

Authors: Dr. Frederik Kunze // Lukas Kühne // Alexander Grenner

Ratings

DZ HYP AG

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

Homepage

www.dzhyp.de

* Verbundrating

DZ HYP AG is a leading German property bank based in Hamburg and Münster. It is a subsidiary of DZ BANK AG (FY/2023: 96.4% of shares) and thus part of the Volksbanken Raiffeisenbanken cooperative financial network. The remaining shares are held by Stiftung Westfälische Landschaft (1.9%) and the Volksbanken Raiffeisenbanken (1.7%). There is a control, profit and loss transfer agreement between DZ BANK AG and DZ HYP AG, as well as a letter of comfort issued by DZ BANK for DZ HYP. DZ HYP is active in the "Corporate Clients" (SME and housing sector clients), "Retail Clients" (mainly brokerage business through the cooperative banks) and "Public Sector Clients" (municipal loans and cash advances) business segments. The Bank's loan portfolio is largely made up of property loans (75.7%), followed by capital market transactions (12.8%) and municipal loans (11.5%). By property type, the portfolio mainly consists of apartment blocks (FY/2023: 29.7%), offices (24.9%), residential (21.7%) and retail (10.9%). Long-term refinancing consisted mainly of Mortgage Pfandbriefe (FY/2023: 54.7%), followed by unsecured bonds (30.7%) and Public Pfandbriefe (14.6%). DZ Hyp has been a regular issuer of green Pfandbriefe since 2022, most recently issuing a green benchmark of EUR 500 million under its Green Bond Framework in August 2023. As at 31 April 2024, the bank had financed a total of EUR 12.5 billion worth of green real estate, of which EUR 9 billion was included in the bank's "Green Mortgage Portfolio".

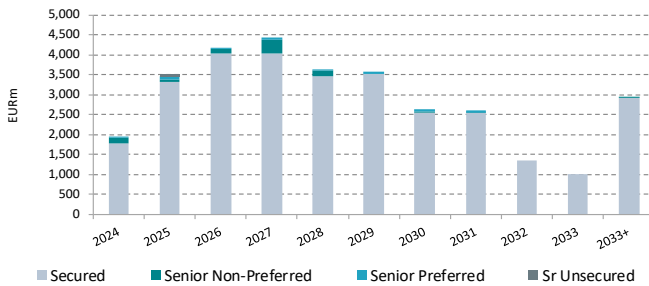
Balance Sheet

(EURm)	2021Y	2022Y	2023Y
Net Loans to Customers	67,352	68,104	67,659
Total Securities	9,834	6,292	6,006
Total Deposits	13,814	12,425	11,523
Tier 1 Common Capital	1,669	1,820	1,820
Total Assets	81,631	77,224	77,477
Total Risk-weighted Assets	15,601	15,040	15,290

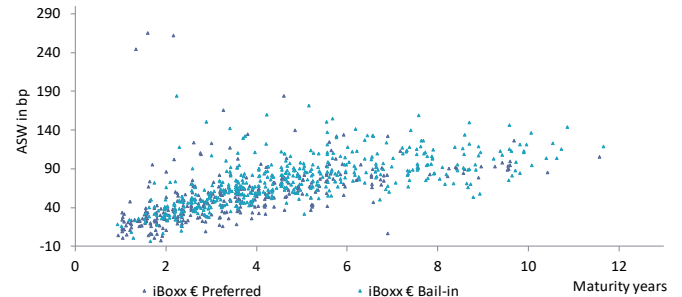
Income Statement

(EURm)	2021Y	2022Y	2023Y
Net Interest Income	665	669	708
Net Fee & Commission Inc.	-38	-20	-14
Net Trading Income	-	-	-
Operating Expense	274	289	254
Credit Commit. Impairment	25	79	110
Pre-tax Profit	192	142	200

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023Y
Net Interest Margin	0.82	0.85	0.93
ROAE	-	-	-
Cost-to-Income	41.91	42.36	35.24
Core Tier 1 Ratio	10.70	12.10	11.90
Liquidity Coverage Ratio	204.90	163.10	305.30
IFRS Tier 1 Leverage Ratio	-	-	-
NPL/Loans at Amortised Cost	0.21	0.17	0.78
Reserves/Loans at Amort. Cost	0.44	0.54	0.70

As at: 01.07.2024; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Group integration
- Expertise in the market for real estate loans
- Asset quality

Risks / Weaknesses

- Moderate profitability
- Commercial real estate (cyclical market)
- Dependency on wholesale funding

Covered Bonds

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Two programmes for the issue of Pfandbriefe

