

# PRESS RELEASE

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## **DZ HYP publishes half-yearly financial report as at 30 June 2018**

- » **First consolidated financial report following the merger of DG HYP and WL BANK**
- » **New business development on a good level**
- » **Net interest income up markedly on the same period for the previous year**

Following the merger of DG HYP and WL BANK on 27 July 2018 (with retroactive effect from 1 January 2018), DZ HYP has prepared its first consolidated half-yearly financial report, for the period ending on 30 June 2018. DZ HYP enjoyed stable development during the period under review, regardless of the challenges presented by merger work, a persistent low interest rate environment, and higher regulatory capital requirements.

Dr Georg Reutter, Co-Chairman of the Management Board of DZ HYP, said: "We maintained our focus on the business throughout the first half of 2018, generating favourable results in real estate finance and local authority lending. DZ HYP's profitability reflects the Bank's successful operating development. At the same time, results have been burdened by the costs of the merger, as planned." Frank M. Mühlbauer, Co-Chairman of the Management Board of DZ HYP, added: "We are delighted that we were able to further intensify the close and trusting relationship with German cooperative banks. With approximately 60 per cent of real estate finance and more than 70 per cent of

local-authority lending, cooperation with our partners accounted for a sizeable portion of new business during the first half of 2018."

In a demanding competitive environment, DZ HYP generated €2.6 billion in new business in the Commercial Real Estate Finance division of the former DG HYP (H1 2017: €2.7 billion). In line with the Bank's strategic direction, at €2.5 billion (H1 2017: €2.6 billion), Commercial Real Estate Finance business originated in its core German market accounted for the largest part. DZ HYP originated new business volume of €103 million in selected international markets during the period under review (H1 2017: €130 million). The volume of Real Estate Finance business of former WL BANK – with retail customers, housing enterprises, as well as funds and real estate investors – grew during the period under review: at €2.1 billion (H1 2017: €1.8 billion), new business showed a marked increase during the first half of the year, despite intense competition.

DZ HYP's new retail business is originated through the close relationships it maintains with cooperative banks. At €1.3 billion, around 60 per cent of new Real Estate Finance business of the former WL BANK during the period under review was attributable to business intermediated by cooperative banks – markedly higher compared to the same period of the previous year (H1 2017: €994 million). New business conducted jointly with cooperative banks in the former DG HYP's Commercial Real Estate Finance business stood at €1.6 billion as at 30 June 2018, in line with the favourable levels seen in the same period of the previous year (H1 2017: €1.5 billion).

DZ HYP originated new business volume of €374 million in loans to local authorities during the period ending on 30 June 2018 (H1 2017: €405 million), of which €270 million (H1 2017: €267 million) was intermediated by cooperative banks and €104 million (H1 2017: €138 million) was originated through direct business. More than 93 per cent of all transactions in this business area was intermediated by cooperative banks. On top of new business in traditional loans to local authorities, the Bank extended an additional €85 million (H1 2017: €46 million) in short-term public-sector loans.

## Results of operations

DZ HYP's **net interest income** rose markedly, by €34.1 million on the previous year, to €266.2 million during the first half of 2018 (H1 2017: €232.1 million). This development was mainly driven by an increase in the Real Estate Finance portfolio. The **net commission result** of €–16.0 million was down €6.7 million on the comparable figure for the previous year of €–9.3 million. In connection with this, €5.2 million (H1 2017: €9.3 million) in commission income was generated from the lending business, which depends both on the respective product mix and disbursement timing. Moreover, €22.6 million (H1 2017: €22.8 million) was paid for brokerage services from cooperative banks. **Administrative expenses** rose to €158.1 million during the first half of 2018 (H1 2017: €124.3 million) – mainly due to the costs incurred for merger work of €33.3 million (H1 2017: €5.9 million). **Operating profit** declined slightly in the period under review, to €80.3 million (H1 2017: €106.7 million).

DZ HYP expects a positive business performance for the financial year 2018 – in terms of new business, as well as profitability. "We are looking to leverage the bullish condition of the real estate markets to further extend the market position of the Cooperative Financial Network – with our direct clients as well as with the cooperative banks – during the second half of the year", Mr Mühlbauer stated. Dr Reutter added: "We anticipate originating a sufficient level of new real estate finance business in 2018, in excess of €8 billion, thus ensuring the Bank's pre-tax results are stabilised at a high level, through a balanced risk/return profile."

DZ HYP's complete half-yearly financial report as at 30 June 2018 is available for download at DZ HYP's website, on <https://www.dzhyp.de/de/investor-relations/finanzberichte/>.

## About DZ HYP AG

DZ HYP is a leading provider of real estate finance in Germany as well as a centre of competence for public-sector clients within the Cooperative Financial Network. DZ HYP services its clients and business partners with a comprehensive range of products and services from its four business divisions of Commercial Real Estate Investors, Housing Sector, Public-Sector Clients, and Retail Customers/Private Investors. The Bank's nationwide presence comprises two Head Offices (Hamburg and Münster), plus Regional Centres in Germany's economic centres and Regional Offices across Germany. Please visit [www.dzhyp.de](http://www.dzhyp.de) for more information.

**DZ HYP: key financial indicators**  
(in accordance with the German Commercial Code)

(€ mn)	1 Jan to 30 Jun 2018		1 Jan to 30 Jun 2017	Change in %
<b>Real Estate Finance</b>				
Commercial Real Estate Investors (former DG HYP)	2,568		2,703	-5.0
Retail Customers, Housing Sector, Funds, Investors (former WL BANK)	2,140		1,835	16.6
Originated loans to local authorities	374		405	-7.7
<b>Condensed income statement</b>				
Net interest income	266.2		232.1	14.7
Net commission result	-16.0		-9.3	-72.0
Administrative expenses	158.1		124.3	27.1
Loss allowance	-48.6		-43.6	-11.5
Net financial result	34.3		54.3	-36.8
Operating profit	80.3		106.7	-25.0
<b>Portfolio development</b>	<b>30 June 2018</b>		<b>1 Jan 2018</b>	
Total assets	74,595		75,156	-0.8
Mortgage loans	43,314		42,510	1.9
Number of employees	861		852	1.1

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