In a nutshell

DEUTSCHE HYPO…

• is one of the oldest Pfandbrief banks in Germany
• is the centre of competence for commercial real estate business in the NORD/LB Group
• has a well-established capital market business
• is a renowned issuance house
• has its own independent market approach in its business activities
• has the German Pfandbrief Act as the basis for its business model
• is part of the Savings Banks’ Guarantee System
Owner structure

DEUTSCHE HYPO is the centre of competence for commercial real estate business in the NORD/LB Group. This makes DEUTSCHE HYPO the major issuer of Mortgage Pfandbriefe and an important value driver of the Group.

A control and profit and loss transfer agreement has been signed to ensure a closer connection of DEUTSCHE HYPO to the NORD/LB Group. Furthermore the “simplification options” in accordance with Section 2a KWG (old version, so-called “waiver rule”) apply. NORD/LB has granted a letter of comfort (Patronatserklärung) in favour of DEUTSCHE HYPO.*

* Cf. pg. 258 of NORD/LB’s Group Annual Report 2018
Security and credit protection as part of the Savings Banks sector

• Access to the **Savings Banks Sector** liquidity (high level of customer deposits in Germany)

• **Strong Joint Liability Scheme** (Deutscher Sparkassen- und Giroverband / DSGV)

• **Risk weighting 0%** within the Saving Banks Sector

• **Current Ratings DSGV** (www.dsgv.de, English version also available):
  • Moody’s: Corporate Family Rating Aa2
  • Fitch: Group Rating A+
  • DBRS: Long-Term Issuer Rating A
The first half of 2019 in a nutshell

• Result form normal operations at € 33.0 mn (2018: € 33.9 mn)

• New business volume slightly increased at € 1,495.7 mn (2018: € 1,402.9 mn)

• Net interest income slightly reduced at € 87.1 mn (2018: € 89.0 mn)

• Reduction of administrative expense due to lower bank levy at € -49.3 mn (2018: € -50.3 mn)

• The risk result of the whole bank is at € -9.1 mn (2018: € -3.0 mn)

• The real estate risk result is at € +2.3 mn (2018: € +12.4 mn)

• Reduction of the Cost Income Ratio to 54.0 % (2018: 57.8 %)
## Financial figures

<table>
<thead>
<tr>
<th></th>
<th>30.06.2019</th>
<th>30.06.2018</th>
<th>31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>87.1</td>
<td>89.0</td>
<td>177.4</td>
</tr>
<tr>
<td>Net commission income</td>
<td>1.3</td>
<td>-0.4</td>
<td>-0.1</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>-49.3</td>
<td>-50.3</td>
<td>-84.0</td>
</tr>
<tr>
<td>Risk result commercial real estate business</td>
<td>2.3</td>
<td>12.4</td>
<td>16.3</td>
</tr>
<tr>
<td>Risk result for overall bank</td>
<td>-9.1</td>
<td>-3.0</td>
<td>-20.3</td>
</tr>
<tr>
<td>Result from normal operations</td>
<td>33.0</td>
<td>33.9</td>
<td>74.7</td>
</tr>
<tr>
<td>Cost-income ratio</td>
<td>54.0%</td>
<td>57.8%</td>
<td>49.5%</td>
</tr>
<tr>
<td>Balance sheet total</td>
<td>20,822</td>
<td>21,258</td>
<td>21,073</td>
</tr>
<tr>
<td>Equity</td>
<td>1,214</td>
<td>1,232</td>
<td>1,232</td>
</tr>
</tbody>
</table>
Current Ratings

Credit ratings

<table>
<thead>
<tr>
<th></th>
<th>Moody’s</th>
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</thead>
<tbody>
<tr>
<td>Mortgage Pfandbriefe</td>
<td>Aa1*</td>
</tr>
<tr>
<td>Public Pfandbriefe</td>
<td>Aa2*</td>
</tr>
<tr>
<td>Senior Unsecured (preferred)</td>
<td>Baa2*</td>
</tr>
<tr>
<td>Junior Senior Unsecured (non preferred)</td>
<td>Ba1*</td>
</tr>
<tr>
<td>Short-term Bank Deposits</td>
<td>P-2</td>
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Sustainability ratings

