may have a positive or negative impact on the Bank's financing options or refinancing costs. In addition, if the major central banks set a monetary policy that is more restrictive than expected, this may increase refinancing costs.

Earnings risks arise in particular if an increase in the cost of refinancing cannot be passed on as part of the conditioning or the expected new business volume cannot be generated on the markets at the planned margins. Further diversification of the investor base, for example, by issuing additional Green Bonds, could also give rise to opportunities for more favourable refinancing.

In addition, future regulatory interventions may be accompanied by restrictions and therefore by earnings risks, and the implementation of new regulatory requirements by additional operating expenditure. There are also risks from the Bank's membership in the Institutional Protection Scheme of the Sparkassen-Finanzgruppe. As part of compensation and support measures, the institutions in the protection scheme could be required to make special payments, which would put pressure on the Bank's earnings. The same applies to potential obligations to make additional contributions to the restructuring fund for banking institutions. It is currently not possible to predict whether such payments will arise and in what amount.

The change in shareholders in the first half of 2022 may result in significant changes. For example, significant additional costs could arise for the insourcing of activities that have so far been outsourced to other group companies (including Landesbank Berlin) or for fulfilling additional reporting requirements for the new shareholder. As a result, the cost-income ratio may significantly fail to meet the described expectations. In addition, the change of shareholders could also have an impact on the Bank's strategy, customers, portfolio business and, in particular, new lending. Given these circumstances, there are risks that new lending will not be achieved as planned. Regulatory requirements (e.g. limits on large loans within a new group) in corresponding processes can also have negative effects on customer relationships and the financing portfolio. Due to differences in external ratings between the acquirer and Berlin Hyp, there could be negative effects on Berlin Hyp's rating and refinancing costs.

On the other hand, the change of shareholders presents considerable opportunities for Berlin Hyp. For example, a close cooperation with Landesbank Baden-Württemberg may generate cost synergies through changes such as economies of scale at the group level or the more cost-effective assumption of previously outsourced activities, thereby leading to positive effects on operating expenditure and the cost-income ratio as a result. There are also earning opportunities if close cooperation leads to new customer relationships and therefore to an expansion of the core business. This could be reflected in higher-than-expected interest result and net commission income, and could also have a positive impact on other management indicators, such as return on equity and the refinancing situation.

Overall Statement

Fierce competition in commercial real estate financing, the still volatile capital and financial market environment, the continued pandemic situation and the added uncertainties regarding the impacts of the Russia-Ukraine conflict present major challenges for Berlin Hyp. Moreover, there are more regulatory requirements, which require the further strengthening of the equity capital.

In spite of these framework conditions, the first half of 2022 was favourable and better than expected. The good result was again used to make a further allocation to the fund for general banking risks, thereby strengthening regulatory equity capital.

The change in shareholders in the 2022 financial year may result in significant changes. Considerable potential lies in the cooperation with Landesbank Baden-Württemberg. Based on the continued integration in the Sparkassen-Finanzgruppe, the Bank is planning on expanding its S-Group business further with the Immo product range and sees additional opportunities for the Bank in this area.

Berlin Hyp expects the operating result before income taxes and profit transfer in the second half of 2022 to reach the level of the first half of 2022 and/or be above 50 per cent of the 2021 result; the development in 2023 is also expected to be positive.

The Board of Management believes that Berlin Hyp remains well positioned for the future despite the increasingly challenging environment and therefore limited forecasts.

Risk Report

Risk Management System

Berlin Hyp's risk management system comprises an extensive range of tools to deal with risks the Bank enters into and to assess the economic and regulatory (normative) risk-bearing capacity within the framework of the strategy defined by the Bank's Board of Management.

The objective of risk management is to maintain the risk-bearing capacity and compliance with specified minimum ratios through the limitation of economic risks and by establishing upper limits for tied capital.

Berlin Hyp is subsidiary of Landesbank Berlin Holding. LBBH is integrated into the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG (Group). Uniform risk policy principles for the Group and Group-wide risk management have been implemented.

With the approval of BaFin, Landesbank Berlin Holding was appointed as a "supervisory parent company for the group" as of 1 January 2015. Following the Risk Reduction Act and the resulting changes to the German Banking Act (KWG), the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG as of 29 June 2021 was to be regarded as a supervisory parent company for the group; the requirements set out in Section 29 of the German Banking Act by the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG. would therefore have had to be fulfilled. According to the ECB decision dated 18 February 2022 to order supervisory measures, the Erwerbsgesellschaft der S-Finanzgruppe mbH & Co. KG must ensure that Landesbank Berlin Holding is temporarily (until 31 December 2022) named responsible for ensuring compliance with relevant regulatory requirements on a consolidated basis.

Group Risk Management System

A number of interlinked principles and rules make up the Group-wide risk management system.

As the superordinate regulation, the business strategy outlines strategic underlying conditions. It defines that the controlled incurrence of risks within the scope of a risk strategy is an elementary aspect of the banking business. Standardised Group risk policies aim to ensure that assumed risks remain acceptable. All companies and organisational units have to ensure that all risks are transparent and measurable under the uniform Group-wide methodology.

Details of these requirements are provided in the Group's risk strategy. It is the responsibility of the Board of Management of Landesbank Berlin Holding and will be discussed with the Supervisory Board. Compliance with the risk strategy is continuously monitored.

The Group risk manual that establishes the framework for operational risk controlling defines detailed underlying conditions, responsibilities, methods and processes for the individual risk management phases. Limit systems and escalation processes are described for each major risk type.

Berlin Hyp Risk Management System

Risk Policy Principles

The aim of risk management is the conscious acceptance of strategic risks in order to gain access to earning opportunities and, in doing so, generate appropriate and sustainable income. Risks are accepted in view of profitability. One parameter used in this regard is return on equity on the basis of regulatory and balance sheet capital. In terms of pricing, the Bank ensures that the revenues are in a reasonable proportion to the risks entered into.

The risk strategy will be operationalised with the medium-term and operational planning. Planning takes place in consideration of all foreseeable risk and equity effects at the overall bank level.

Risk Controlling supports the Board of Management in all risk policy issues, in the development and implementation of the risk strategy and in the design of the system for measuring and limiting risks. Risk Controlling is essentially responsible for the ongoing monitoring of the risk situation, risk-bearing capacity, compliance with risk limits, and the regular reporting of the risk situation to the Board of Management and Governing Bodies.

Documentation of the core elements of risk management at Berlin Hyp is centralised in the risk manual. This document contains a complete definition of the risk management process with the methods and processes for identification, measurement, evaluation, management and monitoring of the risks of the Bank. The risk management system encompasses both the evaluation of risks in accordance with regulatory requirements and a risk assessment from an economic perspective.

As part of a risk inventory, the Bank identifies the main risks on an annual basis, creates an overall risk profile for the Bank and reviews the methods used in the risk management system. Furthermore, the Internal Audit division regularly reviews the risk management system.

Berlin Hyp Governing Bodies

The Board of Management together with the Supervisory Board defines the strategy, which is then used as a basis for decisions by all divisions of the company. Overall responsibility of management for all essential elements of risk management is explicitly defined for the Board of Management in the rules of procedure.

In accordance with the business policy focus and in consideration of the economic risk-bearing capacity and regulatory provisions, the Board of Management defines risk limits and risk allocations in the various business areas as well as risk types by establishing limits and structural requirements. It is informed regularly about Berlin Hyp's net assets, financial position, profitability and risk situation.

The Supervisory Board is informed regularly by the Board of Management about the overall risk profile. It receives the quarterly risk reports and the financial statements according to the German Commercial Code (HGB). The Loan Committee, which also acts as the Risk Committee, consists of members of the Supervisory Board. It consults with the Board of Management regarding the principles of business policy regarding risks and risk management.

Internal Audit is an essential element of the business and process monitoring system. This encompasses a regular review and evaluation of the risk management processes for all types of risk. The Internal Audit division reports independently and directly to the Board of Management.

Berlin Hyp is represented in the Risk Management Committee, the Credit Risk Committee and the OpRisk Committee of Landesbank Berlin Holding.

In addition, Berlin Hyp has set up various committees that regularly deal with risk management and the Bank's risk situation:

- → Supervisory Board, including its committees
- → Board of Management
- → Financial Steering Committee
- → New Business Committee
- → Market Assessment Committee

Details regarding the tasks, spheres of competence and members are defined in the respective rules of procedure.

As a part of risk inventory, the Risk Controlling division reviews the methods and models to identify, measure, aggregate and limit risks at least once a year and presents the results to the Board of Management.

Responsibility for operational risk management, that is the acceptance of risks within the scope of the risk limits, is assigned to the defined managers. Overall Bank risk management is the responsibility of the entire Board of Management, while market price risk and liquidity risk management in compliance with the binding requirements of the Board of Management adopted on the basis of the proposals by the Financial Steering Committee is handled by the Treasury division. Risk management in the loan business is implemented by the respective decision maker according to the assigned spheres of competence, taking into consideration the implications for the loan portfolio.

Reporting

Berlin Hyp's risk situation is presented in detail on a quarterly basis in a risk report for the Board of Management and the Supervisory Board. In addition to the material information on the individual risk types classified as material, the stress test results and information on risk concentrations, the risk report also includes information on adequacy of capitalisation, regulatory and economic capital, the current capital and liquidity indicators and refinancing items. In addition to the quarterly risk report, risk controlling provides monthly reports on individual risk types and the Bank's risk-bearing capacity. Market and liquidity risks (procurement risk) are reported daily. In addition to the regular standardised risk reports, reports are also prepared on a case-by-case basis (ad hoc), if deemed necessary due to the current risk situation, for example, if predefined risk limits or loss limits are exceeded.

Besides the risk situation reports, regular reports are also prepared on the development of the business volume, the cover funds and reports on the Bank's net assets, financial and earnings situation.

The following table shows an overview of Berlin Hyp's key reports and their frequency of reporting:

Frequency of reporting	Subject of reporting
Daily	→ Market price and liquidity risks (procurement risk)
Monthly	→ Liquidity risks → Development of balance sheet items → Development of the earnings situation → Risks of counterparty default at portfolio level → Risk-Bearing Capacity
Quarterly	→ Quarterly Commercial Code reports → Risk report (summary risk report on all risk types) → Risk reporting of the cover funds → Development of existing mortgages (including new lending and extension volumes, margins)

Risks

Risk Inventory

As part of a risk inventory, Berlin Hyp regularly (at least once per year) reviews the risks that can significantly affect the net assets position, the earnings situation or the liquidity position. Within the risk inventory, an overall risk profile for the Bank is created and the materiality of the identified risks is evaluated by the Board of Management. All identified material risks are included in the regular reporting of the Bank's risk situation. As part of a new product process, new products are analysed in detail before they are introduced at the Bank and, in particular, are reviewed with regard to their risks for the Bank. By involving all relevant divisions, the new product process is designed to ensure that risks from new or changing products can be properly mapped and monitored.

Within the risk inventory, Berlin Hyp reviewed sustainability risks or ESG risks (environmental, social, governance) as overarching risks and classified them as fundamentally relevant risks for the Bank. The Bank is continuously developing its risk management organisation in accordance with regulatory standards and recommendations. The Bank is currently implementing a project to develop qualitative and quantitative methods for measuring and controlling ESG risks in accordance with the principles from the ECB guide on climate-related and environmental risks.

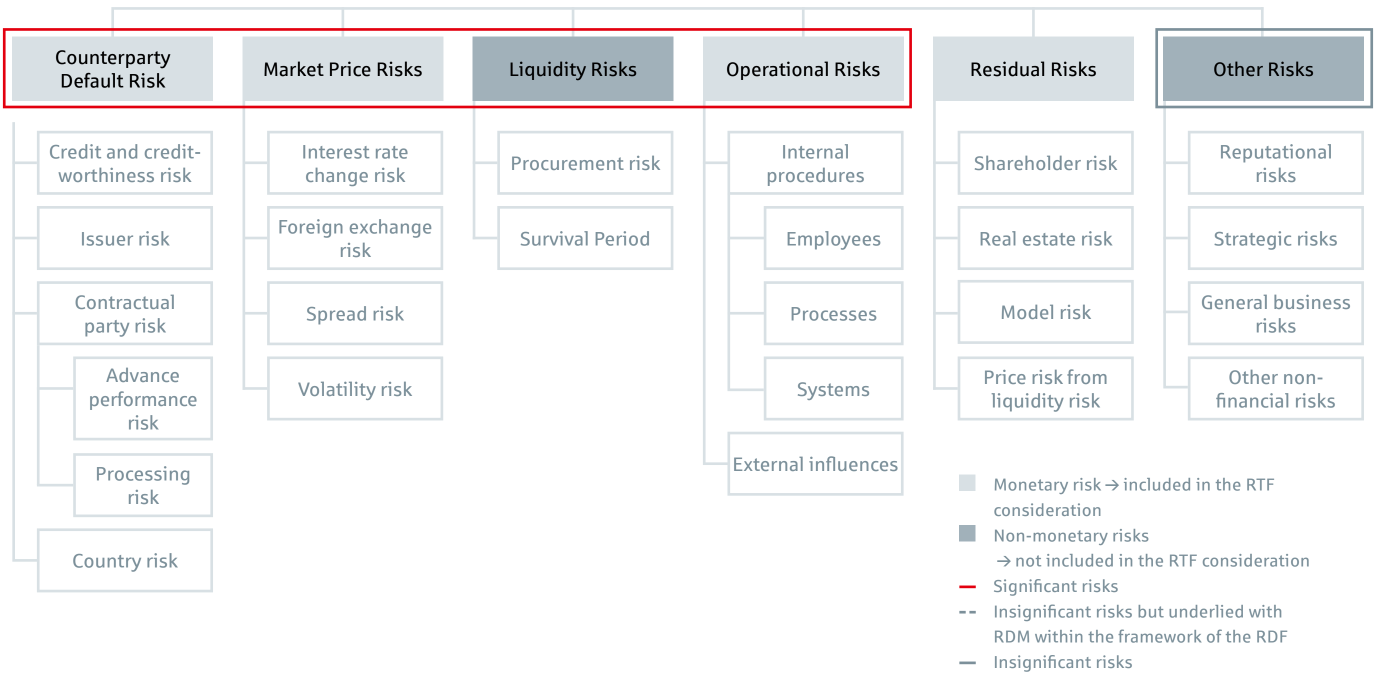
Material Risks
In the context of its regular risk inventory, the Bank has classified the following risk types as material:

- → Counterparty default risks (including country risks),
- → Market Price Risks,
- → Liquidity risks (including the price risk from the liquidity risk) and
- → Operational Risks.

Berlin Hyp distinguishes between monetary and non-monetary risks. Monetary risks are taken into account in the summary overview of the Bank's risk position (overall bank risk) and are compared to the Bank's risk-covering assets as part of the risk-bearing capacity analysis. Non-monetary risks (such as insolvency risk) cannot be backed by risk covering assets, but are integrated into risk management and controlling processes using the appropriate standard methods and models.

The figure below provides an overview of the main risk types at Berlin Hyp. Relevant but insignificant risks fall into the categories Residual Risks and Other risks.

Risk Types of Berlin Hyp AG



The following overview shows the organisational implementation of risk management at Berlin Hyp for the major risk types:

Risk types	Risk management (Units / Committee)	Risk monitoring (Units)
Counterparty default risks	→ Real Estate Financing → Portfolio Management → Treasury → Lending → Risk Management	→ Risk Controlling
Market Price Risks	→ Financial Steering Committee → Treasury	→ Risk Controlling
Liquidity Risks (Including price risk)	→ Financial Steering Committee → Treasury	→ Risk Controlling
Operational risks	→ Process owners Divisions	→ Risk Controlling

Risk-Bearing Capacity
Berlin Hyp has implemented a risk-bearing capacity concept to ensure that the Bank's monetary risks are continuously covered by the risk-covering assets of the Bank, thereby ensuring the Bank's risk-bearing capacity at all times. In doing so, the Bank uses appropriate methods to quantify the individual risks. As the risk calculations are based on certain confidence intervals, there is a residual probability that the risks actually incurred are potentially higher. Limits are implemented for all monetary risks, and compliance with these limits is continuously monitored. The assumptions underlying the quantification of the risks and the corresponding limits are reviewed regularly, at least once a year, and approved by the Board of Management as needed.

The Bank's risk-bearing capacity concept is based on the "ECB Guide to the internal capital adequacy assessment process (ICAAP)". Within the framework of the risk-bearing capacity concept, both the economic perspective and the normative perspective are considered.

In assessing the risk-bearing capacity, the risks are quantified in the economic perspective following approaches based on value at risk. A confidence level of 99.9% for a one-year evaluation period is applied. In order to ensure the Bank's risk-bearing capacity, the total risk position determined in this way must not exceed the risk-covering assets. The Bank's risk appetite in relation to risk-bearing capacity was set by the Board of Management at 90 per cent of the risk-covering assets. For the overall risk within the risk-bearing capacity assessment, there is a pre-warning level at 80 per cent of the available risk-covering assets. The evaluation is completed by evaluating the overall risk position by assessing the results of various stress tests that take the risks into account from an economic as well as a regulatory perspective.

The risk-covering assets are calculated from the sum of the capital allocable under regulatory requirements and certain economic adjustment items.

The real estate risks classified as immaterial, shareholder risks and the model risks are summarised in the residual risk, as well as the price risk in the liquidity risk, which in turn is classified as material.

The changes in risk positions arising from the planned business performance as well as the progression of the risk-covering assets are analysed as part of the annual planning process. The results are incorporated, for instance, in the planning of capital measures.

In addition to the analyses described above, unusual economic developments as well as events specific to individual institutions are examined by means of stress tests for all material risks. One of the objectives here is to combine the monetary risk types into a stressed overall scenario and identify the effects on regulatory and economic capital.

The impact of macroeconomic changes on the risk of the Bank and the risk-covering assets and/or on the regulatory capital ratios was estimated by consolidating the specific stress tests in the individual risk types into several stress tests for the Bank as a whole. This was achieved by defining scenarios in accordance with the requirements of the MaRisk, which also take into account the relationships between the individual risk types of the assumed developments.
Reverse stress tests are used to calculate the degree to which the overall banking scenarios with the greatest impact would have to develop before the total risk-covering assets are exceeded or the minimum capital stock is not reached.

The Bank's risk-bearing capacity was verified in the first half 2022 as at all reporting dates, both from an economic and a normative perspective. Details of the risk-bearing capacity as at 30 June 2022 are disclosed in the section "Overall Statement on Risk Situation".

Risk Management System by Risk Type

Counterparty Default Risks

The risk of counterparty default is the risk of a loss, or loss of profit, due to a deterioration of a business partner's creditworthiness, as well as a loss in value of the security provided to the Bank. This is currently the most dominant type of risk for Berlin Hyp. Counterparty default risks are managed and monitored at the individual business partner and overall portfolio levels. Investment risk (shareholder risk) is considered to be an immaterial risk.

