

Press information, 13 August 2020

Berlin Hyp has had a solid start to the first half of 2020 and is using its earnings power to build up reserves

- No significant negative impact of the COVID-19 pandemic on the loans portfolio in the first half of 2020
- New lending volume including long-term extensions has increased by 11.6 per cent to € 2.5 billion
- Operating result before risk provisions of € 92.4 million, 22.7 per cent higher than the previous year's result
- Equity base further strengthened by allocations to the special item for general banking risks using its own resources
- Far-reaching sustainability agenda adopted
- Business relations with German savings banks up by about 8 per cent

Berlin Hyp has demonstrated its efficiency and operational strength in the course of the pandemic so far. Examples of this include the stability of all operational systems, the smooth transition of more than 90 per cent of the workforce to mobile working, or the fact that the bank was always able to act and was successful in both its core business and in refinancing. No significant negative effects of the COVID-19 pandemic on the loans portfolio have been recorded to date. Despite the fact that credit risks have not yet materialised, the Bank has formed extensive provision reserves. In addition, it has increased the special item pursuant to Section 340g of the German Commercial Code (HGB) by allocating a further € 20.0 million (previous year: € 55.0 million) using its own resources. The fund for general banking risks has thus grown to more than € 438.0 million. "Ensuring stability and resilience remains one of the priorities", says Sascha Klaus, Chair of the Board of Management of Berlin Hyp. "This includes further strengthening the equity base using our own resources and expanding a buffer for lending risks related to COVID-19."

The operating result before income tax and profit transfer amounted to € 5.8 million and was therefore, as expected, significantly below the previous year's figure (previous year: € 26.2 million).

New Lending Increased

Berlin Hyp was able to increase the volume of new lending, including realised extensions, by € 0.3 billion year-on-year to € 2.5 billion. Of the new lending, 83 per cent were attributed to properties located in Germany. The contracted new lending margins could be increased slightly with almost unchanged conservative risk behaviour.

This once again underlines Berlin Hyp's position as one of the leading commercial real estate financiers in Germany.

Cooperation with Sparkassen-Finanzgruppe Intensified

Berlin Hyp expanded its business relationships within the Sparkassen-Finanzgruppe and now maintains active business relations with 153 German savings banks (same period last year: 142 savings banks).

This represents an increase of around 8 per cent and demonstrates the Bank's consolidated position as an S-Group partner of the German savings banks.

The business realised jointly with the savings banks amounted to € 0.4 billion (previous year: € 1.5 billion) and was below expectations. This was mainly due to the recessionary economic development triggered by the COVID-19 pandemic and the resulting restraint.

Far-Reaching Sustainability Agenda for a Green Future

After Berlin Hyp achieved its goal of increasing the proportion of green buildings in its entire loans portfolio to 20 per cent in 2019 ahead of schedule, the Bank has now developed a far-reaching sustainability agenda. "With our commitment to the Paris Agreement and the Climate Paths of the Federal Republic of Germany, the Bank has therefore defined a whole package of measures in 2020 to support the path to a successful transformation of the building sector," said Sascha Klaus. By 2025, Berlin Hyp intends to implement a green-building share of one third for its entire loans portfolio. Also by 2025, the Bank wants to have full transparency on the climate performance and climate risks of its portfolio. It will successively use this transparency to support its customers in their transformation efforts. To match this, it is developing a so-called Transformationskredit (transformation loan) to finance energy-related refurbishments.

Excellent Access to Refinancing Funds

In the first half of 2020, Berlin Hyp continued to benefit from its reputation as a reliable and sound issuer and issued debt instruments amounting to € 1.5 billion. In February, Berlin Hyp issued a seven-year Pfandbrief in the amount of € 0.5 billion with a coupon of 0.01 per cent at a re-offer spread of mid-swap -1 basis points. This was followed in June by the fifth green Pfandbrief in the same amount and thus the ninth green bond in total. The bond was issued at mid-swap +5 basis points, which corresponds to a yield of minus 0.23 per cent. "Berlin Hyp continues to be the most active issuer of green bonds among European commercial banks", says Sascha Klaus. "This underlines the prominent role of the fields of green building and green finance for the development of our company."

Individual Results at a Glance:

Net Interest and Commission Income Increased

Compared to the previous year, net interest and commission income increased from € 163.8 million to € 178.5 million. Due to the rise of the average mortgage portfolio by € 1.3 billion, net interest income rose to € 167.8 million (previous year: € 155.4 million). Due to good new lending, the net commission income of € 10.7 million was higher than the previous year's figure of € 8.4 million. This development exceeds expectations.

Operating Expenditure Slightly Higher

As planned, operating expenditure rose slightly to € 86.8 million (previous year: € 86.1 million). Staff expenditure fell by € 10.8 million year-on-year to € 35.1 million due to lower pension obligations. Other operating

expenditure increased by € 2.6 million less than expected to € 39.6 million, in view of the increasing demands on information technology and data storage, as well as the increased contribution to the European bank levy. Depreciation of property, plant and equipment and amortisation of intangible assets increased by € 8.9 million to € 12.1 million, which is due to the significantly reduced remaining useful life of the existing building at Budapester Strasse 1 in connection with the planned new building at the Berlin headquarters.

