Volksbanken Raiffeisenbanken
cooperative financial network

ANNUAL REPORT 2019

dzhyp.de

DZ HYP

Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

OVERVIEW

€ mn	2019	2018
DEVELOPMENT OF NEW BUSINESS		
Commercial Real Estate Investors	8,976	7,725
Housing Sector	898	1,013
Retail Customers/Private Investors	2,294	2,232
Public Sector	717	894
PORTFOLIO DEVELOPMENT	31 Dec 2019	31 Dec 2018
Total assets	79,437	75,891
Mortgage loans	50,151	45,289
Originated loans to local authorities	10,808	11,789
Local authority lending*)	11,917	12,608
Bank bonds	442	571
Mortgage-backed securities (MBS)	449	542
Pfandbriefe and other debt securities	49,833	49,995
Own funds	2,239	2,276
Total capital ratio (in %)	12.6	13.3
Common equity tier 1 ratio (in %)	8.4	9.0
PROFIT AND LOSS ACCOUNT	1 Jan to 31 Dec 2019	1 Jan to 31 Dec 2018
Net interest income	554	524
Net commission result	-36	-27
Administrative expenses	251	294
Net other operating income/expenses	5	8
Risk provisioning	-4	-69
Net financial result	-3	38
Operating profit	265	180
Extraordinary result	-17	0
Allocation to the fund for general banking risks	100	45
Partial profit transfer	16	16
Taxes	82	64
Profits transferred under a profit and loss transfer agreement	50	55
Cost-income ratio in %	50.2	60.0
Return on equity in %	13.2	11.5
NUMBER OF EMPLOYEES	31 Dec 2019	31 Dec 2018
Annual average	870	873

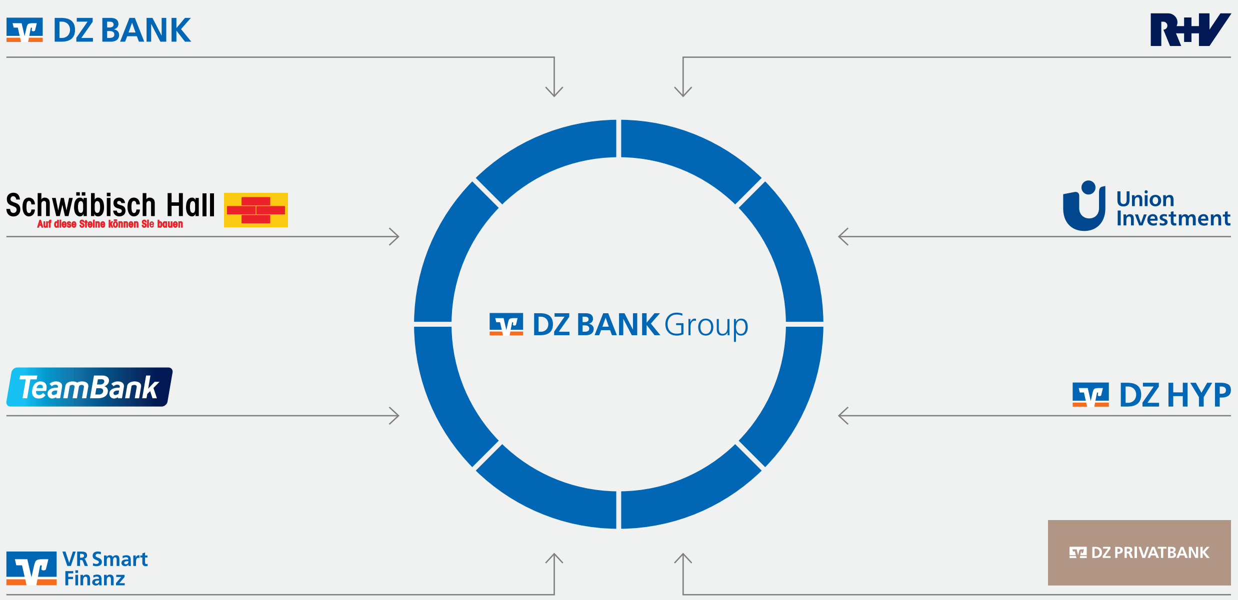
*) lending transactions with national governments and sub-sovereign entities as well as state-guaranteed corporate bonds