Individual Commitment Level

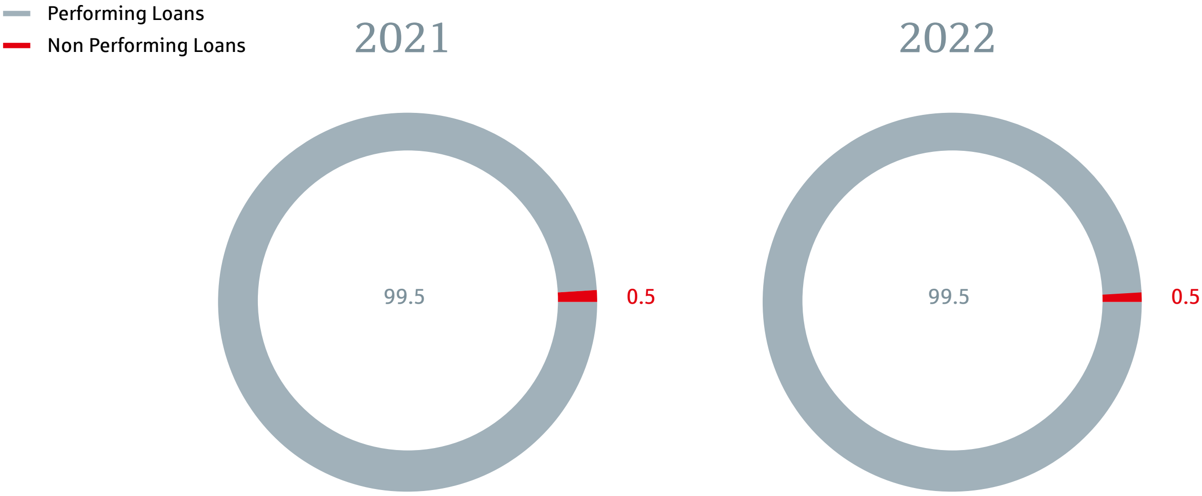
Adequate risk management of counterparty default risks should be guaranteed through a loan approval directive and defined processes and interfaces, from acquisition to new lending through to loan repayment (close integration of acquisition and subsequent market sphere). The credit processes are laid out in writing in the Bank's regulations. Credit processes are examined regularly by the Internal Audit division, which means that they are also subject to constant quality analysis.

The risk exposure on the individual borrower level is verified on the basis of regular analysis of creditworthiness. Rating procedures that take debtor and business-specific characteristics into account are at the core of the risk assessment. Pricing as well as loan decisions are based on the rating of the borrower, taking into consideration the security provided. Real estate financing is largely determined using the SparkassenImmobiliengeschäfts-Rating (SIR) and the method for international commercial real estate financing (ICRE). Furthermore, the rating procedures for banks (BNK) and corporates (CRP) are used in particular for the capital market business.

The rating procedures employed here have been derived from the framework of the banking supervisory authority approval system. Quality assurance along with validation and back-testing for rating procedures are the responsibility of the Risk Controlling division in cooperation with the corresponding division at Landesbank Berlin AG within the framework of an agency agreement. Their continued development and maintenance is provided by Sparkassen Rating und Risikosysteme GmbH (S--Rating) and RSU Rating Service Unit GmbH & Co. KG. Berlin Hyp is represented in the relevant working groups and bodies itself and through Landesbank Berlin AG.

Based on the rating class system, the counterparty default risk is divided into performing loans (rating classes 1 to 15) and non-performing loans (rating classes 16 to 18).

NPL ratio based on FinRep
in %



The share of non-performing loans in the total portfolio as at 30 June 2022 was 0.5 per cent, and thus remains at a low level.

Loan commitments are in principle subject to annual resubmission and collateral is subject to a regular review.

Particular focus is placed on the process of real estate and portfolio valuation. Certified appraisers from an independent division of the Bank or certified and independent appraisers working on behalf of the Bank undertake valuations on a regular basis.

Berlin Hyp uses early warning systems with a variety of instruments in order to identify loan commitments with increased risk in time. Alongside the definition of quantitative early warning indicators as part of an early warning system, qualitative indicators also exist for the purposes of regular loan monitoring. The automated early warning procedure draws special attention to the criteria for rating deterioration, arrears of interest and principal and the deterioration of the debt service cover ratio in different degrees. Other parameters relate to the loan-to-value as well as the expiry of rental contracts and/or fixed interest rates.
Early warning meetings take place each quarter, attended by the Sales, Loan and Risk Management divisions, at which the risk content of the identified commitments is discussed separately and further measures decided upon if necessary.

Risky real estate commitments are transferred to Risk Management. Competence for valuation adjustments is concentrated here. Upwards of a specific size, such valuation adjustments must be approved by the entire Board of Management. Value adjustments are made for an amount by which the outstanding loan, less any collateral, cannot be paid back with a high degree of probability. Collateral values are reviewed in this context and, if necessary, adjusted depending on the necessary measures. In exceptional cases, special and justified circumstances may result in deviating valuations.

Within the framework of the valuation of claims, lump-sum value adjustments are established for latent risks on the basis of the principle of prudence in accordance with Section 252(1) (4) of the German Commercial Code (HGB). The total of the transactions that are material for the calculation of the lump-sum value adjustments comprises all claims for which no itemised allowances were established. In addition to these claims that are not in severe danger of default, lump-sum value adjustments are established for off-balance sheet items (provisions made for lending for irrevocable lending commitments and sureties). The lump-sum value adjustments and the provisions made for lending are calculated using mathematical statistical procedures on the basis of the expected loss concept in line with IDW RS BFA 7. In order to take into account the latent credit risk, the regulatory parameters PD (probability of default), recovery ratio (expected income from the use of collaterals, if any) and contribution rate (expected allocations from not earmarked assets/liquidity).

Within the framework of an agency agreement, Berliner Sparkasse is responsible for the calculation of the lump-sum value adjustments and of the provisions made for lending for latent credit risks.

The securities and public sector loan portfolio represents a significant aspect of the capital market business. In addition, there are counterparty risks from the derivatives business. The existing capital market exposure is reported on a regular basis to the Board of Management and the Supervisory Board, broken down according to country and rating class.

Derivatives transactions are not only concluded with capital market counterparties but also real estate customers in the course of property financing. Counterparty risks from the interbank business are in principle covered by collateral. The Bank is aiming to achieve a high share of centrally processed derivatives (central clearing). In the real estate customer business, the established mortgage liens for the underlying transaction generally also apply to the derivative through broad statements of collateral purpose.

Early warning indicators ensure daily risk-oriented communication regarding capital market counterparties as well as any potential measures to be undertaken by the Bank as a whole. As in the past, Berlin Hyp has no investments in structured products.

Since the beginning of the COVID-19 pandemic, the necessary steps have been taken to assess the potential impact of the pandemic on the credit portfolio. As a result, individual asset classes in the portfolio were more strongly affected than others, including department stores and shopping centres of the retail property and hotel property segments. The results of the regular analyses indicated that no specific risks within individual transactions could be identified. Overall, it was shown that the affected customers had an adequate liquidity position and/or had taken sustainable measures in advance to deal with the crisis.

Relative to the overall economic impact of the COVID-19 pandemic, only a small number of applications for support measures were submitted.

Ever since the beginning of the Russia-Ukraine conflict, the impacts on the counterparties in the portfolio have been carefully monitored. Currently, we are not aware of any direct relationships between our existing customers and beneficial owners with Russia and/or Ukraine. Potential impacts on the borrowers and/or rented properties in the portfolio should therefore be manageable and not hold any notable risks.

We have no exposure in Ukraine, Russia or the other adjoining states in the capital market business, except for Finland and Poland. In Finland, we have covered bond positions from various Finnish issuers only. Furthermore, Berlin Hyp invested in Polish government bonds. There are no material direct dependencies of the bank and corporate counterparties in Berlin Hyp's portfolio on the Russian and Ukrainian market. At the same time, indirect effects due to the increasing market volatility (shares and CDS) and the declining economic outlook are expected for bank ratings (cycle factor and CDS market factor) and corporate ratings.

Berlin Hyp took into account the latent effects on the economy and in particular on the real estate industry resulting from the global risks (including but not limited to the Russia-Ukraine conflict) by establishing a management adjustment as part of lump-sum value adjustment for valuated loans and provisions for irrevocable lending commitments.

Portfolio Level

In addition to risk monitoring at individual borrower level, Berlin Hyp also examines credit risks at the portfolio level.

The loan portfolio model simulates potential borrower, issuer, counterparty and country defaults as well as value changes due to rating migrations in a one-year evaluation period on the basis of:

- → Exposure data (availments, externally approved limits),
- → Collateral values,
- → Borrower, issuer and counterparty default probabilities,

- Country default probabilities,
- Industry correlations and volatilities,
- Country correlations,
- Income ratios to determine expected proceeds from security,
- Contribution ratios to value unsecured loan components and
- Ratios to value externally approved limits that have not been drawn yet.

Based on the assumption of no fundamental changes to the risk structure of the portfolio (constant level of risk, going concern approach), the credit default distribution that is determined makes it possible to make statements regarding the probability of credit defaults in the following year. Risk indicators (expected loss, credit value at risk and unexpected loss) can be determined from the credit default distribution.
Management of default risks is based on unexpected loss at portfolio level.

Berlin Hyp has limited the counterparty default risk. The risk indicators are determined on a daily basis under an agency agreement with Landesbank Berlin AG. The risk indicators are monitored by Berlin Hyp's Risk Controlling division, which carries out variance analyses and limit monitoring. The utilisation of limits at the portfolio level is monitored daily and reported weekly. Berlin Hyp has defined processes and options in the event that the pre-warning level (90 per cent of the credit risk limit) is exceeded and limits are exceeded.

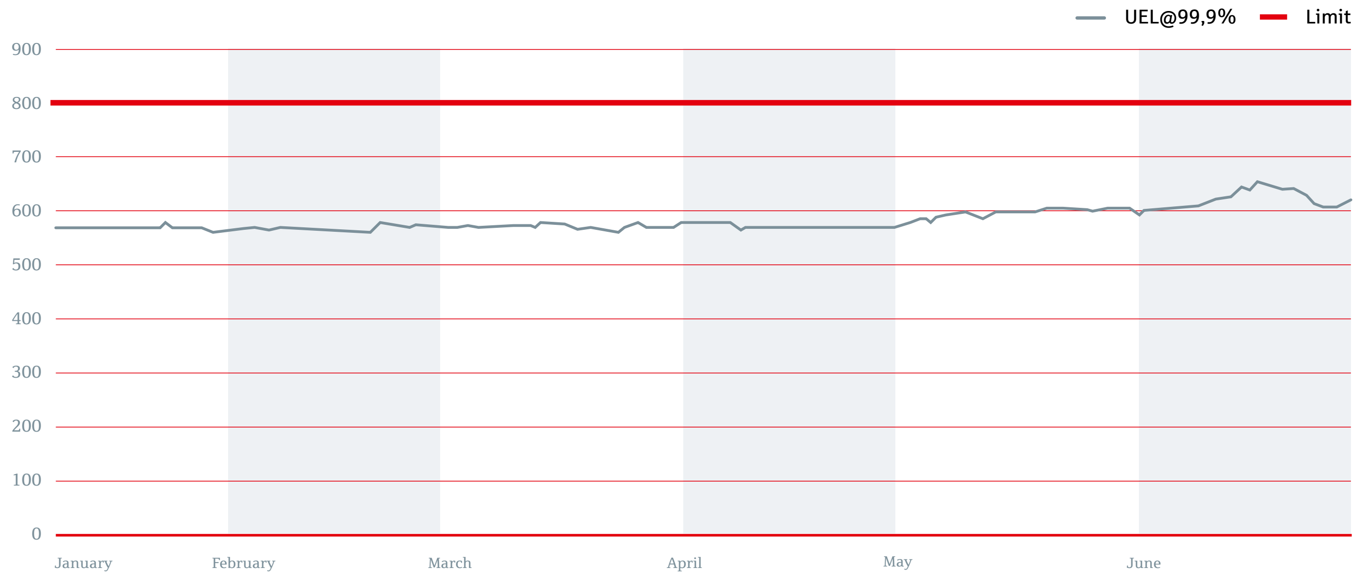
The limit is reviewed at least once a year, adjusted if necessary and approved by the Board of Management as necessary.
As of 30 June 2022, the utilisation was €613 million and the limit was €800 million.

Responsibility for the methodology and validation of the credit value at risk model under consideration of Berlin Hyp's interests rests at the Group level. Internal and external audits are carried out at Group level as well.

Stress tests are performed within the scope of the credit portfolio model to simulate the change in a loan portfolio under the assumption of extreme scenarios in order to review the financial stability of the Bank against macroeconomic crises. The definition of the scenarios and their parameterisation are consistent with the requirements of MaRisk and are based on the overall bank stress concept of Landesbank Berlin Holding.

The business volume of Berlin Hyp relevant for the determination of the counterparty default risk amounted to €41.4 billion as at 30 June 2022. This business volume is broken down into mortgage lending transactions of €30.7

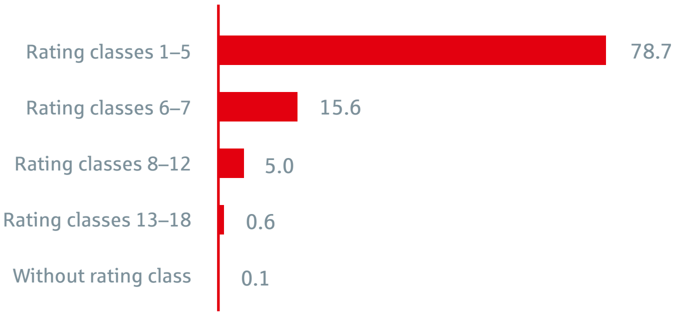
Development of UEL in 2022
in €m



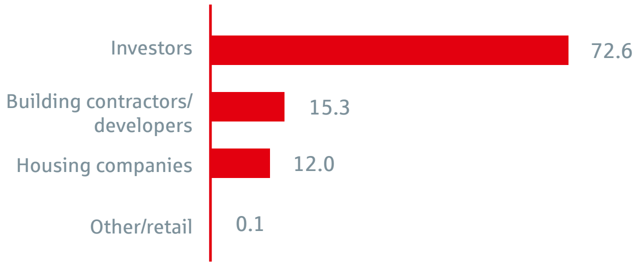
billion, money market and derivatives transactions of around €4.4 billion and securities and public sector loans of around €6.2 billion.

The mortgage loan portfolio is broken down by ratings, customer groups, regions and real estate types as follows:

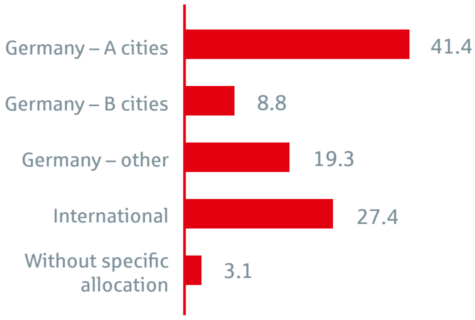
Rating classes
in %



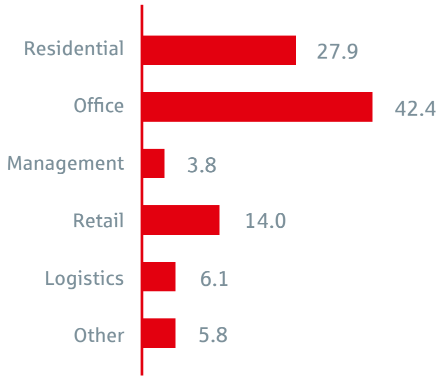
Customer groups
in %



Regions
in %



Property types
in %



Country and Transfer Risks

Country and transfer risks are limited primarily through volume-based country limits, which are reviewed annually at least. Limits are determined in consideration of economic data and the Bank's own concept of limiting risk concentrations and are resolved by the Board of Management. Country risks within the scope of new business activities are only entered into in countries with good or very good creditworthiness. As in the preceding year, it was therefore not necessary to recognise a bad country debt value provision for transfer risks. Individual exposures collateralised through property are classified depending on the location of the property. In all other cases, classification is based on the registered office of the business partner.

Market Price Risks

Berlin Hyp is a non-trading book institution. As a Pfandbrief bank, Berlin Hyp largely assumes market price risks in the form of interest and spread change risks. Except for peak amounts, the Bank does not have any open currency positions in the real estate financing business in accordance with its risk strategy. The mortgage lending business and refinancing in foreign currencies are generally covered by corresponding hedging transactions. The Bank does not incur share price risks.

The controlled incurrence of market price risks is based on a range of risk and earnings indicators. The interest rate change risk is hedged with interest rate derivatives.

The Bank uses a combination of risk sensitivities, the value-at-risk approach and other stress tests to measure the risk of interest rate changes. For market price risks, a value at risk with a holding period of one trading day and a 99.0% confidence level are determined based on a historical simulation approach using an unweighted ten-year time series, taking into account linear and non-linear risks including volatility risks. In assessing the market price risk within the context of risk-bearing capacity (ICAAP), the risk values were scaled accordingly to a confidence level of 99.9 per cent and a holding period of one year. The value at risk also takes credit spread risks and interest change risks from the Bank's pension reserves into account in addition to general interest rate change risks.

The Bank determines a risk coefficient in accordance with the requirements of the EBA guideline on the management of the interest rate risk for transactions in the banking book and the corresponding BaFin circular. Specifically, the cash value changes to the banking book are modelled in relation to equity for an interest rate change of +/- 200 basis points. An early warning indicator is also determined on the basis of the EBA guideline, in which the cash value changes of the six IRRBB (Interest Rate Risk arising from the Banking Book) scenarios stipulated under regulatory law are set in proportion to the tier 1 capital. The stress scenarios for market price risk also include various earnings and risk stress tests and a net interest income simulation.

The value at risk, the risk coefficient and the early warning indicator are limited. Thresholds have been established ahead of the limits. The risk coefficient and change in net interest income while applying the six IRRBB interest rate scenarios stipulated under regulatory law come with regulatory warnings. Recourse in relation to the market price risk was below the value-at-risk limit throughout the first half of the 2022 financial year. As a result of the pandemic, the Russia-Ukraine conflict and the considerable uncertainty regarding the unclear economic outlook, the market price risk has been reduced further since the beginning of 2022. On the reporting date, the one-day market price risk was €4.27 million at a limit of €15 million and a confidence level of 99.0 per cent.

