A company of LBBW

Berlin Hyp

Interim Financial Report

as at 30 June 2024

Finanzgruppe

A partnership built on trust

Performance indicators at a glance

Excerpt from the Condensed Statement of Profit or Loss in €m	**01.01.– 30.06.2024**	**01.01.– 30.06.2023**
Net interest Income	263.9	216.3
Net commission income	4.4	11.0
Staff expenditure	–42.1	–40.1
Other operating expenditure	–46.8	–51.4
of which expenditure for bank levy	*0.0*	*–16.4*
Depreciation on fixed assets	–6.9	–6.4
Operating expenditure	–95.8	–97.9
Other operating result	1.8	4.6
Risk provisioning	–102.2	–49.6
Valuation result of lending business	–112.9	–52.8
Valuation result of securities business	10.7	3.2
Operating result	72.1	84.4
Allocation to the fund for general banking risks	0.0	–25.0
Other taxes	0.0	0.0
Profit before income tax	72.1	59.3
Net income for the year	40.0	37.5
Cost-income ratio in %	35.5	42.2
Return on equity in %	8.1	9.8

Excerpt from the Balance Sheet in €m	**30.06.2024**	**31.12.2023**
Balance sheet total	36,630	35,457
incl. mortgage loans	28,761	28,654
NPL[1]	641	492

Business Development in €m	**01.01.– 30.06.2024**	**01.01.– 30.06.2023**
New lending	727	1,700
Extensions (capital employed ≥ 1 year)	799	701

Key Regulatory Indicators[2]	**30.06.2024**	**31.12.2023**
Common equity tier 1 capital in €m (CET1)	1,657	1,657
Additional tier 1 capital in €m (AT1)	0	0
Tier 1 capital in €m (T1)	1,657	1,657
Tier 2 capital in €m (T2)	176	184
Equity / total capital in €m (total capital)	1,833	1,841
RWA in €m	10,843	10,753
CET1 ratio in %	15.3	15.4
T1 ratio in %	15.3	15.4
Total capital ratio in %	16.9	17.1
Leverage ratio in %	4.5	4.5
MREL (nominal values)	22.0	22.2
MREL (RWA)	6.5	6.5
LCR	163.2	149.8
NFSR	118.2	111.3

[1] Gross carrying amounts
[2] On the basis of the audit certificate, before appropriation of earnings

Issue Ratings	30.06.2024	31.12.2023
Moody's		
Pfandbriefe	Aaa (stable)	Aaa (stable)
Senior Preferred	Aa2 (stable)	Aa3 (stable)
Senior Non-Preferred	A2 (stable)	A2 (stable)
Fitch		
Pfandbriefe	–	–
Senior Preferred	A (stable)	A (stable)
Senior Non-Preferred	A–(stable)	A–(stable)

Sustainability Ratings	MSCI	ISS ESG	Sustainalytics
	AAA	B– (Prime)	5.9 (Negligible risk)

Other	30.06.2024	31.12.2023
Number of employees (as at the reporting date)	667	644

Contents

Previous year's figures in brackets
(unless otherwise specified: 30 June 2023)

Organs of the Bank and Other Important Functions

Supervisory Board

Thorsten Schönenberger
→ Chair
→ Member of the Board of Managing Directors of LBBW

Andrea Schlenzig
→ Deputy Chair
→ Bank employee

Anastasios Agathagelidis
→ Member of the Board of Managing Directors of LBBW

Dirk Kipp (since 1 July 2024)
→ Member of the Board of Managing Directors of LBBW

Thomas Mang
→ Former President of the Savings Banks Association of Lower Saxony

Thomas Meister
→ Bank employee
→ Chair of the Works Council of Berlin Hyp AG

Stefanie Münz
→ Member of the Board of Managing Directors of LBBW

Jana Pabst
→ Bank employee
→ Member of the Works Council of Berlin Hyp AG

Dr Christian Ricken (until 30 June 2024)
→ Former Member of the Board of Managing Directors of LBBW

Thomas Weiß
→ Division Head Financial Controlling of LBBW

Board of Management

Sascha Klaus
→ Chair of the Board of Management

Maria Teresa Dreo-Tempsch
→ Chief Market Officer

Alexander Stuwe
→ Chief Financial Officer

Committees of the Supervisory Board

Presiding and Nomination Committee

Thorsten Schönenberger
→ Chair

Stefanie Münz
→ Deputy Chair

Dirk Kipp (since 1 July 2024)

Thomas Meister

Dr Christian Ricken (until 30 June 2024)

Loans Committee

Anastasios Agathagelidis
→ Chair

Dr Christian Ricken (until 30 June 2024)
→ Deputy Chair

Dirk Kipp (since 1 July 2024)
→ Deputy Chair

Jana Pabst

Thorsten Schönenberger

Audit Committee

Thomas Mang
→ Chair

Stefanie Münz
→ Deputy Chair

Anastasios Agathagelidis

Andrea Schlenzig

Compensation Control Committee

Thorsten Schönenberger
→ Chair

Anastasios Agathagelidis
→ Deputy Chair

Jana Pabst

Cover Pool Monitor

Christian Ax

Deputy Cover Pool Monitors

Wolfgang Rips

Philip Warner

Economic Report

Macroeconomic and Sector-Related Underlying Conditions

Macroeconomic Development[1]
The global economy displayed moderate growth overall during the first half of 2024 and also expanded once again as compared to the last quarter of 2023. This development was mainly due to the noticeable increase in production in the emerging markets, and especially in China. Growth in the USA was restrained as compared to the dynamic second half of 2023. Global trade did not suffer any significant setbacks, despite geopolitical conflicts as well as security issues in the Red Sea and the associated re-routing of a large portion of shipping traffic, which in turn led to higher shipping rates.

The stagnation of the economy in the eurozone ended during the period under review, as the eurozone was able to record a moderate increase in gross domestic product. Momentum here was generated mainly by a higher level of exports and higher consumer spending as real wages and salaries began to increase once again.

Following the very weak final quarter in 2023, the recessive economic development in Germany appears to be coming to an end in light of the slightly positive growth recorded in the first half of 2024. This growth was due in particular to a substantial increase in goods exports and an increase in construction investment that was surprisingly high given the fact that the period under review included three winter months. Despite better underlying conditions, such as higher employment levels and an increase in both nominal and real wages and salaries, consumer spending in Germany in the first half of 2024 was lower than in the two previous quarters.

Sector Development[2]
Stock markets developed positively during the first half of 2024. The gains made by stock indices were driven in particular by AI-based companies. For example, technology-based indices such as the NASDAQ 100 and the S&P 500 were up 21.58 per cent and 17.66 per cent, respectively, at the end of the first half of the year. The Dax closed the first half of the year up 8.74 per cent, at 18,235.

After core inflation rates in the eurozone decreased significantly at the beginning of the year, and inflation forecasts also became much more moderate, the markets expected that the ECB would begin lowering key interest rates. In line with these expectations, the ECB reduced its key interest rates by 25 basis points on 6 June 2024, which was the first decrease in nine months. The main refinancing rate thus stands at 4.25 per cent, while the deposit facility rate is 3.75 per cent. On the other hand, in view of what are still excessively high inflation rates there, the market on the other side of the Atlantic is still waiting for the launch of an interest rate reduction cycle. At its last meeting in the period under review, the FED left its key interest rates in the range between 5.25 and 5.50 per cent.

Swap rates in the eurozone were much less volatile during the first six months of 2024 than they were in the same period in the previous year, and they also increased across all terms as compared to the beginning of the year. The 2-year swap rate closed on 30 June 2024 at 3.21 per cent after having closed at 2.80 per cent at the end of 2023. The 10-year swap rate stood at 2.84 per cent at the end of the period under review, which was 34.6 basis points higher than at the end of 2023. The inversion of the yield curve between two and ten years increased somewhat throughout the first six months of 2024, but at 37 basis points it was significantly lower at the end the reporting period than was the case one year earlier (30 June 2023: 87 basis points).

[1] Sources for underlying macroeconomic conditions: DIW, IfW
[2] Sources for real estate market data: Berlin Hyp Research, CBRE, Colliers, Europace, ECB, Savills, Federal Statistical Office of Germany, Treugast, ZENSUS.

German government bonds generally displayed a similar trend. Yields on 10-year German government bonds (Bund yields) reached their high point for the year to date in May (2.69 per cent) and then closed at 2.50 per cent. The Bund yields on 2-year bonds closed at 2.83 per cent, which represents an increase of slightly less than 43 basis points as compared to the beginning of the year.

The covered bond market was very lively once again in the first half of the year. At approximately € 113 billion, issue volume was, however, lower than the record volume achieved during the same period in the previous year (30 June 2023: € 137 billion). The spreads of covered debentures initially increased at the beginning of the year, thus continuing the trend from 2023. However, driven by an increase in demand due to the higher spread level, a countermovement then began that mostly benefited jurisdictions that had been particularly affected by the previous widening of the spreads. After the European Parliament election and the announcement that a snap legislative election would be held in France, spreads once again widened slightly, first and foremost in connection with French bonds.

Similar developments were observed with other European government bonds – i.e. in the wake of growing political insecurity, initial narrowing trends gave way to increasing fragmentation of the markets. Market participants are expecting higher risk premiums, especially for longer-term bonds, and demand is increasing for bonds from so-called safe havens such as Germany or the Scandinavian countries. The spreads of many European government bonds increased relative to German government bonds especially after the European Parliament election in June 2024, whereby French government bonds took the lead here.

Following the significant increase in the spreads of senior unsecured bonds in February 2024, mainly those from issuers with extensive commercial real estate financing portfolios, spreads narrowed once again up until the end of the first half of 2024. Although the spread increases after the European Parliament election were also noticeable among unsecured bank bonds, especially unsecured French and Italian bank bonds, the narrowing trends were nevertheless predominant overall. The iBoxx € Banks Senior Preferred narrowed by 15.2 basis points, while the iBoxx € Corporate Banks Senior Bail-In actually narrowed by 21.0 basis points.

The new-issue volume for sustainable bonds decreased only slightly during the reporting period as compared to the first half of 2023. A total volume of € 510 billion (previous year: € 512 billion) in green bonds, social bonds, sustainability bonds and sustainability-linked bonds were issued in the first six months of 2024.

Following the decline of Germany's economic performance towards the end of 2023, the year 2024 began with a slight recovery, as the country recorded a real increase in gross domestic product of 0.2 per cent in the first quarter as compared to the fourth quarter of 2023. Inflation also continued to subside in the first half of the year, and the interest rate environment remained stable until the end of May. With its decision at the beginning of June 2024 to lower key interest rates for the first time since the onset of the zero interest-rate phase in 2016, the ECB ushered in a turnaround in interest rates, thereby establishing the foundation for greater optimism on the real estate investment market.

This emerging optimism was not yet reflected in the transaction figures for the first half of 2024 to any large extent, but the situation at the end of the reporting period already showed indications of the potential for positive development. For example, after the slight economic recovery set in at the beginning of the year, the transaction market also began to pick up slightly throughout the first half of 2024. With a total volume of approximately € 14.2 billion, the investment market for commercial real estate and for commercially traded residential real estate recorded an increase of only slightly less than 15 per cent as compared to the same period in the previous year (€ 12.4 billion). This development was driven by both individual transactions and a renewed increase in transactions by international investor groups. In the case of transactions of more than € 100 million, the transaction volume of € 6.4 billion was 40 per cent higher than in the first half of 2023. In addition, international investors increased their level of investment in the German real estate investment market by 22 per cent as compared to the first six months of 2023.