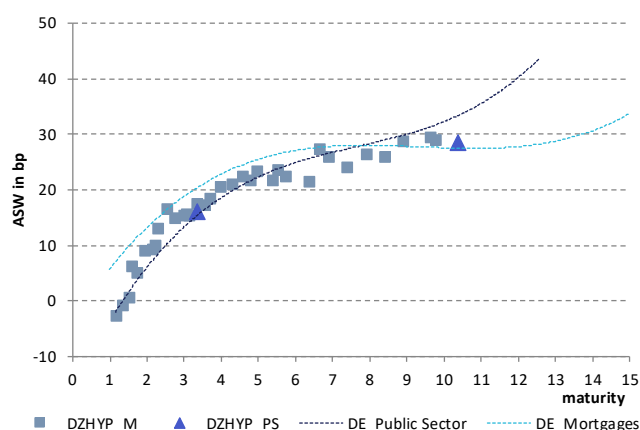
DZ HYP has both outstanding mortgage and public-sector Pfandbriefe, with the volume of mortgage Pfandbriefe (EUR 35.1bn) significantly exceeding that of public-sector Pfandbriefe (EUR 9.2bn). The mortgage cover pool contains cover assets with a volume of EUR 41.4bn, while the publicly collateralised pool contains cover assets totalling EUR 11.6bn. Since its green Pfandbrief debut in February 2022, DZ HYP has been one of the active EUR benchmark issuers in the ESG segment.

Programme data

31 March 2024	Mortgage	Public Sector
Covered bonds outstanding	EUR 35.08bn	EUR 9.24bn
Cover pool volume	EUR 41.36bn	EUR 11.61bn
Current OC (nominal / legal)	17.9% / 4.0%	25.6% / 4.0%
Type	58.2% Residential	69.5% Local authorities
Main country	96.3% Germany	88.0% Germany
Main region	30.8% North Rhine-Westphalia	24.0% North R.-W.
Number of loans / exposures	112,318	15,752
Share of 10 largest exposures	4.5%	17.0%
Fixed interest (Cover Pool / CBs)	89.7% / 98.8%	96.7% / 95.5%
WAL (Cover Pool / CBs)	6.2y/ 5.6y	7.6y / 7.1y
NPL	0.00%	0.00%
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA	- / Aaa / AAA

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

Spread overview (BMK) – Germany



Mortgage cover pool predominantly with residential property cover

Only 2.5% of the cover pool for mortgage Pfandbriefe is substitute cover, the rest (97.5%) consists of mortgage-related assets. In turn, 58.2% of these primary cover assets consist of residential assets and 41.8% of commercial cover. 52.4% of the residential cover assets are attributable to the "multi-family housing" category. In total, the cover pool comprised 112,318 loans as of 31 March 2024, of which 96.3% of the assets are located in the Federal Republic of Germany. This means that the proportion of commercial cover assets attributable to foreign countries is also comparatively low at 8.9%. North Rhine-Westphalia has the largest regional share at 30.8%. 92% of the cover pool for public sector Pfandbriefe consists of loans and 8% of bonds. Here too, the majority of assets (88%) are located in Germany. Local authorities dominate the borrower segment with 69.5%. The share of the ten largest loans in the cover pool is given as 4.5% for the mortgage cover pool and 17% for the public sector cover pool. Neither of the two cover pools contains non-performing loans (NPLs).

Rating and regulation

Both DZ Hyp's mortgage and public sector Pfandbriefe are rated Aaa and AAA by Moody's and S&P respectively. Accordingly, they benefit from a preferential risk weighting of 10% in accordance with CRR. In our opinion, bonds in the EUR benchmark format are eligible as Level 1 assets in the LCR context. Pfandbriefe placed by the issuer from 8 July 2022 can bear the label "European Covered Bond (Premium)".

Appendix

Contacts at NORD/LB

Floor Research



Dr Frederik Kunze
Covered Bonds/Banks
+49 172 354 8977
frederik.kunze@nordlb.de



Dr. Norman Rudschuck, CIAA
SSA/Public Issuers
+49 152 090 24094
norman.rudschuck@nordlb.de



Lukas Kühne
Covered Bonds/Banks
+49 176 152 90932
lukas.kuehne@nordlb.de



Christian Ilchmann
SSA/Public Issuers
+49 157 851 64976
christian.ilchmann@nordlb.de



Alexander Grenner
Covered Bonds/Banks
+49 157 851 65070
alexander.grenner@nordlb.de



Lukas-Finn Frese
SSA/Public Issuers
+49 176 152 89759
lukas-finn.frese@nordlb.de

Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Institutional Sales MM/FX	+49 511 9818-9460
Fixed Income Relationship Management Europe	+352 452211-515

Origination & Syndicate

Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

Treasury

Collat. Management/Repos	+49 511 9818-9200
Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

Trading

Covereds/SSA	+49 511 9818-8040
Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9660
Frequent Issuers	+49 511 9818-9640

Sales Wholesale Customers

Firmenkunden	+49 511 361-4003
Asset Finance	+49 511 361-8150

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Öffentliche Kunden	rm-oek@nordlb.de

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