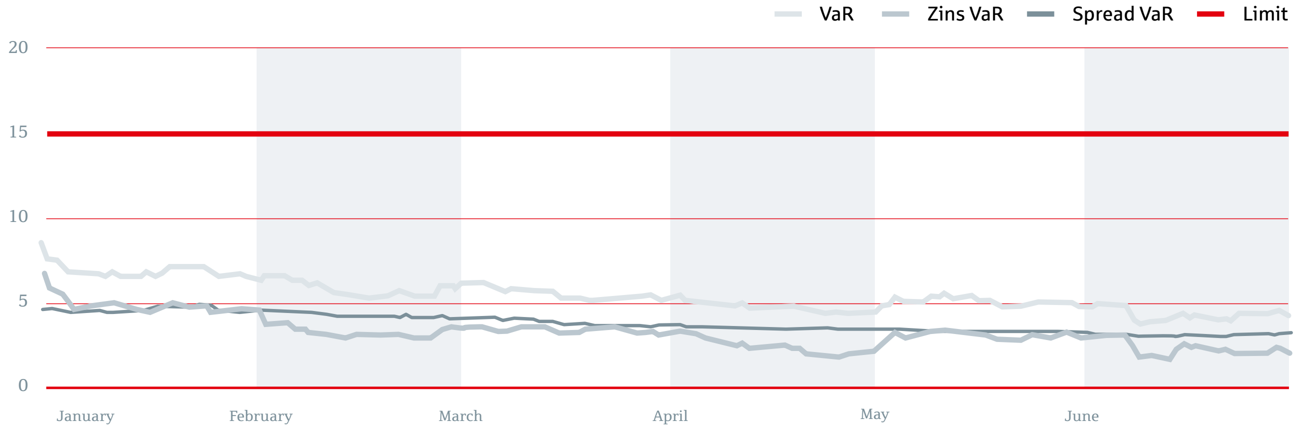
Market price risks are reported daily to the Board of Management. This includes, among other things, information about basis point sensitivity for the overall risk-bearing position, the risk coefficients, the early warning indicator, the value at risk utilisation and cash value profit and loss analyses. A predefined escalation process is triggered when warning thresholds or limits are reached or exceeded.

The daily reports to the management also include comments on the results of back-testing. In 2022, all observed backtesting outliers were due to the strong interest rate movements resulting from the uncertainty in the capital market, attributable to the turnaround in interest rates and the Russia-Ukraine conflict.

Reports on the results of the stress tests are prepared periodically as part of the monthly and quarterly reports. Aside from specific interest rate changes, these scenarios also include the results of actual, historical interest rate developments. Alongside interest curve modifications, stress simulations are also used to examine the effects of credit spread changes on the cash value. Besides the presentation of the cash value impact on these scenarios, the impact of the six IRRBB scenarios on net interest income is also reported on.

Development of the CVaR in 2022

in €m



Liquidity Risks

Berlin Hyp defines a liquidity risk in the narrower sense as the risk that current and future payment obligations may not be met in full or on time. The liquidity price risk also refers to the risk that the Bank can only refinance itself at higher refinancing rates. The liquidity risk in the sense of insolvency risk and the liquidity price risk are major risks for Berlin Hyp.

The Bank uses various instruments, key performance indicators and analyses to monitor and manage liquidity risk.

The **procurement risk** is the risk that Berlin Hyp may no longer be able to fulfil short term outstanding payment obligations within the next 30 days if access to the unsecured money market is eliminated. This is designed to ensure that the Bank will be able to fulfil all payment obligations within the next 30 days. The procurement risk is determined and reported on a daily basis.

As the Bank is classified as a capital market-oriented institution within the meaning of the MaRisk, daily checks are carried out to ensure that liquidity is guaranteed for seven or 30 days in accordance with defined MaRisk conditions (BTR 3.2).

The regulatory minimum ratio for the **Liquidity Coverage Ratio (LCR)** is 100 per cent. Internally, the LCR is controlled with a target ratio of at least 120%. On the reporting date 30 June 2022, the LCR ratio was 143 per cent and therefore well above the minimum.

The following chart shows the development of the LCR, in each case at the end of the month:

The liquidity risk for the next 365 days will be determined by Landesbank Berlin Holding for the Group and the institutions and monitored by the respective institution. This is based on the **insolvency risk** that is determined and reported daily. It is based on a liquidity progress analysis under the assumption of stress. Intact access to the secured and unsecured capital market is also assumed.

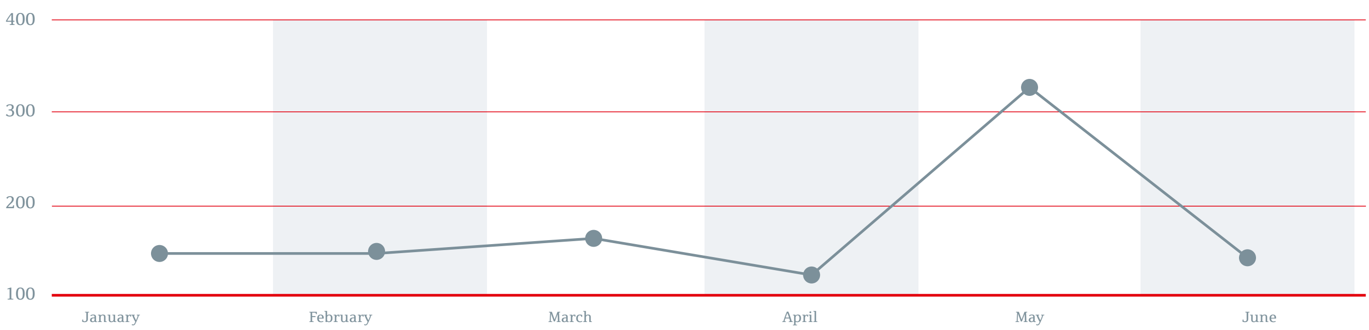
The **survival period** is also determined. This describes the period of time that the Bank could survive in a stressful environment without access to the unsecured capital market on the liquidity side.

The **price risk** encompasses the risk that in case of existing incongruities with dates on which the capital falls due, the Bank can only carry out follow-up financing in the next 12 months on the basis of increased favourable refinancing spreads. Furthermore, the price risk also takes into account the effects of increased refinancing spreads on pre-conditioned forward loans. The risk is considered within the framework of the risk-bearing capacity concept and is limited. As at 30 June 2022, the liquidity price risk was €29 million for a limit of €40 million.

In addition to monitoring liquidity risk limits, the Board of Management is updated on a monthly basis on the concentration of secured and unsecured money market refinancing with individual counterparties.

Liquidity is managed in compliance with economic limits/warning thresholds. Compliance with regulatory requirements is a mandatory secondary condition. Falling below a warning

Development of LCR in 2022
in %



threshold or a limit triggers a predefined escalation process.

The liquidity buffer for ensuring liquidity consists of diversified assets from the various categories, almost exclusively ECB-eligible, according to the CRR regulations. The Bank generally does not create any new exposures in insufficiently liquid markets.

The Treasury of Berlin Hyp provides monthly forecasts of liquidity development for a period of at least twelve months. The underlying assumptions are regularly reviewed and adjusted as necessary.

A regulatory minimum quota of 100 per cent has been in application for the **net stable funding ratio** (NSFR) since 30 June 2021. On the reporting date 30 June 2022, the NSFR ratio calculated on the basis of CRR II was 108 per cent. Based on the liquidity and issuance planning, a quarterly forecast of the future LCR and NSFR development is prepared.

Berlin Hyp's refinancing ability was also guaranteed at all times in 2022 and was neither affected by the COVID-19 crisis not by the Russia-Ukraine conflict.

Operational Risks

Operational risk (OpRisk) is defined in the CRR as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes not only operational risks but also legal risks; however, it does not include strategic risks and reputational risks. It is a significant risk for Berlin Hyp.

The management of operational risks is regulated uniformly throughout the Group. Berlin Hyp has appointed an OpRisk coordinator for the OpRisk Committee within the Group to handle interface function to the Landesbank Berlin Holding Group. Together with the Group, Berlin Hyp has received approval for an internal OpRisk model (Advanced Measurement Approach, AMA model) from the regulatory authorities, which is used to determine the regulatory capital requirement. The model is validated on a regular basis.

Berlin Hyp has a systematic and consistent process for identifying, evaluating, monitoring and managing operational risks. The Board of Management is informed about the operational risks of the Bank in the quarterly risk report. Should extraordinary events occur, in particular if material losses are involved, the Board of Management is informed by ad-hoc reporting.

OpRisk management is centrally coordinated and operational risks are monitored in the Risk Controlling division. Operational risks are managed in consultation with the decentralised OpRisk managers of the individual specialist departments. The aim of Berlin Hyp is to minimise operational risks from an economic point of view.

Various instruments are used to efficiently manage operational risk. These include, but are not limited to:

- → Self-assessment following the bottom-up approach (qualitative OpRisk inventory)
- → Scenario analyses for determining loss potential (quantitative OpRisk inventory)
- → A collection of loss cases (internal/external) as a basis for statistical evaluations for risk assessment (actuarial approach: loss distribution approach) and for defining scenarios relating to specific business areas for scenario analyses
- → Early warning system (recording and monitoring of risk indicators)
- → Controlling of measures (recording and monitoring of measures) and
- → Risk transfer through insurance cover.

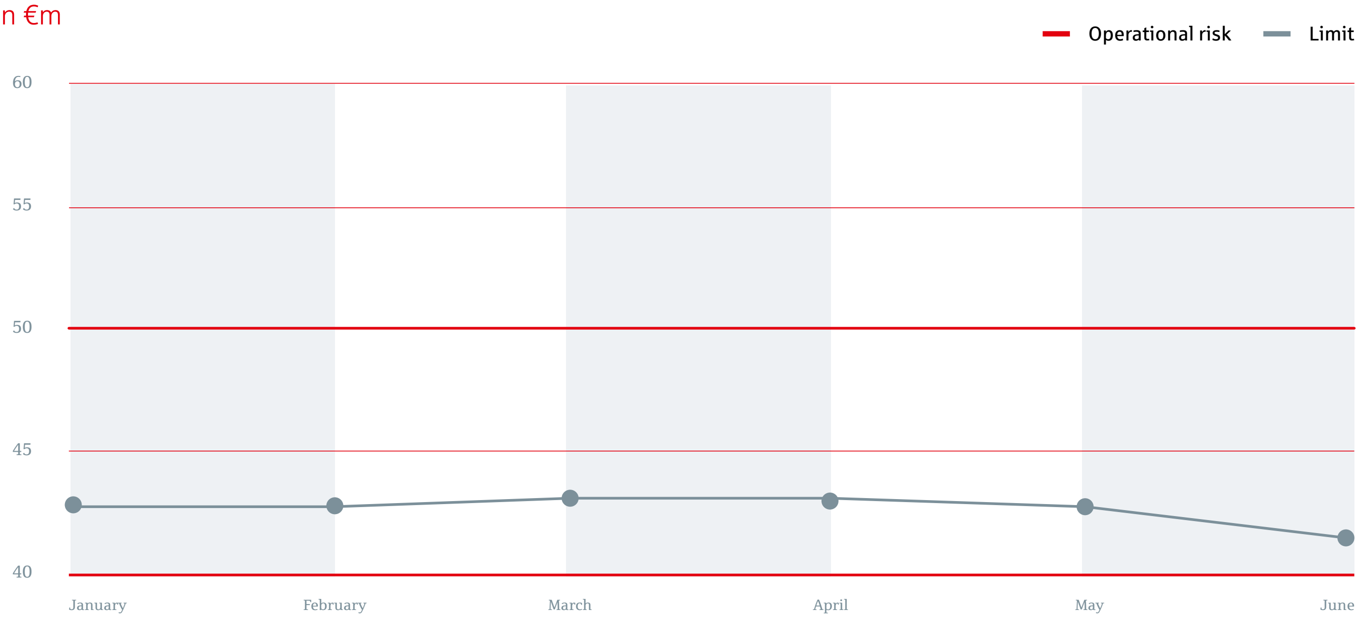
In accordance with Section 25a and Section 25h of the German Banking Act (KWG) and the relevant circulars of the banking supervisory authority, Berlin Hyp has created appropriate business and customer-related security systems for the prevention of money laundering, terrorist financing and other criminal acts at the expense of the institution. A risk analysis is carried out once a year, informing the Board of Management about the risk potential of the Bank. According to the risk analysis carried out in 2021, the money laundering officer concluded that the risk of exposure to money laundering, terrorist financing and other criminal activities should be considered "medium" to "low", taking into account implemented risk mitigation measures, and that the risk of exposure to other criminal activities should be considered predominantly "low", taking into account implemented risk mitigation measures.

Within the framework of the overall risk assessment derived from Berlin Hyp's risk-bearing capacity, Berlin Hyp has set up limits for operational risks, which are reviewed at least once a year and approved by the Board of Management.

The Bank participates in a data consortium for the collection of OpRisk claims. This expansion of the internal database with external claims is a mandatory part of the Advanced Measurement Approach (AMA) applied at the Bank.

As at 30 June 2022, the operational risk was €41.4 million for a limit of €50 million. The monthly values for operational risk in 2022 determined using the AMA model are shown in the following diagram:

Limit utilisation in 2022
in €m



As in many other banks, the Bank's operations were largely shifted to mobile workstations outside the offices. This did not result in any restrictions in the operational business. In addition, the Bank has laid down regulations for the protection of employees on the basis of the guidelines of the Federal Ministry of Labour and Social Affairs. The employees were regularly made of aware and informed about the current regulations.

For exceptional events that carry the risk of far-reaching consequences (such as fire and water damage, bomb threats, explosions, hostage-taking raids and terrorist attacks), a crisis team was set up in Berlin Hyp to deal with such crises. In the first half of 2022, the crisis team executed a successful alarm exercise; a comprehensive crisis team exercise is scheduled for the fourth quarter of 2022.

In March 2020, the Bank formed a task force due to the COVID-19 crisis, which has been meeting regularly as part of the weekly meetings of the Board of Management to deal with the effects of the crisis. Since the Russia-Ukraine conflict began, the task force has also been regularly dealing with the potential effects of the Russia-Ukraine conflict on the Bank as part of the weekly meetings of the Board of Management.

System Risks

The Bank has established comprehensive operational security measures to monitor the IT environment. Information security management and information and IT risk management have been set up independently of the organisation for the continuous monitoring of information security requirements, taking into account the risk situation and for effective risk management as a 2nd line function. The identified information or IT risks (quotients of loss amount and probability of occurrence) are evaluated and continually addressed in order to reduce risks.

The COVID-19 pandemic presented IT with special challenges, given that the majority of employees were working remotely. The current situation is under ongoing assessment as part of the regular coordination regarding information security management, information technology, information risk management, building security and emergency management. No pandemic security incidents were found.

All employees must undergo ongoing employee awareness-raising on information security. In addition, overarching IT security issues will be disclosed on the Berlin Hyp intranet and awareness of specific issues will be raised.

Berlin Hyp's integrated SAP HANA system landscape provides a powerful IT platform for mapping its business activities. The SAP systems, including the SAP FSDP (Financial Services Data Platform) in the daily delta load process, were stable throughout the entire year. With the SAP system as a total banking solution, Berlin Hyp has a homogeneous, up-to-date IT landscape that takes into account the increasing importance of information technology as a competitive factor. The SAP HANA project continues to expand the platform extensively in accordance with the requirements for transparent and documented cross-application data streams.

An access protection system is implemented through accompanying organisational measures with the aim of preventing unauthorised or unwanted read/write access to data assets. In addition, safeguards have been established to ensure the integrity, availability, authenticity and confidentiality of data through the IT systems and IT processes. The implemented vulnerability management for the automatic detection of known threats is continuously adapted and expanded to address the latest new threat situations, such as log4j. Security Information and Event Management (SIEM), with the support of a 24x7 Security Operation Centre (SOC) to ensure the monitoring of detected incidents and the evaluation of the incidents by Security Compliance Operating (SCO) experts, will be a key factor in boosting IT security.

Up-to-date regulations have been developed by Berlin Hyp together with the IT service partners to protect sensitive data in its own data centres and those operated by service providers. An essential part of these regulations are backup environments to which we can quickly switch over in the event of a disaster. The functionality of the measures was reviewed together with the IT service partners and the specialist departments using them.

To limit information and IT risks, data security regulations and regularly updated and reviewed emergency procedures were defined as an integral part of the Bank's written regulations based on the identified critical business processes and the assigned IT systems. This is how the functionality of the business processes can be ensured by means of readily available replacement solutions in the event of technical disruptions.

Legal Risks

Legal risks are risks arising from the violation of current and changing legal regulations, in particular from contractual, legal or judicial developments. It includes the risk of violations of legal provisions due to lack of knowledge, insufficiently rigorous application of the law (negligent interpretation), negligent action or untimely implementation.

In addition to the specialist departments, the compliance function and risk controlling, the legal department (Governance division) is also responsible for identifying and preventing legal risks. The monitoring of legal risks that have occurred is generally one of the tasks of the legal department. Major projects are centrally coordinated from a legal perspective. For risk prevention, the legal department provides templates and explanations for contracts and other legally meaningful declarations to a reasonable extent. The involvement of the legal department is mandatory for cases involving deviating or new regulations. If external law firms are involved, management is usually handled by the legal department. The HR department is responsible for labour court proceedings.

If unforeseen developments have occurred to the detriment of the Bank or errors have been made, the legal department will help to identify, rectify and prevent the errors in the future. It also assumes the task of reviewing and evaluating the events according to legally relevant facts and managing any litigation. This applies above all to the defence of claims asserted against the Bank.

The member of the Board of Management responsible for the legal department receives a report on a semi-annual basis on material legal risks that have been qualified as ongoing or imminent legal proceedings of the Bank. Ad-hoc reporting is provided for events of particular importance.

Shareholder Risks

In the reporting period, Berlin Hyp held shares in a total of five different companies, including three young companies from the real estate digitalisation sector, based in Berlin.

This includes OnSite ImmoAgent GmbH with its 49 per cent crowd-based property viewing service. The Bank holds a further minority stake of 24.52 per cent in 21st Real Estate GmbH, which operates a system for the valuation and digital purchasing process of real estate.

In addition, the Bank holds shares in a venture capital fund, PropTech1 Fund I GmbH & Co. KG, whose investment focus is on start-ups for the digitalisation of the European real estate industry. The shareholding was 6.97 per cent as at 30 June 2022.

The minority interest in BrickVest Ltd., London, will be settled after its insolvency. The company is in liquidation.

Lastly, Berlin Hyp holds 100 per cent of the shares in Berlin Hyp Immobilien GmbH which, in addition to its own brokerage activities, also handled the marketing of real estate, but no longer has any active business operations.

The entrepreneurial risk is taken into account as part of the shareholder risk. Furthermore, the management of Berlin Hyp receives a separate controlling report on a half-yearly basis informing it of the development of the strategic investments and their economic situation.

Property Risks

Property risk refers to the risk of losses against the current market value due to changes in the value of property owned by Berlin Hyp. In the reporting period, the portfolio included two properties that were used by Berlin Hyp itself. In the course of the construction of a new corporate headquarters, deconstruction of the building on Budapester Strasse began at the end of 2020. The construction project involves various risks with potential negative effects on the costs. The Bank has carried out the appropriate risk analyses and analysed potential impact on costs (worst-case scenario). Furthermore, it has set up a construction controlling system for monitoring and managing risks and has also commissioned an external construction audit with the project advisors.

Model Risks

When considering the risk-bearing capacity for the credit default risk and market price risk types, Berlin Hyp takes into account model risks, i.e. the risks of adverse consequences due to incorrect results from models (model uncertainty).

