Deutsche Hypothekenbank (Actien-Gesellschaft)

Key Facts and Statistics - FYE December 2017

Company overview

Deutsche Hypothekenbank (Actien-Gesellschaft) (Deutsche Hypo) is a German Pfandbrief bank as defined by the Pfandbrief Act 2005. Since 2008, the bank has been a wholly owned subsidiary of Norddeutsche Landesbank Girozentrale (NORD/LB), a commercial bank in northern Germany, and acts as NORD/LB’s centre of competence for the commercial real estate (CRE) finance business. As of 31 December 2017, Deutsche Hypo reported an unconsolidated asset base of €23.7 billion.

Although Deutsche Hypo operates mainly in Germany, it also conducts business activities in the UK, France, Spain, the Benelux countries and Poland. It provides a range of banking products and services primarily related to real estate finance, along with capital market activities that include the bank’s downsizing public-sector finance array and refinancing through the issuance of Pfandbriefe.

Established in 1872, Deutsche Hypo is one of Germany’s oldest mortgage lenders. After the Pfandbrief Act was passed in 2005, the bank became a Pfandbrief bank as defined by the Act.

Source: Company reports (annual report Dec 2017, debt issuance prospectus Oct 2011), Company data, Moody’s research
Financial highlights

Overview
Note: The financials presented below are those reported by the entity and are not adjusted for Moody’s analytic purposes. For Moody’s generated ratios on Deutsche Hypothekenbank (Actien-Gesellschaft), please see <Deutsche Hypothekenbank (Actien-Gesellschaft) page on moodys.com>.

Exhibit 1
Latest full-year results
Deutsche Hypo

<table>
<thead>
<tr>
<th>(in € Million)</th>
<th>31-Dec-17</th>
<th>31-Dec-16</th>
<th>31-Dec-15</th>
<th>% Change 17/16</th>
<th>% Change 16/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>23,698</td>
<td>25,203</td>
<td>26,944</td>
<td>(5.97)</td>
<td>(6.46)</td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>838</td>
<td>913</td>
<td>913</td>
<td>(8)</td>
<td>-</td>
</tr>
<tr>
<td>Total Capital Ratio(%)</td>
<td>20.3</td>
<td>18.9</td>
<td>19.4</td>
<td>140 bps</td>
<td>(50) bps</td>
</tr>
<tr>
<td>Net Income Before Taxes and Profit and Loss Transfer</td>
<td>60</td>
<td>105</td>
<td>62</td>
<td>(42.90)</td>
<td>69.74</td>
</tr>
</tbody>
</table>

Notes: 1) Based on unconsolidated financial data
2) Since 2013, Deutsche Hypo has maintained a profit-and-loss transfer agreement with NORD/LB
Source: Company reports (annual report Dec 2017 and Dec 2016), Moody’s research

Business description
Deutsche Hypo is a Pfandbrief bank as defined by the German Pfandbrief Act 2005. The bank provides a range of products and services mainly related to real estate finance and, to a reduced extent, public-sector loans. It acts as the competence centre for CRE within the NORD/LB group. In 2013, NORD/LB completed the transfer of its CRE assets to Deutsche Hypo. The bank is also engaged in capital market activities, and refinances itself through the issuance of Pfandbriefe and unsecured bonds. In addition, it provides consultancy services for project development and syndicate finance.

Exhibit 2
Business segments
(% of Net interest income, unconsolidated, for 2017)

Source: Company report (annual report Dec 2017, Pg: 39)

The bank’s core business segment is CRE Finance. Besides its core segment, Deutsche Hypo’s second segment is its Capital Market Business. Furthermore, the bank captures consolidation and transition items as well as Deutsche Hypo’s equity investments in the Other Business segment. In the financial year ended 31 December 2017, the dominant contributor to the bank’s net interest income was the CRE Finance segment (89.8%).
Commercial Real Estate Finance: In this segment, the bank reports its mortgage lending services, real estate consultancy comprising commercial financing for professional real estate customers, as well as financing of residential construction for investment purposes. Other activities Deutsche Hypo includes in this segment are project financing, leasing, portfolio and acquisition finance, structuring, syndication and underwriting. In 2017, this segment accounted for 89.8% of the bank’s net interest income.

