

Press information dated 25 March 2025

## Strong performance by Berlin Hyp in the 2024 financial year

- **Increase in new lending volume to €6.9 billion**
- **Operating business result higher than in the previous year; one-time effects resulting from integration into Landesbank Baden-Württemberg (LBBW) lead to an additional leap in earnings**
- **Further progress made with the digitalisation of core processes and the modernisation of systems**
- **Cooperation with the savings banks expanded once again**
- **Process for positioning Berlin Hyp as a centre of expertise for commercial real estate financing within the LBBW Group continues as planned**

Berlin Hyp enhanced its standing on the market in the 2024 financial year and also significantly increased the profitability of its core business operations. With an increase in new lending volume and the consistent further development of strategic projects, the bank strengthened its position as one of the leading commercial real estate financiers in Germany.

Profit before income tax more than quadrupled compared to 2023. This leap in earnings to €527.0 million is attributable to the increase in the operating business result and the reversal of provision reserves in connection with Berlin Hyp's integration into the LBBW organisation. However, even without these one-time effects, profit before taxes in 2024 was significantly higher than in the previous year. Net interest income in particular increased considerably. Berlin Hyp also strengthened its position as a pioneer regarding sustainability.

"In what is still a challenging market environment, Berlin Hyp once again demonstrated its potential, profitability and stability", says Sascha Klaus, Chair of the Board of Management of Berlin Hyp. "The interest rate cuts by the ECB had a stimulating effect on transaction markets and helped stabilise valuations. At the same time, weak economic development and the uncertain political climate held back investment, especially in the German market. Given these conditions, as well as the additional work that had to be done in connection with the consolidation of all LBBW commercial real estate financing activities under the Berlin Hyp brand, we are very satisfied with the results for new lending and earnings. I would like to thank all employees at Berlin Hyp, whose dedication and commitment contributed to our success."

New lending in the amount of €6.9 billion in 2024 (2023: €6.5 billion) can be broken down into all-new financing in the amount of €2.6 billion and extensions amounting to €4.3 billion (2023: €2.9 billion and €3.6 billion, respectively). With a share of 66 per cent, Germany remained Berlin Hyp's most important market for new lending. At the same time, the earlier upturn in transaction volume as compared to the previous year led to a slight increase in the importance of international markets (above all the Netherlands, Poland and France).

€1.2 billion of the total new lending was achieved with S-Group partners: in 2024 Berlin Hyp had an active business relationship with 179 savings banks, whereby significantly more than half of these used the ImmoDigital platform, which provides the savings banks with simple and efficient access to Berlin Hyp's investment offers.

Noticeable progress was made in 2024 with measures to establish a centre of expertise for commercial real estate financing at LBBW under the established Berlin Hyp brand name, as well as with activities relating to the integration of Corporate Centre functions into LBBW. Everything here is proceeding as planned.

## **Individual components of the financial results**

### **Significant increase in net interest income**

Net interest income rose by €61.0 million to €559.3 million. This development was primarily driven by an increase in the mortgage loan portfolios and income from interest rate risk management in the banking book. Net commission income amounted to €16.3 million (2023: €18.2 million), which corresponds to the development of contracted new lending.

### **Operating expenditure slightly higher**

Operating expenditure totalled €215.1 million (2023: €207.0 million). This increase was due to higher staff expenditure (€97.3 million; previous year: €93.7 million) and an increase in depreciation on tangible fixed assets and amortisation of intangible assets (€22.7 million; previous year: €13.5 million) due to integration activities. On the other hand, other operating expenditure declined from €99.8 million to €95.1 million in 2024, mainly as a result of the elimination of the bank levy, which amounted to €16.4 million in 2023.

### **Risk provisioning marked by reversal of provision reserves**

The net release of risk provisioning in the lending business amounted to €165.3 million (2023: net allocation of €152.1 million) and is mainly attributable to the reversal of provision reserves (Section 340f of the German Commercial Code – HGB) in the course of the impending integration of Berlin Hyp into the LBBW organisation. The development of real estate markets made it necessary to perform valuation allowances in certain cases. These were in the low double-digit million range and were thus significantly below the level from the previous year. The valuation result in the securities business amounted to net expenditure of €2.4 million (2023: net income of €16.8 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 make any further allocations to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB). The fund level remains at €800.0 million.

### **Significant rise in profit before income tax and profit transfer**

Taking into account the full reversal of provision reserves in accordance with Section 340f of the German Commercial Code (HGB) in the course of the impending integration, the Bank reports profit before taxes of €527.0 million. This represents an increase of

€403.1 million compared with the previous year. Income tax expenditure in 2024 amounted to €82.3 million (previous year: €48.9 million) and the profit transfer to the LBBW totalled €444.7 million. Net income in the previous year was €75.0 million.