Risk Management Pursuant to Section 27 PfandBG (Mortgage Pfandbriefe)

According to Section 27 of the PfandBG, each Pfandbrief bank must use a risk management system suitable for the Pfandbrief business. The risk management of the cover funds is largely integrated into the risk management system of Berlin Hyp. In addition, there are limits in line with regulatory requirements. Compliance with these limits is monitored on working days within the risk management of the cover funds and presented to the Board of Management on a quarterly basis in a separate report.

Other Risks

Business Policy and Strategic Decisions

Strategic risk is the risk of failing to achieve long-term company objectives due to strategic decisions that are incorrect, inadequately prepared or based on incorrect assumptions. The strategic risk is managed by the entire Board of Management. Certain decisions also require the approval of the Supervisory Board.

Landesbank Berlin Holding was the Group's parent company in the reporting period, and was responsible for strategic decision-making within the Group. The overall group strategy approved by the Landesbank Berlin Holding Board of Management at the end of 2021 provided the framework for the strategies of the Group companies in the reporting period and consists of the strategy document and planning. The long-term company objectives and strategic underlying conditions are established by the Board of Management in the annual strategy process.

Monitoring and controlling the strategic objectives for the strategic business areas, subsidiaries and divisions takes place based on the defined target achievement indicators and targets. Select financial and risk targets are also monitored during the year based on standardised reports.

Reputational Risks
The Bank monitors print and online media as well as social media reports with respect to potential reputational risks. In the event of negative media coverage, the Bank has installed an escalation procedure to ensure a suitable response. In the first half of 2022, no events occurred that involved reputational risks. At the end of 2021, the Bank expanded its reputation risk management with a scenario-based risk analysis geared toward loss potentials and probability of occurrence, in line with the Group guidelines on risk management. The analysis evaluates scenarios for their reputational risks on an annual basis. In the last analysis as of 31 December 2021, 42 scenarios were evaluated, of which 13 were rated as medium risk according to measures, and all other scenarios were classified as low risk.

Human Resources Risks

Availability Risk
The quantitative and qualitative staffing of the banking divisions is managed by strategic resource planning. It aims to ensure the functional capability and future viability of Berlin Hyp and is adapted on an ongoing basis. In order to keep the planning up to date and realistic, megatrends (e.g. digitalisation/automation, ageing society, knowledge culture, individualisation), developments in new and established business areas and regulatory requirements are taken into account.

Berlin Hyp draws on various recruitment sources to cover its staffing requirements, with internal recruitment always taking precedence over external recruitment. Aside from the internal job market, Berlin Hyp also publishes job offers in publicly accessible media. Specialised platforms are used to fill vacant positions as quickly as possible for the desired profile. Berlin Hyp obtains assistance from recruitment experts for key positions. Taking into account the Bank's existing staffing levels, the overall availability risk is considered to be increasing but still moderate on the whole. The issues of "active sourcing" and "onboarding" were integrated into the strategy in 2021. In the first half of 2022, the targeted search and proactive contacting of suitable persons was prepared and technically implemented in a career network. Further measures will follow in the next few years.

Motivation Risk
Employee motivation is promoted through sustainable workplaces and content, a vibrant corporate culture and the active participation of the employees in the development of Berlin Hyp. Ongoing feedback serves as an indicator. It is part of the corporate culture, anchored in the competence model of the Bank and implemented in various processes and through different media. In particular, the Bank has taken a participatory approach to designing the change process, which encourages employees to get involved; as a result, they identify more closely with the new developments. The expert career, which promotes special support for employees with expertise that is particularly valuable to the company, is an alternative development option to the management career at Berlin Hyp. The motivation risk is considered to be low.

Qualification Risk
Due to the age structure, a number of employees will leave Berlin Hyp in the medium to long term because of their age. It is important to ensure that the departing employees transfer their knowledge to the remaining colleagues. The efficiency gains from large-scale projects currently in progress at Berlin Hyp are giving rise to new working conditions. These change the skills required by the employees. Employee development will therefore be supported, in parallel with the transfer of knowledge. The Bank sees learning and development in the professional context as an ongoing process. The technical, methodological and personal requirements are defined in the competence model of the Bank, while the managers and the people who report to them develop and follow up the job descriptions. This is described in the "Continuously learning new things" competence in the competence model by means of clear behavioural anchors. Introduced in 2021, the digital Berlin Hyp Learning World is the framework for the training and development opportunities offered by the Bank and is continually developed according to the needs of employees. The qualification measures offered are followed up in a discussion between the manager and employee. This task, in which managers "support employees in their development", is also defined in the compe-

tency model. 270-degree feedback, obtained every two years, is used to measure the implementation of the leadership competencies and follow up with individual development measures.

The Bank has allocated an average of 3.5 training days per employee as the target. From 1 January to 30 June 2022, employees spent an average of 2.0 days (3.3 days in 2021) on further and advanced training. One effect of the COVID-19 pandemic was the continued replacement of physical meetings with virtual events, which were condensed. This figure is still on target – calculated for the half year. With a variety of tailor-made in-house measures and selected external training opportunities, Berlin Hyp considers the qualification risk to be low.

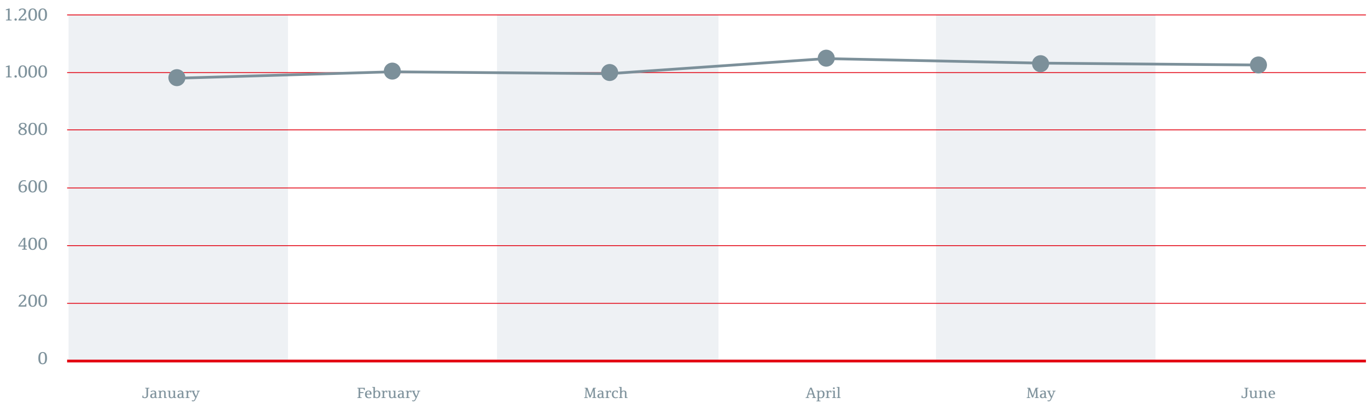
Overall Statement on Risk Situation

The risks incurred by Berlin Hyp were covered as of each of the reporting dates in the financial year by the available risk covering assets. The risk limits for all major risks of the Bank were met as of the relevant reporting dates throughout the first half of 2022.

The risk coverage as at 30 June 2022 amounted to €1,834 million; the total risk position was €806 million. Therefore, the utilisation of the total risk versus the risk coverage was 44 per cent. The resulting financial flexibility amounted to €1,028 million.

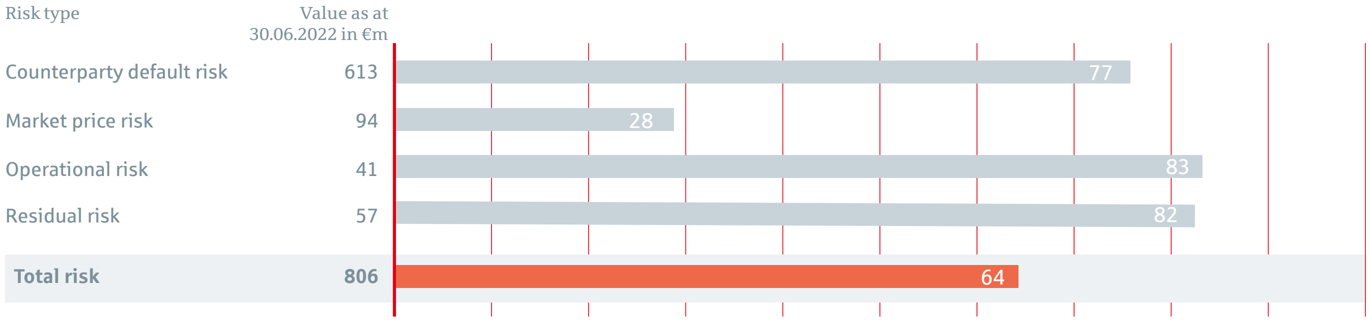
The following chart shows the development of the financial flexibility within the framework of Berlin Hyp's risk-bearing capacity concept:

Financial flexibility development in 2022
in €m



The total risk limit was set by the Bank at €1,250 million. Thus, the limit utilisation as of 30 June 2022 amounted to approximately 64 per cent.

Percentage of recourse per risk type as of 30 June 2022
in %



The risk-bearing capacity concept assumes a holding period of one year at a confidence level of 99.9 per cent

In February 2020, the crisis team was convened in the context of the COVID-19 pandemic to assess the impact on Berlin Hyp and initiate measures to protect its employees and ensure its continued business operations. The Bank set up a COVID-19 task force in March 2020. Since June 2020, the COVID-19 task force has been meeting on a weekly basis as part of the meeting of the Board of Management.

The Bank has initiated measures to identify potential deteriorations in the creditworthiness of individual exposures as early as possible. The analyses of the loans portfolio were supplemented by COVID-19-specific stress tests, which regularly examine the possible effects of adverse developments.

Since the beginning of the COVID-19 crisis, the Bank's operational stability has been safeguarded. While some parts of the banking operations switched to mobile working, this did not result in any restrictions in the operational business.

Since the Russia-Ukraine conflict began, the task force has also been regularly dealing with the potential effects of the Russia-Ukraine conflict on the Bank as part of the weekly meetings of the Board of Management. Currently, we are not aware of any direct relationships between our existing customers and beneficial owners with Russian and/or Ukraine in our core business. Therefore, potential impacts of the Russia-Ukraine conflict on the borrowers and/or rented properties in the entire portfolio of the Bank are generally classified as minor. In the capital market business, there are no direct significant dependencies of the bank and corporate counterparties in Berlin Hyp's portfolio on the Russian and Ukrainian market. At the same time, indirect effects due to the increasing market volatility and the declining economic outlook are expected for bank and corporate ratings.

Berlin Hyp took into account the latent effects on the economy and in particular on the real estate industry resulting from the global risks by establishing a management adjustment as part of lump-sum value adjustment for valuated loans and provisions for irrevocable lending commitments.

Berlin Hyp's refinancing ability was also guaranteed in the reporting period at all times and was neither affected by the COVID-19 crisis nor by the Russia-Ukraine conflict. Increased liquidity risks were not identified. Overall, no significant effects of the COVID-19 pandemic and the Russia-Ukraine conflict were noted in any of the Bank's major risk types in the reporting period ending 30 June 2022.

IV Accounting-Related Internal Control System and Risk Management System

The annual accounts of Berlin Hyp are produced in accordance with the provisions of the German Commercial Code, supplemented by corporate law provisions and taking into consideration the Pfandbrief Act (Pfandbriefgesetz) and the Accounting Ordinance for Banking Institutions (Verordnung über die Rechnungslegung der Kreditinstitute). The accounting standards of the German Accounting Standards Committee are applied. According to IFRS, Berlin Hyp is not obliged to present consolidated financial statements since the only subsidiary, Berlin Hyp Immobilien GmbH, does not have significant influence on the presentation of Berlin Hyp's earnings, financial and assets position.

The Finance division is responsible for accounting. The organisational unit carries responsibility for the general ledger and accounting and for technical matters and portfolio management in the subsidiary ledgers. Pursuant to the principle of the separation of functions, the assessment of financial instruments by the Risk Controlling division and the evaluation of credit risks by the Risk Management division is pursued on a case-by-case basis within the financial reporting process. Job descriptions are available for relevant positions. Furthermore, human, technical and organisational resources are also available in order to ensure the sustainable and disruption-free handling of tasks. The divisions are assigned to the Board's credit function sphere.

In their management reports, corporations as defined in Section 264d of the German Commercial Code (HGB) must describe the significant characteristics of the internal control and risk management system with regard to accounting processes. Berlin Hyp regards as “significant” any legal violations as well as errors having a qualitative and quantitative influence on the validity of accounting processes that are relevant to decisions pertaining to the recipients of the information.

The accounting-related internal control system encompasses principles, measures and procedures for the regularity and reliability of accounting processes, compliance with relevant legal provisions and ensuring the effectiveness of the monitoring of accounting processes.

The accounting-related internal risk management system encompasses measures for the identification, assessment and limitation of risks opposing the objective of ensuring the regulatory conformity of the annual accounts.

The objective of the internal control system is to record business transactions and events in accordance with the legal regulations, the Articles of Association and other internal directives, in a complete, swift and correct manner, to process and document them as well as to accurately assess, show and evaluate assets and liabilities, thus allowing for a correct identification of results. The controls also serve to provide this final information in a swift, reliable and complete manner.

The Board of Management is responsible for the structure and maintenance of the internal control system. The established accounting-related internal control system consists of process-integrated, error prevention regulations and facilities, as well as in the form of integrated and organisational controls. In addition, regular, case-related monitoring measures independent of processes have been implemented.

At Berlin Hyp, accounting processes are standardised and are subject to constant supervision. The processing, entry and documentation of relevant accounting data occurs using IT systems that keep accounting books and other records in electronic form. Berlin Hyp applies the core SAP application as an integrated comprehensive banking solution. This system reduces interfaces between various data processing applications, weak links in the data flow as well as manual interventions and processes. Regulations and measures regarding IT security, which are also of particular importance when it comes to accounting, have already been discussed. A thorough separation of functions along with organisational instructions and the distribution of technical roles and access rights should ensure in advance that interventions in accounting processes can only be undertaken in accordance with official responsibilities and competence. Unless specialised, two-person integrity systems have been established, organisational control activities are provided on a standardised basis. Electronically generated raw data as well as the various interim and final results are analysed, tested for plausibility and randomly examined by the divisions using a variety of system-supported comparisons, agreements, target comparisons and time-series developments on an individual transaction basis. Both technical requirements and workflow descriptions are in place for the individual processing steps within the framework of the relevant development process.

Internal and external reporting is also subjected to a multistage quality-assurance process before financial information is released.

Accounting processes are an integral component of the Audit division’s risk-oriented audit planning system. Audit focuses are changed on a regular basis. Audits take place as process audits and are, as a matter of principle, underpinned by case-by-case audits of samples.

In the first half of 2022, account management, inventory and assets accounting were audited. As in previous years, the Internal Audit division monitored and accompanied the process of reconciling loan accounts within the scope of the dispatch of annual statements in its role as a neutral body.

As in the previous year, the reviews carried out by the Internal Audit division with regard to the accounting-related internal control system did not reveal any material findings in the reporting year.

Regarding special measures concerning the management and monitoring of accounting units that are to be depicted within the accounting framework, please refer to the information provided in the risk report as well as to the Notes.

In the first half of 2022, a number of external audits were carried out within Berlin Hyp, in addition to the audit of the annual accounts and of the management report for the short business year from 1 January to 30 June 2022. These audits concerned either Berlin Hyp directly as a separate financial institution or in its capacity as part of the regulatory group.

The Bank followed up the findings in a coordinated procedure led by the Internal Audit division.

V Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB)

Establishment of Targets for the Proportion of Women in the Supervisory Board, Board of Management and in Management Positions

Berlin Hyp is subject to representative participation according to the German One-Third Participation Act and, in accordance with the legal requirements, has established targets for the proportion of women on the Supervisory Board and Board of Management through its Supervisory Board.

Supervisory Board

Berlin Hyp's Supervisory Board is currently made up of six shareholder representatives and three employee representatives. Berlin Hyp has currently met its target of having at least two women on the Supervisory Board, as there are currently three women on the Supervisory Board.

Board of Management

The Board of Management currently has three members. By resolution of the Supervisory Board on 28 June 2022, a quota of women on the Board of Management of 33.33 per cent (33.33 per cent) was approved until the next review on 30 June 2027.

First and Second Management Levels Below the Board of Management

The Berlin Hyp Board of Management approved the targets for female executives for the first and second management levels below the Board of Management.

The target of 33 per cent should be reached at both management levels by 30 June 2025. As at 30 June 2022, 29.4 per cent (29.4 per cent) of executives at the first level below the Board of Management were female and 29.3 per cent (28.6 per cent) at the second level below the Board of Management. Overall, the percentage of women in management positions at all levels of management at Berlin Hyp is 29.2 per cent (28.8 per cent).

VI Non-Financial Statement in accordance with Section 289b and 289c of the German Commercial Code (HGB)

Preface

According to Sections 289b-289e of the German Commercial Code (HGB), Berlin Hyp AG (Berlin Hyp) is required to publish an annual non-financial statement.

This obligation is fulfilled – without recourse to an exemption option – by the publication of this "non-financial statement" (hereinafter also referred to as "statement"). The statement concerns the period from 1 January 2022 to 30 June 2022. In addition, Berlin Hyp will publish this statement on its website at www.berlinhyp.de.

The statement is based on the performance indicators according to the Global Reporting Initiative Standards (GRI SRS), insofar as this framework is appropriate for Berlin Hyp in each individual case.

For better readability, the terms of the Global Reporting Initiative have been adapted to the terms in accordance with Section 289c of the German Commercial Code (HGB). The Supervisory Board of Berlin Hyp has voluntarily commissioned Deloitte Wirtschaftsprüfungsgesellschaft to conduct a business audit of the report in accordance with the ISAE 3000 (revised) for the purpose of obtaining limited assurance pursuant to Sections 289b-289e of the German Commercial Code (HGB). In addition to this non-financial statement, Berlin Hyp publishes its sustainability activities according to GRI SRS in the GRI report. The GRI report 2021 was published in the second quarter of 2022 at https://www.berlinhyp.de/de/media/newsroom/2021-gri-report. It contains additional information on the Bank's sustainability strategy and sustainability performance beyond the statutory requirements of the German Commercial Code (HGB).

All references to further reports are additional information and do not form part of this statement or the audit thereof.

Business Model

Information on the business model can be found in the Management Report under I Principles of the Bank – Business Model.

General Information

1. Sustainability Concept

1.1. Strategic Analysis and Measures

Berlin Hyp is one of Germany's major real estate and Pfandbrief banks in commercial real estate financing. As a financier of real estate in the commercial real estate (CRE) sector, the Bank can indirectly influence the development of the existing buildings in the target regions and asset classes it defines. To analyse opportunities and risks, Berlin Hyp uses information obtained from the risk management system and a materiality matrix for non-financial indicators that was updated in December 2021.