With regard to the different types of real estate, investors were most interested in retail properties in the first half of 2024. However, the retail property share of approximately 25 per cent of total volume (including residential real estate), or € 3.6 billion (previous year: € 1.7 billion), suggests a higher degree of dynamic development here than is actually the case, as three individual transactions accounted for € 1.5 to € 2.0 billion of this amount. These purchases also illustrate the fact that as far as “trophy assets” are concerned, retail properties are the only properties besides logistics properties that can generate transactions involving hundreds of millions of euros. Grocery-anchored specialist shops and specialist centres also continue to attract a high degree of interest from investors, as the food retail sector, primarily in the discounter segment, is less affected by economic downturns than other retail sectors. For example, the ifo Business Climate Index showed in June 2024 that in particular clothing and bicycle retailers and DIY store operators viewed their business situation much more negatively than was the case in May.

With a transaction volume of approximately € 2.9 billion in the first half of 2024 (first half of 2023: € 2.4 billion), the logistics property market attracted more investment capital than any other real estate segment, except for the retail segment. This result represents an increase of 22 per cent from the figure recorded in the same period in 2023. Although the very high take-up volumes and rent increases recorded in recent years are now a thing of the past, the logistics market is nevertheless profiting in terms of investor interest from the current high rent levels combined with the ongoing shortage of space in established logistics regions. Because the potential for new greenfield development will remain very limited in future as well due to restrictive regulations on soil and surface sealing, the excess demand for logistics properties with high energy standards in particular is likely to continue.

With a total volume of slightly less than € 2.8 billion in the first half of 2024, the investment market for commercially traded residential real estate recorded a decrease of 10 per cent as compared to the same period in the previous year – but was nevertheless third in the rankings for the most sought-after real estate segment during the period under review. The lower transaction volume can be attributed to both the general decline in realised net present value and the quality of the properties traded. Traditional low-risk properties and portfolios in the prime segment, which are very much in demand among institutional investors in particular and also include properties with very good energy efficiency classifications, are hardly to be found on the market at the moment. Given the fact that parameters relevant to the residential real estate market (for example the 2022 census) show an increase in population of 2.5 million in Germany since the 2011 census, it can be assumed that the excess demand for residential real estate will continue in future as well. In addition, the EPX house price index shows that June 2024 marked the first time since November 2022 that prices for residential properties in Germany increased slightly as compared to the same month in the previous year, and this is also leading investors to focus on the residential segment.

As was the case in 2023, office properties were no longer near the top of the rankings (in terms of transaction volume for each type of use) in the first half of 2024. The fact that the half-year volume of approximately € 2.6 billion represents a decline of 7 per cent (first half of 2023: € 2.9 billion) is mainly due to ongoing uncertainty regarding demand for office space and the further development of hybrid work models, as well as a relatively weak economy at the moment. Given what was only a slight increase in new rentals (+4.5 per cent) in the top five office rental markets in Germany in the first six months of 2024 as compared to the same period in 2023, as well as higher vacancy rates, many investors are currently not very optimistic about office properties. Nevertheless, interest continued to focus on high-quality office space in prime locations in the first half of 2024 as well, which led to a further increase in the highest rents charged in the central business district (CBD) locations in the top five office rental markets. This also served to compensate for higher construction and refurbishment costs in those locations and markets. However, due to the demand situation, such an offset is not always possible in other markets, i.e. in peripheral locations and areas outside of major cities, which means we can expect to see an increase in the number of no longer marketable older properties, and thus declining rents in decentralised office property sub-markets.

The market for hotel properties was marked by brisk investment activity in the first half of 2024, when a total of € 517 million was invested in hotel real estate – an increase of 44 per cent. This increase illustrates the ongoing recovery of the tourism industry in the aftermath of the COVID-19 pandemic. For example, Germany's lodging and accommodation establishments registered approximately 3 per cent more overnight stays between January and April 2024 than during the same period in 2023. In terms of key performance indicators for the hotel industry, average revenues per available room (RevPAR) increased further in many markets over the past few months (driven by the room rate), making the market for hotel real estate significantly more attractive for investors. However, it should also be noted that despite the revenue increases, the hotel industry has also been experiencing a decline in profit margins. It cannot be assumed that growth in revenue in all cases can offset or even exceed the higher costs for energy, goods and labour.

Business Development

Berlin Hyp achieved a slightly higher-than-expected profit before taxes result of € 72.1 million for the first half of 2024 (previous year: € 59.3 million). Given the difficult market environment and the strict regulatory requirements in effect, the Bank is satisfied with this development of earnings.

Medium and long-term refinancing at Berlin Hyp is generally carried out by issuing mortgage Pfandbriefe and unsecured bonds. In the first half 2024, the Bank borrowed € 1.97 billion in capital using these instruments. The Bank had market access at all times. During the period under review, Berlin Hyp had one covered benchmark issue in euros and one unsecured benchmark issue in Swiss francs, whereby both issues were in the form of Green Bonds. With a total of 22 outstanding Green Bond benchmark bonds, Berlin Hyp remains the most active issuer of green bonds in the commercial banking segment in Europe.

During the first half of 2024, Berlin Hyp consistently continued to pursue its goal of becoming the most modern commercial real estate financier in Germany and an effective S-Group partner of the German savings banks. The five defined strategic key areas of focus, which are to ensure the achievement of the overarching objectives over the long term, have been very important in this regard.

#1 – (Bank) brand strength / customer proximity

Berlin Hyp was named the strongest German bank for the third consecutive time within the framework of the Estate Brand Awards.

New contracted lending volume, including all realised extensions, amounted to € 2.6 billion in the first half of 2024 (previous year: € 3.5 billion). Therefore, in the first half of 2024, the Bank was below the level expected in its forecast.

#2 – S-Group partner of the savings banks

The total volume of S-Group business conducted with the savings banks in the first half of 2024 amounted to € 801 million (previous year: € 90 million). This means that around 31 per cent of the Bank's new lending was financed together with the savings banks. When principal and interest repayments are taken into account, the exposure to savings banks in connection with joint financing amounted to approximately € 4.3 billion as at the reporting date (previous year: approximately € 4.0 billion).

The response to the ImmoDigital syndication platform for the savings banks remains very positive, with the number of platform users increasing to 103 savings banks (31 December 2023: 100). The number of business relationships with savings banks from all S-Group regions amounted to 178 institutions as at the reporting date.

#3 – Sustainable process efficiency

In the first half of 2024 as well, Berlin Hyp continued to move ahead with its digitalisation and innovation activities in order to digitalise and partially automate its key business processes and make them data-driven. During the first few months of the year, for example, the internally developed solutions for processing loan applications (Dealportal), and for valuations (WE Digital), were linked via an interface, which further strengthened the effectiveness of cooperation in the process. New functions for portfolio analysis and processing were also launched in the Dealportal. In addition, the Syndication Hub platform for the syndicate business with banks, institutions and credit funds is being further optimised for investors.

New lending

including short-term and long-term extensions

€ 2,6 billion

#4 – Pioneering role for ESG
Sustainability has been a central aspect of Berlin Hyp's business approach for many years now and is therefore a firm component of the Bank's corporate strategy and system of corporate values. The Bank's strategic goal of becoming the most modern real estate financier in Germany also involves the achievement of specific sustainability objectives.

Berlin Hyp's commitment to sustainability will focus on the following four objectives in future:

1. Sustainability in business operations
2. A sustainable business portfolio
3. ESG risk management
4. Transparency and ESG capabilities

ESG targets are a core component of Berlin Hyp's business strategy, whereby the targets are made known throughout the organisation via the Bank's target achievement system.

Berlin Hyp started reporting on sustainability in 2013 on a voluntary basis and has expanded its reporting continually and in accordance with the standards of the Global Reporting Initiative (GRI), EMAS, the UN Global Compact, the Principles for Responsible Banking (PRB) and the Task Force on Climate-Related Financial Disclosures (TCFD). Since 2017, Berlin Hyp has been subject to reporting requirements in accordance with the German Commercial Code and the CSR Directive Implementation Act, and the Bank has also been publishing a non-financial statement in its Annual Report since 2017. Starting in the 2024 reporting year, Berlin Hyp will report on sustainability in accordance with the Corporate Sustainability Reporting Directive (CSRD), whereby the application of the European Sustainability Reporting Standards (ESRS) is mandatory here.

A materiality analysis is a key component of reporting and required by the CSRD. During this analysis, Berlin Hyp evaluates sustainability issues in terms of their significance regarding both effect and financial perspectives (so-called "double materiality") in order to determine which issues are most important for the company. A materiality analysis in accordance with the requirements contained in the CSRD was performed for the first time in 2023. The results were determined and validated in cooperation with internal and external stakeholders. They are presented in a separate highlight report, which was published in the first half of 2024 at https://www.berlinhyp.de/de/nachhaltigkeit/berichte. Furthermore, the Bank continues to work on both its ESG implementation roadmap and, within the framework of the decarbonisation project, on the alignment of lending and credit control activities with the Paris Agreement.

#5 – Innovative strength
Berlin Hyp continues to improve and expand its innovative strength through the implementation of the human resources strategy and the achievement of the human resource targets. In addition, Berlin Hyp is actively involved in the real estate ecosystem and, in cooperation with innovative companies, is testing new business models and additional products and services for its customers. For this purpose, the Bank establishes strategic partnerships and participates in selected companies as a strategic investor.

The Bank currently holds two strategic investments and a further investment of no relevance to the core business. Along with "OnSite ImmoAgent GmbH", which was founded by the Bank and is supported by another strategic investor, the strategic investments also include an interest in the "PropTech1" venture capital fund. In order to manage its strategic investments more effectively, the Bank established "Berlin Hyp Beteiligungsgesellschaft mbH" during the first half of 2024 and transferred its shares in the fund to the new company.

Earnings Situation
In line with the Bank's expectations, Berlin Hyp recorded earnings after taxes of € 40.0 million in the first half of 2024, which was € 2.5 million higher than the figure recorded in the same period in 2023.

Increase in Net Interest and Commission Income
Net interest income increased significantly to € 263.9 million, which was € 47.6 million higher than the figure recorded in the same period in 2023. The increase can be attributed to the positive contributions made by general interest rate risk management in the banking book, and to the increase in the average mortgage loan portfolios and the associated higher income. General interest rate risk management in the banking book basically focuses on the securities portfolio and the

portfolio of non interest-bearing liabilities, which include, among other things, equity, the fund for general banking risks and long-term reserves.

At € 4.4 million, net commission income was € 6.6 million lower than the figure recorded in the same period in the previous year. This decline corresponds to the development of new lending.

Slight Decrease in Operating Expenditure
Operating expenditure comprises staff expenditure, other operating expenditure, depreciation on tangible fixed assets and amortisation of intangible assets. At € 95.8 million, operating expenditure was slightly lower than the previous year's figure of € 97.9 million.

Compared to the same period in the previous year, staff expenditure increased slightly, by € 2.0 million, to € 42.1 million.

At € 46.8 million, other operating expenditure was € 4.6 million lower than the figure recorded in the same period in the previous year. This decrease was mainly due to the elimination of the bank levy, as the target level for the Single Resolution Fund was achieved at the end of 2023 as planned. During the same period in the previous year, the bank levy accounted for € 16.4 million of the other operating expenditure figure. As a result of the implementation of projects that are required by certain regulations and which are in conformance with our strategy, as well as the further development of the IT system environment, other operating expenditure developed more or less in line with what the Bank had expected and planned for.

Depreciation on tangible fixed assets and amortisation of intangible assets increased moderately, by € 0.5 million, to € 6.9 million.

Other Operating Result Positive
The other operating result amounted to € 1.8 million after totalling € 4.6 million in the same period in the previous year. This figure basically consists of one-time earnings from a novation agreement and expenditure and income in relation to adjustments made to pension provisions and other provisions in connection with human resources.

