

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

Ratings

DZ HYP AG

	Rating	Outlook
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 (H1/2024: 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 and 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 (H1/2024: EUR 74.2bn) is made up of property loans (74.7%), securities business (11.2%) and municipal loans (11.1%). The property portfolio is broken down by property type into the categories apartment blocks (H1/2024: 29.4%), offices (24.8%), residential (21.7%) and retail (10.9%), among others. In terms of long-term refinancing, mortgage Pfandbriefe play a very important role (EUR 34.7bn as at 30 September 2024). Unsecured bonds accounted for 33.7% and public sector Pfandbriefe (14.2%). DZ HYP has been a regular issuer of Green Pfandbriefe since 2022. As at 30 September 2024, the Bank financed green real estate with a total volume of EUR 12.2bn, of which EUR 8.9bn is part of the mortgage cover pool.

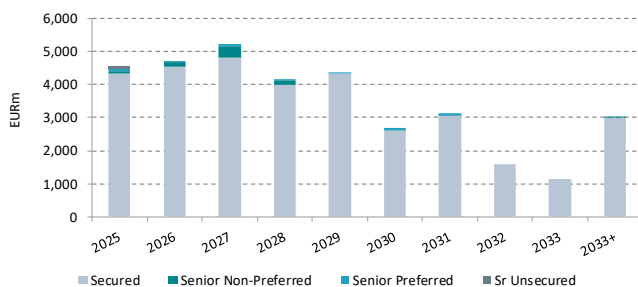
Balance Sheet

(EURm)	2022Y	2023Y	2024H1
Net Loans to Customers	68,104	67,659	67,581
Total Securities	6,292	6,006	5,507
Total Deposits	12,425	11,523	11,512
Tier 1 Common Capital	1,820	1,820	1,986
Total Assets	77,224	77,477	76,537
Total Risk-weighted Assets	15,040	15,290	16,016

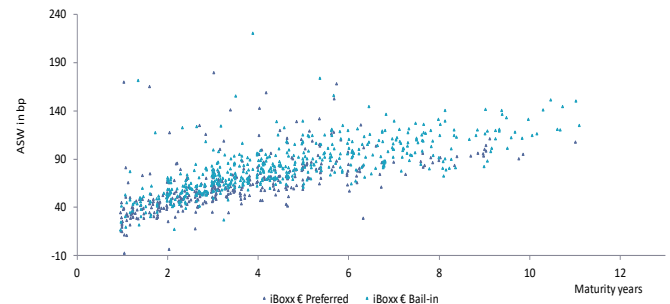
Income Statement

(EURm)	2022Y	2023Y	2024H1
Net Interest Income	669	708	359
Net Fee & Commission Inc.	-20	-14	-3
Net Trading Income	-	-	-
Operating Expense	289	254	130
Credit Commit. Impairment	79	110	41
Pre-tax Profit	142	200	137

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2022Y	2023Y	2024H1		2022Y	2023Y	2024H1
Net Interest Margin	0.85	0.93	-	Liquidity Coverage Ratio	163.10	305.30	-
ROAE	-	-	-	IFRS Tier 1 Leverage Ratio	-	-	-
Cost-to-Income	42.36	35.24	35.83	NPL/Loans at Amortised Cost	0.17	0.78	0.92
Core Tier 1 Ratio	12.10	11.90	12.40	Reserves/Loans at Amort. Cost	0.54	0.70	0.76

As of 21.01.2025; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Group integration
- Expertise in the mortgage market
- Asset quality

Risks / Weaknesses

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

Covered Bonds

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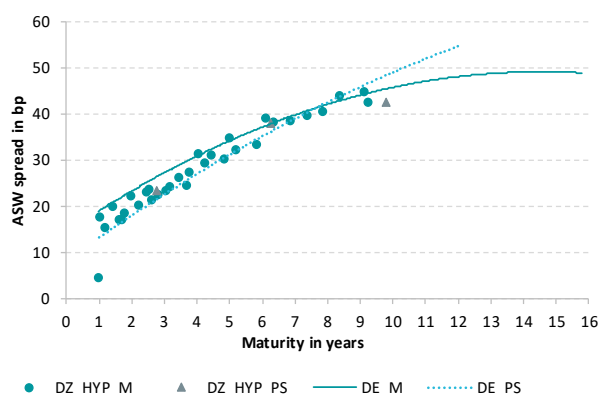
Two programmes for issuing Pfandbriefe

DZ HYP has both outstanding Mortgage Pfandbriefe and Public Sector Pfandbriefe, with the volume of Mortgage Pfandbriefe (EUR 34.6bn) significantly exceeding that of Public Sector Pfandbriefe (EUR 9.4bn). The mortgage cover pool contains cover assets with a volume of EUR 41.5bn, while the publicly collateralised pool contains cover assets totalling EUR 11.5bn. Since its Green Pfandbrief debut in February 2022, and hence for several years now, DZ HYP has been one of the active EUR benchmark issuers in the ESG segment.

Programme data

30 September 2024	Mortgage	Public
Covered bonds outstanding	EUR 34,643m	EUR 9,442m
Cover pool volume	EUR 41,481m	EUR 11,467m
OC (current / legal)	19.7% / 4.0% ¹	21.4% / 4.0% ¹
Type primary cover	58.4% Residential	69.7% Municipality
Main country	96.2% Germany	89.2% Germany
Number of loans	110,829	15,316
Share of top 10 exposures	4.5%	17.6%
NPL	0.0%	0.0%
Fixed interest (Cover Pool / CBs)	89.7% / 98.8%	95.7% / 89.2%
WAL (Cover Pool / CBs)	6.0y / 5.4y	7.5y / 6.8y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA	- / Aaa / AAA

Spread overview (BMK) – Germany



Source: Issuer, rating agencies, Bloomberg, NORD/LB Floor Research; ¹ Legal overcollateralisation (nominal + npv based on stress scenarios)

Mortgage collateral assets almost exclusively located in Germany

Only 3.4% of the cover pool for mortgage Pfandbriefe is substitute cover, the rest (96.6%) consists of mortgage assets. In turn, 58.4% of these primary cover assets consist of residential assets and 41.6% of commercial cover. 52.2% of the residential cover assets are attributable to the "multi-family housing" category. In total, the cover pool comprised 110,829 loans as at 30 September 2024. 96.2% of the cover assets are located in the Federal Republic of Germany. This means that the proportion of commercial cover assets attributable to other countries is also comparatively low at 9.2%. North Rhine-Westphalia has the largest regional share at 30.2%. The share of the ten largest loan commitments in the mortgage cover pool is 4.5%. The cover pool for public sector Pfandbriefe consists of 92.8% loans and 7.2% bonds. Here too, the majority of assets (89.2%) are located in Germany. Local authorities dominate the borrower segment with 69.7%. Non-performing loans (NPLs) are not recognised for either the mortgage or the public sector cover pool.

Rating and regulatory treatment

Both DZ HYP's Mortgage Pfandbriefe and Public Pfandbriefe are rated Aaa and AAA by Moody's and S&P respectively. Accordingly, they benefit from a preferred risk weighting of 10% in accordance with the CRR. In our view, covered 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



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



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



Tobias Cordes
SSA/Public Issuers
+49 162 760 6673
tobias.cordes@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

Liquidity Management/Repos	+49 511 9818-9620 +49 511 9818-9650
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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

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Asset Finance	+49 511 361-8150

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Öffentliche Kunden	rm-oek@nordlb.de

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