ANNUAL REPORT 2019

dzhyp.de

DZ HYP

DZ HYP – PART OF A STRONG GROUP

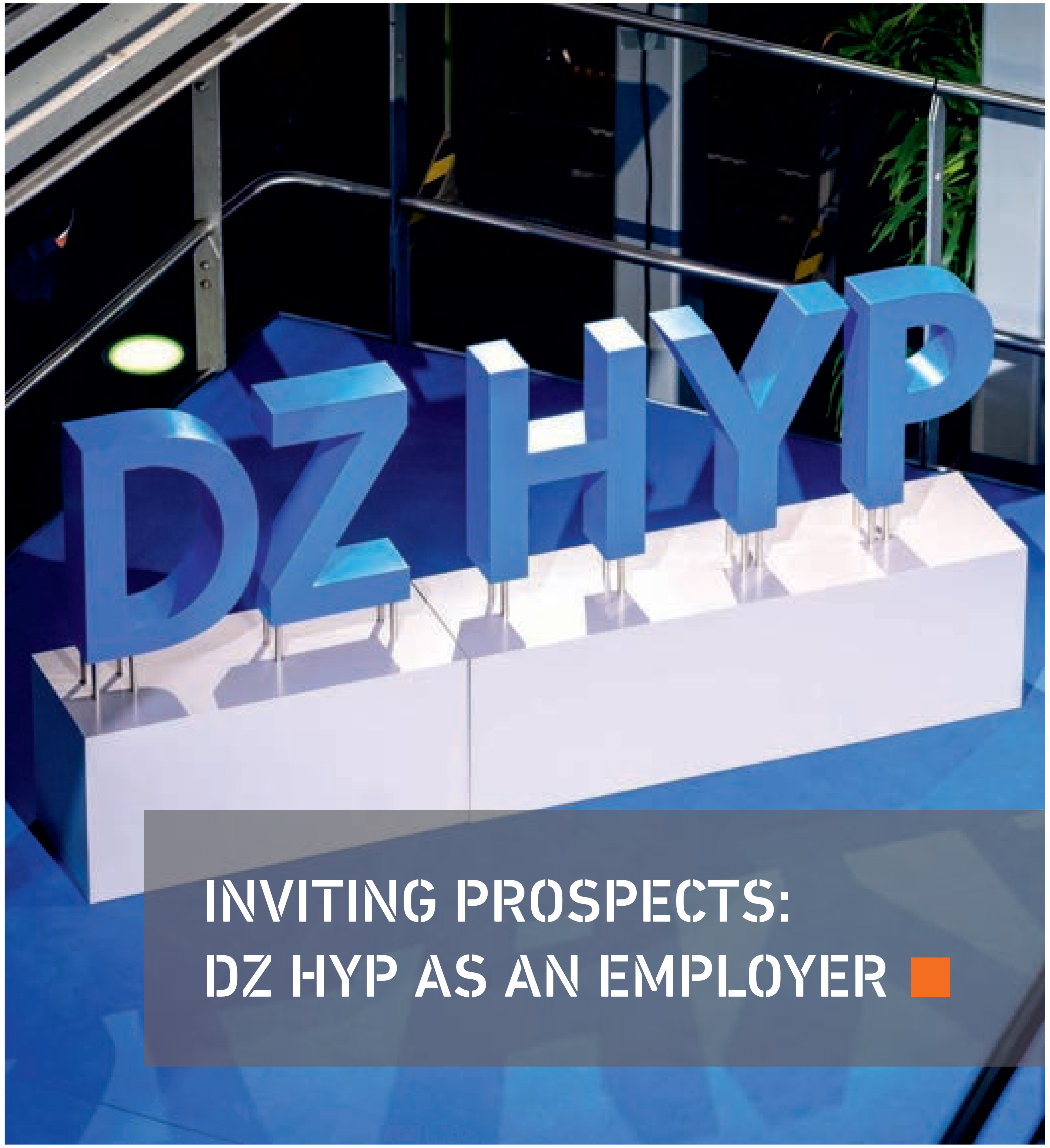


DZ HYP is part of the DZ BANK Group and therefore part of the German Cooperative Financial Network, which comprises approximately 900 individual cooperative banks. In terms of total assets, it ranks among the largest financial services organisations in Germany. Within the Cooperative Financial Network, DZ BANK AG acts as the central institution, tasked with supporting the local cooperative banks' transactions as well as strengthening their competitive position. It operates as a commercial bank, and exercises the holding entity function for the DZ BANK Group.

The DZ BANK Group includes Bausparkasse Schwäbisch Hall, DZ HYP, DZ PRIVATBANK, R+V Insurance, TeamBank, Union Investment Group, VR Smart Finanz, and various other specialist financial services providers. The various DZ BANK Group entities and its strong brands are the cornerstones of a comprehensive range of financial services offered through the Cooperative Financial Network. The DZ BANK Group has organised its strategy and range of services for the cooperative banks and their customers along the lines of four business segments: Retail Banking, Corporate Banking, Capital Markets and Transaction Banking.

Combining banking services with insurance products, home loan savings and a range of investment services has a long tradition within the German cooperative banking sector. The specialist institutions within the DZ BANK Group each offer highly competitive and appropriately-priced products in their respective area of expertise. This allows Germany's cooperative banks to offer their customers an end-to-end range of first-class financial services.

CONTENTS



INVITING PROSPECTS: DZ HYP AS AN EMPLOYER

45% 55%
GENDER ALLOCATION

13.4
AVERAGE LENGTH OF COMPANY SERVICE, IN YEARS

3.0
NUMBER OF TRAINING DAYS PER EMPLOYEE

More than 800 staff members work at DZ HYP, an award-winning employer deeply rooted – historically and culturally – in the Cooperative Financial Network. We are a bank with a personal touch, and live by the Group's creed that we are strong together. Our particular strength lies in our technical, regional and personal proximity to our clients, and it is this proximity that also sets DZ HYP apart as an employer. We know one another and work together in a partnership structure with flat hierarchies. We extend trust and encourage our employees to act and work independently.

Our employees do a great job, and we believe it is our job to make this possible. It is our understanding that people can only perform well when professional and private interests are aligned. In keeping with our corporate culture, we also extend trust to our employees and allow for a proper work-life balance.


Company party at the Port of Hamburg in 2019


DZ HYP was awarded the title of the strongest banking brand in real estate for the fourth time in 2019

WE TRAIN QUALIFIED YOUNG PROFESSIONALS

» I WAS LOOKING FOR EXCITING EDUCATIONAL CONTENT AND VARIETY OF ACTIVITY FOR MY TRAINING. DZ HYP WAS A GOOD MATCH FOR THIS, ESPECIALLY AS IT HAS RECEIVED SEVERAL AWARDS FOR ITS TRAINING ACTIVITIES. «

Linus Philipp Scholz, apprentice

DZ HYP apprentices

DZ HYP CERTIFICATIONS

DZ HYP trainees

DZ HYP offers various career goals and paths. Traditionally, we regularly train bank officers – also as part of the dual study programme. Our training is defined by a high level of practical application and by fostering an independent approach to learning. Apprentices gain an insight into many areas across the Bank – specifically, they are being trained in the lending and securities businesses, as well as in payments and accounting.

We also offer graduates 18-month trainee programmes in the Commercial Real Estate Finance Business, in credit risk, in information management, or in the Legal Department. In these programmes, they undergo first-class training in the real estate business and strengthen their professional profile.

Trainees are seen as fully-fledged team members from the very outset. Joint activities, together with professional and comprehensive support, contribute decisively to a successful start to an individual's career.

LOAN APPLICATIONS IN OUR CORPORATE CLIENTS BUSINESS GENERALLY TEND TO BE VERY COMPLEX. WE USE THE STRATEGIES AND PARAMETERS SET BY THE BANK FOR OUR ANALYSES. AT THE SAME TIME, WE EXAMINE EACH CASE INDIVIDUALLY AND IN CLOSE COOPERATION WITH OUR COLLEAGUES IN THE FRONT OFFICE UNIT. THIS COLLABORATIVE AND MOTIVATING TEAMWORK IS CERTAINLY NOT TO BE TAKEN FOR GRANTED – IT'S WHAT MAKES DZ HYP STAND OUT FOR ME.

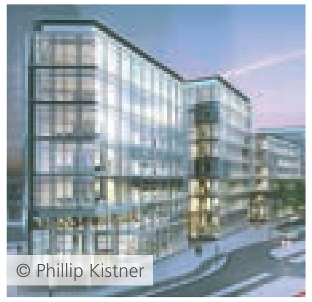
Angelika Pohlmann-Bartels, Credit Analyst Commercial Real Estate Investors, Hamburg Regional Centre

EVERY FINANCING SOLUTION IN THE BUSINESS WITH CORPORATE CUSTOMERS IS UNIQUE. THAT MAKES MY JOB SO APPEALING. EACH CUSTOMER HAS DIFFERENT NEEDS, EACH PROPERTY HAS DIFFERENT FEATURES. THIS MEANS THAT I NEVER KNOW WHAT AWAITS ME ON THE NEXT WORKING DAY. OUR CONTRIBUTION TO URBAN DEVELOPMENT IS EXCITING TOO. REAL ESTATE DEVELOPMENTS SUCH AS THE KÖ-BOGEN OR THE DREISCHEIBENHAUS SHAPE THE URBAN AESTHETICS HERE IN DÜSSELDORF. I AM VERY PROUD OF THE SIGNIFICANT ROLE PLAYED BY DZ HYP AS A FINANCING PARTNER FOR SUCH FLAGSHIP PROJECTS.