Increase in Risk Provisioning for Credit Risks
The net allocation to lending risk provisioning totalled € 112.9 million (previous year: € 52.8 million). This increase was mainly due to the further formation of provision reserves. Developments on the real estate markets made it necessary to perform valuation allowances for certain exposures once again in the first half of 2024. In order to be able to address any possible abstract risks, the Bank increased the model adjustment for valuated loans by € 15.4 million, to € 142.4 million, as part of the lump-sum value adjustments. Conversely, as a result of the decrease in irrevocable loan commitments, the model adjustment to the reserves that is performed in response to this was reduced by € 0.2 million, to € 4.6 million.

The result for securities in the liquidity reserves was mainly impacted by positive valuation effects. Net earnings here amounted to € 10.7 million (previous year: € 3.2 million).

Fund for General Banking Risks Remains the Same
Due to Berlin Hyp's sufficient capital adequacy as required by regulations, the Bank did not, despite positive economic developments, make any further allocations to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB). The fund level remained at € 800.0 million, after an addition of € 25.0 million had been made in the same period in the previous year.

Increase in Profit Before Taxes
Despite the substantial increase in provision reserves, the Bank reported a significantly higher profit before taxes result of € 72.1 million (previous year: € 59.3 million).

Net Assets Position
Compared with end of 2023, the balance sheet total increased by € 1.2 billion, to € 36.6 billion.

At € 29.3 billion (31 December 2023: € 29.2 billion), the mortgage loan portfolio remained virtually unchanged. Additions from new lending were offset by planned and extraordinary outflows through early repayments.

The portfolio of fixed-interest securities increased by € 0.3 billion, to € 5.6 billion.

On the liabilities side, liabilities to banking institutions increased by € 0.4 billion, to € 3.1 billion. Liabilities to customers increased by € 0.9 billion, to € 6.9 billion, as a result of new term borrowing. At € 23.2 billion (31 December 2023: € 23.1 billion), the portfolio of securitised liabilities remained virtually unchanged.

Equity

Berlin Hyp's balance sheet equity as at the reporting date amounted to € 976.0 million. This figure includes subscribed capital amounting to € 935.9 million and the balance sheet profit amounting to € 40.1 million. In addition, € 800.0 million is available in the form of a special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB). This can be taken into consideration as available under regulatory law, as can € 112.3 million of subordinated equity.

In relation to the risk items pursuant to the Capital Requirement Regulation (CRR), the common equity tier 1 ratio was 15.3 per cent and the total equity ratio was 16.9 per cent as at 30 June 2024 (15.4 per cent and 17.1 per cent, respectively, as determined as at 31 December 2023).

Equity capital in line with regulatory requirements, the RWA and capital ratios all remained nearly unchanged from the figures recorded at the end of 2023. There is sufficient scope in the capital ratios for planned new lending.

Berlin Hyp paid an amount totalling € 75,139,627.43 to LBBW as a dividend for the 2023 financial year.

New Lending

New lending in the real estate financing business, including realised extensions, amounted to approximately € 2.6 billion (previous year: € 3.5 billion) in the first half of 2024. The nearly unchanged interest rate environment had a major impact on the real estate financing market in the first half of 2024. Intense competition among lenders continued in the lower-risk market segments. All in all, the market has gotten significantly smaller due to the low transaction volume. Margins in new lending were higher in the first half of 2024 than during the same period in the previous year.

Properties located in Germany accounted for 68 per cent of the new lending. 47 per cent of these properties were located in A cities and 21 per cent in B cities, along with other locations in Germany. 32 per cent of new lending involved the financing of properties located outside of Germany.

With a share of 74 per cent, the investor customer group accounted for most of the new lending, while a further 26 per cent was realised with developers and builders.

S-Group Business

The total volume of S-Group business conducted with the savings banks in the first half of 2024 amounted to € 801 million (previous year: € 90 million). This increase as compared to the same period in the previous year was largely due to the fact that a large portion of the contracting processes in 2023 were completed in the second half of the year. Approximately 31 per cent of the Bank's new lending was financed together with the savings banks. When principal and interest repayments are taken into account, the exposure to savings banks in connection with joint financing amounted to € 4.3 billion as at the reporting date (previous year: € 4.0 billion). This corresponds to a share of 13 per cent of total financing volume.

The response to the ImmoDigital syndication platform for the savings banks remains very positive, with the number of platform users increasing to 103 savings banks (31 December 2023: 100). The number of business relationships with savings banks from all S-Group regions amounted to 178 institutions as at the reporting date, which means this figure is higher than the target market penetration figure of approximately 50 per cent.

Financial Position

In the first half of 2024, the Bank issued € 1.97 billion in debt instruments, of which € 1.41 billion were covered bonds and € 0.56 billion were unsecured bonds. Of this amount, € 651 million in covered and € 438 million in unsecured bonds were issued as private placements.

Berlin Hyp appeared on the capital market with two syndicated new issues during the period under review. First, at the end of January, the bank issued a Green Bond in the amount of € 500 million. This bond was issued with a term of 3.25 years, with a re-offer spread of +14 basis points, and thus has the lowest re-offer spread among all EUR covered bonds issued to date in 2024. At the same time, with 118 investors, the final order book for the issue was oversubscribed by a factor of 6.4. The issue attracted a great deal of interest, especially among ESG investors, who accounted for more than 70 per cent of the demand for the issue. In mid-April, Berlin Hyp issued its eighth green senior preferred bond in Swiss francs, this time with a volume of CHF 120 million.

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

Aaa (stable) from Moody‘s

Pfandbrief issue rating

Refinancing funds[1]	Portfolio without pro rata interest 31.12.2023 €m	New issues[2] 01.01. – 30.06.2024 €m	%	Maturities[3] 01.01. – 30.06.2024 €m	Portfolio without pro rata interest 30.06.2024 €m
Mortgage Pfandbriefe	15,739.0	1,396.0	75.5	1,000.0	16,135.0
Public Pfandbriefe	–	–	–	–	–
Other bearer bonds, non-preferred	2,050.0	–	–	30.0	2,020.0
Other bearer bonds, preferred	3.357,0	315.0	17.0	270.0	3,402.0
Registered mortgage Pfandbriefe	1,665.1	9.0	0.5	82.0	1,592.1
Registered public Pfandbriefe	141.0	–	–	10.0	131.0
Borrower’s note loans (Schuldschein), non-preferred	65.7	–	–	1.0	64.7
Borrower’s note loans (Schuldschein), preferred	319.1	123.0	6.7	10.0	432.1
Registered bonds, non-preferred	1,193.1	5.0	0.3	73.0	1,125.1
Registered bonds, preferred	363.9	–	–	5.0	358.9
Subordinated bearer bonds	–	–	–	–	–
Subordinated borrower’s note loans (Schuldscheine)	119.5	–	–	112.5	7.0
Subordinated registered bonds	658.0	–	–	–	658.0
	25,671.4	**1,848.0**	**100.0**	**1,593.5**	**25,925.9**

[1] Zero balances.
[2] New issues incl. capitalisation at zeros.
[3] Maturities and early repayments incl. terminations.

During the reporting period, Moody's raised Berlin Hyp's senior preferred rating to Aa2 (previously Aa3) and also raised the adjusted BCA to a3 (previously baa1). The outlooks for both ratings were evaluated to be stable. Prior to this, the ratings in February 2024 were critically reviewed due to changes that were made to the statutes for safeguarding the institutions in the Sparkassen-Finanzgruppe. Moody's rating for Berlin Hyp's mortgage Pfandbriefe remained unchanged at Aaa with a stable outlook as at the reporting date. Moody's senior non-preferred rating also remains at A2 with a stable outlook. Fitch continued to rate the senior preferred and senior non-preferred bonds A and A- respectively. The respective outlooks were evaluated to be stable by Fitch.

Capital market refinancing in foreign currencies[1, 2]	Portfolio without pro rata interest 31.12.2023	New issues[3] 01.01. – 30.06.2024		Maturities[4] 01.01. – 30.06.2024	Portfolio without pro rata interest 30.06.2024
	CHF m	CHF m	%	CHF m	CHF m
Mortgage Pfandbriefe in CHF	200.0	–	–	–	200.0
Other bearer bonds, CHF preferred	855.0	120.0	100.0	–	975.0
	1,055.0	**120.0**	**100.0**	**–**	**1,175.0**

[1] Zero balances.
[2] Exchange rate used in the balance sheet as at 30.06.2024: EUR/CHF 0.9634.
[3] New issues incl. capitalisation at zeros.
[4] Maturities and early repayments incl. terminations.

Financial and Non-Financial Performance Indicators

Financial Performance Indicators
Berlin Hyp has defined the following financial performance indicators as being most important for the management of its business activities:

- Net income for the year
- 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, 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 HGB. In order to facilitate comparisons, profit before income tax and the change in the special item for general banking risks pursuant to Section 340g HGB were scaled up to a period of 12 months.
- Common equity tier 1 ratio: ratio of Common equity tier 1 capital allocable under regulatory requirements relative to the total risk-weighted assets
- New lending volume

Other supporting financial performance indicators are also used in management and controlling activities – for example the liquidity coverage ratio (LCR), the leverage ratio (LR) and the IFRS-based indicators of RWA proceeds productivity and operational sales performance.

Berlin Hyp recorded net income of € 40.0 million in the first half of 2024. This figure corresponds to the Bank's expectations and represents an increase of € 2.5 million as compared to the same period in 2023.

Contrary to the forecast expectations, net interest and commission income increased significantly, by € 41.0 million, to € 268.3 million. The increase can be attributed to the positive contributions made by general interest rate risk management in the banking book, and to the increase in the average mortgage loan portfolios and the associated higher income.

The cost-income ratio improved significantly, from 42.2 per cent to 35.5 per cent, whereby this development was due in particular to the increase in net interest and commission income and the elimination of the bank levy. In terms of its planning, the Bank expected a slight decline of the cost-income ratio for the year as a whole.

Due to Berlin Hyp's sufficient capital adequacy as required by regulations, the Bank did not make any further allocations to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB). Contrary to what was forecast, return on equity decreased to 8.1 per cent in the first half of 2024 (previous year: 9.8 per cent).

As at 30 June 2024, the common equity tier 1 ratio was at 15.3 per cent (31 December 2023: 15.4 per cent as determined). We thus exceeded our internal target for 2024.

At €2.6 billion, Berlin Hyp's new lending volume (including extensions) in the first half of 2024 was below the level of the first half of 2023 (€3.5 billion), and therefore in line with expectations due to the nearly unchanged interest rate environment and the current low level of transaction volume.

Non-Financial Performance Indicators
Given the fact that sustainability aspects relating to the core business of commercial real estate financing will play an even more important role in the Bank's business activities in future due to regulatory requirements and the Bank's strategic targets and objectives as well, Berlin Hyp simultaneously decided to no longer view the two indicators of "Acquisition of new customers" and "S-Group business" as the most important indicators in future, but instead as supporting indicators.

As a result, the bank has defined the following non-financial performance indicator as being most important for the management of its business activities:

→ Financed emission intensity in the business portfolio: Emissions per area of financed properties, weighted by financed area

As at 30 June 2024, Berlin Hyp's financed emission intensity amounted to 27.2 kg CO_2 per m^2 (31 December 2023: 30.0 kg CO_2 per m^2) and thus displayed significant improvement in relation to the defined target value. Additional information and details on new developments can be found in Section IV: "Further Information for Investors".

Along with "Acquisition of new customers" and "S-Group business", other supporting non-financial performance indicators are also used in management and controlling activities – for example the market-based target portfolio (compliance with defined risk limits for asset classes and regions) and employee capacity measured in FTEs (full-time equivalents).

In terms of sustainability, supporting non-financial performance indicators include the share of green buildings in the financing portfolio, the capital market ESG funding mix and the Bank's sustainability ratings.

In the first half of 2024, the share of lending accounted for by business with new customers was 51 per cent. This share was thus above the target of 20 per cent.

