

# DZ HYP

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Author: Melanie Kiene

DZ HYP AG is a leading German real estate and Pfandbrief bank headquartered in Hamburg and Münster. It is a subsidiary of DZ BANK AG (06/2022: 96.4% of the shares) and therefore forms part of the National Association of German Cooperative Banks. In this association, DZ HYP acts as a specialist in the area of property and municipal financing. Corporate customers are the most important customer group for the bank as measured by business volume (06/2022: 66.3%). As at 06/2022, around 853 staff were employed at the two main locations and its regional centres and offices throughout Germany. In addition to the German market, the bank is also active in selective foreign markets (06/2022: for real estate loans, the foreign share amounts to 3.3% of the business volume). Of these, the Dutch market is the most important. A control and profit transfer agreement is in place between DZ BANK AG and DZ HYP AG, while DZ BANK has issued a letter of comfort for DZ HYP as well. Moreover, the bank also makes use of the waiver rule, under which the capital and liquidity requirements are managed at Group level. The market activities of DZ HYP are focused on three business segments: Corporate Customers (commercial customers and housing sector business are bundled here), Retail Customers (exclusively focused on the brokering business through the Volksbanks and Raiffeisenbanks) and Public Sector Customers. The bank's capital market funding consists mainly of mortgage Pfandbriefe (09/2022: 53%), followed by unsecured bonds (35%) and public sector Pfandbriefe (13%). The CET1 ratio increased from 10.7% in FY/2021 to 12.0% as of 06/2022. At Group level, the ratio was 13.3% at the same time.

## Ratings

	Rating	Outlook
Fitch*	AA-	Stable
Moody's	Aa2	Stable
S&P	A+	Stable

\* Rating of Genossenschaftl. FinanzGruppe

## Homepage

[www.dzhyp.de](http://www.dzhyp.de)

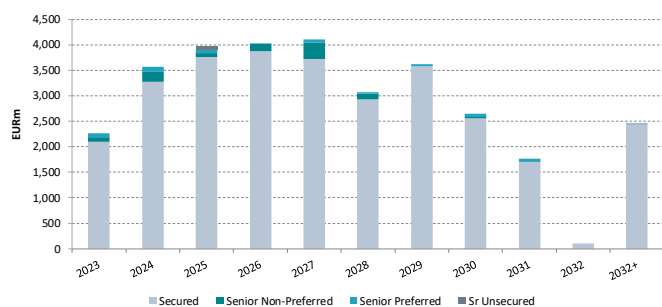
## Balance Sheet

(EURm)	2020Y	2021Y	2022H1
Net Loans to Customers	66,124	67,352	67,536
Total Securities	10,518	9,834	9,042
Total Deposits	15,770	13,814	13,038
Tier 1 Common Capital	1,588	1,669	1,825
Total Assets	81,920	81,631	80,041
Total Risk-weighted Assets	17,644	15,601	15,210

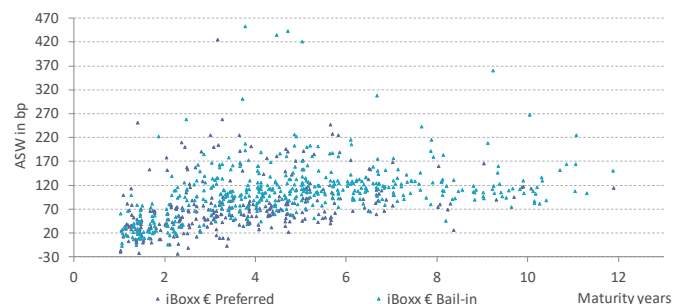
## Income Statement

(EURm)	2020Y	2021Y	2022H1
Net Interest Income	602	665	335
Net Fee & Commission Inc.	-38	-38	-10
Net Trading Income	-	-	-
Operating Expense	272	274	177
Credit Commit. Impairment	47	25	40
Pre-tax Profit	199	192	77

## Redemption Profile



## Senior Unsecured Bonds (EUR BMK)



## Company Ratios

	2020Y	2021Y	2022H1	2020Y	2021Y	2022H1
Net Interest Margin	0.75	0.82	0.84	Liquidity Coverage Ratio	212.00	204.90
ROAE	-	-	-	IFRS Tier 1 Leverage Ratio	-	-
Cost-to-Income	45.53	41.91	53.87	NPL/ Loans at Amortised Cost	0.23	0.21
Core Tier 1 Ratio	9.00	10.70	12.00	Reserves/Loans at Amort. Cost	0.41	0.44