Sebastian Diehl, Regional Director Commercial Real Estate Investors – SMEs & Cooperative Financial Network, Düsseldorf Regional Centre

OUR CORPORATE CLIENTS BUSINESS: HIGHLY INDIVIDUAL AND MULTIFACETED

DZ HYP's core business is providing financing solutions for real estate projects. This means we operate in a demanding environment offering both challenging and varied tasks. This applies in equal measures to retail customers and to our cooperation with our corporate customers. The latter are primarily medium-sized and institutional investors, real estate developers, project developers and housing sector companies. The division is highly individual and entails intensive communication with our customers, as well as requiring our real estate experts to have excellent knowledge of the market.



Float, Düsseldorf

Die Welle, Frankfurt

Neue Mitte Altona, Hamburg

WE SHAPE THE DIGITAL TRANSFORMATION

THE SUPERVISORY REQUIREMENTS OF INFORMATION MANAGEMENT REPRESENT HUGE AND EXCITING CHALLENGES FOR US. IT AND SECURITY HAVE FINALLY BECOME PRODUCTION FACTORS AND ARE THEREFORE AT THE CENTRE OF THE BANK'S SUCCESS.

Sven Peters, Head of IT Governance

DZ HYP's information technology needs extensive IT governance and IT security skills that go beyond traditional disciplines. In doing so, we not only meet the growing requirements of the banking supervisory authority, but we are also arming ourselves with a modern and secure IT framework for a successful future. Clear guidelines for all processes and consistent quality management of all information technology procedures are of key importance for the entire Bank.

An example of this is authorisation management: employees and external partners need to have access to data relevant to them – no more, and no less. Behind this access lies a complex structure of authorisations and roles, as well as refined processes for granting and withdrawing authorisations. The focus is also on 'hard' security issues such as security information and event management (SIEM): it is a case here of analysing billions of events and tracking down potential security incidents.

IT risk management specialists operate in this complex environment. These are experts that understand the company and its business areas just as much as the motives of the Supervisory Board. The work of these colleagues is crucial for DZ HYP, particularly as they do not carry out any traditional banking tasks. They work in an area in which we are noticeably reinforcing our operations, and therefore using the digital transformation to our competitive advantage.

„WE BUILD BRIDGES BETWEEN SPECIALIST AREAS AND IT“

One of DZ HYP’s largest projects at present is setting up and further developing a central data warehouse. Colleagues are working here in an area that is becoming increasingly relevant for competition – how exactly this will be done they will explain in a short talk.

Central Data Management is a new unit that is currently being created at DZ HYP. What is this about?

Maik Michaelis: With the central data warehouse, we are combining all information from the specialist areas in the long term. The entire data architecture is being completely restructured. This is a key role for the new “Central Data Management” unit, for which we will need additional colleagues in the future.

Dr. Dennis Henners: Quality management is another important point. The volume of data used has been increasing exponentially for years. This is good, as the more relevant data that is available to use, the more we can use the central data warehouse for the entire Bank and leverage long-term synergies in reporting.

Data is thus a valuable asset available to the Bank – provided it is of high quality. The increase in the number of data fields goes hand in hand with the risk of unclean or false information.

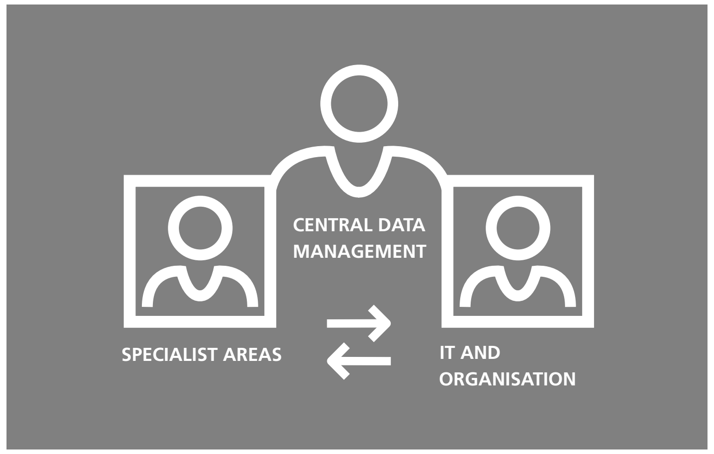
What do you get out of these tasks?

Dr. Christian Pasold: In principle, nobody gets past us. Central Data Management is involved in all of the Bank’s management-related issues. We see ourselves as bridge builders between the business areas and IT. As a result, we work with many colleagues throughout the entire Bank.

Dr. Dennis Henners: This opens up an exciting working environment for experts. The new technical opportunities allow the most diverse processes to be digitalised. Given that banks also benefit from the automation, DZ HYP has pursued this path for a number of years. We are working in a forward-looking manner that will be an important competitive factor in the future.

How does Central Data Management perceive the perfect expert?

Maik Michaelis: There are different requirement profiles. Fundamentally, we need data generalists with banking expertise and an affinity for IT, as well as process and project management qualifications. Awareness of being a service unit is important for all positions. One must enjoy communication and exchanging views and ideas with colleagues in the Bank.



RTL:
Dr Dennis Henners, Head of Data Governance
Maik Michaelis, Head of IFRS/Central Data Management
Dr Christian Pasold, Data and Requirements Manager

YOU CAN REACH YOUR PERSONAL GOALS WITH US

IRE|BS Immobilienakademie
International Real Estate Business School
Universität Regensburg

DZ HYP promotes the personal and professional development of its employees, as these are a key success factor for the Bank. It offers a choice of individual professional development measures, ranging from one-day seminars to a part-time study programme. In cooperation with the renowned IRE|BS Real Estate Business School we offer our employees an exclusive, one-year training programme – the DZ HYP Real Estate Academy.
Our personnel development not only focuses on each individual person but on the Bank's overall structure. We are currently working with a demography concept that deals with issues such as acquiring young talents, work-life balance and digitalisation. A new programme for supporting potential under the heading "Building on Talents" aims to retain particularly promising employees for the Bank.

OUR EMPLOYEES WANT TO PLAY A LEADING ROLE – AND THEY SHOULD DO SO. WITH OUR PERSONNEL DEVELOPMENT, WE ARE REACTING TO THE IMPENDING SHORTAGE OF SKILLED YOUNG TALENT, WHILE MAKING OUR BANK EVEN MORE ATTRACTIVE FOR EXISTING EMPLOYEES AT THE SAME TIME.

