

Hanover, 26 March 2020

Deutsche Hypo achieves result of € 55.1 million

- **Profit to be surrendered at previous year's level**
- **Precautionary reserves increased again**
- **New business volume slightly higher than previous year**
- **Coronavirus makes outlook difficult**

Deutsche Hypothekbank's result from normal operations in financial year 2019 was € 55.1 million. As expected, this was lower than the previous year's result of € 74.7 million, which had resulted from positive one-off effects. However, the profit of € 54.2 million (2018: 55.2) to be surrendered was at the level achieved in financial year 2018.

"Overall, we can look back on a positive and very satisfactory year 2019," said **Sabine Barthauer**, Member of the Board of Managing Directors of Deutsche Hypo, following the publication of the preliminary financial figures. "That strong result was due to the stable income position and continued low risk provisioning requirements in commercial real estate finance. That gave us the opportunity to further build up precautionary reserves."

New business figures with a focus on a good risk-return profile

Deutsche Hypo was able to achieve a slight year-on-year increase in new business volume. At the end of the year, new loan commitments totalled € 3,008.2 million (2018: 2,869.8).

Once again, the German market accounted for significantly more than half the commitment volume at € 1,786.6 million (2018: 1,698.4). A large proportion of the Bank's new business abroad was generated in Benelux, with € 542.1 million (2018: 368.9), Poland, with € 174.5 million (2018: 85.0) and Spain, with € 108.3 million. The new business volume the Bank concluded in the UK decreased to € 290.4 million (2018: 347.4). With regard to property types, office properties again accounted for the largest proportion, at € 1,362.4 million (2018: 1,289.8). Residential financing increased to € 639.6 million (2018: 487.5). Retail properties decreased to € 391.9 million (2018: 616.5). New loans for hotels amounted to € 289.8 million (2018: 187.5), while logistics properties accounted for € 261.3 million (2018: 235.8).

Low risk result and decreased administrative costs

Net interest income for the Bank as a whole was € 182.5 million and was slightly higher than the previous-year's value of € 177.4 million. The commercial real estate finance business area made the largest contribution with net interest income of € 163.5 million. The initial implementation of the cost-reduction programme initiated in 2018 was reflected by the slight decline in administrative expenses. They also reflected investments in further boosting the Bank's market presence, and in organisational and technical infrastructure. The decrease in the

bank levy to € 9.8 million (2018: 11.1) contributed to a positive year-on-year development. The resulting low CIR compared to the rest of the industry of approximately 44.2 % was below the previous year's value (2018: 49.5).

The continuing stable market environment and the Bank's risk-conscious lending policy were drivers of the continued low level of net additions to risk provisions in commercial real estate finance in a long-term comparison. The good risk and earnings development allowed for the formation of further precautionary reserves, resulting in a risk result for the Bank as a whole of € -41.6 million (2018: -20.3).

Successful placement of benchmark issues

Deutsche Hypo was able to cover its funding requirements at all times at conditions in line with the market in 2019. The Bank issued own securities in the amount of € 2,235.2 million (2018: 2,327.1). They consisted of mortgage Pfandbriefe with a volume of € 1,795.0 million (2018: 1,722.8) and unsecured bonds with a volume of € 440.2 million (2018: 604.3). The Bank also received fixed term deposits of more than 360 days totalling € 369.8 million (2018: 167.9). Overall, the high demand demonstrates the trust in Deutsche Hypo's securities on the part of investors.

Coronavirus creates uncertainty

"Deutsche Hypo started the financial year 2020 with ongoing positive framework conditions," notes **Barthauer**. "However, over the last few weeks, it has become clear that the positive initial situation must be re-evaluated. Depending on the duration and intensity of the economic effects of the coronavirus pandemic and the impact of government aid programs, it will become clear how severely the economies in our target markets will be affected. However, it is still too early for a reliable outlook."

The complete Annual Report 2019 will be published on 27 April 2020.

Deutsche Hypothekbank (Actien-Gesellschaft) is a Pfandbriefbank specialising in the financing of commercial real estate. It is a member company of the NORD/LB Group in which it forms the centre of competence for the core business field of Commercial Real Estate Financing. Founded in 1872, Deutsche Hypo operates in Germany, the United Kingdom, France, Spain, the Benelux countries, Poland and Austria. The Bank has its headquarters in Hanover, with locations in Berlin, Düsseldorf, Hamburg, Frankfurt and Munich, as well as in Amsterdam, London, Paris, Madrid and Warsaw. With around 400 employees and total assets of € 20.4 billion as of 31 December 2019, Deutsche Hypo is among the major German real estate financing institutes. Further information on Deutsche Hypo can be found at www.deutsche-hypo.de.

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Result of Deutsche Hypo in the financial year 2019 (HGB)

Income Statement (extract)	01.01. - 31.12.2019 (€ millions)	01.01. - 31.12.2018 (€ millions)	Change (%)
Net interest income	182.5	177.4	2.9
Net commission income	0.9	-0.1	>100.0
Administrative expenses	81.2	84.0	-3.3
Other operating income	0.0	-7.4	100.0
Risk result	-41.6	-20.3	<-100.0
Income from securities and participatory interest	-5.5	9.1	<-100.0
Result from normal operations	55.1	74.7	-26.2
Extraordinary result	-0.9	-16.5	94.5
Taxes	0.0	3.0	-100.0
Profit and loss transfer	54.2	55.2	-1.8

New business figures	01.01. - 31.12.2019 (€ millions)	01.01. - 31.12.2018 (€ millions)	Change (%)
Commercial real estate finance business	3,008	2,870	4.8
Funding volume	2,235	2,327	-3.9

Balance sheet figures	31.12.2019 (€ millions)	31.12.2018 (€ millions)	Change (%)
Balance sheet total	20,454	21,073	-2.9
Equity*	1,194	1,232	-3.1

* including funds for general banking risks and subordinated liabilities

Other information	2019 (%)	2018 (%)
Cost-Income-Ratio	44.2	49.5

Employees (on average)	2019	2018
	416	430