

PRESS RELEASE

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DZ HYP publishes 2018 Annual Report

- » **New business in Real Estate Finance and Public-Sector Lending up by €1 billion in the year of the merger**
- » **Net interest income up 9 per cent**
- » **Technical migration will complete a successful merger process in 2019**

DZ HYP looks back on a successful financial year 2018 – the year of its merger. In an environment characterised by low interest rates, high demand for real estate, and intense competition, the Bank succeeded in expanding its cooperation with clients and partners. The volume of new business in DZ HYP's Commercial Real Estate Investors, Housing Sector, and Retail Customers/Private Investors divisions totalled €11.0 billion (2017: €10.1 billion). Including public-sector lending, the Bank originated new business of €11.9 billion (2017: €10.9 billion) in 2018.

Dr Georg Reutter, Chairman of the Management Board at DG HYP, emphasised: "2018 was both an eventful and challenging year for us. Summer saw us successfully conclude the merger between DG HYP and WL BANK. At the same time, we continued to focus very intensely on our business. The results of the merged institution reflect the Bank's success and DZ HYP's sustainable business model – both in terms of new business and regarding its profitability. Overall, we are pleased to report operating profit of around €180 million."

DZ HYP grew new business in its **Commercial Real Estate Investors** division to €7.7 billion (2017: €7.1 billion); the German core market accounted for €7.4 billion, in line with the Bank's strategic focus. The continued good cooperation within the Cooperative Financial Network deserves particular mention: joint lending business with the cooperative banks totalled €3.5 billion in 2018 (2017: €3.6 billion) in 2018.

DZ HYP's volume of lending commitments in the **Housing Sector** division increased slightly, to €1.0 billion (2017: €975 million). In particular, the Bank provided long-term financing for investment projects focusing on new construction and modernisation measures. Here, the Bank successfully continued its collaboration with the cooperative banks in a spirit of trust and partnership.

DZ HYP also increased the volume of lending commitments in the **Retail Customers/Private Investors** division, to a total of approximately €2.2 billion (2017: €2.1 billion). Of the total figure, around €1.5 billion was attributable to retail business intermediated within the Cooperative Financial Network – plus €764 million (2017: €613 million) in business with private investors, which contributed to the positive performance.

In its **Public-Sector Clients** division, DZ HYP generated €894 million in new business (2017: €765 million), of which €639 million (2017: €561 million) was intermediated by cooperative banks and €255 million (2017: €204 million) was originated through direct business.

Results of operations

DZ HYP's financial performance reflects the Bank's successful development. **Net interest income** of €523.5 million was up 9 per cent year-on-year (2017: €480.8 million). The increase in the average real estate loan portfolio in particular had a positive effect. The **net commission result** totalled €-27.4 million during the year under review (2017: €-15.6 million); commission income from the lending business amounted to €20.9 million (2017: €29.4 million). Moreover, €45.1 million (2017: €43.4 million) was paid for brokerage services from cooperative banks.

General administrative expenses rose to €294.2 million in 2018 (2017: €227.8 million) – mainly driven by one-off consultancy and migration costs incurred in connection with the merger. At €9.9 million (2017: €24.6 million), DZ HYP's risk result from the lending business was once again positive, allowing for a substantial allocation to general risk provisions in accordance with section 340f of the German Commercial Code (HGB). The closely-related results from securities held as liquidity reserve, and from financial assets (net financial result) were virtually neutral, as in the previous year. All told, despite non-recurring burdens from the merger, DZ HYP thus generated **operating profit** of €179.6 million (€281.4 million), of

which €45.0 million was allocated to the special item for general banking risks pursuant to section 340g of the HGB – to further strengthen the Bank's resources – and €55.0 million was transferred to Group parent DZ BANK AG.

In accordance with International Financial Reporting Standards (IFRS) which are applicable to the DZ BANK Group, considering the fair-value measurement of individual securities portfolios, DZ HYP contributed €232 million to consolidated net income (2017: €637 million). Pro-forma results for the previous year were influenced in a particularly positive manner by measurement effects on the run-down portfolio of sovereign bonds of peripheral euro area countries.

Outlook

"The environment of the real estate economy remains favourable in 2019 – strong demand for real estate is set to prevail for the time being, despite rising prices and high construction costs. For 2019, we anticipate DZ HYP's stable economic development to continue, with a good level of new business. In this respect, we rely on our long-standing client relationships and the successful cooperation with German cooperative banks", Dr Reutter said – adding: "Our internal focus will be on the technical migration, through which we will conclude the merger to create DZ HYP. Work is progressing on schedule, and will be completed in the fourth quarter."

DZ HYP's full 2018 Annual Report is available for download at DZ HYP's website, on <https://www.dzhyp.de/en/investor-relations/financial-reports/>.

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 for more information.

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

(€ mn)	1 Jan to 31 Dec 2018	1 Jan to 31 Dec 2017*	Change in %
Real Estate Finance			
Commercial Real Estate Investors	7,725	7,105	8.7
Retail Customers/Private Investors	2,232	2,049	8.9
Housing Sector	1,013	975	3.9
Public Sector	894	765	16.9
Condensed income statement			
Net interest income	523.5	480.8	8.9
Net commission result	-27.4	-15.6	-75.6
General administrative expenses	294.2	227.8	29.1
Loss allowance	-68.7	-22.8	>-100.0
Net financial result	38.5	69.4	-44.5
Operating profit	179.6	281.4	-36.2
Portfolio development	31 Dec 2018	01 Jan 2018	
Total assets	75,891	75,156	1.0
Mortgage loans	45,289	42,510	6.5
Number of employees (annual average)	873	852	2.5

*) Aggregate figures of the individual institutions