André Jahn, Senior Officer, Human Resources

Graduates of the DZ HYP Real Estate Academy 2018/2019

Holiday care for employees' children in Münster

WE PROMOTE A WORK-LIFE BALANCE

- FLEXIBLE WORKING HOURS WITHOUT A SET SCHEDULE
- VARIOUS FLEXI-TIME MODELS
- SUPPORT PROGRAMMES FOR CHILDCARE AND CARE OF DEPENDENT RELATIVES
- FAMILY-FRIENDLY PRO-VISIONS FOR PARENTAL AND CARE LEAVE
- EMPLOYMENT OPPORTUNITIES DURING PARENTAL LEAVE
- "STAY-IN-TOUCH" PROGRAMME DURING FAMILY LEAVE

OCCUPATIONAL BENEFITS FOR A GOOD WORK-LIFE BALANCE

» THE IN-HOUSE U3 CHILDCARE SERVICE CLOSE TO THE BANK GREATLY FACILITATED MY RETURN TO WORK. «

Sophia Knopf, Controller, Münster office

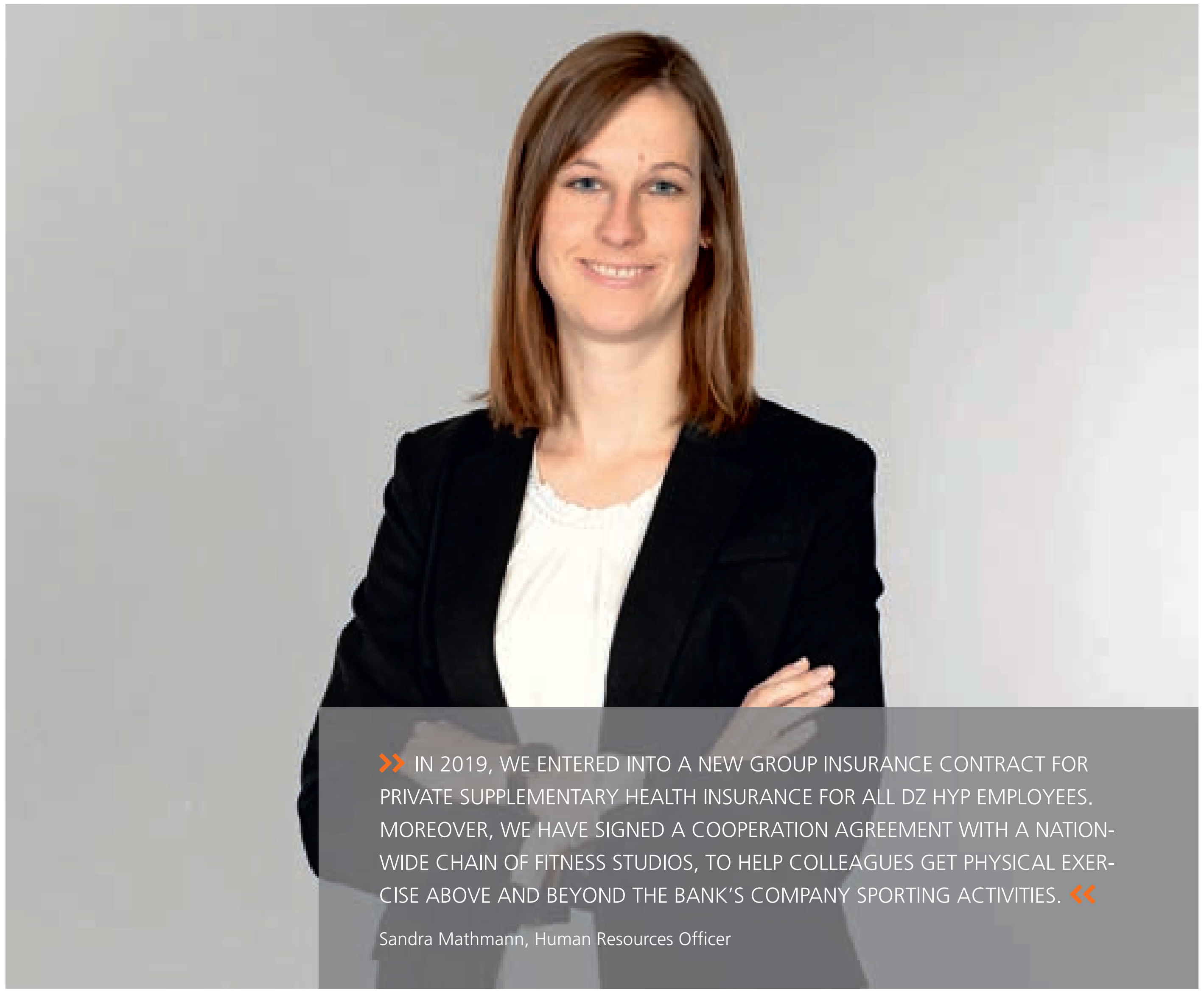
» THE CHILDREN'S CHRISTMAS PARTY WAS A WONDERFUL WAY OF STARTING OFF THE FESTIVE SEASON FOR THE ENTIRE FAMILY. «

Kirsten Jucknat, Manager Strategic Refinancing, Hamburg office

» THANK YOU FOR THE UNCOMPLICATED PROCESS OF SETTING UP MOBILE WORKING FOR ME. IT ALLOWED ME TO COMPLETE URGENT TASKS DESPITE HAVING TRADESMEN AT HOME. «

Pierre Schönborn, Senior Application Advisor Risk and Capital Market Systems, Hamburg office

An optimum work-life balance not only plays an important role for our health.
Achieving a proper work-life balance goes without saying for us. We are therefore committed to the well-being of our workforce in all circumstances.
It is important to us that our employees are in the right place at the right time, which is why we offer flexible working hours without a set schedule, the option for occasional mobile working, as well as various part-time employment models. Sabbaticals, holiday care for children and a stay-in-touch programme during parental leave complement the programme.
In special family situations, we also offer our employees support in organising care service, educational counselling or in the search for a therapist, via professional cooperation partners.



IN 2019, WE ENTERED INTO A NEW GROUP INSURANCE CONTRACT FOR PRIVATE SUPPLEMENTARY HEALTH INSURANCE FOR ALL DZ HYP EMPLOYEES. MOREOVER, WE HAVE SIGNED A COOPERATION AGREEMENT WITH A NATION-WIDE CHAIN OF FITNESS STUDIOS, TO HELP COLLEAGUES GET PHYSICAL EXERCISE ABOVE AND BEYOND THE BANK'S COMPANY SPORTING ACTIVITIES.