As of: 06.01.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

## Strengths / Opportunities

- Group integration
- Domestic market position
- Credit quality (NPLs)

## Risks / Weaknesses

- Diversified income sources
- Concentration of the loan portfolio
- Dependency on wholesale funding

## Covered Bonds

Author: Melanie Kiene

### Two programmes for the issuance of Pfandbriefe

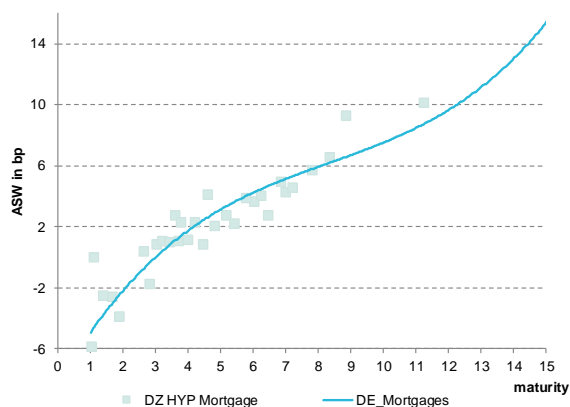
DZ HYP has both mortgage and public sector Pfandbriefe outstanding. With a volume of EUR 33.5bn, outstanding mortgage Pfandbriefe dominate those of the public sector (EUR 9.1bn). The mortgage cover pool contains cover assets with a volume of EUR 39.4bn, while the public sector pool contains cover assets with a volume of EUR 12.5 billion. Since its green covered bond debut in February 2022, DZ HYP has been one of the active EUR benchmark issuers in the ESG segment.

### Programme data

30 September 2022	Mortgage	Public sector
Covered bonds outstanding	EUR 33.52bn	EUR 9.91bn
Cover pool volume	EUR 39.39bn	EUR 12.47bn
Current OC (nominal / legal)	17.5% / 2.0%	25.8% / 2.0%
Type	57.0% Residential	69.2% Local authorities
Main country	96.3% Germany	86.6% Germany
Main region	30.9% North Rhine-Westphalia	22.6% North R.-W.
Number of loans / exposures	109,422	17,033.
Share of 10 largest exposures	NA	16.8%
Fixed interest (Cover Pool / CBs)	89.6% / 99.5%	97.9% / 93.3%
WAL (Cover Pool / CBs)	6.6y / 6.4y	7.8y / 7.7y
NPL	0.00%	0.00%
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA	- / Aaa / AAA

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

### Spread overview (BMK) – Germany



### Mortgage cover pool with residential portion of 57.0%

DZ HYP's cover pool for mortgage Pfandbriefe comprises 97.6% mortgage assets and 2.4% substitute cover. Within the primary cover assets, 57.0% are again attributable to residential assets, while 43.0% are attributable to the commercial sector. 56.6% of the residential cover assets are allocated to the category "multi-family assets". In total, the cover pool comprised 109,422 loans as at 30 September 2022. Geographically, 96.3% of the assets are located in the Federal Republic of Germany. Regionally, North Rhine-Westphalia dominates (30.9%), followed by Berlin (11.8%) and Bavaria (11.7%). The remaining 45.4% are accounted for by the remaining 13 federal states. The average loan volume in the residential sector is EUR 205,134, while in the commercial sector it is EUR 6,389,830. 34.4% of the residential properties are owner-occupied. Among the commercial assets, office properties account for 44.1% of the loan volume, retail for 16.1% and shopping malls for 11.9%. Both cover pools do not contain any NPLs. Further information on the cover pools can be found in our [§28 PfandBG study](#).

### Rating and regulation

Both the mortgage and public Pfandbriefe are rated Aaa and AAA by Moody's and S&P respectively. Accordingly, they benefit from a preferred risk weight of 10% according to CRR. In our assessment, bonds in EUR benchmark format are eligible as Level 1 assets in the LCR context (see also our [LCR study](#)). Furthermore, DZ HYP's Pfandbriefe are eligible for purchase under the two purchase programmes CBPP3 and PEPP, and can be deposited as eligible collateral in the Eurosystem's ECB Collateral Management. The German Pfandbrief Act also provides for the possibility of a maturity extension. Pfandbriefe of the Issuer placed from 08 July 2022 onwards may bear the label "European Covered Bond (Premium)".

# Annex

## Contacts at NORD/LB

### Markets Strategy & Floor Research



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