The volume of business undertaken together with the S-Group in the first half of 2024 totalled €801 million (previous year: €90 million). A total of €214 million thereof involved ImmoAval transactions, while €118 million is attributable to the ImmoBar product developed in 2023 and €469 million resulted from the traditional syndicate business.

With regard to syndicated bond issues, 17 German savings banks participated with €104 million, and S-Group companies participated with €126 million, in one Berlin Hyp euro-denominated Pfandbrief issue and one increase to a Berlin Hyp euro-denominated Pfandbrief issue.

As at 30 June 2024, the headcount was 597.47 FTEs (31 December 2023: 586.3 FTEs). The performance of Berlin Hyp with regard to its employees will continue to be safeguarded by the Bank's quantitative and qualitative human resources planning.

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 €9.2 billion. Sustainable refinancing instruments therefore now account for more than 40 per cent of our overall capital funding mix, which means that the target for 2025 was achieved earlier than planned. After issuing its first Sustainability-Linked Bond in the spring of 2021, the Bank expanded its Social Finance portfolio by issuing another Social Bond in the autumn of 2023. As at the reporting date, the total volume of all outstanding ESG bonds amounted to €11.6 billion.

The activities on the liabilities side in the area of sustainable finance go hand in hand with the continuous development and implementation of the sustainability targets on the assets side. Berlin Hyp also plans to increase the share of loans accounted for by the financing of green buildings to one-third by 2025. Berlin Hyp's share of loans accounted for by the financing of green buildings now stands at 35.1 per cent and has thus developed more dynamically than planned, with the result that the aforementioned target was achieved two years earlier than planned.

The sustainability ratings for the first half of 2024 continue to confirm Berlin Hyp's above-average position in the sector. For example, the ESG risk rating by Sustainalytics was confirmed at 5.9 "negligible risk". The Bank's MSCI rating remained at AAA. The ISS ESG Prime Status rating and overall score of B- maintain their validity. These very good results from the rating agencies document Berlin Hyp's outstanding commitment to sustainability management, honour its investment products (Green, Social and Sustainability-Linked Bonds) and recognise its responsible attitude with regard to people and the environment.

Forecast, Opportunities and Risk Report

Forecast and Opportunities Report

The forecast and opportunities report should be read together with the other sections 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 process at 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. Given the situation, the forecasts presented below are highly uncertain.

In a volatile environment, forecasts can only be made to a limited degree. The main opportunities and risks in the forecasts for the key controlling indicators are presented below. Opportunities are defined as possible future developments or events that may lead to a positive forecast or positive target deviation for Berlin Hyp. Risks are defined as possible future developments or events that may lead to a negative forecast or negative target deviation for Berlin Hyp.

Assumptions Relating to Macroeconomic Development[3]

It is assumed that global economic development for 2024 as a whole will be marked by continued solid growth rates similar to those recorded in 2023. Because the economic figures for the first half of the year were slightly higher than what had been expected, growth rates may ultimately end up being slightly higher than what we had assumed at 31 December 2023. At the same time, ongoing structural problems in China that have still not been solved, lower consumer spending in the USA and delays to the easing of restrictive interest rate policies could have a dampening effect here. Smouldering geopolitical conflicts are also leading to uncertainty.

The recovery that has begun in the eurozone is likely to continue in the second half of 2024.

It is also assumed that the upward economic trend in Germany, with slightly positive growth rates, will continue as the year proceeds, resulting in a moderate level of growth for the year as a whole. The already noticeable increase in consumer spending and goods exports is also expected to continue over the next two quarters, and investment should increase once again as well.

Assumptions Relating to Sector Development[4]

According to ECB forecasts, inflation in the eurozone will remain above 2 per cent in 2024 and 2025 as well. The market has been factoring further interest rate reductions for September and December 2024 into its calculations up until now, but if inflation remains above the ECB target, no excessive easing of monetary policy can be expected over the medium term.

Market experts and participants expect to see the first interest rate reductions in the USA in the autumn of 2024. Decisions by the FED remain “data-driven” for the time being. Developments in the USA as well will be determined by whether or not the inflation rate continues to decline. In addition, uncertainty regarding the outcome of the upcoming US presidential election is creating a feeling of insecurity and could have an impact on monetary policy.

Capital market experts believe the second half of the year will be marked by even more restraint with regard to issues of covered bonds, particularly in view of ongoing political uncertainty. A lower level of activity can also be expected on the Pfandbrief market due to a decline in both yields and demand for real estate financing.

[3] Sources for information on macroeconomic framework conditions: German Institute for Economic Research (IDW), Kiel Institute for the World Economy (IfW).
[4] Sources for assumptions relating to sector development: CBRE, DG ECFIN, ifo, Federal Statistical Office of Germany.

The scope for a further narrowing of senior spreads in the near future also appears to be limited, although the interest rate reduction cycle should serve to support the performance of fixed interest securities over the medium term.

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

Given all the uncertainty, and the in some cases restrained forecasts (albeit of a positive nature) regarding overall economic conditions, Berlin Hyp expects that transaction volume in the second half of 2024 will be more or less at the same level as was recorded in the first half of the year – i.e. transaction volume for residential and commercial real estate for 2024 as a whole will be approximately € 30 billion. Berlin Hyp also considers transaction volume of € 5 billion for commercially traded residential real estate alone to be a realistic expectation.

Moreover, for all investment decisions, we must take into account that the ESG compliance of properties, tenants and borrowers – also conditional upon the EU taxonomy guidelines – will become increasingly important, and that for many existing properties for all types of use, a high level of investment will be required in order to comply with ESG requirements. Investor demand for ESG-compatible properties will result in a stronger differentiation within the respective market segments.

With regard to the different types of real estate, investors will continue to focus on residential, hotel and logistics properties in economically attractive cities and metropolitan areas, as well as on easily accessible office real estate with a good supply infrastructure and high-quality furnishings and equipment. With regard to hotel real estate, given the generally higher energy and food prices and higher personnel costs, more attention will be paid to solvent operators with long-term contracts. Despite declining inflation rates, there was no sustained recovery of consumer confidence in the first half of 2024, and investors therefore believe that retail properties pose a heightened risk – with the exception of food-related retail properties, especially with retailers in the discounter segment, as well as prestige properties in the luxury retail segment. Discrepancies between the price expectations of buyers and sellers continue to be observed, especially with regard to properties in busy shopping districts, which could lead to a further increase in returns.

Business Development

In the context of what is still a challenging and unreliable planning environment, as well as the demanding regulatory requirements that continue to prevail, Berlin Hyp expects new lending volume in 2024 as a whole to be significantly lower than the level reached in 2023.

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

In consideration of regulatory requirements, earnings potential that arises in the securities portfolio should continue to be used to support net interest income within the framework of a conservative investment strategy.

Contrary to what was forecast, Berlin Hyp also expects that net interest and commission income for 2024 as a whole will actually be slightly higher than the impressively high level reached in 2023. Berlin Hyp's net interest income is based on stable interest income in its core business resulting from a stable portfolio and portfolio margins. The significant interest rate movements over the last two years continue to have a positive impact on the equity yield. There are opportunities to further strengthen the Bank's market position by leveraging Berlin Hyp's expertise as a commercial real estate financier, which would lead to sales targets as well as net interest income being exceeded. This could be further facilitated by the consistent implementation of the digitalisation strategy. In view of the development of interest rates, a very low level of unscheduled loan repayments and, correspondingly, stable portfolios are expected. Potential risks may arise if the sales targets are not met, for example due to a downturn in the real estate markets. Cancelled or postponed investments could lead to a further decline in demand for commercial real estate financing. In addition, earnings risks can arise if, due to renewed strong competition, only interest margins lower than planned can be agreed in the core business. Due to the lower expected volume of new lending in light of the market uncertainties, net commission income is expected to be significantly lower than in 2023.

For 2024 as a whole, Berlin Hyp expects operating expenditure to remain at the previous year's level, which would make it higher than the figure previously forecast. Staff expenditure will be influenced by the positive effects associated with the allocations to pension obligations resulting from rising average interest rates. In addition to the continuing high level of cost awareness, strategically essential projects, such as the optimisation and digitalisation of the loan process, the introduction of a new risk IT architecture, the creation of an integrated SAP bank and the construction of the new headquarters, will continue to lead to higher expenditures. The latter will be neutralised over time by lower building management and operating costs. Berlin Hyp's incorporation into LBBW will continue to generate additional costs, although these are expected to be lower than in 2023. Berlin Hyp's headcount is expected to remain constant 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 bank levy are calculated by the banking supervisory authority. No contribution needs to be made in 2024.

The cost-income ratio is expected to decrease slightly in 2024. With the results of the successful implementation of projects and other initiated measures, the cost-income ratio is expected to stabilise at its current low level over the medium term. If the plans for the above-mentioned projects and levies are exceeded, it 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 or unfavourable interest rate developments will lead to higher operating expenditure and in turn to an increase in the cost-income ratio.

Within the framework of a conservative planning approach, and without taking provision reserves into account, Berlin Hyp expects risk provisioning to remain at a significant level in 2024. The global political situation, which remains tense in some cases, is having a noticeable and major impact on economic activity in many markets. In this context, sanctions, disruptions of the raw material supply and disruptions of supply chains 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 Russia, Belarus, Ukraine, Israel or Palestine; therefore the inability of debtors from these regions to pay does not have direct consequences for the risk provisioning expenditures in Berlin Hyp's loan portfolio. However, Berlin Hyp may experience indirect effects on the valuation of the claims from commercial real estate financing. There may also be an indirect impact on Berlin Hyp's securities portfolio. Increased volatility on capital markets may require additional valuation adjustments. Berlin Hyp does not hold any securities in its portfolio issued by issuers from Russia, Belarus, Ukraine, Israel or Palestine; therefore the securities portfolio does not cause direct risks.

For planning purposes, Berlin Hyp assumes that the operating result after risk provisioning will improve slightly in 2024 compared to 2023, taking into account careful risk provisioning planning and the above-mentioned expectations. Profit before income tax for the full year will also likely be higher than the figure from the previous year.

In addition, certain crisis situations 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.

The return on equity in 2024 should be slightly higher than in 2023, with the figure at just above the upper end of the target range of eight to ten per cent. If net income 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.

The Bank does not expect that there will be any significant changes to the common equity tier 1 ratio towards the end of 2024. Other outlays/expenditure required by supervisory authorities are to be compensated for by allocations to the special item for general banking risks. Additional stricter regulatory requirements are planned for the coming years, such as the setting of further macroprudential capital buffers, and this will have a major impact on Berlin Hyp as well. The implementation of the new Pillar 1 requirements within the framework of CRR III and the introduction of these capital puffers/additional capital requirements will reduce the Bank's free RWA potential accordingly.

In addition to further allocations to the special item for general banking risks, the active management of 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, as well as rating changes due to changed economic conditions caused by inflation and interest rate policies and the Russia-Ukraine war, 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 conditions or if the expected new lending volume cannot be generated on the markets at the planned margins. Further diversification of the investor base, for example by the issuing of additional Green Bonds, could also give rise to opportunities for more favourable refinancing.

Risk Report

For details on risk policy, models applied in the assessment of significant opportunities and risks, and the Bank's anticipated future development, please refer to the information provided in the Risk Report of the Management Report 2023.

Berlin Hyp's risk management system comprises various 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 risk strategy defined by the Bank's Board of Management. The objective of risk management is to maintain the Bank's risk-bearing capacity through the limitation of economic risks.