Sandra Mathmann, Human Resources Officer

Training in the "Hyper Dragons" dragon boat team is just one of a wide range of company sporting activities on offer

WE KEEP YOU HEALTHY

Fitness and a healthy diet, accident prevention and physiotherapy – DZ HYP has diverse offers for its employees. All work stations are fitted with ergonomic chairs and height-adjustable desks. The Hamburg and Münster head offices both offer a selection of homemade breakfast and lunch dishes, special rates at cooperating sports clubs, and designated locations within the premises for fitness courses and individual gym apparatus training. Flu vaccinations help prevent illness.

OCCUPATIONAL HEALTH AND SAFETY

- Regular occupational health examinations
- Flu vaccinations
- Massage and physiotherapy
- Workplace inspections / ergonomics advice

PROMOTION OF HEALTH

- Wide range of company sporting activities
- Joint participation in competitions and sports events
- In-house training facilities
- Cooperation with local sports clubs and fitness centres

OCCUPATIONAL RE-INTEGRATION MANAGEMENT

- Re-integration following longer periods of illness / absence
- Support provided by a trained integration team consisting of colleagues

CATERING

- Staff restaurant and café at both head offices
- Varied choice of food

LETTER FROM THE MANAGEMENT BOARD

The Management Board of DZ HYP
From left to right: Manfred Salber, Dr Georg Reutter (CEO), Dr Carsten Düerkop

Dear business associates,

DZ HYP looks back on a successful year 2019. The volume of new business at the Bank exceeded our forecast, reaching a new record high. We have thus succeeded in maintaining our position as a leading real estate bank on the German market. One factor we are particularly pleased about is the intensive cooperation with our partners, the cooperative banks. Furthermore, we were able to strengthen the Cooperative Financial Network's position in the year under review – by expanding our joint market coverage and the business intermediated by the banks. By concluding the technical migration, we successfully completed the merger of DG HYP and WL BANK to form DZ HYP.

In the past year the capital markets continued to operate in the wake of moves by the central banks. The European Central Bank (ECB) left its key interest rate unchanged at zero per cent and decided to renew its asset purchase programme in September 2019. Come 2020, at its first meeting in January the ECB continued to adhere to its course. The decline in yields has accelerated. At their peak, approximately one-third of outstanding bonds had a negative market yield. Against this background investors shunned low-interest assets, moving into other asset classes and longer maturities. At the same time, geopolitical factors influenced the capital markets, with economic and social discussions focusing on climate change and its consequences. Global trade conflicts and the tense situation in the Middle East caused uncertainty, and the risk of an unregulated Brexit has raised questions. Whilst the UK's December general election produced another Conservative party victory, and thereby paved the way for an orderly Brexit as of 31 January 2020, there is still no consensus as to the future trade relationship between the European Union and the United Kingdom.

Despite a slowing momentum, the German economy registered growth for the tenth year in a row – primarily due to private- and public-sector consumption. Gross fixed-capital formation, especially in civil engineering underground and housing construction, has also risen, whilst the slower pace of the industrial sector had a dampening effect.

The labour market was robust, achieving a new record high with 45.3 million persons employed. As such, the economic environment is stable despite negative factors.

In consequence, German real estate once again was an attractive investment product in 2019. The transaction volume generated on the commercial real estate market, including housing investments, reached a new record

(around € 90 billion). The office and residential property segments were particularly sought-after, accounting for approximately two-thirds of the total volume. Mixed-use properties are growing increasingly popular and have doubled their share, with price increases closely following the high level of demand. The same applies to the market for owner-occupied residential property. However, acquisition prices and rental levels did not reach the rates of increase seen in previous years, a fact which should be mainly attributable to the high pricing level.

In this market environment, DZ HYP generated its highest new business volume to date in the Real Estate Finance business (€ 12.2 billion). The most significant increase was achieved in our Retail Customer business (+25 per cent). Business with public-sector customers also went according to plan, achieving a total new business volume of € 12.9 billion. The result shows that we have once again been able to fulfil our aspiration of being a reliable bank for our customers in the past year, cooperating closely with the German cooperative banks.

DZ HYP's financial position has remained favourable, as in the previous years. The good new business result is reflected in net interest income, and demonstrates the Bank's strength. The increase in the average strategic real estate loan portfolio in particular has a favourable effect. Whilst the net commission result is lower than the comparable figure for the previous year due to higher commissions paid to cooperative banks, we are pleased that general administrative expenses have gone down year-on-year.

Our internal processes were marked by the technical migration in 2019; during the course of two and a half years, up to 350 employees were involved in the comprehensive harmonisation of our predecessor institutions' IT systems. We are delighted to announce this last step of the merger was successfully completed in November.

The economic framework for the current year has deteriorated noticeably against the background of the coronavirus pandemic. In spite of an extensive support package provided by the ECB, the German economy is facing recession. This is expected to affect real estate markets – the extent to which will also depend upon the length of the current lockdown, and the scope of the expected economic downturn. We currently envisage that DZ HYP will not achieve its new business targets for the year 2020; likewise, at present we cannot exclude that the coronavirus crisis will have a negative impact on net interest income. Moreover, loss allowance and hidden encumbrances are expected to increase compared to the previous year.

We are moving within a market environment possessing continuously growing challenges – not just on account of coronavirus crisis. European banks are under earnings pressure. DZ HYP has established a strong foundation in the past years, which helps us to invest in our future viability. Building on this foundation, we have initiated the "Focus 2020" project, aiming to forge even closer relationships with our customers on the one hand, and to generate higher earnings with an efficient operating and location model on the other. By year-end 2022 we will have implemented the changes necessary to achieve these goals – amending our processes and internal organisation as required.

Last but not least, another change affects us as the Management Board. Dr Carsten Düerkop is leaving DZ HYP with effect from 31 March 2020 following his appointment as Chairman of the Management Board at VR-Bank Westmünsterland eG. His upcoming move has been agreed in close and friendly coordination with our Supervisory Board, which praised Dr Düerkop's performance and regrets his departure. Dr Düerkop will be succeeded by Jörg Hermes, currently Head of Finance and Senior General Manager of DZ HYP, with effect from 1 April 2020.

The further course of the coronavirus crisis going forward will show the extent to which DZ HYP's real estate finance business activities will be affected. We benefit from our successful performance over recent years. Besides Focus 2020, we will also continue to concentrate on regulatory issues and invest in our IT security and performance. We regard ourselves as being well prepared to meet any challenges lying ahead.