Other Operating Result Positive

Compared to the previous year, other operating result increased by € 3.1 million to € 0.7 million (previous year: € -2.4 million). This is mainly due to partially releasing the reserve for legal risks arising from the Federal Court of Justice (BGH) rulings on administrative fees in loan agreements of 4 July 2017.

Risk Provisioning Increased

Lending risk provisioning of € 55.4 million was formed to take account of future market risks and to compensate for possible lending risks arising from the COVID-19 pandemic. This includes mainly provision reserves. So far, however, no significant effects of the pandemic have materialised. As a result of the widening of credit spreads due to the pandemic, lower-of-cost-or-market depreciations for securities in the liquidity reserve led to securities risk provisions of € 10.0 million after a reversal amount of € 5.0 million in the previous year.

Fund for General Banking Risks Consolidated

In the first half of 2020, the Bank allocated a further € 20.0 million from its own resources (previous year: € 55.0 million) to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB). This fund now amounts to € 438.0 million.

Equity Ratios

The common equity Tier 1 ratio remained stable year-on-year at 13.1 per cent (as of 31 December 2019: 13.1 per cent). The total capital ratio was 15.6 per cent (as of 31 December 2019: 16.0 per cent).

Outlook

The first half of 2020 has shown that Berlin Hyp is operationally stable and efficient. At the same time, however, the figures clearly show that the Bank's market environment is demanding and difficult. This will not change in the further course of the year. The further development of the pandemic is also unclear and unpredictable; setbacks are possible at any time.

For the remainder of the 2020 financial year, Berlin Hyp expects the result before profit transfer to be significantly lower than in 2019, even when taking into account the recessionary economic development triggered by the COVID-19 pandemic and the still unforeseeable developments on the real estate market or possible recurring distortions on the capital markets, but nevertheless within the expectations described in last year's forecast report.

With regard to long-term development, the Bank assumes that the COVID-19 pandemic and its consequences will act as an accelerator of two megatrends that are particularly central to the industry. On the one hand, the question concerning a sustainable economy, i.e. one that is balanced in economic, ecological and social terms, is more important than ever. On the other hand, the pandemic has brought about a major surge in digitisation.

Berlin Hyp will therefore work consistently to implement its far-reaching sustainability agenda. With its climate targets for 2025, Berlin Hyp is beginning a new chapter in its efforts towards green transformation. In addition, the Bank will continue to push ahead with the digitisation and modernisation of its processes, which is already well advanced compared with the rest of the industry.

All major projects and measures together form the basis for the continuation of the Bank's future-oriented process. Berlin Hyp is thus moving to the next stage of its development: "next dimension berlin hyp". "With this future-oriented programme, we will become better, faster and more efficient on all levels. This will benefit customers, business partners, employees and investors as well as society and the environment," says Sascha Klaus.

Condensed Profit and Loss Account

from 1 January to 30 June 2020

	01.01.2020 – 30.06.2020	01.01.2019 – 30.06.2019	Change	Change
	€ m	€ m	€ m	%
Net interest income	167.8	155.4	12.4	8.0
Net commission income	10.7	8.4	2.3	27.4
Operating expenditure	86.8	86.1	0.7	0.8
Staff expenditure	35.1	45.9	-10.8	-23.5
Other operating expenditure	39.6	37.0	2.6	7.0
Of which expenditure for bank levy	13.4	12.0	1.4	11.7
Amortisation on and depreciation of and valuation adjustments on intangible investment assets and tangible assets	12.1	3.2	8.9	-
Other operating earnings / expenditure	0.7	-2.4	3.1	-
Operating result before risk provisioning	92.4	75.3	17.1	22.7
Risk provisioning	65.4	-5.4	70.8	-
Operating result after risk provisioning	27.0	80.7	-53.7	-66.5
Financial investment result	-1.1	0.5	-1.6	-
Contribution to the fund for general bank risks	20.0	55.0	-35.0	-63.6
Other taxes	0.1	0.0	0.1	-
Profit before income tax and profit transfer	5.8	26.2	-20.4	-77.9
Income tax	0.1	0.3	-0.2	-66.7
Expenditure from profit transfer	5.7	25.9	-20.2	-78.0
Net income	0.0	0.0	0.0	-

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Berlin Hyp specialises in large-volume real estate finance for professional investors and housing societies, 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 is not only at the forefront as the issuer of the first Green Pfandbrief; the Bank also supports the financing of sustainable real estate. Berlin Hyp's clear focus, 150 years of experience and the ability to actively shape the digital transformation in the real estate sector with an eye to the future characterise the Bank as a leading German real estate and Pfandbrief bank.