## **Additional performance indicators**

Compared to the figure recorded at the end of 2023, the balance sheet total rose by €0.9 billion to €36.4 billion. The capital ratios were 14.2 per cent for the common equity tier 1 ratio and 15.1 per cent for the total capital ratio.

The cost-income ratio was 37.1 per cent (2023: 40.0 per cent).

## **Outlook**

Global economic growth is expected to remain stable in 2025, although growth will be slower than before. This year will likely be a year of stagnation for Germany. In addition to structural problems in the German economy, ongoing geopolitical uncertainties and changes in the interest rate environment will inhibit economic growth.

Despite the continued challenging and unreliable planning environment that results from this, as well as demanding regulatory requirements, Berlin Hyp expects new lending volume in 2025 to be higher than the level reached in 2024. Berlin Hyp also expects the real estate investment market to expand slightly, one reason being that the Bank believes more institutional capital will return to the market once again.

The merging of Berlin Hyp with the commercial real estate financing operations of LBBW is expected to be completed in August. After that, all LBBW commercial real estate financing activities will be consolidated under the Berlin Hyp brand. This new structure and positioning will allow customers to make use of the expertise shared by the two organisations in the field of commercial real estate financing. Customers will also benefit from the complete range of products and services offered by the universal bank LBBW. "The new Berlin Hyp establishes a leading centre of expertise for commercial real estate financing in Europe", says Sascha Klaus. "In line with the principle of 'a powerful market presence and for the benefit of our customers', we want to use Berlin Hyp's new size and degree of market penetration and flexibility – combined with the broad range of products from LBBW – to make even more things possible for our customers and our partners at the savings banks. The next few months will be dedicated to establishing the 'new' Berlin Hyp."

Earnings Development	01.01. – 31.12.24	01.01. – 31.12.23	Change	Change
	€m	€m	€m	%
<b>Net interest and commission income</b>	<b>575.6</b>	<b>516.5</b>	<b>59.1</b>	<b>11.4</b>
Net interest income	559.3	498.3	61.0	12.2
Net commission income	16.3	18.2	-1.9	-10.4
<b>Operating expenditure</b>	<b>215.1</b>	<b>207.0</b>	<b>8.1</b>	<b>3.9</b>
Staff expenditure	97.3	93.7	3.6	3.8
Other operating expenditure	95.1	99.8	-4.7	-4.7
<i>of which expenditure for bank levy</i>	0.0	16.4	-16.4	-
Depreciation on tangible fixed assets	22.7	13.5	9.2	68.1
Other operating income / expenditure	4.7	1.2	3.5	-
<b>Operating result before risk provisioning</b>	<b>365.2</b>	<b>310.7</b>	<b>54.5</b>	<b>17.5</b>
<b>Risk provisioning</b>	<b>162.9</b>	<b>-135.3</b>	<b>298.2</b>	<b>-</b>
Valuation result of lending business	165.3	-152.1	317.4	-
Valuation result of securities business	-2.4	16.8	-19.2	-
<b>Operating result after risk provisioning</b>	<b>528.1</b>	<b>175.4</b>	<b>352.7</b>	<b>-</b>
Net income from financial assets	-1.0	-1.4	0.4	-28.6
Fund for general banking risks <i>Allocation (+), Reversal (-)</i>	0.0	50.0	-50.0	-
Other taxes	0.1	0.1	0.0	0.0
<b>Profit before income tax</b>	<b>527.0</b>	<b>123.9</b>	<b>403.1</b>	<b>-</b>
Income taxes ("-" = earnings)	82.3	48.9	33.4	68.3
Profit transfer	444.7	0.0	444.7	-
<b>Net income</b>	<b>0.0</b>	<b>75.0</b>	<b>-75.0</b>	<b>-</b>

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Berlin Hyp is a wholly owned subsidiary of LBBW and specialises in large-volume real estate financing for professional investors and housing companies. It also provides German savings banks with a comprehensive range of products and services. Sustainability has been a central component of the Bank's business strategy for years. Berlin Hyp plays a pioneering role on the capital market in the development of sustainable refinancing products. At the same time, the Bank promotes the financing of sustainable real estate in order to help drive the transformation of the real estate market and contribute to achieving the goal of climate neutrality. Berlin Hyp's clear focus, more than 155 years of experience and the ability to actively shape digital transformation in the real estate sector characterise the Bank as a leading German real estate and Pfandbrief bank.