Yours sincerely,

Dr Georg Reutter
Chief Executive Officer

Dr Carsten Düerkop

Manfred Salber

The Management Board
Hamburg and Münster (Westphalia), 27 March 2020

ABOUT DZ HYP

PARTNER FOR REAL ESTATE FINANCING AND PUBLIC-SECTOR LENDING IN THE GERMAN COOPERATIVE FINANCIAL NETWORK

As a member of the Cooperative Financial Network, DZ HYP is committed to the success of its partners and clients. The Bank is strengthening the market position of the cooperative banks in the segments of Commercial Real Estate Investors, Housing Sector, Public Sector and Retail Customers/Private Investors. In DZ HYP, local cooperative banks have a partner supporting them, with a strong funding base, a decentralised approach and close proximity to its clients.

The Bank's central business policy role is to anchor real estate financing and public-sector lending in the Cooperative Financial Network, and to realise financing solutions together. To this end, DZ HYP offers a solution-oriented range of products and services to the German cooperative banks, working hand in hand with them to cultivate the regional markets. In this context, both sides benefit from the partnership – DZ HYP from the direct contact with regional clients, and the German cooperative banks from the business relationships arising from developing the market throughout Germany.

In the business with Commercial Real Estate Investors, cooperation with DZ HYP puts the cooperative banks in a position to realise larger financing solutions for their medium-sized clients, as well as diversifying their own risk. In the Housing Sector business, too, the German cooperative banks can tap into the specific financing expertise of their partner within the network, while at the same time contributing their regional market knowledge. The Bank acts as a centre of competence within the DZ BANK Group for coverage of public-sector clients. In the Retail Customers/Private Investors business, DZ HYP offers the cooperative banks various credit models for tailored cooperation and longer fixed-interest periods.

Other services offered to the Cooperative Financial Network include the rating of commercial real estate clients, property valuations performed by the Bank's wholly-owned subsidiary VR WERT Gesellschaft für Immobilienbewertungen mbH, a municipal ranking that uses the latest data to provide information on the economic, budgetary and debt situation of the municipalities in the individual business regions, and the daily loan terms newsletter "DZ HYP InvestorBarometre".

Ratings confirmed

Standard & Poor's (S&P) reviewed DZ HYP's ratings in the 2019 financial year and confirmed the issuer rating of "AA-"/"A-1+". By awarding this rating, S&P continues to acknowledge DZ HYP's function as a core institution for DZ BANK and within the Cooperative Financial Network, and its membership in the deposit insurance scheme of the National Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken – "BVR"). With its expertise in financing commercial and residential building projects in Germany, DZ HYP contributes to the Cooperative Financial Network's financial service offering. The rating outlook was changed to "negative", since – according to S&P – general conditions for the German banking sector as a whole have deteriorated. As a result, the Banking Industry Country Risk Assessment (BICRA) for Germany, which forms the starting point (anchor) for bank ratings according to S&P's rating methodology, has taken a negative trend turn.

S&P has however confirmed the top "AAA" rating for DZ HYP's Mortgage Pfandbriefe and Public Pfandbriefe, and assigned them a stable outlook. FitchRatings evaluates DZ HYP as part of the joint rating awarded to the Cooperative Financial Network and has confirmed the issuer rating of "AA-"/"F1+" for the 2019 financial year as well as a stable outlook.

RATING OVERVIEW

	Standard & Poor's	FitchRatings*)
ISSUER CREDIT RATING	AA-	AA-
Outlook	negative	stable
Liabilities (short-term)	A-1+	F1+
ISSUE RATINGS		
Mortgage Pfandbriefe	AAA	–
Public Pfandbriefe	AAA	–
LONG-TERM LIABILITIES		
- Preferred senior unsecured	AA-	AA-
- Non-preferred senior unsecured	A+	AA-

*) joint rating of the Cooperative Financial Network

DIGITALISATION

Digitalisation initiatives continued

A forward-looking company must focus on digitalisation and constant development. Therefore, DZ HYP has once again targeted product, technology and process optimisation in the year under review. With the electronic credit file having been in use for a few years, a central organisational manual as well as workflow components for loan and project approvals were added to the platform in 2018. Furthermore, the inbox was digitalised for both head offices, in Hamburg and Münster, thereby reducing paper-based mailing.

By transitioning its central data warehouse to SAP Business Warehouse on HANA, based on new database technology (in-memory database), DZ HYP has accelerated its business data processing and analysis and reached a first milestone on its path towards an aggregate changeover of the SAP application landscape to the new SAP product generation "SAP S/4 HANA".

Consistent processes

The middle-office platform "VR-Baufi-Connect" was developed to connect the cooperative banks with agree21 and Genopace, achieving high-level flexibility for existing and future processes in the interaction with cooperative banks, and thus yielding consistent processes – from the workplace of cooperative banks to the SAP back-end at DZ HYP, which also enables bilateral real-time processing. The independent architecture selected between front- and back-end guarantees that modules can be established and individually expanded for further segments.

DZ HYP implemented a new SAP application for the Housing Sector and Private Investor segments in the year under review, enabling front-office processing of customised business. The application has been embedded in the Bank's target architecture: its main task is to record loan requests, calculate margin indications, and prepare offers for our customers. The fully automated account set-up and the connection of electronic customer or financial project files complete the integrated digitalisation process.

In cooperation with DZ BANK AG and other DZ BANK Group entities, DZ HYP is working to future-proof the Group. The objective is to allow customers to directly obtain information about and to purchase the Group entities offers and products via an omni-channel platform.

Monitoring market participants

Digitalisation is changing the banking sector. Customers expect their credit institutions to evolve. Therefore, DZ HYP still keeps an eye on FinTechs as well as on developments at (and offers from) competitors, initiating necessary measures with its partners in good time.

SUSTAINABILITY

Seventh sustainability report published

As a member of the DZ BANK Group, DZ HYP is committed to the fundamental cooperative concept of responsible business practices. This means that the Bank's entrepreneurial spirit has a long-term horizon; it uses natural resources in a sensitive and efficient manner, and takes risks and opportunities into consideration as part of its decision-making processes. DZ HYP has been providing information about its sustainability performance in annual sustainability reports since 2012. 2019 saw the publication of the seventh report, for the 2018 financial year, based on the sustainability reporting standards set by the Global Reporting Initiative (GRI). This was the first sustainability report following the merger of DG HYP and WL BANK to form DZ HYP.

Sustainability Ratings: DZ HYP's "Prime" status confirmed

By once again awarding the corporate rating "C" in the year under review, the sustainability rating agency ISS-ESG confirmed that DZ HYP was able to maintain its social and ecological performance despite of the merger. DZ HYP thus secures a "Prime" status in the "Financials/Mortgage & Public Sector Finance" peer group. The sustainability rating issued by imug rating, a research and rating agency, was a "positive BB". Hence, the Bank achieved the fifth-best result in imug rating's "Stress test sustainability – How good are the 25 largest German banks?". The survey examined the 25 largest banks in the year under review regarding their sustainability activities, and performed an ESG stress test. The banks were assessed in the areas of environmental matters, social affairs, governance, and products.

