

Press information dated 11 November 2021

Berlin Hyp grows profitably in the first nine months of 2021, further strengthens its business foundations and reaffirms its full-year forecast

- New lending including extensions after nine months at €5.1 billion, 22 per cent above the same period in the previous year
- Operating result more than doubles, allocation to risk provisioning significantly lower
- The Bank's substance and resilience strengthened once again
- Provision reserves further strengthened
- Considerable growth in earnings expected for the full-year 2021

Berlin Hyp continued its positive development in new lending, operating result and risk situation in the third quarter of 2021. Despite the persistently challenging environment characterised by strict regulatory requirements, strong competition and the effects of the COVID-19 pandemic, the main key figures have exceeded original expectations after nine months. In view of this positive development, Berlin Hyp is reaffirming its full-year earnings forecast, which was last raised in August.

“Our focus on high-quality real estate financing, rigorous risk policy and consistent implementation of our strategy in line with the priorities of stability, sustainability, digitalisation and the S-Group business are once again reflected in Berlin Hyp's operational development”, says Sascha Klaus, Chair of the Board of Management of Berlin Hyp. “With our positioning, strategy, range of products and services and reinforced stability buffers, we are providing the right answers to the current and long-term developments on the real-estate and financial markets.”

Growth in new lending achieved, cooperation with German savings banks intensified

At €5.1 billion, the volume of new lending in the first nine months was 22 per cent higher than in the comparable period in the previous year (€4.2 billion). Of this, newly issued loans accounted for €4.5 billion and the extension of existing loans accounted for €0.6 billion. 72 per cent of the new financing was provided for properties in Germany. In terms of customer groups, Berlin Hyp granted the majority of its financing to investors (a share of 75 per cent), while a further 23 per cent went to building contractors and developers and 2 per cent to housing companies.

As a centre of expertise for commercial real estate financing within the Sparkassen-Finanzgruppe, Berlin Hyp has further expanded its cooperation and networking with the German savings banks.

At the reporting date of 30 September 2021, the total volume of contracted lending undertaken with the S-Group amounted to €1.5 billion (30 September 2020: €918 million). The total volume placed with the savings banks totals approximately €4.1 billion.

As in the first six months, Berlin Hyp's results for the first nine months of the current year are clearly better than in the previous year for almost all key earnings components. The operating result before risk provisioning increased from €119.7 million to €194.8 million. Net interest income increased to €317.4 million, which represents an increase of almost one third compared to the same period last year (€240.6 million). This development is characterised by the reduced interest rates granted within the framework of the ECB's targeted longer-term refinancing operations (TLTRO III). In addition, the increased loan volume was also reflected in higher interest income. Good new lending led to net commission income of €17.8 million, which was more than 20 per cent higher than the third-quarter figure for 2020 (€14.0 million).

At €136.3 million, operating expenditure, which comprises staff expenditure, other operating expenditure, depreciation on tangible assets and amortisation of intangible assets was up slightly in the first nine months of 2021 compared to the previous year's figure of €134.4 million. Whereas operating expenditure (primarily due to higher allocations to pension reserves) as well as other operating expenditure (particularly for implementing strategic projects and due to the higher European bank levy) were both higher than the previous year's figure, depreciation on tangible assets and amortisation of intangible assets were considerably lower. The previous year's figure was influenced by the significantly reduced remaining useful life of the former building in connection with the new building at the Berlin headquarters.

Net allocation to risk provisioning reduced, provision reserves further increased

With an operating result after risk provisioning of €194.1 million, Berlin Hyp more than doubled this figure in comparison with the previous year's figure of €69.3 million. This demonstrates the exceptional quality and stability of the loan portfolio, which enabled Berlin Hyp's lending risk provisioning of €17.4 million in the first nine months to remain significantly below that of the previous year (€65.5 million). These are essentially provision reserves. No significant lending risks in connection with the COVID-19 pandemic materialised during the reporting period. Including the risk provisioning for securities in the liquidity reserve (net earnings: €16.7 million, previous year: €15.1 million), which is characterised by gains on disposal, net allocation to risk provisioning for the lending and securities business totalled €0.7 million (same period last year: €50.4 million).

Berlin Hyp used its operating profitability to further strengthen its own funds and thus increase its stability and resilience. The Bank has allocated a further €157.0 million (previous year: €52.5 million) to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) in the first three quarters of the year. This item reached a volume of €645.0 million as at 30 September 2021.