Capital Market Business: This segment includes the bank’s public finance business, as well as its government lending and refinancing businesses. It comprises securities, green bonds, money markets, derivatives with banks, as well as funding activities of Deutsche Hypo. The latter includes the bank’s debt issuance programmes and Pfandbrief issuances. In 2017, this segment accounted for 4.2% of the bank’s net interest income.

Other Business: This segment, which accounted for 6.0% of the bank’s net interest income in 2017, includes consolidation and transition items, and Deutsche Hypo’s equity investments.

Source: Company reports (annual report Dec 2017, and Dec 2012), Company data, Moody’s research

Exhibit 3
Profit/(loss) before tax and profit and loss transfer per segment (unconsolidated, in € Million)

Exhibit 4
Real estate finance portfolio, Composition by property type (unconsolidated, in € Million)

Source: Company reports (annual report Dec 2017, Pg: 39 and Dec 2016, Pg: 35)
Distribution channels
Deutsche Hypo distributes its products and services mainly in Germany, while it also operates internationally in the UK, France, Spain, the Benelux countries and Poland. As of 31 December 2017, the bank conducted its business through a network of six domestic locations – one each in Berlin, Düsseldorf, Frankfurt, Hamburg, Hannover and Munich – and five foreign locations – in Amsterdam, London, Warsaw, Madrid and Paris.

Source: Company reports (annual report Dec 2017 and Dec 2014), Company data

As of 31 December 2017, Deutsche Hypo reported a real estate finance portfolio of €12.1 billion, distributed geographically as follows:
Ownership structure
Deutsche Hypo is a wholly owned subsidiary of NORD/LB.

In May 2013, Deutsche Hypo and NORD/LB concluded a control and profit-and-loss transfer agreement, with Deutsche Hypo as the controlled company. Under the agreement, NORD/LB is entitled to receiving Deutsche Hypo's annual profits, but must also absorb any balance sheet losses. Under Section 303 of the German Stock Corporation Act, NORD/LB has to provide security for Deutsche Hypo's creditors at the end of the control and profit-and-loss transfer agreement.

Source: Company reports (annual report Dec 2017 and Dec 2016), NORD/LB investor presentation Apr 2017, Moody's research

Exhibit 7
Structure of NORD/LB Group as of July 2018

Source: Company data

Company management

Exhibit 8
Deutsche Hypo

<table>
<thead>
<tr>
<th>Board of Managing Directors</th>
<th>Current Title</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sabine Barthauer</td>
<td>Deutsche Hypo: Member of the Board of Managing Directors</td>
<td>Domestic Property Finance, Real Estate Investment Banking, Real Estate Structured Finance and International Property Finance, Syndication, International Acquisition and London Branch, Credit Management, Communications and Board Staff, Corporate Development, Treasury, Market Analysis</td>
</tr>
<tr>
<td>Andreas Rehfus</td>
<td>Deutsche Hypo: Member of the Board of Managing Directors</td>
<td>Credit Department and Property Valuation, Credit Risk Controlling, Credit Risk Management and Special loans, Organisation and IT, Human Resources, Accounting Department, Treasury Operations, Controlling, Compliance and Security, Audit Officer</td>
</tr>
</tbody>
</table>

As of 30 Jul 2018
Source: Company report (annual report Dec 2017), company data
### Deutsche Hypo