Sustainable Corporate Governance

Corporate governance finds its bearings in the underlying principles laid down in the DZ HYP sustainability strategy, relating to a sustainable banking business, employee matters, ecological responsibility and social commitment. The Bank is closely following the current debate on how to create a more sustainable financial sector as part of the European Commission's "Financing Sustainable Growth" action plan. The same holds true for the "Guidance Notice on Dealing with Sustainability Risks" published by BaFin, the Federal Financial Supervisory Authority, which calls on supervised financial players to better integrate sustainability risks into their risk management. To satisfy the requirements of policy makers, supervisory authorities, investors and society, DZ HYP initiated a Sustainability Committee in 2019. This central decision-making body connects the sustainability team with the Bank's various organisational units. The next step for the Committee will be to launch sub-groups for the preparation and active implementation of action required to push the relevant issues at a cross-divisional and operational level.

As a participant in the UN Global Compact, DZ BANK Group is committed to the ten global principles that have been established in the fields of human rights, labour, environment and anti-corruption. The Group also feels bound by the 2030 Agenda for Sustainable Development.

Responsibility for its employees

Entrepreneurial success depends largely on the dedication and performance of the Bank's employees. As a result, DZ HYP pursues a human resources policy that strikes a balance between the needs of its employees and economic requirements in an environment characterised by demographic change. Components of this policy include personnel development, talent recruitment and talent training, and moves to promote career advancement amongst women. In addition to ensuring that its employees can reconcile their work and family commitments, DZ HYP offers an extensive occupational health management programme for its staff. In recognition of DZ HYP's family-oriented human resources policy, the non-profit Hertie Foundation awarded the Bank the "audit berufundfamilie" certificate in 2013, and confirmed it in 2016 following a re-audit process for the period until the end of 2020.

Social commitment

The cooperative basic values of aiding empowerment, solidarity as well as sustainable and responsible conduct are cornerstones of DZ HYP's social commitment. In keeping with these values, the Bank promotes the Active Citizenship Association (Aktive Bürgerschaft), which advocates civic action and non-profit organisations. It also supports the CLUB OF ROME's German charter by providing the club's branch office with premises in Hamburg at no charge. Further, DZ HYP is the host and financial backer of the annual meeting of the CLUB OF ROME schools network. The Bank was recognised as an educational partner for the schools in 2015, allowing it to contribute to the implementation and expansion of the CLUB OF ROME school network's activities at national level.

Examples of DZ HYP's professional commitment include the promotion of the "Women in Real Estate VISIONALE 2019" initiative (Frauen in der Immobilienwirtschaft VISIONALE 2019), and of the alumni network of the real estate industry, IMMOEBS, as a premium partner. Within the scope of the "Schools and Business Partnership" project launched by a chamber of commerce and industry, DZ HYP cooperates with two schools in Münster, providing hands-on vocational orientation through internships and visits, thus promoting an understanding of the economy amongst young students. Likewise, DZ HYP offers students internships designed to support vocational orientation, as part of the "Don't leave school without the prospect of a job" project run by the State of North-Rhine Westphalia.

As part of its commitment to social responsibility, during the year under review the Bank subsidised the Hamburg Donor's Parliament (Hamburger Spendenparlament), which supports initiatives to help the homeless and people living in poverty and isolation. The Bank helds a sixth Social Day in the summer of 2019, a day for its staff to spend their working time doing social work at the Hamburg-based charity Hanseatic Help e.V., sorting clothing donations and preparing them to be passed on. In addition to other customer-related donations, the Bank once again doubled its employees' annual Christmas collection. This year, the donation was made to "Neuer Kupferhof", a short-term home for disabled children and teenagers, the "Yoga für Alle e.V." charity for its yoga for seniors projects as well as to the soup kitchen of the Protestant St. Georg-Borgfelde church that feeds homeless people.

As in previous years, DZ HYP once again decided to largely refrain from sending out Christmas cards in 2019, instead using the amount saved to provide financial support to two social projects proposed by its employees: firstly the Fields Private Institute gGmbH (Münster) with its "Out of school – learning from the future" initiative, and secondly the rehabilitation charity Aktive Suchthilfe e.V. (Hamburg). "Out of school" aims to foster extra-curricular places of learning at all-day schools, as an addition to school learning. Aktive Suchthilfe e.V. was one of the first non-profit organisations to provide external help to addicts behind bars.

Ecological responsibility

The head offices in Hamburg and Münster have been undergoing renovation work, including energy efficiency modernisation measures, since 2018 and 2019 respectively. The works are scheduled to be completed in Hamburg during 2020, and in Münster by 2021. The modernisation work at both sites will be certified by the German Sustainable Building Council (DGNB). While the Bank is aiming for a "Silver" DGNB certificate in Hamburg, it is going for "Gold" in Münster.

The fact that the Münster site has been certified under the ÖKOPROFIT programme (an ecological project for integrated environmental technology involving the City of Münster, industry, chambers of commerce and national partners) since 2012 bears testimony to the quality of the environmental management system. Since 2018, the Bank has been using almost exclusively Blue Angel certified recycling paper. Both head offices source their electricity from renewable energy sources. All electricity consumed in Münster has been generated in Scandinavian hydro-electric plants since 2012, and all electricity consumed in Hamburg has been certified hydroelectricity since 2013.