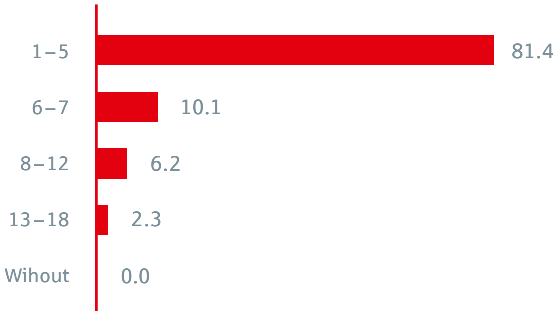
As part of a risk inventory, the Risk Control division identifies the Bank's main risks on an annual basis, creates an overall risk profile and reviews the methods used in the risk management system. Furthermore, the Internal Audit division regularly reviews the risk management system. In the context of a risk inventory carried out at least once a year, the Bank classified the following risk types as material as at 31 December 2023: counterparty default risks (including country risks), market price risks, operational risks, liquidity risks and, as an aggregate risk, concentration risks and sustainability risks. All risk limits were complied with in the first half of 2024. The Bank's risk-bearing capacity was verified in the first half of 2024 from both an economic and normative perspective.

The Bank's current liquidity situation is analysed within the framework of the liquidity management system on the basis of a liquidity progress analysis. In addition, the short-term liquidity situation for up to 30 days (procurement risk) is monitored and managed on a daily basis. With regard to liquidity risk, all economic and regulatory limits were also complied with in the first half of 2024. At no time was the solvency of the Bank endangered.

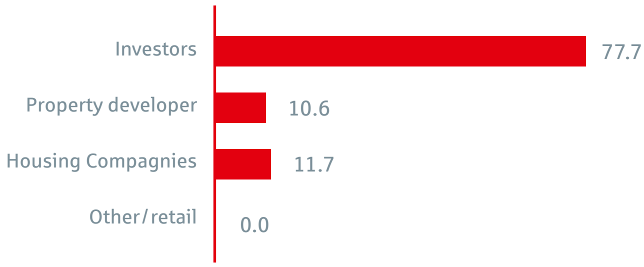
The counterparty default risk is currently the most dominant type of risk for Berlin Hyp. It is managed and monitored at the individual business partner and overall portfolio levels.

The business volume of Berlin Hyp relevant for the determination of the counterparty default risk amounted to € 38.1 billion as at the reporting date. This business volume can be broken down into mortgage lending transactions in the amount of € 31.1 billion, money market and derivatives transactions of around € 1.0 billion and securities and public sector loans of around € 6.0 billion. No material changes occurred within the structure of the mortgage loan portfolio during the reporting period. The breakdown into ratings, customer groups, regions and property types is as follows:

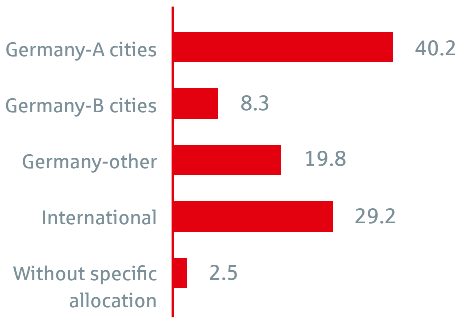
Rating classes
in %



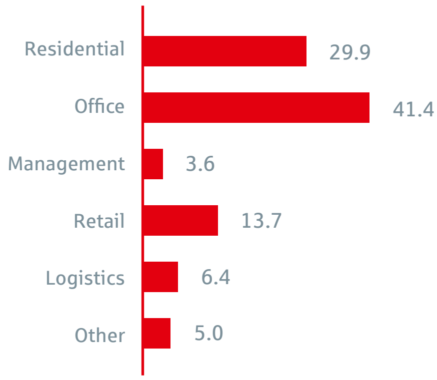
Customer groups
in %



Regions
in %



Property types
in %



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). The share of non-performing loans in the total portfolio increased from 1.7 per cent to 2.1 per cent in the first half of 2024.

Berlin Hyp limited the counterparty default risk on the portfolio level. The utilisation of limits at the portfolio level is reported weekly. As at 30 June 2024, the utilisation was € 538 million and the limit was € 800 million.

Berlin Hyp uses early warning systems with a variety of instruments in order to identify loan commitments with an increased risk in good 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. Early warning meetings take place each quarter. During these meetings, which are attended by staff from the Sales, Credit and Risk Control divisions, the risk content of the identified commitments is discussed separately and further measures are decided upon if necessary. The share of financing that was transferred to the processing steps "increased support" and "early warning meetings" increased during the reporting period. Berlin Hyp introduced the "Observation" pre-warning level on 1 January 2024.

In addition, the Bank continued to conduct a comprehensive analysis of the entire portfolio of project and property financing. The analysis here focused on risk assessment for individual cases while particularly taking into account market changes, maturity dates and guarantee structures. Despite significantly higher refinancing costs for follow-up financing and a decline in _transaction volumes, project developments largely proceeded in line with the stipulations of the associated loan agreements, and cost increases remained manageable thanks to the existence of adequate provisions for construction costs. The results of the analysis showed that no fundamental measures need to be implemented for the project financing portfolio. In the case of certain instances of project and property financing that displayed project-specific anomalies (for example construction delays, letting problems, declines in value), the decision was made to monitor the corresponding projects more closely.

An additional meeting with the entire Board of Management every 14 days was launched in May 2023 in order to continuously report on the development of conspicuous individual exposures in the Bank's loan portfolio in a timely manner.

Condensed Balance Sheet

as at 30 June 2024

Assets	30.06.2024 €m	31.12.2023 €m
Cash reserves	**44.0**	**38.5**
Claims against banking institutions	**1,097.8**	**285.5**
Mortgage loans	0.0	0.0
Public-sector loans	0.0	0.0
Other claims	1,097.8	285.5
Claims against customers	**29,282.4**	**29,219.0**
Mortgage loans	28,761.2	28,654.4
Public-sector loans	415.2	419.5
Other claims	106.0	145.1
Debentures	**5,622.4**	**5,322.6**
Participations	**1.1**	**4.0**
Shares in affiliated enterprises	**3.1**	**0.0**
Intangible investment assets	**68.4**	**64.6**
Tangible fixed assets	**131.2**	**100.4**
Other assets	**274.0**	**317.6**
Deferred income	**106.0**	**104.7**
Total assets	**36,630.4**	**35,456.9**

Liabilities	30.06.2024 €m	31.12.2023 €m
Liabilities to banking institutions	**3,072.9**	**2,711.4**
Registered mortgage Pfandbriefe	248.5	215.0
Registered public Pfandbriefe	15.5	15.4
Other liabilities	2,808.9	2,481.0
Liabilities to customers	**6,923.2**	**6,031.4**
Registered mortgage Pfandbriefe	1,366.0	1,475.6
Registered public Pfandbriefe	118.2	131.1
Other liabilities	5,439.0	4,424.7
Securitised liabilities	**23,242.9**	**23,141.8**
Mortgage Pfandbriefe	16,435.7	16,057.8
Public Pfandbriefe	0.0	0.0
Other debentures	6,807.2	7,084.0
Other liabilities	**483.5**	**509.7**
Deferred income	**124.0**	**132.2**
Reserves	**325.9**	**333.0**
Subordinated liabilities	**682.0**	**786.3**
Fund for general banking risks	**800.0**	**800.0**
Equity	**976.0**	**1,011.1**
of which balance sheet profit	40.1	75.1
Total liabilities	**36,630.4**	**35,456.9**

Contingent liabilities		
Liabilities from guarantees and warranty contracts	257.2	283.4
Other obligations		
Irrevocable loan commitments	1,241.7	2042.2

Condensed Profit and Loss Account

from 1 January to 30 June 2024

Expenditure	01.01.2024 – 30.06.2024 €m	01.01.2023 – 30.06.2023 €m	Change €m	Change %
1. Interest expenditure	**354.0**	288.3	65.7	22.8
2. Commission expenditure	**8.8**	7.3	1.5	20.5
3. General operating expenditure	**88.9**	91.5	–2.6	–2.8
4. Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	**6.9**	6.4	0.5	7.8
5. Other operating expenditure	**4.5**	2.4	2.1	87.5
6. Depreciation and valuation adjustments on claims and specific securities as well as additions to provisions made for lending	**102.2**	49.6	52.6	> 100.0
7. Contribution to the fund for general banking risks	**0.0**	25.0	–25.0	–100.0
8. Taxes on income and earnings	**32.1**	21.9	10.2	46.6
9. Other taxes not shown under Item 5	**0.0**	0.0	0.0	–
10. Profits transferred based on a profit pool, a profit transfer agreement or a partial profit transfer agreement	**0.0**	0.0	0.0	–
11. Net income for the year	**40.0**	37.5	2.5	6.7
Total expenditure	**637.4**	**529.9**	**107.5**	**20.3**

1. Net income for the year	**40.0**	37.5
2. Profit/loss carryforward from the previous year	**0.1**	0.1
3. Withdrawals from the capital reserve	**0.0**	0.0
4. Withdrawals from retained earnings	**0.0**	0.0
5. Transfers to retained earnings	**0.0**	0.0
Balance sheet profit	**40.1**	**37.6**

Income	01.01.2024 – 30.06.2024 €m	01.01.2023 – 30.06.2023 €m	Change €m	Change %
1. Interest income	**617.9**	504.6	113.3	22.5
2. Current income	**0.0**	0.0	0.0	–
3. Commission income	**13.2**	18.3	–5.1	–27.9
4. Other operating income	**6.3**	7.0	–0.7	–10.0
Total income	**637.4**	529.9	107.5	20.3

Selected Explanatory Notes

General disclosures

The condensed interim financial statements of Berlin Hyp were prepared in accordance with the provisions of the German Commercial Code (HGB) and supplementary provisions of stock corporation law (AktG) and in consideration of the German Securities Trading Act (WpHG), the German Pfandbrief Act (PfandBG) and the Regulation on the Accounts of Banking Institutions, Financial Services Institutions and Securities Institutions (RechKredV).

RechKredV is authoritative for the structure and the contents of the balance sheet and the profit and loss account.

Berlin Hyp holds shares in two subsidiaries and one strategic investment that have no material influence on the representation of the financial, assets and earnings situation of Berlin Hyp either individually or as a whole. Berlin Hyp has no legal obligation to produce consolidated annual accounts in accordance with Section 290 (5) in connection with Section 296 (2) of the German Commercial Code (HGB).

Reporting and Valuation Principles

The valuation of assets and liabilities occurs according to the provisions of Sections 252 et seq. of the German Commercial Code (HGB), taking into account the special regulations for banking institutions pursuant to Sections 340 et seq. of the German Commercial Code (HGB).

Unless otherwise stated below, the same reporting and valuation principles were applied to the preparation of the condensed interim financial statements as were applied in the annual accounts as at 31 December 2023.

Receivables and off-balance sheet obligations

Recognisable risks in the lending business were taken into proper consideration through the formation of specific valuation allowances and reserves in the lending business. Latent risks in the lending business are addressed by means of lump-sum value adjustments and reserves. A special item pursuant to Section 340g of the German Commercial Code (HGB) is also used to address general banking risks.

Valuation changes brought about by creditworthiness considerations are shown as valuation allowances on likely claim defaults. The amounts of the valuation allowances are calculated on the basis of the determined amount that is actually in danger of default in each case, taking into account collateral values calculated on the basis of expectations regarding the break-up or continuation of the business in question. With regard to the calculation of collateral values, a distinction has been made up until now between the going concern approach (restructuring) and the gone concern approach (initiation of compulsory liquidation). In the case of the going concern approach, the collateral value basically corresponds to the loan value of the financed property; in exceptional cases, the market value less an individual risk premium may be used with the approach, provided it is possible to present knowledge that is specific to the property in question and can influence its value. With the gone concern approach, the market value determined by the court is reduced by 30 per cent (old federal states, Berlin and abroad) or 50 per cent (new federal states). Interest claims on value-adjusted exposures are set as due and recognised in a corresponding manner. If no payment is received, the value of the interest claim is adjusted; in the case of irrecoverable interest, a non-accrual is usually entered. In line with the principle of prudence in accordance with the German Commercial Code (HGB), principal repayments are currently not taken into account until the follow-up rather than during the determination of the valuation allowance. The valuation adjustment overhang that results from the principal repayments is written off on an annual basis.

