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### **Eurohypo presents provisional figures for 2009**

- Tough market conditions reflected in results
- Restructuring of business model on schedule
- For 2010 significantly increase of new business in commercial real estate expected

**Eschborn.** Eurohypo AG, part of the Commerzbank Group, presented the initial, unaudited figures of its 2009 financial statements today. The bank's results in 2009 were still marked by the impact of the financial crisis: the bank posted a pre-tax loss of €515m (-€1.4bn in the year 2008). This constitutes a dramatic improvement against the previous year, up 63.4%, but given the difficult economic environment, including weak real estate markets, the bank was unable to return to positive territory. The impact of the financial crisis was clearly visible in risk provisioning, which rose by €316m to €1.174bn in 2009 (€858m). Goodwill impairments of €70m and restructuring costs totalling €73m also dented results. The German part of the bank's core business, which is consolidated in the CBG Core segment, achieved an operational result of €185m and, thus, a pre-tax return on equity of 15.4%.

The restructuring costs were closely linked to the strategic realignment of Eurohypo, which is building on the lessons learned from the financial market upheaval and revising its business model. As part of this process, the bank will now be focusing on ten core markets. The bank provides services for professional real estate investors and developers with long-term financing requirements in excess of €15m.

"We see the continued tough conditions on the financial markets as an opportunity to consolidate and further strengthen our target market position. We want to be a reliable and expert business partner for our clients and be able to respond promptly to their needs," Dr. Frank Pörschke, Chairman of the Board of Managing Directors at Eurohypo, comments on the bank's realignment. "Eurohypo is currently putting all its energies into achieving an appropriate and sustainable return on equity in the medium term."

Eurohypo's new and renewals business combined came in at €9.6bn in 2009. New business started running again in the second half of 2009 and totalled €3bn. Therewith the bank did perform well under tough market conditions that were impressed by significantly lower transaction volumes compared to former years.

Renewals totalled a healthy €7bn in the last year. The bank sees renewals as an essential ingredient for a close client-bank relationship. The bank is familiar with these clients as well as the transactions and therefore can evaluate this business.

Eurohypo also made headway with the restructuring of its Public Finance/Treasury business in 2009. Business activities continued to focus on boosting income through portfolio reductions, with the portfolio being cut to €129bn (€154bn). Building on a stable margins and positive contributions from closing of credit derivative positions the business area closed the year with operating profit at €107m (-€982m).

Net interest income was a key factor behind the relative improvement in results for 2009: although business volumes for Commercial Real Estate finance slipped €4bn to €76bn and portfolios were reduced on the Public Finance side, net interest income rose 12% to €1.288bn (€1.149bn) as a result of higher margins.

The bank's strict cost-cutting programme had a visible effect on administrative expenses, which fell around 6% to €434m (€460m). Cutbacks among staff outside Germany were a determining factor here: offices in ten of the twenty restructuring markets were closed in 2009. The successful integration of Hypothekenbank in Essen AG (Essen Hyp) also helped to decrease expenses within Public Finance.

### Outlook

Eurohypo has made good progress with the realignment of its business model over the past year, often faster than anticipated. The process will continue in 2010, with appointments to the management levels due to be completed in the first quarter 2010. Monitoring and management for non-strategic portfolios have been standardized, whilst the planned centralization of the German loan processing will be implemented in the coming months with a view to improving efficiency.

Eurohypo is taking a conservative view of the immediate prospects for 2010: the macroeconomic outlook for 2010 does not yet show any signs of a lasting recovery. Although global growth is expected, there are still considerable burdens on the US and many European economies. Higher public deficits, the shoring up of company balance sheets and pressure to economize in those countries with high levels of private borrowing will all serve to curb growth considerably in the medium term. The banks have not yet dealt with all of the ramifications of the market turbulence and are facing high levels of credit defaults. The deep recession we have experienced and the high level of risk remaining on the market will continue to influence the real estate markets for some time yet. Eurohypo therefore anticipates the need for further sizable loan loss provisions in 2010.

In tandem with its core business realignment, Eurohypo is continuing to focus on the planned portfolio reductions in Commercial Real Estate – especially in its non-strategic parts of the portfolio – and Public Finance. The medium-term target portfolio volume for Commercial Real Estate is approximately €60bn against a target of under €100bn for Public Finance.

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The bank's capitalization is very solid with 8.6% as of 31.12.2009. Due to the excellently positioned Pfandbrief Eurohypo has very good access to the capital markets. Against this background the bank anticipates to increase its new business significantly in comparison to the level of 2009.

"The business environment is still shaped by macroeconomic uncertainties and concerns in our target markets. Loan loss provisioning will therefore be a key factor in performance this year. Nevertheless, in view of the strategic realignment of our core business and our risk-adjusted business philosophy, we are confident that we will return to profit in 2011," said Dr. Pörschke during the presentation of the provisional figures.

*The Eurohypo annual report 2009 will be published at the end of March 2010.*