

Press information, 12 August 2021

Berlin Hyp increases new business and earnings in the first half of the year, strengthens its business foundations and upwardly adjusts its full-year forecast

- At €2.9 billion, contracted new lending in the first half of 2021 was approximately 16 per cent higher than in the comparable period in the previous year
- Interest and commission income increase significantly, no loan defaults or value adjustments due to COVID-19
- Significant increase in profit before taxes, despite capital strengthening measures
- Bank expands cooperation with the savings banks and further consolidates its position as a pioneer in the green transformation
- Forecast for new lending and profit before profit transfer for full-year 2021 has been adjusted upward due to solid positive developments to date

Berlin Hyp can look back on a successful first half of 2021. The Bank was able to strengthen its market position, increase its profitability and capital base, expand its pioneering role in strategically important business areas and further intensify cooperation with the German savings banks. What's more, it was able to accomplish all of this in what remained a quite challenging market environment in the first half of 2021, one that continued to be impacted by the COVID-19 pandemic, ongoing low interest rates, increasing regulatory requirements and an atmosphere of growing competition.

In view of the positive developments in the first half of the year, Berlin Hyp has also upwardly adjusted its forecast for full-year 2021: The Bank now projects a volume of new lending at the previous year's level, after having forecast a major decline. As things stand today, net interest income will also be higher than the figure contained in the forecast report in the 2020 Annual Report. The same applies to risk provisioning, which will likely be lower than was previously assumed.

"The development of the operating business, the figures we recorded and our adjusted forecast all demonstrate just how strong and stable Berlin Hyp is today", says Sascha Klaus, Chair of the Board of Management of Berlin Hyp "With our range of products and services, our position in the market and our strategic development measures, we are able to provide the right answers to the questions and challenges we and our customers now face."

Increase in new lending, expansion of cooperation with the savings banks

Berlin Hyp generated new lending in the amount of €2.9 billion over the first six months of the year, an increase of 16 per cent from the figure recorded in the first half of 2020 (€2.5 billion), which was of course heavily impacted by the outbreak of the pandemic. Newly issued loans accounted for €2.5 billion of this contracted new lending, while extensions accounted for €0.4 billion. A total of 71 per cent of the new financing was provided for properties in Germany. With a share of 85 per cent, the investor customer group accounted for most of the new business, while a further 15 per cent of business was

generated with developers and builders.

Thanks to its steadily growing product portfolio for the German savings banks, Berlin Hyp was able to further expand its networking activities within the Sparkassen-Finanzgruppe in the first half of 2021. The total volume of new lending in the real estate financing business undertaken with the savings banks amounted to €1.1 billion in the first half of 2021, which was nearly three times higher than the volume recorded during the same period in the previous year (€0.4 billion). The volume currently placed with the savings banks now totals approximately €4.0 billion.

This positive development was made possible by the ImmoDigital platform for the digital processing of Berlin Hyp's investment offers for savings banks, as well as by the new ImmoNachrang product. As at 30 June 2021, Berlin Hyp maintained active business relationships with 161 German savings banks, which is eight more than at the end of the 2020 financial year (153).

Earnings strength clearly demonstrated, risk buffer further expanded

In the first half of 2021, Berlin Hyp's figures for all key income components surpassed those recorded during the same period in the previous year. For example, net interest income increased by nearly one-third, to €220.8 million (previous year: €167.8 million). This development was in large part due to the reduced interest rates granted within the framework of the ECB's targeted longer-term refinancing operations (TLTRO III). Our higher loan volume also played a role here, however. Good new lending led to net commission income of €13.0 million, which was more than 20 per cent higher than the half-year figure for 2020 (€10.7 million).

The result after risk provisioning amounted to 139.0 million euros after 27.0 million euros in the previous year.

At €30.0 million, profit before profit transfer was more than five times higher than in the first half of last year (€5.7 million).

This result is all the more remarkable in view of the fact that Berlin Hyp capitalised on the solid development of business operations to further strengthen its capital base and thus keep the Bank stable and resilient. In the first half of 2021 alone, for example, the Bank added a further €112.0 million to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB), thereby increasing the fund's total volume to €600.0 million. The capital base was also strengthened in order to prepare for the upcoming introduction of additional regulatory requirements.

As was the case in the previous year, the figure for lending risk provisioning of €13.1 million (net; previous year: €55.4 million) primarily contains allocations to provision reserves. Risk provisioning for securities in the net amount of €15.6 million (previous year: allocation of €10.0 million) mostly resulted from disposals.

Improved efficiency, increase in capital ratios

At €94.3 million, operating expenditure, which comprises staff expenditure, other operating expenditure, depreciation on tangible assets and amortisation of intangible assets was, as expected, up slightly from the previous year's figure of €86.8 million.