The Bank is currently preparing for a change to its calculation logic that will be implemented before the end of 2024. The purpose of this change is to align the HGB and IFRS methods for calculating risk provisioning. Here, the probability-weighted result from at least two scenarios will be used in future to determine risk provisioning and will also be compared with the current carrying amounts of receivables. The basis here are the scenario-specific proceeds that would result in each case from the disposal or sale of the existing real estate collateral on the property in question. This in turn corresponds to the current market value of the financed property, adjusted by an individual risk premium in the event that knowledge is presented that is specific to the property in question and can influence its value. Expected principal repayments during the monitoring period are to be taken into account in a manner that indicates a reduced risk. The calculation of risk provisioning does not discount future payment flows, which means interest cash flows are also not taken into account. This method was applied in the first half of 2024 to two instances of financing for which a need for individual risk provisioning was identified.

The lump-sum value adjustment has been determined according to the regulations contained in IDW RS BFA 7 (accounting standard; lump-sum value adjustment for banking institutions) on the basis of the IFRS 9 methodology. This methodology calls for impairments to be recorded on the basis of expected credit losses. For every individual transaction, the lump-sum value adjustment corresponds at the time of the entry to the credit loss expected for the subsequent 12 months.

The assessment as to whether a significant increase in the default risk is to be recorded for a financial instrument is made on the basis of three criteria:

- → Quantitative transfer criterion: first, the initial rating and segment-specific defined and expected migrations are used to calculate the default probability as at the reporting date. If the current risk assessment is significantly worse than the expected value for that date, a transfer will be performed.
- → “Trivial limit” criterion: on the basis of the initial rating, a change to the default probability of no more than ten basis points is considered to be minor (trivial). In such cases, the expected losses for the following twelve months are determined.
- → “Warning signal” qualitative transfer criterion: if certain warning signals are identified, the expected losses throughout the financial instrument’s residual term are determined. This includes internal warnings, 30-day arrears, active increased support and so-called forbearance measures.

The expected loss is calculated in relation to the probability of default (PD), the estimation of the loss given default (LGD) and the anticipated exposure at default (EaD) over the applicable period of time in each case. The calculation is outsourced to LBBW as the parent company of Berlin Hyp.

When calculating the expected credit loss (ECL), LBBW uses a single-scenario approach in the standard process, whereby it employs statistical models that are fundamentally parametrised on the basis of through-the-cycle averages and therefore only reflect to a limited extent the effects of the current macroeconomic situation on the ECL parameters PD, LGD and EAD. This approach is adequate without restriction in normal economic situations in which ECL parameters that are calculated on the basis of through-the-cycle averages and those that are adjusted in line with the latest economic developments do not statistically deviate from one another in a significant manner. However, in the current economic situation, in which numerous cyclical shocks and structural impediments are adversely affecting the creditworthiness of many companies, this methodology that is fundamentally based on through-the-cycle averages is not adequate. An adjustment of the ECL parameters PD and LGD in line with economic developments as part of a multi-scenario model is absolutely necessary here. In the case of commercial real estate financing, the adjustment of PD in line with economic developments is in this respect linked to scenario projections for the value of the property and the development of market rents that are made with the help of a rating simulation.

LGD has, historically speaking, proved to be less influenced by cyclical developments. At the same time, due to the increase in interest rates, the effects of the structural transformation and the incentives for shortening the workout period, a systematic LGD increase can be assumed, whereby this increase is not reflected in the loss data history and is thus not adequately quantified in the productive model parametrisation. For this reason, a sector-specific but scenario-independent premium is attached to the LGDs, and these premiums are to be classified as in-model adjustments. Refinancing costs are separately quantified via a PD increase around the time a loan matures.

The rules contained in IFRS 9 stipulate that the analysis of a significant increase in the default risk (SICR) must in principle be conducted on the basis of a lifetime PD adjusted in line with economic developments. The productive transfer criterion, which at its core is linked to the regulatory through-the-cycle rating, is only adequate without restriction in normal economic situations in which PD adjusted in line with economic developments and PD calculated on the basis of through-the-cycle averages do not statistically deviate from one another in a significant manner. In the current exceptional situation, the reclassification to a different level is examined on the basis of a modified quantitative transfer criterion, which in turn is based on the macro-adjusted lifetime point in time PD and thus meets the requirements of IFRS 9 and the ECB.

Companies now face special risks due to the large number of global and local crises – for example the looming escalation of trade wars between Europe, the USA and China, and the increase in (military) conflicts. To this can be added political uncertainty in both the USA and Europe as elections approach, since the results of these elections could significantly shift the political framework in both regions. Also to be considered are disruptive technologies relating to artificial intelligence, as well as climate change, which is already having rapid massive effects on certain economic sectors.

The ultimate impact of these events cannot be foreseen by individual customers. Moreover, the probability of occurrence of each event cannot be quantified in any serious manner, but taken together the probability of risks is not negligible. Nevertheless, quantification of the associated expected credit loss is not possible due to the aforementioned reasons. Although the commercial real estate financing segment is particularly vulnerable to the effects of the events described above, the requirements for a reclassification to a different level in accordance with IFRS 9 are not met. Still, there are parallels with the SICR criterion in IFRS 9 here in terms of content: Berlin Hyp's portfolio is exposed to significantly heightened default risks due to these risks that remain abstract for the moment. For this reason, all transactions that would still be provisioned with the 12-month ECL following the execution of the level reclassification in line with economic developments are provisioned with the lifetime ECL.

In order to reflect the latent counterparty default risks in the lending business in connection with the aforementioned risks in a manner which adequately reflects those risks, the model adjustment for valuated loans was, within the framework of the lump-sum value adjustments, increased by € 15.4 million, to € 142.4 million. Conversely, as a result of the decrease in irrevocable loan commitments, the model adjustments to the reserves that is performed in response to this was reduced by € 0.2 million, to € 4.6 million. When assessing the loan portfolio, Berlin Hyp thus continues to take into account the intensification of the crisis and the resulting significant and longer-term market dysfunctionalities.

Liabilities
For liabilities, the differences between the issue and the settlement amount are recognised as prepaid expenses or prepaid income, respectively, and recorded as interest income or interest paid, respectively, over the entire term.

Reserves
Pension reserves are assessed based on actuarial principles employing a discount rate of 1.91 per cent (31 December 2023: 1,83 per cent) of the cash value of the obligations already accrued. The difference between the recognition of reserves in accordance with the actuarial interest rates of the past ten financial years and the recognition of reserves in accordance with an interest rate for the past seven financial years (discount rate of 1.98 per cent (31 December 2023: 1.76 per cent)) amounts to –€ 3.1 million (31 December 2023: € 3.3 million). This difference is not taken into account as being blocked from distribution.

The pension obligations are based on the projected unit credit method. The 2018 G Heubeck Guideline Tables is used as the biometric basis for calculation. A calculated salary and career trend of 2.65 per cent per annum is used (31 December 2023: 2.65 per cent per annum) up until the age of 50. Depending on the pension scheme involved, the projected pension trend is between 1.00 and 2.15 per cent p.a. Active members of the Board of Management have a calculated salary and career trend of 2.65 per cent p.a. (31 December 2023: 0.00 per cent p.a.) up until the age of 50. Fluctuation is taken into account at a rate of 4.00 per cent.

Another pension plan of the Bank involves a pension commitment as a complement to reinsurance, the amount of which is exclusively determined by the fair value of a life reinsurance plan (plan assets according to Section 246 (2) (2) of the German Commercial Code [HGB]); this pension commitment is therefore treated as a pension commitment linked to securities in the balance sheet. The corresponding obligation should therefore be recognised in the amount of the fair value of the plan assets (insofar as it exceeds a guaranteed minimum amount) and should be netted with the plan assets.

The reserve for early retirement obligations is set at cash value calculated using a maturity-linked discounting factor of future earnings. The 2018 G Heubeck Guideline Tables are used as a biometric accounting basis.

The expenses from the compounding of reserves from the non-lending business are included in the “Other operating result” item.

Income Taxes

Income taxes are recognised on the basis of the best estimate of the weighted average annual income tax rate that is expected for the year as a whole. This rate is applied to the profit before taxes result in the interim financial statements for the first half of the year.

Minimum Taxation in Accordance with the Minimum Tax Act

Berlin Hyp is incorporated into the consolidated annual accounts of Landesbank Baden-Württemberg. Because the Landesbank Baden-Württemberg group of companies recorded consolidated revenue of more than € 750 million, it is affected by the regulations relating to global minimum taxation, which are applied in Germany within the framework of the Minimum Tax Act. The group head, and thus the entity that owes the minimum tax, is Landesbank Baden-Württemberg, which is currently examining a process for meeting the legal requirements for the minimum tax group.

Group Affiliation

Berlin Hyp is included in the consolidated annual accounts of Landesbank Baden-Württemberg as a subsidiary of the latter with its four headquarters in Stuttgart, Karlsruhe, Mainz and Mannheim (smallest and largest consolidation group as defined in Section 285 Nos. 14 and 14a of the German Commercial Code (HGB)). The consolidated annual accounts of Landesbank Baden-Württemberg will be published in the business register.

Notes to the Condensed Profit and Loss Account

Net Interest Income	01.01.2024 – 30.06.2024 €m	01.01.2023 – 30.06.2023 €m	Change €m	Change %
Interest income from				
Mortgage loans	486.9	391.4	95.5	24.4
Public-sector loans	8.8	8.7	0.1	1.1
Other receivables	26.6	44.0	–17.4	–39.5
Money market transactions	0.0	0.1	–0.1	–100.0
Fixed-income securities and book-entry securities	95.6	60.4	35.2	58.3
Derivative transactions	0.0	0.0	0.0	–
	617.9	**504.6**	**113.3**	**22.5**
Interest expenditure for				
Deposits and registered Pfandbriefe	175.2	156.8	18.4	11.7
Securitised liabilities	155.8	107.6	48.2	44.8
Subordinated liabilities	14.5	4.3	10.2	> 100.0
Derivative transactions	8.5	19.6	–11.1	–56.6
	354.0	**288.3**	**65.7**	**22.8**
Net Interest Income	**263.9**	**216.3**	**47.6**	**22.0**

With regard to the development of net interest income, reference is made to our statements on the earnings situation in the Interim Management Report.

Net Commission Income	01.01.2024 – 30.06.2024 €m	01.01.2023 – 30.06.2023 €m	Change €m	Change %
Commission income				
Lending	12.1	17.5	–5.4	–30.9
Sureties	1.1	0.8	0.3	37.5
	13.2	**18.3**	**–5.1**	**–27.9**
Commission expenditure				
Sureties	4.9	4.2	0.7	16.7
Credit brokerage	3.1	2.5	0.6	24.0
Securities business	0.6	0.6	0.0	0.0
Other	0.2	0.0	0.2	> 100.0
	8.8	**7.3**	**1.5**	**20.5**
Net commission income	**4.4**	**11.0**	**–6.6**	**–60.0**

Net interest and commission income and other operating income are predominantly generated in Germany.

Operating Expenditure	01.01.2024 – 30.06.2024 €m	01.01.2023 – 30.06.2023 €m	Change €m	Change %
Staff expenditure				
Wages and salaries	36.0	32.1	3.9	12.1
Social security contributions / retirement pensions	6.1	8.0	–1.9	–23.8
	42.1	**40.1**	**2.0**	**5.0**
Other administrative expenses				
Services by third parties	23.6	15.4	8.2	53.2
IT expenditure	15.3	11.9	3.4	28.6
Building and premises costs	2.6	2.4	0.2	8.3
Staff-related material costs	2.5	2.7	–0.2	–7.4
Advertising and marketing	1.2	1.2	0.0	0.0
Business operation costs	0.9	0.9	0.0	0.0
Operating and business equipment	0.5	0.5	0.0	0.0
Group payment set-off	0.2	0.0	0.2	> 100.0
Bank levy	0.0	16.4	–16.4	–100.0
	46.8	**51.4**	**–4.6**	**–8.9**
General operating expenditure	**88.9**	**91.5**	**–2.6**	**–2.8**

With regard to the development of operating expenditure, reference is made to our statements on the earnings situation in the Interim Management Report.

