

Hanover, 27 August 2020

Deutsche Hypo withstands challenging market environment

- **Solid result from normal operations of € 24.0 million**
- **Consistent cost management**
- **No significant impact on the loan portfolio**

Thanks to a stable level of earnings in the core business area of commercial real estate finance as well as its consistent cost management, Deutsche Hypo achieved a satisfactory result from normal operations during the first half of 2020 with € 24.0 million (2019: € 33.0 million).

"We can be quite satisfied with this result, as the course of business during the first half of the year was very strongly influenced by the coronavirus pandemic", emphasises **Andreas Rehfus**, Member of the Board of Managing Directors of Deutsche Hypo. "On the lending side, however, there have not yet been any significant negative developments regarding the Bank's existing loan portfolio. There have also been only a very small number of requests for deferrals from customers due to the coronavirus. This underlines the focus we have pursued in recent years on maintaining the good quality of our financing portfolio. "

Coronavirus pandemic affects new business volume

At € 765.5 million (2019: € 1,495.7 million), the volume of new business at Deutsche Hypo was significantly lower than in the previous year, due to the coronavirus-related lower credit demand and a cautious new business lending policy. A total of € 477.1 million (2019: € 815.2 million) of new business was concluded on the domestic market and € 288.5 million (2019: € 680.5 million) on the foreign target markets. Of the total new commitments in the real estate financing business in the first half of 2020, office properties accounted for a major share of € 275.4 million (2019: € 822.5 million) and logistics properties for € 247.9 million (2019: € 208.9 million). Residential real estate contributed € 99.4 million (2019: € 280.5 million) to the volume of new business. The total commercial real estate financing portfolio amounted to € 11,655.1 million (2019: € 12,188.3 million) on the balance sheet date.

Risk provisioning remains conservative

The significantly dampened market environment has not yet led to an increase in credit risks at Deutsche Hypo as a result of the coronavirus pandemic. Nevertheless, as a precautionary measure, the Bank has made higher allocations to risk provisions amounting to € 19.6 million. The risk result amounted to € -10.3 million (2019: € -9.1 million).

Further decline in administrative expenses

At € 84.2 million (2019: € 88.4 million), net interest and commission income at the overall bank level showed a slightly declining but still stable development. This was due to reduced demand for loans as a result of the coronavirus pandemic and the resulting slight decline in the real estate financing portfolio. Administrative expenses of € 46.6 million (2019: € 49.3 million) were reduced, partly due to the implementation of a cost-reduction programme. The cost-income ratio (CIR) rose slightly to 57.6 % (2019: 54.0 %) and the RoE ratio was 5.7 % (2019: 7.7 %).

With competitive conditions on the capital market

In the course of the year to date, the Bank was able to fund in line with requirements and at competitive terms. In February 2020, a benchmark mortgage Pfandbrief was issued, which was oversubscribed 1.5-fold. In total, Deutsche Hypo issued own securities amounting to € 1,157.5 million (2019: € 1,279.4 million) in the first half of 2020.

German real estate market as a safe haven

"For the year 2020 as a whole, a significantly deteriorated economic and industry environment is to be expected," summarises **Rehfus**. "However, the German real estate market is considered one of the most stable and safe investment havens in the world. For this reason, investment momentum should pick up again in the second half of the year, partly due to a lack of investment alternatives on the market. For Deutsche Hypo, we expect a clearly positive result from normal operations for the year 2020 as a whole, albeit slightly below the previous year's level. Overall, however, it is too early to make a reliable statement about the long-term consequences of the coronavirus pandemic. Thanks to our consistent risk management, we feel well prepared for this," said **Rehfus**.

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 393 employees and total assets of € 19.4 billion as of 30 June 2020, 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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Deutsche Hypo's results for the first half of 2020 (HGB)

INCOME STATEMENT (extract)	01.01. - 30.06.2020 (€ million)	01.01. - 30.06.2019 (€ million)	Change (%)
Net interest income	82.9	87.1	-4.8
Net commission income	1.3	1.3	0.0
Administrative expenses	46.6	49.3	-5.5
Other operating income	-3.3	3.0	>-100.0
Risk result	-10.3	-9.1	-13.3
Income from securities and participatory interest	0.0	0.1	-100.0
Result from normal operations	24.0	33.0	-27.3

NEW BUSINESS FIGURES	01.01. - 30.06.2020 (€ million)	01.01. - 30.06.2019 (€ million)	Change (%)
Commercial real estate finance business	765.5	1,495.7	-48.8
Funding volume	1,157.5	1,279.4	-9.5

BALANCE SHEET FIGURES	30.06.2020 (€ million)	31.12.2019 (€ million)	Change (%)
Balance sheet total	19,412.0	20,454.1	-5.1
Equity*	1,038.6	1,193.6	-13.0

* including funds for general banking risks and subordinated liabilities

OTHER INFORMATION	30.06.2020 (%)	30.06.2019 (%)
Cost-income ratio	57.6	54.0

EMPLOYEES (annual average)	2020	2019
	393	416