<table>
<thead>
<tr>
<th>Supervisory Board</th>
<th>Affiliation</th>
<th>Committees*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thomas S. Bürkle</td>
<td>Deutsche Hypo: Chairman of the Supervisory Board; NORD/LB: Chairman of the Board of Directors</td>
<td>Lending and Risk Committee, Audit Committee, Appointments Committee (C), Remuneration Committee</td>
</tr>
<tr>
<td>Gunter Tallner</td>
<td>Deutsche Hypo: Vice Chairman of the Supervisory Board; NORD/LB: Member of the Board of Directors</td>
<td>Lending and Risk Committee, Audit Committee (C), Appointments Committee, Remuneration Committee</td>
</tr>
<tr>
<td>Christoph Dieng</td>
<td>Deutsche Hypo: Member of the Supervisory Board; NORD/LB: Member of the Board of Directors</td>
<td>Lending and Risk Committee (C), Audit Committee (SM), Appointments Committee, Remuneration Committee</td>
</tr>
<tr>
<td>Thomas Krüger</td>
<td>Deutsche Hypo: Member of the Supervisory Board; VGH Versicherungen: Former Member of the Board of Directors</td>
<td>Lending and Risk Committee (SM), Audit Committee</td>
</tr>
<tr>
<td>Dirk Metzner</td>
<td>Deutsche Hypo: Member of the Supervisory Board and Employee Representative</td>
<td>Remuneration Committee</td>
</tr>
<tr>
<td>Andrea Behre</td>
<td>Deutsche Hypo: Member of the Supervisory Board and Employee Representative</td>
<td>N/A</td>
</tr>
</tbody>
</table>

As of 30 Jul 2018

* As of 31 December 2017

(C)= Chairman

(SM)= Substitute Member

Source: Company report (annual report Dec 2017), company data

### Company history

Established in 1872 by Berlin-based businessmen and bankers, Deutsche Hypo is one of Germany’s oldest Pfandbrief banks.

During 1999 and 2000, the Dutch financial services company ING Group acquired a majority stake in BHF-Bank AG (renaming it ING BHF-Bank), which at the time owned a majority stake in Deutsche Hypo. In 2004, ING Group sold most of its German banking unit, including ING BHF-Bank, to Sal. Oppenheim, but retained an 83.753% stake in Deutsche Hypo.

After the Pfandbrief Act became law in 2005, the bank became a Pfandbrief bank as defined by the Act.

In 2006, ING Group sold its 83.753% stake in Deutsche Hypo to the German banks BHF-Bank AG (25.001% stake) and M.M.Warburg & CO Gruppe KGaA (25.001%), and private investors Peter Döhle Schifffahrts-KG (25.001%) and Josef H. Boquoi Familienstiftung (8.750%).

In January 2008, NORD/LB acquired a majority stake in Deutsche Hypo through a public offer to its previous owners and subsequently increased its stake to 100%. In October 2008, NORD/LB injected equity capital of €180 million into Deutsche Hypo. This capital infusion was allocated to the bank’s capital reserve.

In 2013, a profit and loss transfer agreement between Deutsche Hypo and NORD/LB was struck and Deutsche Hypo obtained a capital waiver in accordance with Art. 7 (1) CRR. Since the capital waiver is in place, all regulatory capital requirements for Deutsche Hypo were transferred to NORD/LB.

Peer group

» Aareal Bank AG
» Berlin Hyp AG
» Landesbank Hessen-Thüringen
» Muenchener Hypotheekbank eG

Related websites and information sources
For additional information, please see:

The company’s website

» Deutsche Hypothekenbank AG

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Moody’s related research
Issuer page on Moodys.com

» Deutsche Hypothekenbank AG

Credit opinion

» Deutsche Hypothekenbank AG

Industry outlook

» Germany, September 2017 (1082726)

Rating methodology

» Banks June 2018 (1098718)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available on the issuer’s page. All research may not be available to all clients.
Endnotes
1 “Pfandbrief Bank” is the term used by the Pfandbrief Act 2005 for banks authorised to issue Pfandbriefe, which are debt securities covered by specific assets such as mortgages on property or loans to local authorities.
2 The Benelux countries are Belgium, the Netherlands and Luxembourg.