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Sustainability Rating-mortgage Pfandbriefe</td>
<td>positive BB</td>
</tr>
<tr>
<td>Public Pfandbriefe</td>
<td>positive BBB</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Oekom research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Score</td>
<td>C+</td>
</tr>
<tr>
<td>Investment Status</td>
<td>“Prime“</td>
</tr>
<tr>
<td>„Industry Leader“</td>
<td></td>
</tr>
</tbody>
</table>
Strategy and targets

- Focus on direct business with professional and financially sound real estate investors
- Tailor-made financing concepts and individual, qualified advice for our customers
- Customers are institutional investors like real estate funds, real estate companies/REITs, leasing companies, financial investors, developers, banks, affiliated companies and institutions and professional private investors
- Asset classes: office and retail properties, apartment buildings, hotels and logistics
- Focus on strategic core markets: Germany, France, Benelux, UK, Poland and Spain
- Products: medium to long-term financing transactions, project financing, leasing finance, portfolio finance, acquisition finance, structuring, syndication, underwriting, guarantees or derivatives
Presence in Europe

• We are where our customers are!
• Focus on core Europe:
  • Domestic locations in Germany
  • Foreign locations in Amsterdam, London, Madrid, Paris and Warsaw
• Target markets offer high transaction volumes, high market maturity and intense concentration on our target customers.
• High local market expertise as well as a comprehensive know how of the legislative framework of each target country.
References

**Logistics portfolio**
Seven German locations
- Logistics centre
  - EUR 64 million
- Energy performance certificates with high energy efficiency

**Galeria Baltycka**
Gdansk
- Shopping centre
  - EUR 81 million
- DGNB Gold certificate
- CU Award
  - „Best Shopping Centre Development“

**Marieninsel**
Frankfurt
- Office building
  - EUR 133 million
- LEED Platin

**Woodwork**
Paris
- Office building
  - EUR 37 million
- HQE Très Performant (expected)

**Green Bond-ability**

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Issuer Profile | June 2019
New business by region (in € mn)
Portfolio

Regional breakdown
Total exposure of €12,391 mn as at 30.06.2019

Breakdown by property type

- **Germany**: 54.6%
  - Europe: 44.8%
  - USA: 0.6%
- **Benelux**: 15.8%
- **France**: 8.2%
- **UK**: 13.9%
- **Spain**: 0.6%
- **Poland**: 3.8%
- **Other**: 2.5%

- **Residential real estate**: 18.1%
- **Office premises**: 37.8%
- **Hotels**: 7.9%
- **Retail premises**: 30.5%
- **Others**: 5.8%

Europe: 44.8%
USA: 0.6%
Benelux: 15.8%
France: 8.2%
UK: 13.9%
Spain: 0.6%
Poland: 3.8%
Other: 2.5%
Restructuring / unwinding of special loans portfolio

* rating categories 16 to 18 according to DSGV

* in % of the total real estate finance portfolio

High risk portfolio

in % of all real estate loans (EAD)
Collateral pool without auxiliary collateral under Section 19 PfandBG

Collateral pool by region

Total exposure € 8,696 mn as of 30.06.2019

Collateral pool by property type

- Residential real estate: 21.1%
- Retail premises: 34.8%
- Office premises: 35.8%
- Hotels: 7.2%
- Others: 1.1%
- Austria: 1.1%
- Spain: 0.6%
- Ireland: 1.4%
- Poland: 3.7%
- Benelux: 18.6%
- Frankreich: 9.8%
- UK: 13.4%
- USA: 0.9%
- Germany: 50.5%
- Europe: 48.6%
- Benelux: 18.6%
Outlook commercial real estate

• A stable economic situation is expected for the next years. Germany will stay an attractive investment location.

• The low-interest-rate policy enhances the rising trend. There is no real estate bubble in spite of excessive prices.