Higher CO_2 emissions intensify climate change and its negative impacts on the environment, society and economy. Depending on the given calculation, the building sector accounts for between 30 and 40 per cent of the CO_2 emissions in Germany.[6] The future construction of energy-efficient buildings and the energy-efficient refurbishment of existing buildings is thus a key step to reducing CO_2 emissions. At the same time, buildings in our latitude are exposed to the negative effects of the climate change such as increasing climate and environmental risks, e.g. temperature and weather changes. Therefore, buildings must also be safeguarded against these risks in order to ensure a long-term utilisation, to maintain the value of the properties and to serve as a stable collateral for real estate financiers.

The required transformations in the building and construction sector were established in the goals of the Paris Agreement and the United Nations (UN) Sustainable Development Goals (SDG), among others. Berlin Hyp is committed to the Paris climate goals and the Climate Paths for the Federal Republic of Germany and has adopted a far-reaching sustainability agenda

[6] Federal Ministry for Economic Affairs and Energy (BMWi) (December 2021): Energy efficiency in numbers – development and trends in Germany in 2021

in order to play an active role in promoting the transformation to a lower-carbon economy.

In mid-December 2019, the EU Commission, the Council of the European Union and the European Parliament adopted the Taxonomy Regulation and published a related Delegated Regulation in June 2021. Its aim is to promote sustainable investment in order to achieve the objectives of the Paris Agreement. The Regulation contains a framework for the evaluation of the sustainability performance of companies, taking into account six defined environmental objectives. Technical sustainability criteria, i.e. thresholds for selected economic activities, including for the construction industry and real estate, are regulated within this framework. The EU taxonomy is relevant across sectors and affects companies both in the financial sector and in the real economy. Berlin Hyp as a mortgage bank is affected by the activities in the delegated acts relating to the construction industry and real estate.

As early as in 2020, Berlin Hyp participated in an international study by the German Sustainable Building Council (DGNB) and three other green building councils from Austria, Denmark and Spain in order to test the applicability of the taxonomy for mortgage banks together with other representatives from the real estate industry based on the data available at the time. The results, in particular the challenges that the classification system poses to banks in terms of data availability and management, were included in the first half of 2021 as part of a comprehensive ESG project in the business strategy, the product design processes and in the cooperation with individual customers and counterparties. In May 2021, within the framework of the comprehensive ESG project, Berlin Hyp adopted an ESG vision and defined an ESG implementation roadmap, providing for various implementation measures starting in the second half of 2021 until 2024. This includes measures to implement the increasing regulatory requirements. The new ESG vision is presented in Section 1.3 Targets and is also available on Berlin Hyp's website at https://www.berlinhyp.de/de/nachhaltigkeit/nachhaltigkeitsstrategie. In Section 1.3 of this Non-Financial Statement, an excerpt from the catalogue of implementing measures is presented.

We defined sustainability in our business portfolio as the most important key to achieving these targets. For this purpose, Berlin Hyp published its new Sustainable Finance Framework on 7 April 2022. It represents an overarching approach to classifying sustainable financing products on a holistic scale. Currently, the Green Loan portfolio comprises the energy-efficiency loan, the taxonomy loan and the transformation loan. The energy efficiency loan is secured by energy-efficient and environmentally friendly buildings, while the taxonomy loan is used to finance buildings or construction activities that fulfil the criteria outlined in the EU taxonomy for environmentally sustainable economic activities. For now, Berlin Hyp's taxonomy loan is focused on the first environmental target, i.e. climate change mitigation, as we classify this target to be high priority with regard to our own business activities. The catalogue of criteria will be extended to include additional environmental targets in future. Berlin Hyp uses the transformation loan to finance energy-related refurbishments at a lower interest rate, in order to support the transformation of a building for both products (taxonomy loan and energy efficiency loan). Real estate financed with green loans are referred to as "green buildings" or "green" real estate. The Sustainable Finance Framework is available at https://www.berlinhyp.de/de/nachhaltigkeit/sustainable-finance.

In addition, in the course of expanding its sustainability agenda in the Environmental, Social and Governance (ESG) area, Berlin Hyp intends to put more focus on the "S" (social). In the Social area, affordable housing poses a growing challenge to our society. Berlin Hyp would like to contribute to mastering this social challenge within its capabilities, by supporting the availability of affordable housing. The loans required for corresponding financing projects are refinanced with social bonds. Berlin Hyp issued its first social bond in the reporting period, thus fulfilling the ICMA social bond category "affordable housing" and contributing to the achievement of UN SDG 1 (no poverty), SDG 10 (reduced inequalities) and SDG 11 (sustainable cities and communities). Berlin Hyp's social bonds were issued within its Social Bond Framework in May 2022, available on the Bank's website at https://www.berlinhyp.de/de/investoren/social-bonds.

In its commitment to sustainability, Berlin Hyp generally follows the ten principles of the UN Global Compact, the Diversity Charter, the sustainability principles of the Deutscher

Sparkassen- und Giroverband (DSGV) and the sustainability code for the real estate industry of the German Property Federation (ZIA).

Furthermore, the Bank excludes business activities relating to certain critical sectors. For example, it does not finance any real estate whose construction or operation is directly related to the production of genetically modified organisms or the production of tobacco or alcohol.

1.2. Materiality pursuant to the CSR Directive Implementation Act

Berlin Hyp regularly conducts a stakeholder survey every two years in order to gauge the opinions of its stakeholder groups. The last stakeholder survey was carried out in 2021. The materiality analysis and stakeholder survey were carried out in the form of an online survey for external stakeholders, including customers, NGOs, service providers, investors and the scientific community in addition to two internal workshops with employees and the Board of Management.

On the one hand, it was examined to what extent the business activities of Berlin Hyp have a significant impact on the individual sustainability aspects, such as employee or environmental concerns. On the other hand, it examined whether the sustainability aspects were relevant to the understanding of the business development, the results and Berlin Hyp's position. The sustainability aspects identified as material in accordance with the CSR Directive Implementation Act with the sub-sections relevant to Berlin Hyp are included in the table "Overview of Key Issues".

Overview of Key Issues

Sustainability aspect	Sub-section	Material according to CSR Directive Implementation Act Section 289c of the German Commercial Code (HGB)	Relevant for Berlin Hyp
Employee Concerns	Promoting an open and fair working environment	✓	✓
	Fair remuneration policy, proportionality of commissions and bonuses	✓	✓
	Well-being and development opportunities	✓	✓
Social Concerns	Customer relationship management (responsible lending)	✓	✓
	Consideration of social criteria when selecting financing projects	✓	✓
	Consideration of social criteria when issuing bonds	✓	✓
	Provision of safe/stable financial products	✓	✓
	Transparent presentation of the impacts, opportunities and risks of the portfolio	✓	✓
	Data protection	✓	✓
	Social responsibility*		✓
Fight Against Corruption and Bribery	Prevention of corruption and anti-competitive behaviour	✓	✓
	Tax honesty*		✓
	Compliance	✓	✓
Environmental Concerns	Consideration of ecological criteria for financing projects	✓	✓
	Consideration of ecological criteria when issuing bonds	✓	✓
	Reduction of environmental impacts at our locations ***	✓	✓
Respect for Human Rights	Human rights due diligence and consideration of social criteria when selecting financing projects	✓	✓
Other	Responsible design of the digitalisation of processes**	✓	✓

* "Tax honesty" does not have double materiality according to the CSR Directive Implementation Act. However, Berlin Hyp pays particular attention to this issue and therefore it is voluntarily addressed below.
** The responsible design of the digitalisation of processes has an impact on employee and social concerns and is explained below in more detail with regard to the individual aspects.
*** In view of the relevance of the construction of the new Berlin Hyp headquarters and the resulting consumption of resources, the issue was considered as having double materiality

- **Employee Concerns**
  Business operations are impossible without employees. This is why appropriate measures have been taken to promote an open and fair working environment in terms of employee rights, equal opportunities and training, with the aim of helping to further develop the employee situation. The term “well-being” refers to both physical and mental health and to more complex factors such as satisfaction and participation. Well-being is influenced by various factors, such as relationships with colleagues, available tools and resources and decisions made within Berlin Hyp. Working hours, remuneration and occupational safety also have an impact on the health and well-being of our employees. In the 2021 financial year and in the first half of 2022, the COVID-19 pandemic impacted the aspect of employee concerns due to health protection issues, as was the case in the previous year. For more information, please refer to Section 3.1. Employee Concerns.

- **Social Concerns**
  Berlin Hyp has an impact on social concerns through its activities as a financial services provider, in particular with its products and services. Measures such as the integration of social criteria into our own investment business and the responsible design of the digitalisation of processes also contribute to a positive business development. For more information, please refer to Section 3.2. Social Concerns.

- **Fight Against Corruption and Bribery**
  The prevention of corruption and anti-competitive behaviour and compliance with increasing legal requirements for Berlin Hyp’s products and services have a decisive impact on the success of its business activities. The measures counter reputational risks with long-term negative effects on Berlin Hyp. For more information, please refer to Section 3.3. Fight Against Corruption and Bribery.

- **Environmental Concerns**
  As a financial services provider, Berlin Hyp consumes relatively few natural resources with its own business activities compared to the manufacturing sector. Accordingly, the Bank’s internal operational ecology is generally not discussed in more detail in this statement. More detailed information is contained in Berlin Hyp’s Environmental Statement 2021, available at https://www.berlinhyp.de/de/media/newsroom/umwelterkl%C3%A4rung-2021. Since Berlin Hyp is currently constructing a building for all Berlin-based employees after the deconstruction of its headquarters in Budapester Strasse 1, this issue has been taken up under environmental concerns since 2020, in order to be transparent toward stakeholders regarding the resulting consumption of resources. In addition, Berlin Hyp’s financing projects, products and services are relevant to the report, as project developments for new and existing buildings directly impact resource consumption and potential future CO_2 savings, to name a few. For more information, please refer to Section 3.4. Environmental Concerns.

- **Respect for Human Rights**
  Berlin Hyp is committed to its responsibility in the protection of human rights in all activities of its business. With this in mind, Berlin Hyp has adopted several directives and joined the UN Global Compact in 2015. Since Berlin Hyp is mainly active in Germany and in selected core markets in Europe, the likelihood of human rights violations in its business activities is considered to be lower. For more information, please refer to Section 3.5. Respect for Human Rights.

Material risks are identified pursuant to the regulatory requirement of a regular risk inventory. As a rule, operational risks, climate and environmental risks are potential risks to be considered as defined in Section 289c(3)(1)(3) and (4) of the German Commercial Code (HGB). However, as described in more detail below, they are not classified as material risks as defined in Section 289c(3)(1)(3) and (4) of the German Commercial Code (HGB).

The results of the analysis of operational risks (e.g. conflicts of interest, reputational risks, money laundering, terrorist financing) related to the non-financial aspects revealed that, after applying the net method while taking into account the risk mitigation measures, no significant risks associated with Berlin Hyp’s own business activities and business relationships or its products and services as defined in Section 289c(3)(1)(3) and (4) of the German Commercial Code (HGB) were identified, which are very likely to have or will have a serious negative impact on the above-mentioned aspects.

Although the climate and environmental risks mentioned in Section 1.3.3 are important for Berlin Hyp for the reasons stated at the beginning of this Non-Financial Statement, they do not constitute their own type of risk in the results of the risk inventory. Rather, they influence all the traditional risk types as risk drivers. Berlin Hyp follows this approach and thus the estimate of BaFin. Based on initial materiality estimates of climate risk drivers, so far, the ESG implementation roadmap has prioritised the analysis in the context of credit risks. The results of this analysis are presented in the currently valid 2021 risk inventory in an individual section about sustainability risks. In the meantime, Berlin Hyp has also extended the materiality analysis of environmental and climate risks to other types of risks (market price, liquidity, operational risks) as defined in the risk framework. Therefore, the 2022 risk inventory will be redesigned by describing the driving force of environment and climate risks in the context of the individual risk types.

The evaluation of the determining factors of ESG risks relevant for Belin Hyp and their impacts (transmission) on identified risk types of the Bank already classified as material did not reveal any need for action pursuant to the current materiality analysis with regard to a reclassification and/or adjustment of the materiality classification of existing risks.

1.3. Goals
Berlin Hyp's strategic goal of becoming the most modern real estate financier in Germany also involves the achievement of specific sustainability objectives: Sustainability is not only about reducing our own carbon footprint, but above all it is about promoting and simplifying the transition to a more sustainable economy with sustainable financing products for the real estate industry. This makes a considerable contribution to energy-efficient building transformations. Berlin Hyp's commitment to sustainability is governed by the following four dimensions in accordance with the Bank's defined ESG vision:

1.3.1. Sustainability in business operations
Berlin Hyp continuously works at reducing its own CO_2 emissions and CO_2 equivalents (caused by water, waste, paper, refrigerant losses, business travel) with the aim of achieving climate neutrality in our business operations starting in 2025. Emissions and emission equivalents are to be avoided, failing which, they are to be reduced, and the unavoidable emissions are to be ultimately compensated by 2025 at the latest.

To this end, implementation targets will be defined each year in the Environmental Programme/Environmental Statement to help further reduce emissions. More information is contained in Section 5 of Berlin Hyp's Environmental Statement 2021, available at https://www.berlinhyp.de/de/media/newsroom/umwelterkl%C3%A4rung-2021.

1.3.2. Sustainable business portfolio
Berlin Hyp believes that focusing on sustainability in its business portfolio is the biggest key factor and has set itself the goal of helping its customers transform buildings into more energy-efficient and sustainable properties with price-incentivising, tailored financing products.

1.3.3. ESG risk management
The increasing importance of sustainability presents both opportunities and risks with regard to business operations. Therefore, Berlin Hyp integrates (transitory and physical) climate and environmental risks in its risk management systems and processes.

1.3.4. Transparency and ESG capabilities
At Berlin Hyp, sustainability is firmly established throughout the entire organisation. The Bank formalises responsibilities within its own organisational structure and process organisation and integrates its ESG vision as a core component of the business strategy (see Management Report Section I, Principles of the Bank – Goals and Strategies). A decentralised assignment of ESG competencies is to ensure the long-term incorporation of ESG in the entire staff of Berlin Hyp. Various ESG training sessions support this aim by ensuring a minimum of ESG competencies amongst all staff at Berlin Hyp. Berlin Hyp is seeking to maintain a continuously high ESG transparency through its external ESG reporting, which is to be governed by market standards.

Catalogue of Measures (Extract) to Support the Defined Goals[7]

No.	Field of action	Action	Sustainability aspect	Deadline	Implementation status
1	Sustainable business portfolio	Review and concept development, if applicable, for the extended impact measurement of the entire financed real estate portfolio with regard to social criteria	Social Concerns	12/2022	In progress
2	Sustainable business portfolio	Approval/release of the ESG analysis tool 3.0	Environmental and social concerns	06/2022	Implemented
3	Sustainable business portfolio	1 Sustainable Finance Framework 1.1 Publication Sustainable Finance Framework 1.2 Integration Social Loan Framework	Environmental and social concerns	1. 12/2022 1.1. 03/2022 1.2. 12/2022	1. In progress 1.1. Implemented 1.2. In progress
4	Transparency and ESG capabilities	1. ESG data project – Development of an ESG data pool and integration into the digital loan process 1.1. Potential update of data requirements 1.2. Consolidation of the first data fields in SAP 1.3. Parallel execution of quality assurance 1.4. Transfer to regular operations	Environmental and social concerns	1. 12/2022 1.1. 03/2022 1.2. 06/2022 1.3. 06/2022 1.4. 12/2022	1. In progress 1.1. Implemented 1.2. Implemented 1.3. Implemented 1.4. In progress
5	Transparency and ESG capabilities	Mandatory general ESG training and mandatory ESG vision training for employees	Environmental and social concerns, employee concerns	01/2022	Implemented
6	ESG risk management	Integration of climate risks in management (target portfolio, portfolio management and medium-term planning)	Environmental concerns	12/2022	In progress
7	ESG risk management	Execution of a materiality analysis for market, liquidity and operational risks	Environmental and social concerns	12/2022	In progress
8	ESG risk management	1. Project Risk Controlling Framework 1.1 Integration of ESG risks into existing risk types and quantification 1.2 Integration of ESG risks into rating models	Environmental and social concerns	1. 12/2023 1.1. 12/2022 1.2. 12/2023	1. In progress 1.1 In progress 1.2 In progress

[7] Together with other measures, the measures listed are part of a catalogue of measures for the ESG implementation roadmap, prepared for internal use only.

The ESG Corporate Functions monitor the achievement of targets in corporate strategy and risk controlling, and the ESG Board of Berlin Hyp, chaired by CEO Sascha Klaus.

1.4. Depth of the Value Chain

The value chain ranges from raw material production and the creation of the service to recycling after use. Berlin Hyp's Purchasing Department and environmental management system are responsible for the parts of value creation that take place within Berlin Hyp. However, significant parts of the value chain are outside the direct control of Berlin Hyp. Taking responsibility for them and actively pursuing the sustainable development of the value chain is not only seen as a challenge, but also as an opportunity.

Due to the long useful life of real estate, it is in the explicit interest of the Bank for its customers to build or acquire and operate properties whose long-term value is ensured through professional consideration of ecological, economic and social criteria. This interest is backed by the Code of Conduct and the "sustainability guidelines in real estate financing".

In 2021, Berlin Hyp was the first bank to join the network of the Madaster online platform. Madaster's goal is to make buildings recyclable and promote the reuse of materials. Berlin Hyp is a so-called Kennedy in the network in Germany, providing it with another key link in the value chain – namely the financial sector. Kennedy members are Madaster participants who actively use their knowledge and network in order to help design and achieve common goals. The addition of Berlin Hyp will expand the network's knowledge and expertise in the area of banking and financing.

In addition, Berlin Hyp has been the cooperation partner of the software developers CAALA GmbH and right.based on science GmbH since 2022, aiming at supporting the real estate industry in the realisation of climate-neutral buildings and the decarbonisation of existing buildings. The developed software is to facilitate a Paris-compliant portfolio management and 1.5°C-optimised refurbishment plans. At the same time, financial institutions are to be enabled to design real estate financing in line with Paris targets and grant direct access to climate-relevant information for customer consultancy, valuation and risk management.
Berlin Hyp requires its key suppliers to comply with the requirements of the ten principles of the UN Global Compact. Berlin Hyp defines the ten top-selling suppliers as material, as well as all suppliers with whom long-term business relationships are maintained, e.g. in the form of framework contracts.

2. Process Management

2.1. Responsibility

At Berlin Hyp, sustainability has been firmly established throughout its divisions for years. This is ensured by the interaction of the Board of Management, ESG Corporate Functions and Management Committee as well as the ESG Board, consisting of permanent representatives of the divisions, and the Chair of the Board of Management in the chair.

In order to ensure effective and proper implementation of the ESG implementation roadmap referred to in 1.1 and enable the Bank to address issues that may arise in future in the context of ESG, the Bank's existing ESG governance system was reviewed and revised in 2021.

