

Press information dated 10 September 2024

Berlin Hyp improves profitability and demonstrates the stability of its business model in a challenging market environment

- Significant increase in profit before taxes to €72.1 million in the first half of 2024
- Net interest income increases by more than 20 per cent to €263.9 million
- Cost-income ratio improves from 42.2 per cent to 35.5 per cent; further additions made to provision reserves
- Lower volume of new lending due to the market environment; loan portfolio remains at a high level
- Bank reaffirms earnings development forecast for 2024 as a whole

Berlin Hyp achieved significant improvements to key earnings and income figures in the first half of 2024. Strong growth in net interest income led to a significant increase in profit before taxes, to €72.1 million (previous year: €59.3 million). The reduction of the cost-income ratio from 42.2 per cent to 35.5 per cent reflects a further increase in the Bank's profitability. The decline in the volume of new lending to €2.6 billion in the first half of the year (previous year: €3.5 billion) was mainly due to the situation on the transaction market, as many market participants remained cautious in their activities. Due to the uncertain market environment, the Bank also took advantage of its earning power to make further additions to its provision reserves during the period under review.

"The situation on the real estate markets remains challenging and is reflected in particular by the development of new lending at Berlin Hyp, although we also assume that developments will be more positive in the second half of the year", says Berlin Hyp CEO Sascha Klaus. "At the same time, with the solid development of its business operations, the Bank is once again demonstrating its stability, resilience and earning power. In addition, our more extensive cooperation with the German savings banks and our product innovations, such as the world's first Blockchain Pfandbrief that we introduced in July, show just how innovative and in tune with the market the Bank is."

Overall business development

The nearly unchanged interest rate environment had a major impact on the real estate financing market in the first half of 2024. Intense competition among lenders continued in the lower-risk market segments. All in all, the market has gotten significantly smaller due to the current low transaction volume, and this led to a decline in new lending. Margins in new lending were higher in the first half of 2024 than during the same period in the previous year.

New contracted lending volume, including extensions, amounted to €2.6 billion in the first half of 2024 (previous year: €3.5 billion).

Berlin Hyp also further strengthened its business relationships with savings banks in the first half of 2024. For example, slightly less than one-third (31 per cent) of the new lending volume recorded in the first half of the year was generated within the framework of cooperation with the savings banks. The ImmoDigital syndication platform in particular, which offers savings banks simple and efficient access to Berlin Hyp's products, continues to be met with a positive response. The total volume of S-Group business conducted with the savings banks in the first half of 2024 amounted to €801 million (previous year: €90 million). This increase as compared to the same period in the previous year was largely due to the fact that a large portion of the contracting processes in 2023 were completed in the second half of the year.

During the reporting period, Berlin Hyp also once again confirmed the pioneering role it plays with regard to sustainability in both its lending business and issuing business. With sustainable refinancing instruments now accounting for 40 per cent of the overall capital funding mix, as well as a 35.1 per cent share of green buildings in the Bank's portfolio, Berlin Hyp has succeeded in achieving its corresponding targets ahead of schedule. Berlin Hyp also remains the most active issuer of green bonds in Europe in the commercial banking segment.

Individual components of the financial results

Increase in net interest income, improvement to the cost-income ratio, additions made to provision reserves

Net interest income increased significantly, to €263.9 million, which was €47.6 million higher than the figure recorded in the same period in 2023. At €4.4 million, net commission income was €6.6 million lower than the figure recorded in the same period in the previous year. This decline corresponds to the development of new lending.

The net allocation to risk provisioning and provision reserves amounted to €112.9 million (previous year: €52.8 million). Most of this figure by far was accounted for by the formation of provision reserves. Valuation adjustments on individual exposures were only necessary in a few cases. The result for securities in the liquidity reserves was mainly impacted by positive valuation effects. Net earnings amounted to €10.7 million (previous year: €3.2 million).

Slight decrease in operating expenditure

Operating expenditure (staff expenditure, other operating expenditure, depreciation of tangible fixed assets and amortisation of intangible assets) amounted to €95.8 million in the first half of 2024, which was slightly lower than the previous year's figure of €97.9 million. Compared to the same period in the previous year, staff expenditure increased slightly, by €2.0 million, to €42.1 million.

At €46.8 million, other operating expenditure was €4.6 million lower than the figure recorded in the same period in the previous year. This decrease was mainly due to the elimination of the bank levy.

Depreciation on tangible fixed assets and amortisation of intangible assets increased moderately, by €0.5 million, to €6.9 million.

Stable equity position

Due to Berlin Hyp's sufficient capital adequacy as required by regulations, the Bank did not, despite positive economic developments, make any further allocations to the fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB). The fund level remained at €800 million, after an addition of €25 million had been made in the same period in the previous year.

The common equity tier 1 ratio stood at 15.3% as at 30 June 2024 (end of 2023: 15.4 per cent) and the total capital ratio was 16.9 per cent (17.1 per cent).

Increase in earnings after taxes

In line with the Bank's expectations, Berlin Hyp recorded earnings after taxes of €40.0 million in the first half of 2024 (€37.5 million).

Outlook

The development of transaction volume on the real estate market will remain sluggish in the second half of 2024. For this reason, and given the unreliable planning environment, as well as demanding regulatory requirements, Berlin Hyp expects that new lending volume in 2024 as a whole will likely be lower than the level reached in 2023. With regard to profit before income tax, earnings after risk provisioning and net interest and commission income, the Bank reaffirms its forecast and continues to expect growth with regard to all of these indicators in full-year 2024 as compared to the respective figures for 2023.

"The ongoing uncertain environment, digitalisation and the transformation towards climate neutrality will all continue to present challenges to the real estate sector", says Klaus. "At Berlin Hyp, we will continue to consistently focus on the key issues of innovation and sustainability, and we will also remain a strong and reliable partner for our customers."

Press contact
Nicole Hanke
Head of Communications and Marketing
T +49 30 2599 9123
nicole.hanke@berlinhyp.de

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 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.