Risk Provisioning

The balance of risk provisioning allocation and expenditure is comprised as follows:

	01.01.2024 – 30.06.2024 €m	01.01.2023 – 30.06.2023 €m	Change €m	Change %
Risk provisioning for the lending business	112.9	52.8	60.1	> 100.0
Valuation and disposal result in the securities business	–10.7	–3.2	–7.5	> –100.0
	102.2	**49.6**	**52.6**	**> 100.0**

Earnings with negative signs.

With regard to the development of risk provisioning, reference is made to our statements on the earnings situation in the Interim Management Report.

Notes to the Balance Sheet

Claims from and Liabilities to Affiliated Enterprises and Related Companies	30.06.2024		31.12.2023	
	Affiliated enterprises €m	Companies with which a shareholding relationship exist €m	Affiliated enterprises €m	Companies with which a shareholding relationship exists €m
Claims against banking institutions	0.3	–	0.1	–
Claims against customers	83.0	–	84.0	–
Debentures and other fixed interest securities	27.4	–	27.4	–
Other assets	53.5	–	47.3	–
Liabilities to banking institutions	115.0	–	1,847.3	–
Liabilities to customers	4.7	–	4.8	–
Securitised liabilities	453.5	–	204.3	–
Other liabilities	–	–	–	–
Subordinated liabilities	565.1	–	553.4	–

Statement of Changes in Derivatives

Derivatives as at 30.06.2024 €m	Nominal amount/Remaining term									
	Up to 1 year	From 1 to 5 years	More than 5 years	Total Nominal	Total of negative market values	Total of positive market values	Total of negative book values (liabilities)	Balance sheet items (liabilities)	Total of positive book values (assets)	Balance sheet items (assets)
Interest-related transactions:										
Interest rate swaps	8,606	32,471	22,019	63,096	−1,931	2,029	−34	P6	8	A15
of which in valuation units	336	2,481	1,402	4,219	−11	153	0		0	
FRA sales	0	0	0	0	0	0	0		0	
Swaptions	0	0	0	0	0	0	0	P5	0	A14
Securities future	0	0	0	0	0	0	0		0	
Caps	1,838	3,980	932	6,750	−125	43	−42	P6	40	A15
Floors	14	486	0	500	0	0	−1	P6	0	A15
Collar caps	0	45	0	45	−2	0	−1		0	
Collar floors	0	45	0	45	0	0	0		0	
Other transactions	0	0	500	500	0	0	0		0	
	10,458	**37,027**	**23,451**	**70,936**	**−2,058**	**2,072**	**−78**		**48**	
Currency-related transactions:										
Forward exchange dealings	145	0	0	145	0	1	−2	P5	1	A14
Interest and currency swaps	104	837	337	1,278	−6	47	0	P5	64	A14
	249	**837**	**337**	**1,423**	**−6**	**48**	**−2**		**65**	
Total	**10,707**	**37,864**	**23,788**	**72,359**	**−2,064**	**2,120**	**−80**		**113**	

Derivatives as at 31.12.2023 *€m*	Nominal amount/Remaining Up to 1 year	From 1 to 5 years	More than 5 years	Total Nominal	Total of negative market values	Total of positive market values	Total of negative book values (liabilities)	Balance sheet items (liabilities)	Total of positive book values (assets)	Balance sheet items (assets)
Interest-related transactions:										
Interest rate swaps	7,427	33,467	22,450	63,344	–1,971	2,128	–38	P6	9	A15
of which in valuation units	421	2,469	788	3,678	–36	132	0		0	
FRA sales	0	0	0	0	0	0	0		0	
Swaptions	0	0	0	0	0	0	0	P5	0	A14
Securities future	0	0	0	0	0	0	0		0	
Caps	1,103	3,798	933	5,834	–130	39	–39	P6	36	A15
Floors	14	486	0	500	0	0	–1	P6	0	A15
Collar caps	0	46	0	46	–1	0	–1		0	
Collar floors	0	46	0	46	0	0	0		0	
Other transactions	0	0	500	500	0	0	0		0	
	8,544	**37,843**	**23,883**	**70,270**	**–2,102**	**2,167**	**–79**		**45**	
Currency-related transactions:										
Forward exchange dealings	236	0	0	236	–5	2	–5	P5	2	A14
Interest and currency swaps	82	788	351	1,221	–6	76	0	P5	104	A14
	318	**788**	**351**	**1,457**	**–11**	**78**	**–5**		**106**	
Total	**8,862**	**38,631**	**24,234**	**71,727**	**–2,113**	**2,245**	**–84**		**151**	

Completed business transactions largely serve to hedge interest and exchange rate risks of underlying transactions. The market values of the derivative financial instruments are shown on the basis of the interest rate applicable on 30 June 2024 without taking into account interest accruals. The market values of the derivatives are counteracted by the valuation advantages of the balance sheet operations not assessed at market price. All derivatives – with the exception of customer derivatives – are hedged by collaterals. In the case of customer derivatives, the land charges assigned as collateral for the underlying loans also serve as collateral for derivatives transactions.

Other Information

Berlin Hyp has concluded rental and leasing agreements for buildings used for banking operations as well as for the vehicle fleet and certain operating and business equipment. No significant risks with an impact on the assessment of the Bank's financial position arise from these agreements.

In connection with Berlin Hyp's investments, payment obligations result for Berlin Hyp Beteiligungsgesellschaft mbH in the amount of T€ 595 and for OnSite ImmoAgent GmbH in the amount of T€ 49.

In connection with the European bank levy, Berlin Hyp reported irrevocable payment obligations in the "Other financial obligations" item (cumulative figure since 2023: € 4.7 million). Receivables in connection with paid cash collateral were capitalised in the same amount.

Number of Staff

Average	01.01. – 30.06.2024			01.01. – 30.06.2023		
	Male	Female	Total	Male	Female	Total
Full-time employees	320	215	535	290	201	491
Part-time employees	34	80	114	35	88	123
School-leaver trainees / BA students	2	1	3	1	3	4
Total	**356**	**296**	**652**	**326**	**292**	**618**

Information Pursuant to Section 28 of the German Pfandbrief Act (Pfandbriefgesetz)

Information to be published on a quarterly basis in accordance with Section 28 of the Pfandbrief Act is published on the Bank’s website at www.berlinhyp.de.

Sascha Klaus Maria Teresa Dreo-Tempsch Alexander Stuwe

Berlin, July 2024

Declaration by the Members of the Body Authorised to Represent the Bank According to Section 264 (2)(3) and Section 289 (1)(5) of the German Commercial Code (HGB)

»To the best of our knowledge, we give the assurance that, in compliance with the applicable accounting principles for interim reporting, the interim financial statements provide an accurate picture of the actual circumstances of the net assets and the financial and earnings situation of the Bank, and that the course of business, including the results, and the Bank's position are shown in the Interim Management Report in such a way that the picture conveyed corresponds to the actual circumstances, and the material opportunities and risks of the probable development of the company are described.«

Sascha Klaus Maria Teresa Dreo-Tempsch Alexander Stuwe

Berlin, July 2024

Further Information for Investors

Decarbonisation

In the last quarter of 2022, Berlin Hyp started the "Decarbonisation Path" project, in which the financed emissions resulting from its loan portfolio were calculated in accordance with the PCAF standard. The calculation covers the Scope 1 and Scope 2 emissions of the financed commercial real estate. The calculation in accordance with the PCAF standard constitutes a further development of the calculation of the CO_2 intensity of the loan portfolio, which was previously performed within the framework of Sustainability-Linked Bonds (for the method, see ESG Bond Report 2022). The new calculation represents an improvement in that now only those parts of properties that are actually financed by Berlin Hyp, and the related emissions, are considered, whereas previously the total space of the properties was used as a basis.

Financed emission intensity	$\frac{tCO_2}{m^2a}$	**Emissions per area of financed properties, weighted by financed area**	$$\frac{\sum_{Properties} \frac{kWh}{m^2a} \times \frac{tCO_2}{kWh} \times m^2 \times \frac{\text{Outstanding Amount (€)}}{\text{Market value (€)}}}{\sum_{Properties} m^2 \times \frac{\text{Outstanding Amount (€)}}{\text{Market value (€)}}}$$
			Standard for target in accordance with SBTI and thus the appropriate metric for the Decarbonisation Path

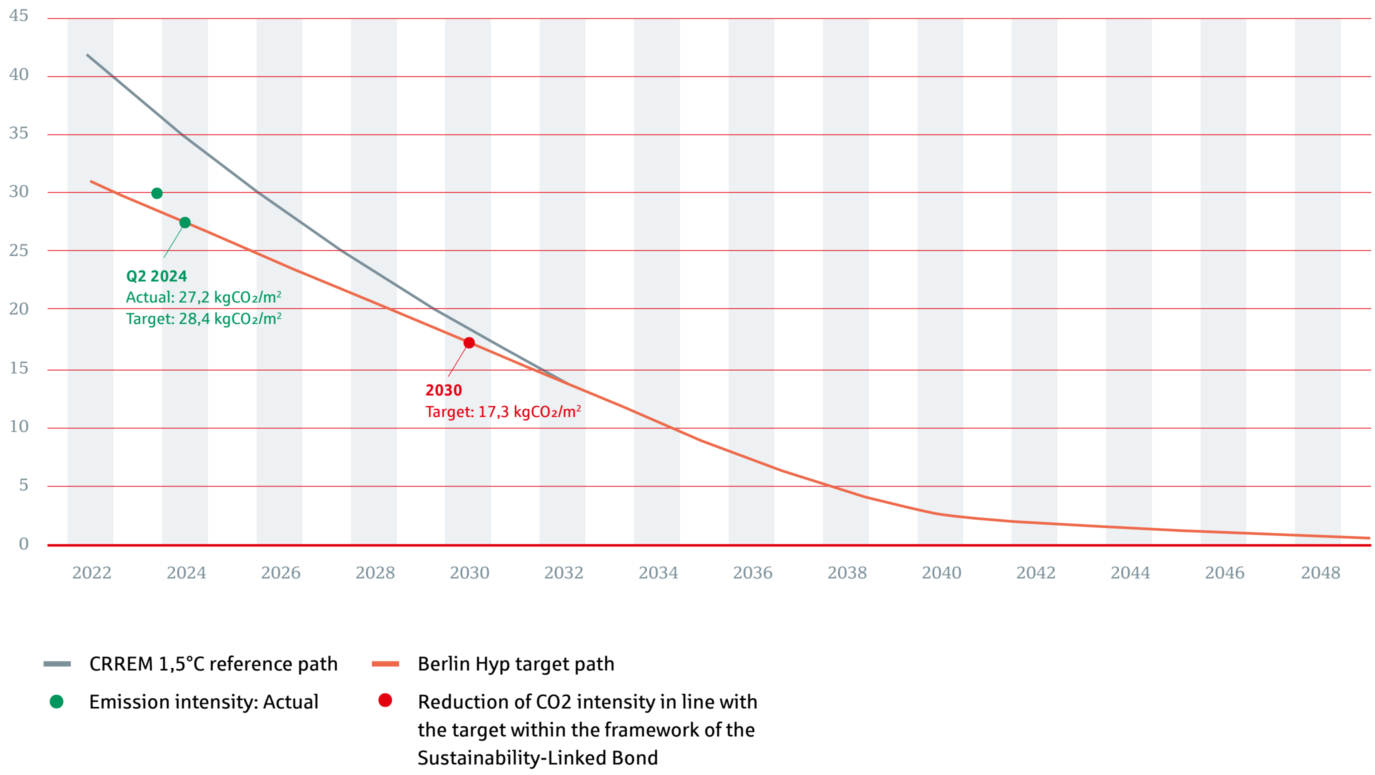
On the basis of the newly calculated financed emissions, ambitious goals for CO_2 reductions were defined both for the overall loan portfolio and the loan portfolio sub-segments, showing us the way toward net zero. The feasibility and the economic implications of the CO_2 reduction goals were reviewed in an impact analysis. Furthermore, we, as Berlin Hyp, are committed to doing our best to make sure that our overall loan portfolio does not exceed the 1.5-degree pathway defined by CRREM, which specifies publicly accessible and science-based CO_2 limits for real estate and ensures compliance with the Paris Agreement. We make this commitment with the proviso that the decarbonisation of electricity and heating networks and the use of new energy sources occur as anticipated. The German government's roadmap for the decarbonisation of electricity and heating networks forms the basis for these assumptions.