The core elements of the most recent ESG governance system of Berlin Hyp are

- → the decentralised assignment of basic responsibilities for integrating and processing ESG issues into the various divisions and departments, and
- → the establishment of two overarching but separate cross-divisional and cross-departmental functions, which will promote the ESG vision and operate as higher-level coordinating bodies for the defined ESG implementation roadmap and new cross-divisional ESG issues, ensuring that all ESG-related measures at Berlin Hyp are made transparent and that they are linked and aligned with one another whenever this might be necessary.

Fig.: ESG Governance at Berlin Hyp

Supervisory Board

- Monitoring and reviewing (at least annually) of the ESG strategy and taking note of Berlin Hyp's risk appetite

Board of Management

- Decision and adoption as well as review of the ESG strategy and indirect supervision of its implementation via anchored, strategic goals
- Responsibility for implementation to consider and integrate ESG risks and decrease risk appetite

Management Committee
Board members and all division heads

- Regular reports on ESG performance by ESG central functions
- Steering of strategically important topics and projects of the bank

ESG Board
Chairman: Sascha Klaus (CEO)
Members: ESG central functions and ESG division managers of all divisions and departments reporting directly to the Executive Board

- Support in the coordination and monitoring of all ESG issues to be implemented
- Function as an information/exchange platform for the cross-divisional discussion of ESG issues
- Preparation of decision papers for the Board and discussion papers for the Management Committee on cross-divisional ESG issues

Central function ESG
(1st Line of Defence)

- First contact and coordinator for ESG issues

1st Line of Defence
Divisions

- Technical ESG responsibility for 1st-line-of-defence issues

Central function ESG Risk
(2nd Line of Defence)

- First contact and coordinator for ESG-risk issues

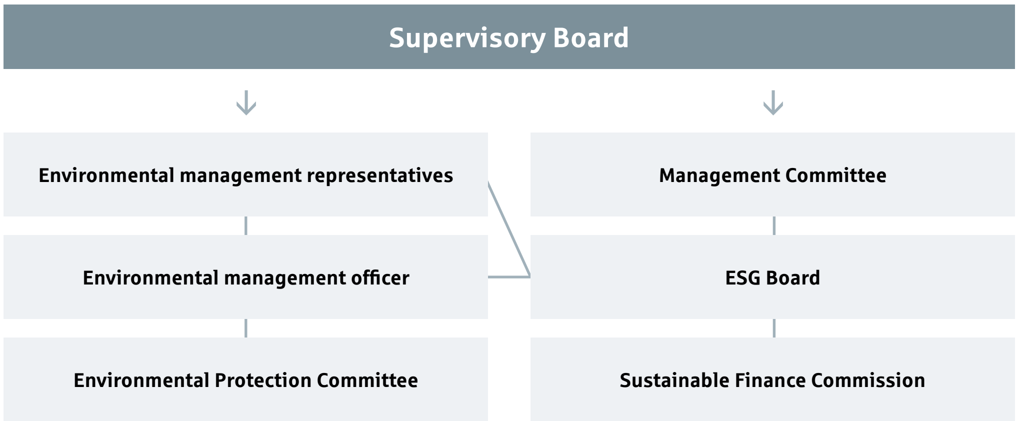
2nd Line of Defence
Divisions

- Technical ESG responsibility for 2st-line-of-defence issues

Implementation-supporting departments
(IT, Data, Governance, Data Management)

Revision of Berlin Hyp
(3rd Line of Defence)

Organisational structure of the environmental management system of Berlin Hyp AG



Furthermore, Berlin Hyp has a Sustainable Finance Commission (SFC), comprised of representatives from all divisions and departments involved in the financing/refinancing value chain: Sales, Portfolio Management, Credit, Valuation and Treasury. Risk Controlling and Corporate Strategy, in their role as central functions, are also part of the SFC. The SFC discusses, amongst other things, whether the eligibility criteria described in the Green Bond and Sustainable Finance Framework are still in line with the best market practice and comply with relevant regulations, or whether amendments are required.

The Environmental Protection Committee is a cross-departmental, environment-related control and information body within the environmental management system and constitutes another specific specialised group (in this case: operational ecology) in cooperation with the ESG Corporate Function, similar to the Sustainable Finance Commission. The Works Council is represented in the Environmental Protection Committee and is kept informed on an ongoing basis.

2.2. Rules and Processes

In addition to economic aspects, the Bank's activities also take into account ecological and social factors. Guidelines with corresponding provisions are in place to ensure that these factors are taken into account. They are operationalised by measures firmly established in the business processes. Monitoring to ensure the ongoing application of the measures is primarily the responsibility of the managers. Non-financial risks associated with the five sustainability aspects are identified, assessed, managed and monitored by the respective specialist departments and the risk management department. The risk management working method and results are described in detail in the Management Report under III Opportunities, Forecast and Risk Report; therefore, no further details are provided here.

2.3. Monitoring – Due Diligence

Regular reports with information on the relevant non-financial performance indicators are submitted to the Bank's Board of Management by key organisational units – namely the Corporate Strategy, Compliance, HR and Internal Audit divisions. The selected reports and performance indicators are listed in Section 3 under the individual sustainability aspects.

2.4. Participation of Stakeholders

Berlin Hyp makes use of its established formats for discussions with key stakeholder groups in society in order to identify and implement their sustainability requirements. Specifically, these are customers, employees, society, competitors and owners.

Communication with stakeholders is a part of daily business activities – for example, in the form of conversations with customers, employee surveys and our activities in business association committees. In view of the ongoing COVID-19 pandemic, most of the dialogues in the first half of 2022 were conducted through digital means.

In 2021, Berlin Hyp used a stakeholder survey within the framework of its materiality analysis (Section 1.2. Materiality) in order to re-evaluate material sustainability issues.

- Above all, **owners and customers require** a profitable business model and responsible business operations, including respect for human rights, future-oriented customer relations and the establishment of loyalty and trust. Reports on these requirements are provided as part of this statement – to the extent required by law – primarily under the following aspects/issues: 3.2. Social Concerns, 3.3. Fight Against Corruption and Bribery, 3.4. Environmental Concerns and 3.5. Respect for Human Rights.

- **Employees** require a profitable business model, responsible business operations, an attractive employer and the establishment of loyalty and trust. Reports on these requirements are provided as part of this statement – to the extent required by law – primarily under the following aspect: 3.1. Employee Concerns and 3.5. Respect for Human Rights.

- From the **company's** perspective, a profitable business model, responsible business operations and the establishment of loyalty and trust are particularly relevant. Reports on these requirements are provided as part of this statement – to the extent required by law – primarily under the following aspects/issues: 3.2. Social Concerns, 3.3. Fight Against Corruption and Bribery and 3.5. Respect for Human Rights.

- For **competitors**, loyalty and trust are relevant. Reports on this requirement are provided as part of this statement – to the extent required by law – primarily under the following issue: 3.3. Fight Against Corruption and Bribery

3. Sustainability Aspects

3.1 Arbeitnehmerbelange

The basis for these employee concerns is the human resources strategy, which supports Berlin Hyp's corporate strategy and, together with the relevant guidelines and processes, covers the internal framework for the individual aspects listed below under Sections 3.1.1 to 3.1.3.

The objective is to offer employees a long-term, attractive workplace with a certain degree of autonomy and development potential. In terms of staffing, the aim is to attract employees with the right mindset for actively shaping values and corporate culture, in addition to their qualifications. Our selection methods are valid, fair and objective. The HR department is responsible for systematic human resource planning. In order to keep the

planning up to date and realistic, megatrends (e.g. digitalisation/automation, ageing society, knowledge culture, individualisation), developments in new and established business areas and regulatory requirements are taken into account.

HR requirements are met using internal and external resources. Open positions are advertised internally in order to afford qualified employees the opportunity for personal development. By employing trainees, full-time students, dual students and interns, we ensure that we continue to gain young talent. In addition to the trainee program, Berlin Hyp also hires new graduates.

Taking into account the Bank's existing staffing levels, the overall availability risk for vacant positions is considered to be increasing but still moderate on the whole. The issues of "active sourcing" and "onboarding" were integrated into the strategy in 2021. In the first half of 2022, the targeted search and proactive contacting of suitable persons was prepared and technically implemented in a career network. Further measures will follow in the next few years.

The management culture at Berlin Hyp aims to set itself apart by valuing its employees, helping them set and achieve goals, in addition to providing long-term security and a high degree of decision-making autonomy and self-determination. The managers play a special role in the implementation of the corporate mission statement and contribute to the support of the employees in their development throughout their individual career and life phases. To support the leadership role, we implemented a regular 270-degree feedback. It supports the managers in self-reflecting on their own role and identifies the development need of the managers on the basis of feedback from superiors, employees and peers. The development measures from the 270-degree feedback of 2021 were implemented in the reporting period and the tool itself was evaluated.

Digitalisation and automation are changing working conditions in a very tangible way. New working environments and mobile technical equipment help to relieve the burden on employees in their day-to-day work and give them greater flexibility. This is has been a success factor for Berlin Hyp, particularly during the COVID-19 pandemic. If contact restrictions and physical distancing rules are imposed, employees can use digital or hybrid forms of communication and collaboration at any time. Employees have the capability to work remotely in order to reduce the risk of a COVID-19 infection.

In addition, the following measures were implemented or extended throughout the reporting period for the protection of employees at all locations, along with the national and regional legal regulations and ordinances (e.g. Infection Protection Act, Coronavirus Occupational Health and Safety Regulation):

- → Hygiene concept in the Bank/FAQ for the implementation of the relevant regulations
- → Including attendance rules
- → Including information links to key publications, such as the RKI
- → Free face masks and instructions for use
- → Testing and/or the disbursement of self-tests and the opportunity to get vaccinated during working hours

HR reporting is prepared on a semi-annual basis and provides a detailed overview of key performance indicators on employee concerns. Required measures are being introduced in order to change these key performance indicators.

3.1.1. Employee Rights
The employees at Berlin Hyp work almost exclusively in Germany and are therefore subject to the German regulations on labour law, operational co-determination and the right to freedom of association, in addition to the EU regulations. Furthermore, employees covered by a collective agreement also enjoy the immediate protection of the collective agreement provisions, since Berlin Hyp is a member of the collective agreement employers' association.

Through a series of agreements with the Works Council and the Executive Staff committee, Berlin Hyp has regulated important matters concerning employee rights beyond the statutory requirements, including the company rules, company retirement pensions and mobile working. The two employee representatives have the right to monitor the implementation of the agreed measures.

Occupational health and safety and health protection are also organised in accordance with the legal requirements or regulated in works agreements. On behalf of Berlin Hyp's Board of Management, the responsible departments do not negotiate these issues directly with trade unions, but with the Works Council or the Executive Staff committee for senior employees in accordance with the legal requirements. In addition, overarching issues of occupational safety and health protection can become the subject of collective agreements between the collective bargaining associations.

3.1.2. Equal Opportunities
Berlin Hyp firmly believes that diversity creates advantages out of opposites. In the interest of the Bank's long-term success, it considers the similarities and differences of its employees to be enriching and values each and every one of them. This position was integrated into the Berlin Hyp competence model through competencies such as "Appreciative Leadership" and reinforced by the signing of the Diversity Charter. Berlin Hyp's Code of Conduct provides employees and business partners with a clear guide for their daily actions in this regard. Since 2021, Berlin Hyp has issued an Equal Opportunities Policy that applies equally to all employees in terms of its principles and the duty to promote diversity. The aim of the Equal Opportunities Policy is to foster an open corporate culture free of prejudice that allows employees develop their potential in the interests of the Bank's long-term success and contribute their individual talents.

Berlin Hyp is striving to integrate the equal consideration of all sexes for management positions to an even greater extent into the corporate culture (for the targets for female executives see the Management Report "VI Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB)").

This is supported by the following measures:

- → In contracts and HR consultancy: contract clause that is to promote the inclusion and identification of female applicants in the recruitment process
- → The appointment of at least one woman to a wide variety of selection and observer committees

- → Explicit inclusion of the subject of equal opportunities by the HR department when advising managers on HR matters (such as staffing)
- → The application management tool, which can systematically record and analyse the involvement of female applicants in every recruitment process of Berlin Hyp

The proportion of female managers is stable on a high level. A significant increase could not yet be managed, the reason being among others the absolutely low number of managers in connection with a low fluctuation in management positions. Fulfilling the performance indicator (33 per cent on the first and second management level below the Board of Management) by 30 June 2025 is therefore considered to be ambitious but realistic.

It goes without saying that we are absolutely committed to the principle of equal pay for men and women who do the same work. As a member company of the Employers' Association for the Private Banking Industry that is bound by collective agreements, Berlin Hyp applies the collective agreements for the private banking industry and public banks. In addition, Berlin Hyp implemented a remuneration system based on performance, success and market needs for all staff not employed under these agreements. For such staff, this means that their remuneration is also determined on the basis of objectively weighted assessment criteria. Both of these remuneration regulations ensure fair, transparent and non-discriminatory remuneration. More information is available on the website at https://www.berlinhyp.de/de/nachhaltigkeit/unternehmensfuehrung and in the 2021 GRI report published in the second quarter of 2022.

Berlin Hyp actively encourages a healthy work-life balance, and therefore equal opportunities through flexible working time, workplace models and other measures. Trust-based working hours in conjunction with mobile working supports the employees to balance their work for Berlin Hyp with their personal and family activities. The employees can apply for capacity changes in their employment relationship at all times using a fixed process (workflow). An external advisory service, including work-life service, is provided for employees and their relatives in case of individual difficulties and problems. We are not aware of any cases of discrimination for the reporting period.

3.1.3. Training

The aim of human resources development is to support the employees of Berlin Hyp in their personal and professional development. This also includes training, continuing and further education and career planning, Training sessions are planned, organised and executed in a structured process where the banking divisions are involved. with a special focus on the constant changes in the underlying internal and external conditions.

Digitalisation and automation have led to changes in employee skill requirements at Berlin Hyp, which are supported at all times by a variety of in-house measures and external continuing education opportunities. To ensure the long-term professional development of the workforce, there has been an increased emphasis on context-related and ad hoc learning directly linked to specific work and change processes. Learning behaviour has shifted toward a higher proportion of virtual learning formats, “learning nuggets” within shorter time frames and the autonomous use of various platforms and formats. Within the learning context, employees are responsible for pursuing the autonomous development of their skills and actively sharing their knowledge; managers are responsible for actively supporting this process, presenting development perspectives and providing continuous feedback on behaviour and performance; the HR department is responsible for creating modern, need-based, value-adding learning formats and framework conditions for the professional development of employees and managers.

The “Berlin Hyp Learning World” was introduced in 2021 for all employees and can be used at all times. It is the framework for the training and development opportunities continually developed and offered by the Bank in terms of agility, digital competence, ESG, expertise, leadership and organisation, legal and regulatory training, health, networking, onboarding, language learning and cooperation.

The Bank has allocated an average of 3.5 training days per employee as the target. From 1 January to 30 June 2022, the employees spent an average of 2.0 days (full year as of 31.12.2021: 3.3) on further and advanced training. One effect of the COVID-19 pandemic was the continued replacement of physical meetings with virtual events, which were condensed.

This actual figure is still on target – calculated for the half year. With a variety of tailor-made in-house measures and selected external training opportunities, Berlin Hyp considers the qualification risk to be low.

3.2. Social Concerns
Based in Berlin, Berlin Hyp contributes in particular to economic and social well-being in the State of Berlin. The Bank's social commitment (corporate citizenship) aims at establishing an appropriate foothold in the region. Berlin Hyp's corporate citizenship activities focus on supporting socially disadvantaged children and young people, as well as providing support for recreational sports. This is a contribution to ensuring that socially disadvantaged children and young people can grow up in an environment that provides them with the physical and material security they need to realise their full potential. Also, this is to encourage our employees to take their health into their own hands by participating in sports and athletic activities in order to increase their awareness of the importance of health and physical well-being. Guided by the principle of establishing long-term relationships based on trust with the charitable institutions we support, Berlin Hyp focuses its activities on Kinderhaus Berlin-Mark Brandenburg e. V. and Betriebssportgemeinschaft (company sports club). Berlin Hyp financially supports Kinderhaus Berlin-Mark Brandenburg e. V. financially on a regular basis; in addition thereto, some employees support these children by continuing the German tradition of giving them a goodie bag for their first day of school, or assisting with the initial furnishing for their own home. The company sports club is financially supported on a regular basis. More information is available on the website at https://www.berlinhyp.de/de/nachhaltigkeit/soziales and in the 2021 GRI report published in the second quarter of 2022.

Berlin Hyp also aims to establish long-term relationships based on trust with its employees and would like to make sure they feel safe and secure with regard to future digitalisation and automation processes. Responsible design of the digitalisation of processes therefore focuses on a positive development of business operations with new technological opportunities that help to relieve the burden on employees in their day-to-day work, e.g. recurring manual data entry.

Customer Relationship Management follows the principle: "We create lasting value for our customers and for our owners and ensure that our standards are in line with their expectations." In compliance with the principle of good governance, Berlin Hyp commits to only offering ethically acceptable products and services and to providing its customers with responsible and forward-thinking advice that meets their needs and clearly describes the respective advantages and risks. More information is available in the "Guidelines for responsible behaviour towards customers" at https://www.berlinhyp.de/de/nachhaltigkeit/richtlinien.

Berlin Hyp also meets the social requirements for its own investments in accordance with its own provisions. It has established ethical investment criteria based on the ten principles of the Global Compact, other internationally recognised sustainability standards and the Bank's compliance requirements. The risk filter from RepRisk AG that Berlin Hyp has been using for its own investments is based on these criteria. It is applied to the Bank's own investment business with the aim of giving equal consideration to the sustainable aspects of investing and the economic objectives of investing in securities. The analysis of Portfolio A and future investment decisions are based on the online database of RepRisk AG for the risk exposure of companies, projects, sectors and countries with regard to ESG issues. RepRisk AG assesses risks related to the destruction of the environment, human rights violations, child labour, forced labour, fraud and corruption that can negatively affect an organisation's reputation and financial profitability or lead to compliance issues. If the review of Portfolio A reveals violations of the filter criteria, Treasury consults with the Credit division on the actions to be taken. The two divisions discussed the anomalies occurred in the first half of 2022.

In 2021, Berlin Hyp began the review and concept development for the extended impact measurement of the financed real estate portfolio with regard to social criteria. The focus was initially on the residential asset class and the topic "affordable housing", resulting in the publication of the Social Bond Framework in the reporting period. Furthermore, the internal and external guidelines were reviewed against the minimum social safeguards of the EU taxonomy for all relevant financing activities (currently in Green Loans), and are now applied accordingly to financing applications. The minimum social safeguards became part of the Green Bond Framework in the reporting period, with the inclusion of the EU taxonomy criteria for environmental target 1, and accordingly in the Sustainable Framework. Additional topics will be reviewed within the framework of the current ESG implementation roadmap on an ongoing basis.