• Deutsche Hypo follows its conservative risk policy. A continuous analysis of its core markets helps to identify turnarounds and overheatings immediately, if any.
Investor participation as a competitive advantage

- Expansion of business activities
- Close cooperation with selected investors
- Deutsche Hypo as originator of commercial real estate loans
- Participation of investors in both risk and return of the (joint) reference portfolio
- Advantages for both sides:

**Investor**
- Direct credit claim(s)
- Real Estate collateral
- Increase of the portfolio return
- Agreed quality characteristics
- Direct influence on investments

**Deutsche Hypo**
- Access to new market segments
- Can originally opt for larger bids
- Increase of the market presence
- Splitting of credit risk incl. equity relief
- Investor participation by vertical risk structure
Funding philosophy and structure

- Benchmarks are an central part of the product range
- Issuance business of private placements is driven by demand
- High visibility by continuous market presence as a regular issuer of Pfandbriefe
- Permanent broadening of investor base
- **NEW:** Green Bond

### Funding mix in € mn

<table>
<thead>
<tr>
<th>Year</th>
<th>Mortgage Pfandbriefe</th>
<th>Unsecured</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,602</td>
<td>1,970</td>
</tr>
<tr>
<td>2016</td>
<td>1,800</td>
<td>2,138</td>
</tr>
<tr>
<td>2017</td>
<td>1,328</td>
<td>2,198</td>
</tr>
<tr>
<td>2018</td>
<td>1,730</td>
<td>728</td>
</tr>
<tr>
<td>Jul 19</td>
<td>1,295</td>
<td>247</td>
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</table>

### Structure breakdown in %

<table>
<thead>
<tr>
<th>Year</th>
<th>Benchmark</th>
<th>Structured</th>
<th>Private Placement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>70</td>
<td>28</td>
<td>2</td>
</tr>
<tr>
<td>2016</td>
<td>59</td>
<td>38</td>
<td>3</td>
</tr>
<tr>
<td>2017</td>
<td>68</td>
<td>28</td>
<td>4</td>
</tr>
<tr>
<td>2018</td>
<td>67</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Jul 19</td>
<td>81</td>
<td>18</td>
<td>1</td>
</tr>
</tbody>
</table>

As of 31.07.2019
Indication of MREL-eligible liabilities*

* Calculated on the basis of all currently-known supervisory releases. As of 31.07.2019

Deposits (allowance expected for 2019)
Senior preferred (2.5% of RWAs)
Senior Non-Preferred
Subordinated debt
Equity
Liquidity situation

LCR  
DSGV requirement  
NORD/LB requirement
Capitalisation

For Deutsche Hypo as a subsidiary of NORD/LB, use is made of the waiver option of art. 7 para. 1 of the CRR, which allows the parent institute to exempt subsidiary institutes from some requirements at individual institute level in accordance with art. 6 para. 1 of the CRR. There is therefore no disclosure requirement at individual institute level for Deutsche Hypo.*

**Cf. pg. 258 NORD/LB Group Annual Report 2018**  
**Cf. NORD/LB Konzernpräsentation Juli 2019**  
Bechmark transactions

**GBP 355,000,000**
Mortgage Pfandbrief
3 years
Maturity 22.03.2021
ISIN DE000DHY4937

Lead Managers
Deutsche Bank, HSBC, J.P. Morgan, Toronto Dominion + NORD/LB (Co-Lead)

2018

**EUR 500,000,000**
Green Pfandbrief
6 1/4 years
Maturity 10.12.2024
ISIN DE000DHY4994

Lead Managers
ABN Amro, Bayern LB, NATIXIS, NORD/LB, UniCredit

2018

**EUR 750,000,000**
Mortgage Pfandbrief
10 years
Maturity 05.03.2029
ISIN DE000DHY5025

Lead Managers
DZ Bank, Helaba, NATIXIS, NORD/LB, UniCredit

2018

**EUR 750,000,000**
Mortgage Pfandbrief (Tap)
7 years
Maturity 29.06.2026
ISIN DE000DHY4960

Lead Managers
Commerzbank, Crédit Agricole CIB, Helaba, NORD/LB, UniCredit

2018/2019

**EUR 750,000,000**
Mortgage Pfandbrief (Tap)
6 years
Maturity 20.06.2025
ISIN DE000DHY4861

Lead Managers
Deutsche Bank, DZ Bank, HSBC NORD/LB, UniCredit + Bankhaus Lampe (Co-Lead)

2017/2019
Benchmark maturities Mortgage Pfandbriefe

* Including one GBP-issuance
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