

# DZ HYP

Issuer View • 6 November 2023

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## Ratings

### DZ HYP AG

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

## Homepage

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

\* Verbundrating

DZ HYP AG is a leading German real estate bank headquartered in Hamburg and Münster. It is a subsidiary of DZ BANK AG (which holds 96.4% of the shares; data as at H1 2023) and therefore forms part of the German Cooperative Financial Group. The remaining shares are held by the Westfälische Landschaft foundation (1.9%) and the Volksbanks/Raiffeisenbanks (1.7%). 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, DZ HYP makes use of the waiver regulation, according to which equity requirements can be managed at group level. In the German Cooperative Financial Group, DZ HYP acts as a specialist in the area of real estate and municipal financing. DZ HYP is active in the segments of Corporate Customers (combining commercial customers and the housing sector), Retail Customers (this essentially relates to the brokerage business through the Volksbanks and Raiffeisenbanks) and Public Sector Clients. At its two headquarters in addition to the real estate centres and regional offices, DZ HYP employed around 862 staff in 2023. The bank focuses on real estate financing on the German market and supports German customers in selected foreign markets. In terms of the breakdown by property type of the real estate loan portfolio, the main focus is on multiple family dwellings (H1 2023: 30%), with other notable shares accounted for by office (24%), residential (22%) and retail (11%). Long-term funding primarily consists of mortgage Pfandbriefe (H1 2023: 52%), followed by unsecured bonds (33%) and public-sector Pfandbriefe (15%). In 2022, DZ HYP issued an inaugural green mortgage Pfandbrief, which featured a volume of EUR 1.0bn.

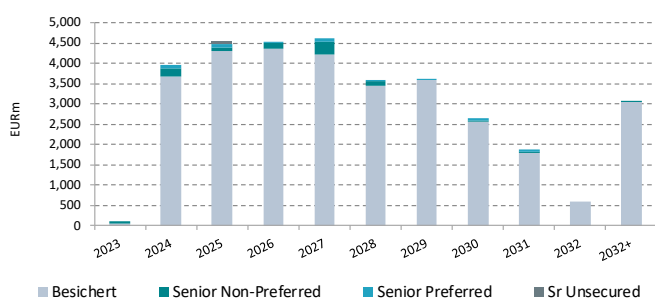
## Balance Sheet

(EURm)	2021Y	2022Y	2023H1
Net Loans to Customers	67,352	68,104	67,799
Total Securities	9,834	6,292	6,314
Total Deposits	13,814	12,425	12,152
Tier 1 Common Capital	1,669	1,820	1,860
Total Assets	81,631	77,224	76,848
Total Risk-weighted Assets	15,601	15,040	15,629

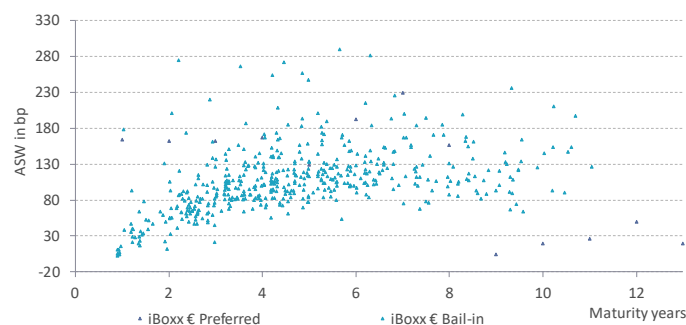
## Income Statement

(EURm)	2021Y	2022Y	2023H1
Net Interest Income	665	669	367
Net Fee & Commission Inc.	-38	-20	-6
Net Trading Income	-	-	-
Operating Expense	274	289	156
Credit Commit. Impairment	25	79	22
Pre-tax Profit	192	142	147

## Redemption Profile



## Senior Unsecured Bonds (EUR BMK)



## Company Ratios

	2021Y	2022Y	2023H1	2021Y	2022Y	2023H1	
Net Interest Margin	1.10	-	1.78	Liquidity Coverage Ratio	206.01	196.04	179.00
ROAE	4.44	5.32	9.40	IFRS Tier 1 Leverage Ratio	4.76	4.63	4.30
Cost-to-Income	67.50	-	57.03	NPL/Loans at Amortised Cost	4.99	3.57	3.19
Core Tier 1 Ratio	14.68	14.32	14.25	Reserves/Loans at Amort. Cost	2.72	2.07	1.89

As of: 06.11.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

## Strengths / Opportunities

- Group integration
- Domestic market position
- Asset quality

## Risks / Weaknesses

- Lower diversification of business fields
- Commercial real estate (cyclical market)
- Dependency on wholesale funding

## Covered Bonds

Author: Dr Frederik Kunze

### Two programmes for the issuance of Pfandbriefe

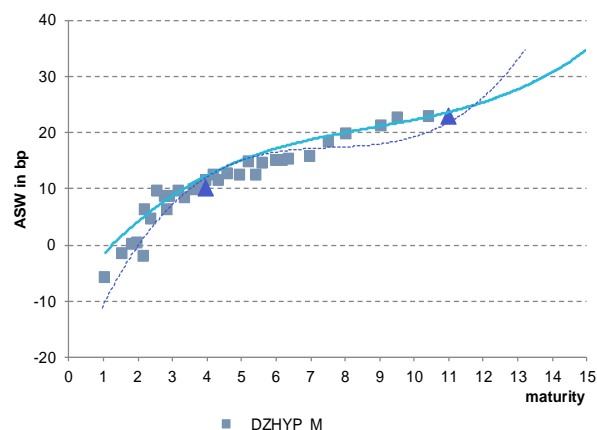
DZ HYP has both outstanding Mortgage Pfandbriefe and Public Sector Pfandbriefe. With a volume of EUR 34.6bn, outstanding Mortgage Pfandbriefe dominate those of the Public Sector (EUR 9.6bn). The mortgage cover pool contains cover assets with a volume of EUR 40.8bn while the public sector pool contains cover assets amounting to EUR 11.9bn. 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

30 September 2023	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, 58.3% are residential assets, while 41.7% are attributable to the commercial sector. 52.8% of the residential cover assets are attributable to the "multi-family assets" category. In total, the cover pool comprised 113,358 loans as at September 30, 2023. Geographically, 96.7% of the 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 8.0%. Regionally, North Rhine-Westphalia dominates (31.0%). The average loan volume in the residential loan sector is EUR 209,285, while in the commercial sector it is EUR 6,826,290. 37.1% of the residential properties are owner-occupied. Among the commercial assets, 46.1% of the loan volume is attributable to office properties, 22.5% to retail and 10.6% to shopping malls. Neither cover pool contains any NPLs.

### Rating and regulation

Both the mortgage and public sector 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 opinion, bonds in the EUR benchmark format are eligible as Level 1 assets in the LCR context. In addition, DZ HYP Pfandbriefe can be deposited as eligible collateral in the ECB Collateral Management of the Eurosystem. The German Pfandbrief Act also provides for the possibility of a maturity extension. Pfandbriefe placed by the Issuer from July 8, 2022 onwards may bear the "European Covered Bond (Premium)" label.

# Appendix

## Contacts at NORD/LB

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