Berlin Hyp collects, processes and uses the personal data of employees, customers and business partners. They are used in the general business operations and allow customers to receive advice and support according to their needs. This personal data may only be handled with care, in compliance with the law and in accordance with unambiguous rules, in order to demonstrate that the Bank is worthy of the trust placed in it by its customers. We are therefore vigilant as to who receives which information, both within the Bank and with our customers and business partners. Customer data may only be shared with third parties with the customers' consent or if there is a legal admissibility and/or legal obligation to do so. The processes through which the General Data Protection Regulation and other data protection regulations are implemented at Berlin Hyp are defined and described in the internal directives. Data protection for the Bank is monitored by the Data Protection Officer, who acts on behalf of the Board of Management and is not subject to directives when performing assigned tasks. The Data Protection Officer works toward compliance with data protection and monitors and coordinates the data protection measures. All Berlin Hyp employees regularly complete a web-based data protection training course. The Data Protection Officer reports yearly, or on an ad-hoc basis whenever necessary, to the management with an update on data protection within the company.

3.3. Fight Against Corruption and Bribery

In order to ensure success in the markets, one of the Bank's main objectives is to maintain and build the trust of its customers, employees, owners and regulators.

The reputation of the Bank is therefore a high priority. This also includes conduct that supports the interests of customers and the avoidance of conflicts of interest. This is why Berlin Hyp has created a comprehensive compliance organisation whose principles are summarised in a code of conduct and in numerous internal work procedures and monitored by the Compliance Department under the direction of the Compliance Officer. Furthermore, the relevant sanctions lists are compared with the entire customer base, and a similarity of names is sufficient for the Anti-Money Laundering Officer to initiate an investigation. The same applies to any and all payment transactions. This safeguards the Bank from doing business with sanctioned persons (e.g. from Russia) or with persons from sanctioned countries. Performance indicators reviewed include but are not limited to fines, non-monetary penalties for non-compliance with laws and regulations, cases of corruption or training sessions on compliance basics and fraud prevention.

Within the framework of its business model, Berlin Hyp generates interest and commission income. The Bank is a full subsidiary of Landesbank Berlin Holding, with which it constitutes a tax unity for sales and income tax purposes. No significant tax payments fall due in the individual regions, as Berlin Hyp is part of Landesbank Berlin Holding and a profit transfer agreement is in place. For further information, please refer to the GRI report 2021.
Since 1 July 2022, the Landesbank Baden-Württemberg Group has owned 100 per cent of Berlin Hyp. A control agreement has been in place between Berlin Hyp and Landesbank Baden-Württemberg since 1 July 2022, with which it constitutes a tax unity for sales tax purposes.

Berlin Hyp has set itself the goal of preventing any attempts to commit fraud or corrupt behaviour. The organisation and selected measures to fight corruption and bribery with the involvement of management are described in more detail in the following sub-aspects.

3.3.1. Political Influence

Berlin Hyp does not exert any political influence. In the reporting period, no submissions were made to legislative procedures, nor were any entries made on a lobby list. Donations to political parties or politicians are prohibited at Berlin Hyp in accordance with the Corporate Citizenship policy. Berlin Hyp contributes to the public debate on industry-related developments through its involvement in associations and industry institutions, which in turn must act within the framework of their statutes and submit to monitoring by their governing bodies.

3.3.2. Conduct in Compliance with Laws and Directives

The benchmark for our actions is compliance with the law, with professional standards and internal regulations, provisions and guidelines. Employees are required to respect and comply with the laws and regulations that apply in the respective jurisdictions in which the Bank operates. Employees are trained and/or instructed on compliance with legal standards and internal regulations. At the end of 2021 and the beginning of 2022, all employees and members of the Board of Management participated in the web-based training sessions “Compliance basics” and “Fraud prevention”.

Berlin Hyp’s Code of Conduct was revised in 2021. It has also included an external whistleblowing hotline since 2019.

No cases of corruption at Berlin Hyp were reported in the reporting period. The Compliance Department regularly updates the management on the Bank’s compliance management. In addition, ad hoc information is provided on a case-by-case basis in the event of serious violations of compliance regulations. The proper implementation of internal requirements is also reviewed according to schedule – and on an ad hoc basis where necessary – by the Internal Audit division, which reports directly to the Board of Management. There were no anomalies in this regard for the reporting period.

No fines were imposed on Berlin Hyp in the reporting period. In addition, no non-monetary penalties were imposed on the Bank for non-compliance with laws and regulations.

3.4. Environmental Concerns

Environmental protection is always an important consideration at Berlin Hyp. By financing commercial real estate, the Bank has an indirect influence on the environmental factors of the properties it finances. As early as 2020, the environmental target was defined, based on the overall bank strategy for the sustainable development of the business portfolio, to reduce the carbon footprint of the entire loans portfolio by 40 per cent by 2030 as compared to the base year of 2020. In order to achieve this goal, Berlin Hyp plans to increase the share of energy-efficient real estate properties in its portfolio. Certified green buildings are to account for at least one-third of our loans portfolio by 2025. The progress on the defined ESG targets is reported to the management in the quarterly ESG management report. Where required, countermeasures are taken in case of target deviations.

Moreover, all employees were trained on the topic of ESG in two mandatory training sessions in the reporting period. The relevant performance indicators are the issue volume of Green Bonds, the share of green buildings and the CO_2 intensity of the entire loan portfolio, which is also used as the metrics for the Sustainability-Linked Bond. These indicators are described in more detail below.

In the 2021 financial year, the CO_2 intensity of the business portfolio was reduced by as much as 7.6 per cent, thus exceeding expectations. On the one hand, the analysis is based on the recorded energy performance certificate data (EPC data) from the Bank’s loan system (as of the end of 2021, 26.1 per cent of the financed area and/or 35 per cent of the nominal loan volume) and on the other hand on the approximate values for those cases where the Bank did not yet have any EPC data available. These approximate values were developed together with an external consultant and are based on the type of building and the year of construction and/or the year of the most recent refurbishment. Berlin Hyp has committed to increasing the share of recorded EPC data in its loan system. Therefore, the Bank will update the approximate value with the correct energy value as soon as a new energy performance certificate is available for an existing building. This will mean that the baseline value of the total carbon footprint (in the reference year 2020) will be adjusted at a later time, in order to avoid improvements that are simply due to an increased level of transparency. More information is available in the Sustainability-Linked Bond Framework at https://www.berlinhyp.de/de/investoren/sustainability-linked-bonds.

Furthermore, a total of 27 per cent of all financing by Berlin Hyp as of the end of the 2021 financial year was classified as green building financing. As of the end of the reporting period, the ratio of green building financing increased to approximately 29 per cent. The change in CO_2 intensity in the business portfolio in the 2022 reporting period cannot be evaluated as of the reporting date 30 June 2022 due to the fact that the analysis is carried out on an annual basis.

Financial institutions have a key role to play in the transformation of business and industry. More specifically, such institutions are the entities that finance the investments that companies and governments need to make. Accordingly, Berlin Hyp seeks to play a major role in efforts to expand the integration of sustainability criteria into real estate financing and investment, including with regard to existing properties, by adding a transformation loan to its Green Loans product range. The Sustainable Finance Framework published in 2022 creates an overarching approach for all of Berlin Hyp's Green Loans to classify its sustainable financing products on a holistic scale. For more information, please refer to Section 1.1. Strategic Analysis and Measures.

On the refinancing side, Berlin Hyp was the first commercial bank in the world to issue a Sustainability-Linked Bond (SLB) in April 2021. Unlike Green Bonds, the interest rate on the bond is linked to one of the Bank's sustainability objectives: If Berlin Hyp fails to meet its defined climate protection goal of reducing the Co_2 intensity of its entire loan portfolio by 40 per cent between 2020 and 2030, the coupon will increase by 25 basis points in the final year. The Bank's goal is defined in line with the overarching objective of the Paris Agreement to reduce global warming to less than two degrees Celsius; through its annual reporting, the Bank increases transparency on the climate impact of the financed properties. The latest reporting and its external reverification are published at www.berlinhyp.de/de/investoren/sustainability-linked-bonds.

In the reporting period, Berlin Hyp published its revised Green Bond Framework in January 2022. It integrates the requirements of the EU taxonomy for buildings and construction activities with regard to their primary environmental target of climate protection. These new criteria for eligible green assets have been initially added to the requirements that have been established for years, which mainly target the energy efficiency of the financed buildings. After the end of 2025, only those loans that fully comply with the EU taxonomy will be classified as green under the Green Bond Framework. To achieve this, Berlin Hyp has defined a development path in which the minimum share of new lending for buildings/construction activities in line with the EU taxonomy is gradually increased from 5 per cent in 2022 to 100 per cent in 2026 for all new lending in eligible green assets. Within this new framework, the Bank placed a euro-denominated green senior preferred bond issue in benchmark format on the capital market in January 2022. Furthermore, the Bank strengthened its position on the Swiss capital market by issuing a green senior preferred bond in Swiss francs. Therefore, Berlin Hyp had a total of 16 outstanding Green Bonds at the end of the year with a volume €6.1 billion. (see https://www.berlinhyp.de/en/investors/green-bonds).

Berlin Hyp's 2021 impact report in cooperation with Drees & Sommer presents the results and methodology for estimating the amount of CO_2 emissions saved by the financed green buildings. Based on the analysis, it was calculated that depending on the model applied, for every million euros of nominal value of the Green Bonds, between 7.86t and 15.17t of CO_2 are saved per year compared to the applied benchmarks and depending on the applied model (see https://www.berlinhyp.de/en/investors/green-bonds).

2021 CO_2 reduction in t/€m/year	**Fully assigned to the category of "Berlin Hyp financing activity"**	**Partially assigned by amount to the category of "Initial participation of Berlin Hyp in the financing activity"**
Comparison with current Energy Savings Regulation (EnEV) reference values (heat and electricity)	15.17 (previous year: 26.60)	7.86 (previous year: 14.52)
Comparison with the European average (heat only)	20.23 (previous year: 23.56)	10.56 (previous year: 12.92)

The CO_2 savings in 2021 per invested million euros related to financed green buildings decreased in comparison to the previous year. This is mainly due to the reduction of the now lower conversion factors for electricity and district heating. In addition, the average energy requirement in both the portfolio and the benchmarks have fallen. The CO_2 emissions resulting from the green buildings portfolio declined to 108,500t of CO_2 (previous year: 116,016t of CO_2). The latest reporting and reverification (external plausibility check) by ISS ESG are published at www.berlinhyp.de/de/investoren/green-bonds.

The CO_2 intensity of the entire loan portfolio was also reduced by 7.6 per cent to 34.3kg of CO_2/m^2 in 2021. Approximately 18 per cent of the reduction is attributable to the improvement of the energy-saving quality of the buildings in the loan portfolio. At approximately 82 per cent, the reduction is attributable to the improvement of the conversion factors for the most part. More information is available in the Sustainability-Linked Bond report 2021 (see https://www.berlinhyp.de/de/investoren/sustainability-linked-bonds).

Resource conservation criteria and biodiversity protection are important considerations for Berlin Hyp when selecting financing projects. For real estate financing purposes, Berlin Hyp also considers whether the customer in question has sufficient knowledge of, and experience with, legal requirements relating to planning, construction, environmental protection and nature conservation when making its decision on the review of the building permit and of the register of contaminated sites, public easements and listed buildings. Regarding real estate valuation, Berlin Hyp also takes into account certificates issued by generally recognised certification systems such as LEED, BREEAM, HQE and DGNB that assess the sustainability of real estate properties, provided these can have a positive effect on the long-term yield and value of the property or transaction in question. The same applies to special measures implemented to improve the sustainability performance of a property – e.g. the use of green leases. As a matter of principle, Berlin Hyp does not finance real estate projects in areas deserving of particular protection. Berlin Hyp defines such areas as those that are listed by name in the following registers: Ramsar List of Wetlands of International Importance, UNESCO World Heritage List as part of the UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage and UNESCO Biosphere Reserves List as part of the UNESCO Man and the Biosphere (MAB) Programme.

Berlin Hyp is also pursuing an operational ecology approach as it seeks to increase awareness of the importance of environmental protection and take advantage of the opportunities that result from such heightened awareness.

Berlin Hyp is building a new corporate headquarters at the Bank's long-standing location at Budapester Strasse 1 in Berlin Tiergarten. The new headquarters will bring all employees in Berlin, who up to now have been separated into two different buildings, together into a single building. Up to now, they were divided into two separate buildings. The new headquarters will enable the Bank to reduce its energy consumption by over 50 per cent in comparison to the old building, in addition to this, operating costs will decrease significantly. The architecture of the new building will reduce CO_3 emissions with its special design of outdoor areas and open spaces. To give an example, this reduction will be made possible by installing photovoltaic systems on the entire façade and on part of the roof. When demolishing the old building, Berlin Hyp will take care to recycle and dispose of the materials in an environmentally friendly manner. The majority of small office furniture, materials and equipment from the building that are no longer needed have been donated or auctioned off and were therefore put to further use. The environmental management system is firmly embedded throughout the Bank's demolition and new construction project. The Bank is seeking to achieve certification for the new corporate headquarters according to the very high standard set by the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen - DGNB). Berlin Hyp achieved an overall performance rating of 82.9 per cent in the platinum pre-certification process in October 2021. The bank will receive the final certificate after the construction process has been completed. Berlin Hyp's project received very high performance ratings especially in the categories of Process Quality, Location Quality and Sociocultural, Functional and Ecological Quality. With its Madaster membership, Berlin Hyp is also supporting transparency about the materials used in its new building, thereby creating the necessary conditions for its materials to be reused in the future. At the same time, this accelerates the move towards buildings that can be recycled. For further information on the Madaster network, please refer to Section 1.4. Depth of the Value Chain.

3.5. Respect for Human Rights
Berlin Hyp is committed to the respect of human rights in all activities of its business. The Bank joined the UN Global Compact in 2015 as a way to communicate this both internally and externally. The following two principles of the UN Global Compact are specifically applied by Berlin Hyp in the context of human rights:

- → Businesses should support and respect the protection of internationally proclaimed human rights.
- → Businesses should make sure that they are not complicit in human rights abuses.

To implement these principles, Berlin Hyp has adopted several guidelines, such as the Code of Conduct and the Equal Opportunities Policy. We also expect our material contractors and suppliers, regardless of their size, sector or work, to act in accordance with the principles of the UN Global Compact and human rights, in particular:

- → Abolition of child labour
- → Free choice of employment
- → Freedom of association
- → Prohibition of discrimination

Berlin Hyp's Purchasing department can review contractors and suppliers through random audits or questionnaires on an ongoing basis. This may be done at any time and without notice under the applicable laws. They check whether basic sustainability structures are in place, principles are observed and the information provided in the questionnaire is accurate.

Material violations of the principles and requirements internally at the company or in the upstream supply chain must be reported without request and without delay. In the event of violations, employees of suppliers can contact the Compliance Officer directly via Berlin Hyp's Whistleblower System. Berlin Hyp reserves the right to agree on a partnership-based action plan or to terminate a contractual relationship in the event of violations. The progress of the action plan can be monitored without notification. Violations of the Code of Conduct must be resolved as part of an action plan. If violations of the criteria continue to occur, this may lead to termination of the contractual relationship. In the reporting period until June 2022, six questionnaires distributed at random were answered. Berlin Hyp did not become aware of any violation of the criteria. As such, no contractual relations were terminated in the reporting period due to violations of the Code of Conduct.

The management is involved in the adoption of guidelines in the governance of the Bank.

4. Reporting Requirements for the First Half of 2022 According to the EU Taxonomy Regulation

4.1. Background
The EU Taxonomy Regulation (Regulation (EU) 2020/852 – Taxonomy Regulation) was published in the Official Journal of the European Union on 22 June 2020. The EU Taxonomy Regulation and the associated delegated regulations and annexes introduced a classification system for ecologically sustainable economic activities. In particular, the regulation provides uniform criteria to determine whether an economic activity in the European Union can be classified as environmentally sustainable.

This classification is generally viewed as necessary for the broad integration of sustainability into the financial sector and the real economy. One of the objectives of the regulation is to ensure that the criteria for environmentally sustainable economic activities are clear and uniform (similar to a minimum standard as in the EC Eco Regulation (EC) No 834/2007 for organic products). The aim of the taxonomy is to measure the degree of environmental sustainability of economic activities and therefore of individual investments, corporate activities and entire real and financial enterprises. The overall objective is to achieve transparency and comparability. Capital flows should move more easily into environmentally sustainable economic activities and help investors (institutional and private investors, banks, etc.) in their investment decisions.

The EU Taxonomy Regulation sets environmental targets. These are as follows:

1. Climate change mitigation
2. Adjustment to climate change
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy

5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Therefore, an economic activity is deemed to be taxonomy-compliant if a material contribution is made to at least one of the six environmental targets listed above, taking into account the Do No Significant Harm (DNSH) criteria, and if the minimum requirement regarding social matters and human rights are met.

4.2. Bericht zu den sieben gesetzlich verpflichtenden Kennzahlen (KPIs)
According to the EU Taxonomy Regulation, institutions subject to the non-financial reporting directive (NFRD)[8], including Berlin Hyp, are requested to report the percentage of their activities that are taxonomy-eligible with the environmental targets 1 and 2 and other quotients for certain assets within the non-financial statement for the reporting years 2021 and 2022. In order to determine these KPIs, the FAQs published by the EU Commission on 21 December 2021 and 2 February 2022 were taken into account.

Berlin Hyp fulfils its obligations according to Article 10 (2) of the Delegated Act on Article 8 (1) of the EU Taxonomy Regulation for financial institutions with regard to key performance indicators and qualitative information to be reported in 2022, as addressed below. The key performance indicators in the table were calculated based on the financial reporting (FINREP) in accordance with banking supervision law as of the reporting date 30/06/2022 and as such are part of the taxonomy disclosure requirements. Furthermore, the voluntary disclosures (see Section 6) contain an adjusted KPI for the share of taxonomy-eligible assets on the basis of Berlin Hyp's interpretation criteria, which takes into account the peculiarities of commercial real estate financing.

As the legal requirements are not entirely clear on the calculation method for the KPIs to be disclosed, banks will have to continue to interpret them. In the context of the takeover of Berlin Hyp by Landesbank Baden-Württemberg (LBBW) effective on 1 July 2022, the calculation method was anticipatorily adjusted to LBBW's method in order to be able to warrant a uniform procedure for 2022 as a whole. In order to ensure continuity in time and comparability of data, the ratios as of 31 December 2021 were also determined on the basis of LBBW's harmonised method and reported for comparison purposes.