Despite the significantly increased allocation to the special item for general banking risks pursuant to Section 340g of the German Commercial Code (HGB), profit before taxes more than doubled in the first nine months of the year (€40.2 million compared to the previous year's figure of €13.9 million).

Cost-income-ratio declines, position on the ESG capital market maintained

Driven by the positive development of earnings due in particular to the one-off effects that played a role in the increase in net interest described above, the cost-income-ratio of 41.2 per cent as at 30 September 2021 was significantly lower than the year before (52.9 per cent).

The common equity tier 1 capital ratio (CET 1) was 13.3 per cent as at the reporting date, after been 13.4 per cent at the end of 2020; at 15.4 per cent, the total capital ratio was slightly lower than at the end of 2020 (15.8 per cent). Within the first nine months of the current year, the Bank issued €3.7 billion in debt instruments, of which approximately two-thirds were covered bonds and one-third was unsecured bonds. In August, the bank launched its fourth mortgage Pfandbrief of the current year on the market in benchmark format. With a volume of €500 million over a term of five years, the issue of the mortgage Pfandbrief was ultimately more than four times oversubscribed during the order period.

Forecast reaffirmed, strategic agenda specified

Berlin Hyp reaffirms its forecast for the current financial year, which was last raised in August. The Bank expects the volume of new lending in 2021 as a whole to be close to the figure recorded in 2020, and thus higher than the forecast. Earnings before profit transfer in the current financial year will be significantly higher than in 2020, and also above the expectations described in last year's forecast report.

For Berlin Hyp, the integration of ESG issues (environmental, social, governance) both in its own operations and in lending and financing on the capital market remains a strategic priority. In the third quarter, the Bank finalised the development of its ESG vision, which was presented to the public in October. It builds on the Bank's previous work and defines ambitious sustainability goals, including climate protection. Among other things, Berlin Hyp plans to achieve complete climate neutrality in its own business operations by 2025 at the latest. An interim target on the way to becoming climate-neutral is to reduce the carbon footprint of the entire loans portfolio by 40 per cent by 2030 as compared to the base year of 2020. Berlin Hyp also aims to increase the share of green buildings in the overall portfolio to one third over the next four years and to expand its range of financing for energy-efficient real estate and its transformation.

Condensed Profit and Loss Account from 1 January to 30 September 2021	01.01.2021 – 30.09.2021	01.01.2020 – 30.09.2020	Change	Change
	€ m	€ m	€ m	%
Net interest income	317.4	240.6	76.8	31.9
Net commission income	17.8	14.0	3.8	27.1
Operating expenditure	136.3	134.4	1.9	1.4
Staff expenditure	67.6	58.9	8.7	14.8
Other operating expenditure	61.9	56.6	5.3	9.4
<i>of which Expenditure for bank levy</i>	16.4	13.4	3.0	22.4
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	6.8	18.9	-12.1	-64.0
Other operating earnings / expenditure	-4.1	-0.5	-3.6	-
Operating result before risk provisioning	194.8	119.7	75.1	62.7
Risk provisioning	0.7	50.4	-49.7	-98.6
Operating result after risk provisioning	194.1	69.3	124.8	-
Financial investment result	3.2	-2.8	6.0	-
Contribution to the fund for general banking risks	157.0	52.5	104.5	-
Other taxes	0.1	0.1	0.0	0.0
Profit before income tax and profit transfer	40.2	13.9	26.3	-
Income tax	0.2	0.1	0.1	-
Expenditure from profit transfer	40.0	13.8	26.2	-
Net income	0.0	0.0	0.0	-

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Berlin Hyp specialises in large-volume real estate financing for professional investors and housing companies, for whom the Bank develops individual financing solutions. As an enterprise forming a Group together with the German savings banks, it also makes an extensive spectrum of products and services available to these institutions. Berlin Hyp plays a pioneering role in the development of sustainable refinancing products. Sustainability is a central component of the Bank's business strategy. Berlin Hyp promotes the financing of sustainable real estate and seeks to support the transformation of the real estate market in order to contribute to achieving the goal of climate neutrality. Berlin Hyp's clear focus, more than 150 years of experience and the ability to actively shape digital transformation in the real estate sector characterise the Bank as a leading German real estate and Pfandbrief bank.