As at 30 June 2024, Berlin Hyp's financed emission intensity of 27.2 kg CO_2 per m^2 (31 December 2023: 30.0 kg CO_2 per m^2) was significantly lower than the CRREM reference values. Furthermore, Berlin Hyp's newly defined CO_2 reduction goal (highlighted in green in the chart) stipulates a course even more ambitious than the reduction target of 40 per cent for the loan portfolio from 2020 to 2030 as defined in 2021 within the framework of the Sustainability-Linked Bond (see red dot in the illustration).

[5] PCAF: https://carbonaccountingfinancials.com/about
[6] Outstanding amount: The loan amount (in €m) that was not yet returned to the Bank at the time of the calculation. The initial loan amount minus repayments made corresponds to the outstanding loan amount.
[7] Market value: Market value of the building at the beginning of the loan term. If this figure is not available, the earliest available market value is used instead.
Electricity: Renewable Energy Sources Act 2023, Section 1: "The share of gross electricity consumption accounted for by electricity generated from renewable energy sources in the territory of the Federal Republic of Germany, including the German Exclusive Economic Zone (federal territory), is to be increased to a minimum of 80 per cent by 2030."
Heating: District heating – Federal Ministry for Economic Affairs and Climate Action, ambition of climate neutrality by 2045: "Climate-neutral heating networks by 2045" https://www.bmwk.de/Redaktion/DE/Schlaglichter-der-Wirtschaftspolitik/2022/02/04-im-fokus-gruene-waerme.html

The development of financed emission intensities can largely be attributed to adjustments made to the CO_2-electricity emission factors as a result of a changed national energy-generation mix that is now geared more towards renewable energy sources.

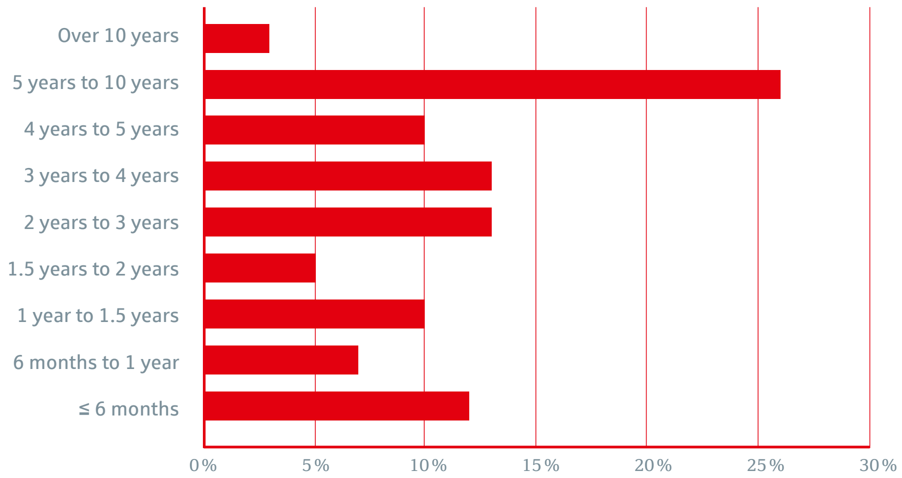
Financed emission intensity: Comparison with the target path and CRREM



Mortgage Loan Portfolio

The breakdown of the mortgage loan portfolio by maturity structure and loan-to-value ratio as at 30 June 2024 was as follows:

Maturity Structure of Loans



Loan to Values to Countries (with exposure >1 % of reporting total)
in %

Lending region	Ø LTV
Germany	57.2
BeNeLux	54.7
France	56.1
Poland/Czech Republic	62.0

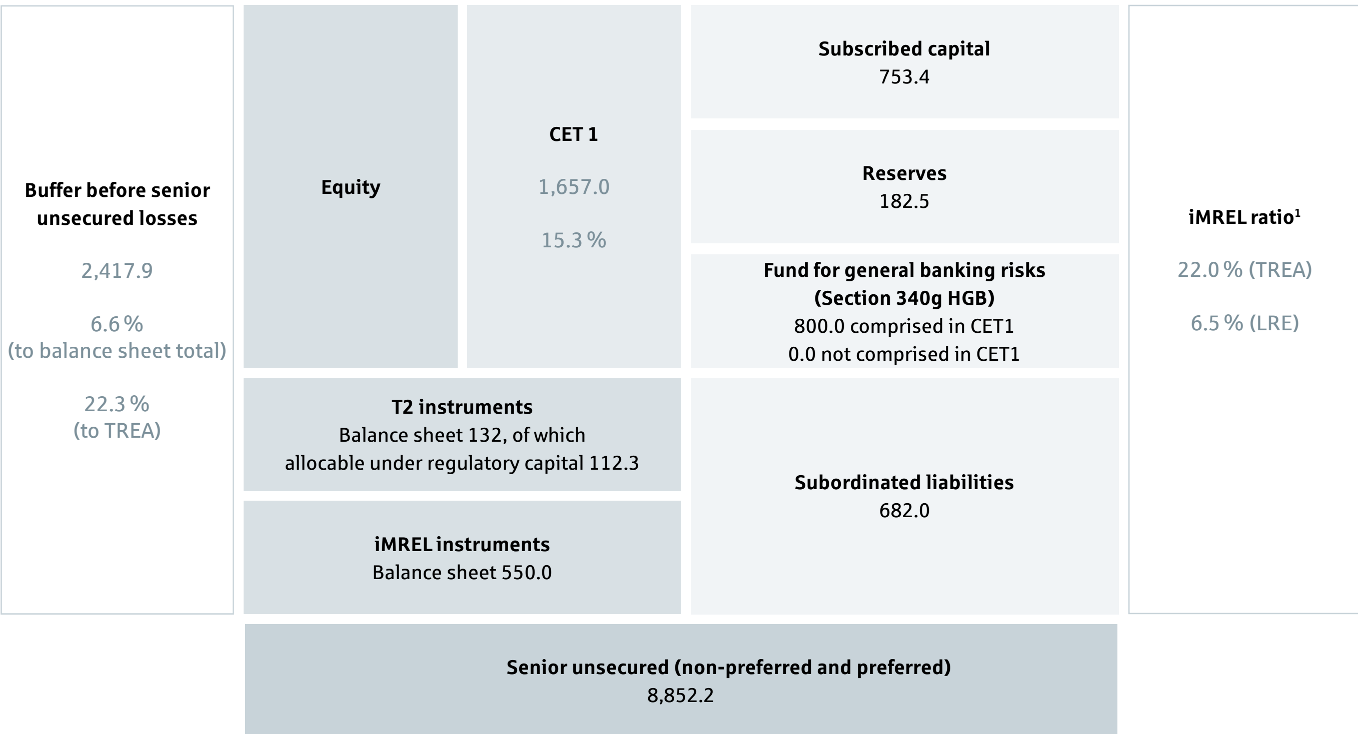
Key Regulatory Indicators

in €m

	30.06.2024	31.12.2023
Common equity tier 1 (CET1)	1,657	1,657
Additional tier 1 capital (AT1)	0	0
Tier 1 capital (T1)	1,657	1,657
Tier 2 capital (T2)	176	184
Own funds / Total capital	1,833	1,841
Risk weighted assets (RWA)	10,843	10,753
CET1 ratio in %	15.3	15.4
T1 ratio in %	15.3	15.4
Total capital ratio in %	16.9	17.1
Leverage ratio in %	4.5	4.5
MREL (leverage ratio exposure)	6.5	6.5
MREL (total risk exposure amount)	22.0	22.2
LCR	163.2	149.8
NSFR	118.2	111.3

Insolvency Hierarchy and Protection of Senior Unsecured Investors

in €m



1 iMREL effective in relation to the total risk exposure amount (TREA) 22.00 % and/or to the leverage ratio exposure (LRE) 6.54 %. iMREL requirement from 22.03.2024 on: 15.7 % TREA + CBR and/or 5.91 % LRE.

Addresses

Headquarters

Berlin Hyp AG
Corneliusstrasse 7
10787 Berlin
Germany
T +49 30 2599 90
www.berlinhyp.de

Real Estate Finance

Berlin Branch
Corneliusstrasse 7
10787 Berlin
Germany
T +49 30 2599 5586

Dusseldorf Branch
Königsallee 60d
40212 Dusseldorf
Germany
T +49 211 8392 2211

Frankfurt am Main Branch
NEXTOWER
Thurn-und-Taxis-Platz 6
60313 Frankfurt am Main
Germany
T +49 69 1506 211

Hamburg Branch
Neuer Wall 19
20345 Hamburg
Germany
T +49 40 2866589 21

Munich Branch
Isartorplatz 8
80331 München
Germany
T +49 89 291949 10

Stuttgart Branch
Friedrichstrasse 6
70174 Stuttgart
Germany
T +49 711 2483 8821

Origination International Investors
Corneliusstrasse 7
10787 Berlin
Germany
T +49 30 2599 5710

Amsterdam Office
WTC Schiphol Airport
Tower B; 9. Floor
Schiphol Boulevard 263
NL-1118 BH Schiphol
The Netherlands
T +31 20 798 44 20

Paris Office
40, Rue La Pérouse
F-75116 Paris
France
T +33 1 730425 21

Warschau
Plac Malachowskiego 2
PL-00-066 Warschau
Poland
T +48 22 376 5121

Portfolio Management

Syndication
Corneliusstrasse 7
10787 Berlin
Germany
T +49 30 2599 5610

Other Functional Spheres

Finance and Banking Operations
Corneliusstrasse 7
10787 Berlin
Germany
T +49 30 2599 9820

Treasury
Corneliusstrasse 7
10787 Berlin
Germany
T +49 30 2599 9510

Risk Management
Corneliusstrasse 7
10787 Berlin
Germany
T +49 30 2599 9975

Contact

If you have any questions regarding our Half-Year Financial Report, our company, or if you would like to order any further publications, please contact:

Berlin Hyp AG
Communications and Marketing
Corneliusstrasse 7
10787 Berlin
Germany
T +49 30 2599 9123
www.berlinhyp.de

Important company information is available immediately after publication at www.berlinhyp.de

Publications for our business partners in 2024

- Management Report for the short financial year 2024 (German / English)
- Interim Financial Report 2024 (German / English)

In this Annual Report, reference to the masculine form naturally also includes the feminine form.

Imprint

Publisher
Berlin Hyp AG
Communications and Marketing
Corneliusstrasse 7
10787 Berlin
Germany

Layout and Typesetting
Heimrich & Hannot GmbH
Torstrasse 179
10115 Berlin
Germany

Berlin Hyp AG
Corneliusstrasse 7
10787 Berlin
Germany
T +49 30 2599 9123
www.berlinhyp.de