The following table contains the KPIs to be reported (Article 10 (2) of the Delegated Regulation and Article 8 of the EU Taxonomy Regulation) for Berlin Hyp as of the reporting date 30 June 2022 and as of 31 December 2021 for information purposes, as a share in the total assets:

Key performance indicator (KPI)	Description of the key performance indicator	Share in the total assets as of 30.06.2022	Share in the total assets as of 31.12.2021[9]
1	Share of taxonomy-eligible assets	15.10 %	13.20 %
2	Share of non-taxonomy-eligible assets	8.66 %	9.25 %
3	Share of risk positions relative to countries, central banks, supranational issuers	17.73 %	16.86 %
4	Share of derivatives	0.47 %	0.56 %
5	Share of risk positions relative to companies not subject to the NFRD	57.00 %	59.25 %
6	Share of the trading portfolio	0.00 %[10]	0.00 %[6]
7	Share of short-term interbank loans	0.00 %[11]	0.02 %

4.3. Qualitative Information

4.3.1. Background information to support the quantitative indicators, including the scope of the assets and activities recorded for each KPI

This section will explain how the KPIs were derived. The challenges in determining KPIs are considerable, taking into account

- → the final interpretation of the taxonomy,
- → the specifications for the calculation of the KPIs,
- → data availability and analysis and selection of the data sets,
- → the interpretation of results,
- → compliance with Berlin Hyp's own transparency standards by its clearly defined core business of commercial real estate financing at the same time.

The (gross) book values from the FINREP reporting forms as of the reporting date 30 June 2022 were used as the basis to determine the shares. The total assets are the reference value (denominator) for all KPIs.

KPIs 1, 2 and 5

KPIs 1 and 2 relate exclusively to the first two environmental objectives (climate change mitigation and climate change adaptation) of the EU Taxonomy Regulation.

In order to determine the KPIs 1 and 2 to be reported in accordance with EU taxonomy, we proceeded as follows:

The taxonomy-relevant volume was determined, i.e. the share in the business volume that will be subject to a review of taxonomy conformity starting in the 2023 reporting year. The evaluation of the taxonomy eligibility of risk positions generally depends on the product type (debentures, lending and loans, equity instruments and/or investments), the intended purpose and the type of debtors, whereas the following customer groups are classified:

- → Banking institutions
- → Other financial companies
- → Non-financial companies
- → Private households
- → Government sector

Risk positions relative to companies (banking institutions, other financial and non-financial companies) were only classified as taxonomy-eligible if the counterparties themselves were subject to non-financial reporting (NFRD reporting requirement). Among Berlin Hyp's financing activities, lending and loans to other financial companies are an exception. These were classified as taxonomy-eligible irrespective of the counterparty's NFRD reporting requirement, since they are risk positions relative to real estate funds, which can be checked for taxonomy eligibility according to

[8] Companies for which the non-financial statement is mandatory in accordance with Directive 2013/34/EU (Non-Financial Reporting Directive).

[9] The shares as of 31 December 2021 shown in the table were determined on the basis of the calculation method adjusted to LBBW and therefore deviate from the shares published in the non-financial statement as of 31 December 2021. The main difference is the calculation of the share of non-taxonomy-eligible assets (KPI 2 or 1b in the last non-financial statement as of 31 December 2021) and the share of risk positions relative to companies subject to the NFRD (KPI 5 or 4 in the last non-financial statement as of 31 December 2021).

The deviations of KPI 2 are based on the fact that the share of non-taxonomy-eligible activities in the last non-financial statement as of 31 December 2021 was determined by subtracting the share of the taxonomy-eligible assets already calculated. The deviation of KPI 5 is attributable to a higher transparency following an internal data recording at a later time when determining companies subject to the NFRD. The following shares were reported in the non-financial statement as of 31 December 2021:

Key performance indicator	Description of the key performance indicator	Shares in the non-financial statement as of 31 December 2021
1a	Share of taxonomy-eligible assets	13%
1b	Share of non-taxonomy-eligible assets	70%
2	Share of risk positions relative to countries, central banks, supranational issuers	17%
3	Share of derivatives	0.6%
4	Share of risk positions relative to companies not subject to the NFRD	3.5%
5	Share of the trading portfolio and short-term interbank loans	0.1%
7	Anteil der kurzfristigen Interbankenkredite	0,00 %

[10] Berlin Hyp does not have a trading portfolio.
[11] The share of short-term interbank loans in the balance sheet total is 0.002 per cent as of 30 June 2022.

the directives from question 13 of the FAQs on Article 8, published on 20 December 2021. Furthermore, risk positions relative to private households and local authorities as sub-positions of the government sector are to be included in the check for taxonomy eligibility.

For the KPIs 1, 2 and 5, a cascading with the following selection criteria was applied on the basis of Directive 2013/34/EU for the identification of companies not subject to the NFRD:

1. Allocation of the host country to the 27 EU member states,
2. Identification as small and medium-sized enterprise (SME) in accordance with FINREP,
3. Key business figures (number of employees, turnover and balance sheet total),
4. Type of company (for further information, please refer to the more detailed description regarding KPI 5).

Should the host country of the counterparty not be an EU member state, a classification as a SME has been carried out or a classification as not subject to the NFRD was derived, taking into account available key company figures, the relevant party was classified as not subject to the NFRD. Therefore, it became clear that a significant share of borrowers in our real estate financing portfolio are not subject to the NFRD in accordance with applicable definitions. The corresponding exposure was included in KPI 5. Owing to the fine-tuning of the internal selection system in conjunction with the progress made in master data care, we were able to notably improve the review of the NFRD reporting obligation for companies in the reporting period despite the fact that some information was still missing.

The remaining volume was allocated to the taxonomy-relevant volume and then checked for taxonomy eligibility and allocated to KPI 1 or 2. The volume identified applying the selection criteria mostly comprises risk positions without directly allocable economic activities (intended purpose). Therefore, these positions were recognised in the amount of the available percentage of the activities that are taxonomy-eligible published by the companies as of the reporting date 31 December 2021 for the first time, and included in KPI 1.

The presented calculation procedure also refers to the disclosures as of the reporting date 31 December 2021, except that risk positions relative to companies subject to the NFRD were weighted with a taxonomy eligibility of 0 per cent and included in KPI 2 in their entirety, as the information was not available at the time the report was prepared for the 2021 financial year.

→ **KPI 1 – Share of taxonomy-eligible assets**
The following risk positions were included in the calculation of the share of taxonomy-eligible assets:

Risk positions	Consideration	FINREP reporting form
Lending and loans	Numerator	F 4.10, F 18.00
Debentures	Numerator	F 4.10
Participations	Numerator	F 1.01
Total assets (balance sheet total)	Denominator	F 1.01

As of 30 June 2022, the share of taxonomy-eligible assets comprises
- lending and loans to real estate funds,
- real-estate-backed loans to private households,
- the share of taxonomy-eligible assets relative to companies subject to the NFRD, derived from the respective published percentages of the activities that are taxonomy-eligible.

Since the major part of Berlin Hyp's business volume is comprised of mortgage loans and public-sector loans for the financing of real estate, taxonomy eligibility can be derived from the earmarking. The taxonomy eligibility and future compliance of the economic activities financed by mortgage loans and public-sector loans for new construction, renovation of existing buildings and acquisition and ownership of buildings are regulated in Section 7, Construction Industry and Real Estate, Annexes I and II to the Delegated Act on EU Taxonomy. Accordingly, reference is also made in this regard to the voluntary disclosures at the end of this report, which include further details.

→ **KPI 2 – Share of non-taxonomy-eligible assets**
The share of non-taxonomy-eligible assets

in the total assets results from the difference between the taxonomy-relevant business volume (share of assets checked for taxonomy eligibility) and the share of the assets actually classified as taxonomy-eligible (KPI 1 numerator).

→ **KPI 5 – Share of risk positions relative to companies not subject to the NFRD**
The following risk positions were included in the calculation of the share of risk positions relative to companies not subject to the NFRD:

Risk positions	Consideration	FINREP reporting form
Participations	Numerator	F 1.01
Banking institution debentures, other financial and non-financial companies	Numerator	F 4.10
Banking institution lending and loans, other financial and non-financial companies	Numerator	F 4.10
Total assets (balance sheet total)	Denominator	F 1.01

The definition of the EU Non-Financial Reporting Directive (NFRD) was used as the basis for calculating KPI 5, which represents the share of exposures to companies not subject to the NFRD in the total assets:

According to Article 19a/29a in conjunction with Article 2 (1) of Directive 2013/34/EU, the following public interest entities (PIEs) are required to publish a non-financial statement (NFRD entities):

→ A) Capital market-oriented companies
→ (B) CRR banking institutions
→ (C) Insurance companies
→ (D) PIEs according to country-specific definition

Real estate funds were not taken into account in the calculation of the exposure to companies not subject to the NFRD, as they do not carry out operational activities and do not constitute an enterprise. However, Berlin Hyp classified these as taxonomy-eligible and they are thus taken into account in KPI 1, since they are risk positions relative to real estate funds, which can be checked for taxonomy eligibility according to the directives from question 13 of the FAQs on Article 8, published on 20 December 2021.

Determination of KPIs 3, 4, 6 and 7
The risk positions to be included in the numerator of KPIs 3, 4, 6 and 7 do not have to be checked for taxonomy eligibility. As reported below, the disclosures on KPIs 3, 4, 6 and 7 are obtained from the mentioned FINREP reporting forms.

→ **KPI 3 – Share of risk positions relative to countries, central banks, supranational issuers**
The following risk positions from the FINREP reporting forms were used to determine KPI 3:

Risk positions	Consideration	FINREP reporting form
Central bank balances	Numerator	F 1.01
Government sector lending and loans	Numerator	F 4.10
Government sector debentures	Numerator	F 4.10
Banking institution debentures (share of supranational issuers)	Numerator	F 4.10
Total assets (balance sheet total)	Denominator	F 1.01

→ **KPI 4 – Share of derivatives**
The following risk positions from the FINREP reporting forms were used to determine KPI 4:

Risk positions	Consideration	FINREP reporting form
Derivatives	Numerator	F 1.01
Total assets (balance sheet total)	Denominator	F 1.01

→ **KPI 6 – Share of the trading portfolio**
Berlin Hyp does not have a trading portfolio, which is why KPI 6 is recorded at 0.00 per cent.

→ **KPI 7 – Share of short-term interbank loans**
The following assets were included in the calculation of the share of short-term interbank loans:

Assets	Consideration	FINREP reporting form
Sight deposit	Numerator	F 1.01
Total assets (balance sheet total)	Denominator	F 1.01

Interpretation

- **Inclusion in KPI 1 of real estate funds not subject to the NFRD**
  Real estate funds not subject to the NFRD are classified as taxonomy-eligible, since they are risk positions, which can be checked for taxonomy eligibility according to the directives from question 13 of the FAQs on Article 8, published on 20 December 2021. In this case, the principle of Article 7 (3) of the Delegated Act on Article 8 of the EU Taxonomy Regulation is not taken into account.

- **Definition of "general governments" and/or "government sector":**
  Due to reasons of consistency with FINREP, the official definition of "general governments" and/or "government sector" was applied to FINREP reports (Regulation (EU) 2017/1538 of the European Central Bank, Annex V; Part 1.42(b)). The government or regional institutions include central, state, federal and municipal governments (local authorities), administrative bodies and non-profit companies which are held by the listed institutions, such as universities and Rentenversicherung Bund (German Pension Insurance Association). Commercial capital and partnerships held by the institutions listed above are excluded.

4.3.2. Information on the type and goals of taxonomy-compliant economic activities and their development over time, starting in the second year of implementation, whereas we distinguish between business-related, methodical and data-related aspects

Financial institutions have a key role to play in the transformation of business and industry. More specifically, such institutions are the entities that finance the investments that companies and governments need to make. Berlin Hyp therefore seeks to play a major role in efforts to expand the integration of sustainability criteria into real estate financing and investment products. The Sustainable Finance Framework published in 2022 integrates the requirements of the EU taxonomy for buildings and construction activities with regard to their primary environmental target of climate protection. The Sustainable Finance Framework represents an overarching approach for all of Berlin Hyp's Green Loans to classifying sustainable financing products on a holistic scale. These new criteria for eligible green assets have been initially added to the requirements that have been established for years, which mainly target the energy efficiency of the financed buildings. After the end of 2025, only loans that fully comply with the EU taxonomy will be classified as green under the Framework.

4.3.3. Description of compliance with Regulation (EU) No. 2020/852 in the business strategy of the financial company, in the product design processes and in the cooperation with customers and counterparties

Sustainability is an integral part of Berlin Hyp's business strategy, with the ESG vision, the four dimensions this vision is based on and the ambition level and goals linked thereto, as well as with the implementation of guidelines and policies for the sustainable development and focus.

With its business strategy and daily action, Berlin Hyp commits to a sustainable business strategy and consideration of sustainability. The Regulation (EU) 2020/852 (EU Environmental Taxonomy) is a top priority for Berlin Hyp. For the reporting for the first half of 2022, the relevant assets and risk positions were analysed as to their taxonomy eligibility. In future, Berlin Hyp will take into account the EU Taxonomy Regulation in its business strategy, in product design processes and in the cooperation with customers and counterparties. Assets will also be analysed as to their taxonomy compliance.

4.3.4. Trends, objectives and guidelines observed for banking institutions not subject to reporting quantitative disclosures regarding trade loans, qualitative disclosures for the adjustment of trading portfolios to Regulation (EU) 2020/852, including the overall structure

Berlin Hyp does not have a trading portfolio.

4.3.5. Additional or supplementary disclosures to support strategies of the financial company and on the significance of financing taxonomy-compliant economic activities in their entirety
We would like to make reference to Section 1.1. Strategic Analysis and Measures in this non-financial statement in conjunction with the details in Sections 4.2 and 4.3.

4.4. Voluntary Disclosures
KPI 1 contained in the voluntary disclosures is based on assumptions that cannot be fully verified and therefore may not be disclosed in the mandatory reporting, according to the EU Commission's requirements for mandatory disclosures.

The following table contains the disclosures on the voluntary report (Article 10 (2) of the Delegated Regulation and Article 8 of the EU Taxonomy Regulation) for Berlin Hyp:

Key performance indicator (KPI)	Description of the key performance indicator	Share in the total assets as of 30.06.2022	Share in the total assets as of 31.12.2021
1	Share of taxonomy-eligible assets	70.42%	71.03%

The deviations from the share in the reportable information in Section 4.2 result from the following interpretation from Berlin Hyp:

Berlin Hyp is a commercial real estate financier with a volume of mortgage loans and public-sector loans of EUR 26.8 billion as at the reporting date 30/06/2022, after deduction of interbank loans and loans to the government sector (general governments).

According to Berlin Hyp's interpretation, mortgage loans and public-sector loans under lending and loans to non-financial companies are taxonomy-eligible due to earmarking, as they are intended for the financing of the economic activities of new construction, renovation of existing buildings, and acquisition and ownership of buildings, the classification (technical assessment criteria and do no significant harm criteria) of which are regulated in Section 7, Construction Industry and Real Estate, Annexes I (climate change mitigation) and II (climate change adaptation) to the Delegated Act on EU Taxonomy respectively.

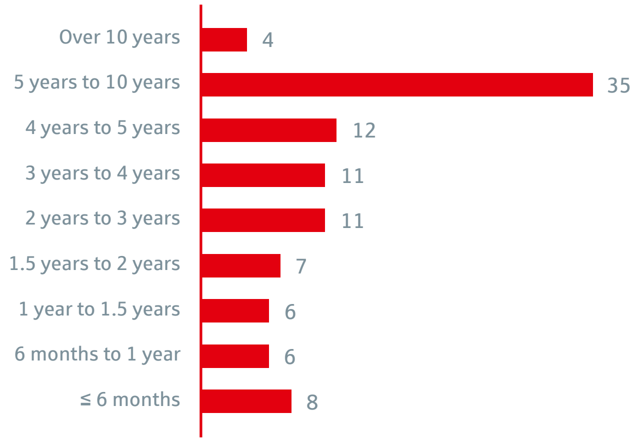
The future verification of taxonomy compliance will partially be possible based on the NFRD reporting of the borrower, but will also be based on the confirmation of compliance with the technical assessment criteria and Do No Significant Harm criteria as well as the fulfilment minimum social requirements. This confirmation may be obtained through customer contact, in the lending or processing process. KPI 1 was therefore adjusted accordingly in order to improve transparency, by including lending and loans to non-financial companies in the numerator for the share of taxonomy-eligible assets, regardless of the evaluation of the NFRD reporting requirements.

The higher share of taxonomy-eligible assets of 70.42 per cent of the total assets in the voluntary part of the report compared to the table in Section 4.2, including considerable lending and loans to companies not subject to the NFRD, is conducive to more transparency. Finally, the voluntary disclosures reveal to what extent the economic activities of Berlin Hyp are actually affected by the EU taxonomy.

VII Further Information for Investors

Mortgage Loans Portfolio
The breakdown of the mortgage loans portfolio by maturity structure and loan-to-value ratio as at 30 June 2022 was as follows:

Maturity Structure of Loans
in %



Loan to value according to countries (with exposure > 1 % of the reporting total)
in %

Lending region	Ø LTV
Germany	53.9
BeNeLux	53.7
France	48.2
Poland/Czech Republic	62.0
Great Britain	40.7

Available Distributable Items (ADI)
in €m

	30.06.2022	31.12.2021
Balance sheet profit	**0.0**	**0.0**
Annual surplus/net loss for the year	0.0	0.0
Profit / loss carryforward from the previous year	0.0	0.0
Transfers to / withdrawals from retained earnings	0.0	0.0
Other profit reserves excluding statutory reserves*	2.2	2.2
Free capital reserve pursuant to Section 272 II (4) HGB	158.3	158.3
less amounts blocked from distribution pursuant to Section 268 VIII HGB	0.0	0.0
Available distributable items	**160.5**	**160.5**

* after allocations to profit reserves

Regulatory Key Figures
in €m

	30.06.2022	31.12.2021
Common equity tier 1 (CET1)	1,604.1	1,561.9
Additional tier 1 capital (AT1)	0.0	0.0
Tier 1 capital (T1)	1,604.1	1,561.9
Tier 2 capital (T2)	220.1	227.8
Own funds / Total capital	1,824.1	1,789.8
Risk weighted assets (RWA)	11,487.3	10,952.0
CET1 ratio in %	14.0	14.3
T1 ratio in %	14.0	14.3
Total capital ratio in %	15.9	16.3
Leverage ratio in %	4.1	4.2
MREL (balance sheet total)	23.4	22.3
MREL (RWA)	78.7	76.7
LCR	142.6	128.4

Insolvency Hierarchy and Protection of Senior-Unsecured Investors
in €m

Buffer before senior unsecured losses

1.891,7

5,0 %
(to balance sheet total)

16,5 % (to RWA)

Equity

CET 1

1.604,1

14,0 %

Subscribed capital
753,4

Reserves
182,5

Fund for general banking risks (Section 340g HGB)

725,0 (comprised in CET1)

0,0 (not comprised in CET1)

T2 Instruments

Subordinated liabilities
230,8

Senior non-preferred and senior unsecured debt instruments
9.736,4 (7.143,0)[1]

MREL-Ratio[1]:
23,4 %
(to LR exposure)

78,7 % (on RWA)

[1] MREL effective in relation to the LR exposure (LRE) 23.32% (subordinated 13.93%) and/or to the total risk exposure amount (TREA) 78.68% (subordinated 47.00%), minimum requirement of 3.00% LRE and/or 10.55% TREA (incl. combined buffer requirement)

Final values on the basis of the audit certificate and adoption as of 30.06.2022 - Cluster PROD

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