Staff expenditure increased by €10.1 million to €45.2 million due to higher pension obligations. The increase of €4.8 million in other operating expenditure (to €44.4 million) was mainly a result of the significantly higher European bank levy and the increasing demands placed on information technology and data storage.

At €4.7 million, depreciation on tangible assets and amortisation of intangible assets was €7.4 million lower than in the first half of 2020, the figure for which was affected by

depreciation in connection with the deconstruction of Berlin Hyp's headquarters and the construction of a new energy-efficient building.

The other operating result figure of -€3.0 million mainly includes the interest portions of the compounding of reserves. The previous year's figure of €0.7 million was heavily impacted by the partial liquidation of reserves for legal risks in connection with a German Federal Court of Justice (BGH) ruling that was made in 2017.

All in all, the cost-income-ratio improved significantly, declining from 48.5 per cent in the first half of 2020 to 40.9 per cent this year. This favourable development was largely a result of one-off effects that played a role in net interest income.

The common equity tier 1 capital ratio (CET 1) was 13.9 per cent as at the reporting date, after having amounted to 13.4 per cent at the end of 2020; at 16.1 per cent, the total capital ratio was slightly higher than at the end of 2020 (15.8 per cent).

Pioneer in sustainability, trendsetter for green finance

During the first half of 2021, Berlin Hyp continued to work extensively on implementing its ambitious sustainability agenda, which has helped the Bank maintain its position as a pioneer for green and sustainable finance. The Sustainability-Linked Bond (SLB) the Bank issued in April 2021 was the first such bond in the world to be issued by a commercial bank. SLBs create a direct link between the achievement of sustainability targets on the corporate level and refinancing costs, and thus make it all the more important for the targets to be achieved. The clearly oversubscribed issue attracted a great deal of attention on both the German and international financial markets and also served to further strengthen the Berlin Hyp brand.

In the first half of 2021, the Bank issued a total of €3.1 billion in debt instruments, of which approximately two-thirds were covered bonds and one-third were unsecured bonds. Berlin Hyp appeared on the capital market with syndicated bonds five times.

"We've further expanded our position as a trendsetter and a leader in innovation in the green finance segment, which ultimately strengthens our brand as well", says Klaus. "The implementation of our sustainability agenda, the comprehensive digitisation of our processes and the use of new forms of cooperation within the framework of the "new work" approach are all key components of our goal to become Germany's most modern real estate financier."

Outlook: Benefiting from the market recovery, moving ahead with the transformation

Berlin Hyp 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. Net interest and commission income, risk provisioning and profit before profit transfer are also expected to develop more favourably than was originally anticipated.

Despite the recessionary economic development triggered by the COVID-19 pandemic and the still unpredictable developments on the real estate market and possible upheavals on the capital market, the Bank expects that the positive business development with its customers will continue. Berlin Hyp plans to further strengthen its equity base using its own resources and also make additional contributions to the fund for general banking risks, which serves as an important buffer for ensuring stability at the Bank.

"The pandemic, as well as the recent catastrophic floods in western Germany and the increasingly frequent extreme weather events in many parts of the world, have focused even more attention on the importance of resilience and the ability to adapt to crisis

situations”, Klaus explains. “They have also made it clear that we need to address the question as to how economic activities can be made more sustainable and balanced – in terms of their environmental and social impact as well.” Digitisation has also further accelerated essential aspects of economic activity, as well as the way we work and how we interact in society.

Klaus says: “In view of all these developments, Berlin Hyp plans to work all the more extensively on the implementation of its sustainability strategy, and we will also continue to move forward with the digital transformation of our core processes. We have set the proper course and our current structure puts us in an ideal position to create additional value for our customers and partners, for the Sparkassen-Finanzgruppe and for society as a whole.”

You can view the complete 2021 Interim Financial Report at www.berlinhyp.de

	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020	Change	Change
	€ m	€ m	€ m	%
Net interest income	220.8	167.8	53.0	31.6
Net commission income	13.0	10.7	2.3	21.5
Operating expenditure	94.3	86.8	7.5	8.6
Staff expenditure	45.2	35.1	10.1	28.8
Other operating expenditure	44.4	39.6	4.8	12.1
<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	4.7	12.1	-7.4	-61.2
Other operating earnings / expenditure	-3.0	0.7	-3.7	-
Operating result before risk provisioning	136.5	92.4	44.1	47.7
Risk provisioning	-2.5	65.4	-67.9	-
Operating result after risk provisioning	139.0	27.0	112.0	-
Financial investment result	3.2	-1.1	4.3	-
Contribution to the fund for general bank risks	112.0	20.0	92.0	-
Other taxes	0.1	0.1	0.0	0.0
Profit before income tax and profit transfer	30.1	5.8	24.3	-
Income tax	0.1	0.1	0.0	0.0
Expenditure from profit transfer	30.0	5.7	24.3	-
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.