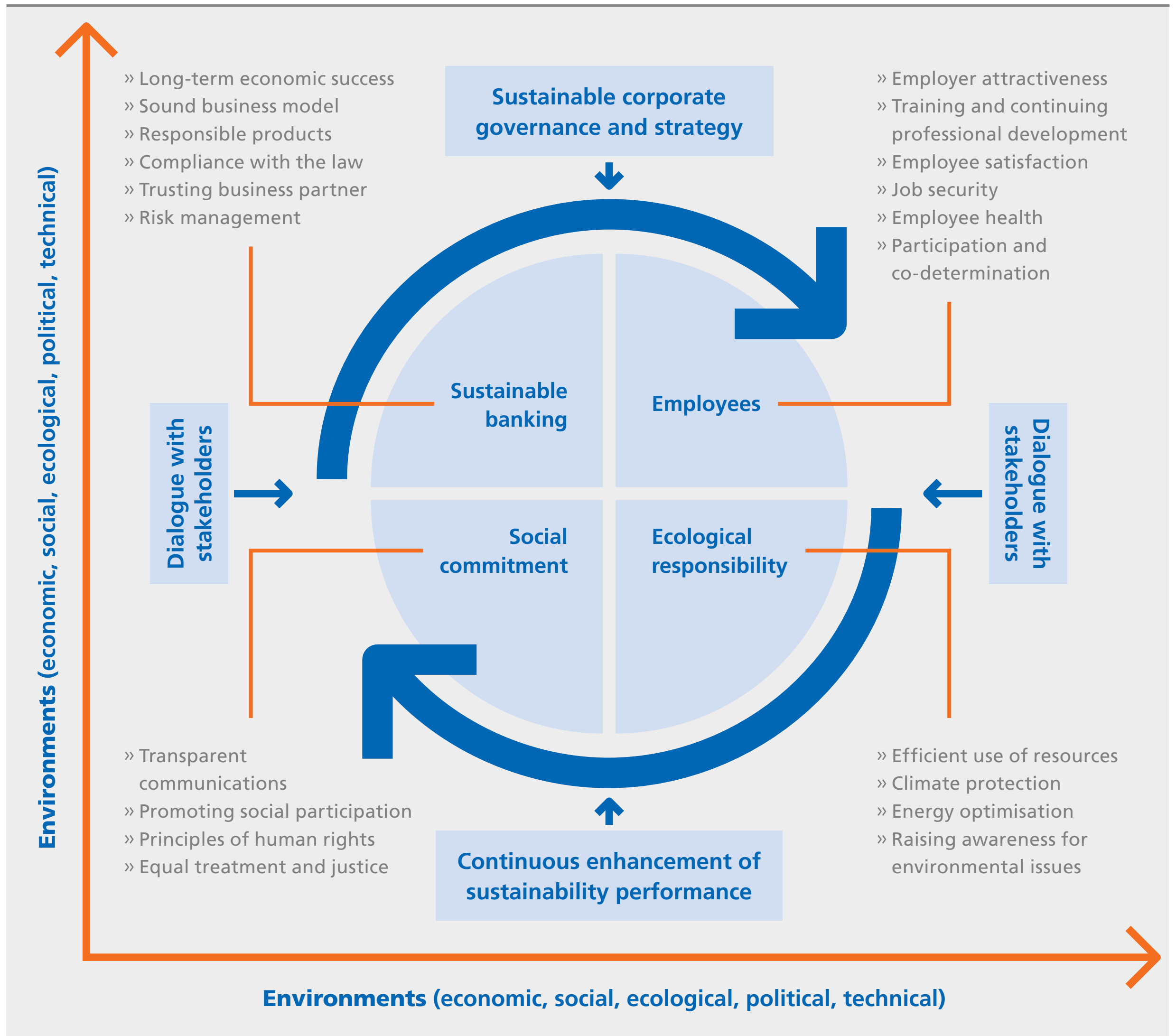
Since 2016, employees in Hamburg have been able to use an electric car for business-related travel. In Münster, the Bank allows its employees to lease a company bike or e-bike via the bicycle lease provider JobRad.

Sustainability in the DZ BANK Group

With a view to integrating sustainability to an even greater extent in business processes, DZ HYP has been playing a role in the DZ BANK Group's sustainability market initiative since 2012. For this purpose, a permanent Corporate Responsibility Committee (CRC) was formed in 2014, of which DZ HYP is a member. The results of this collaboration include, for example, the introduction of a Group-wide database structure, common supplier standards and the development of a policy on sustainability in lending.

DZ HYP has further committed to adhering to DZ BANK Group's joint climate strategy, which aims for a reduction in aggregated CO_2 emissions – as generated by Group entities – by at least 80 per cent by the year 2050, compared to 2009. Should the Group's aggregated emissions exceed the target, the overshooting CO_2 emissions will be compensated by those companies that failed to meet their individual targets (on the "polluter pays" principle). Indeed, by 2018 DZ HYP had already reduced its CO_2 emissions by 45 per cent, based on 2009 as the reference year.

SUSTAINABILITY IN THE DZ BANK GROUP



MANAGEMENT REPORT

BUSINESS MODEL

The commercial real estate bank for the Cooperative Financial Network

DZ HYP is a leading provider of real estate finance and a major Pfandbrief issuer in Germany, as well as a centre of competence for public-sector clients within the Volksbanken Raiffeisenbanken Cooperative Financial Network. The Bank is active in the Commercial Real Estate Investors, Housing Sector, Public Sector, and Retail Customers/Private Investors segments. In its business activities, DZ HYP targets direct clients and acts as a partner to 875 cooperative banks in Germany.

DZ HYP is represented nationwide, with two head offices in Hamburg and Münster, six regional centres in the business hubs of Hamburg, Berlin, Düsseldorf, Frankfurt, Stuttgart and Munich, and a further six regional offices in Hanover, Kassel, Leipzig, Mannheim, Münster and Nuremberg. The decentralised structure gives DZ HYP regional proximity to both customers and local cooperative banks. Front-office and back-office facilities are found directly at the regional centres, to allow for the flexible management of the lending process.

Joint market coverage with the German cooperative banks

DZ HYP provides its partner banks and clients in its segments with an extensive range of tailor-made financing solutions, which are adapted to suit client needs and current market developments. The resulting opportunities are exploited together with the German cooperative banks. Servicing these banks as an associated provider is a key element of the Bank's sales activities. It is committed to supporting the regional market development of the local banks with a broad, decentralised structure and proximity to its customers.

Customised financing solutions for Commercial Real Estate Investors

In its Commercial Real Estate Investors division, DZ HYP is active both as part of its direct business and as a partner to the cooperative banks in Germany. The focus of the Bank's business activities is on financing properties in the German market. In addition, DZ HYP supports its German clients' investment projects in selected international markets. The Bank's focus is on the core segments of office, residential and retail properties. DZ HYP is also involved in the specialist segments of hotels, logistics and real estate for social purposes, within the scope of its credit risk strategy. Target clients are private and institutional investors, as well as commercial and residential real estate developers. When selecting exposures, the quality of the client relationship, the third-party usability of the financed property, and collateralisation through first-ranking liens are decisive.

Financing solutions for the Cooperative Financial Network

With the IMMO META product family, DZ HYP offers German cooperative banks a comprehensive range of products for cooperation in the field of commercial real estate financing. The core product is IMMO META REVERSE+, through which a large number of cooperative banks can acquire individual tranches of a financing arrangement concluded by DZ HYP, as partners in the syndicate, pari passu and in a standardised manner. The German cooperative banks can access an online platform, to simplify the process and ensure efficient distribution. A framework agreement must be concluded prior to utilisation. Since it was launched on the market back in 2009, 466 framework agreements have been concluded with cooperative banks, with 318 institutions having participated in financing transactions on one or more occasions.

Further products of a cooperation based on partnerships are IMMO META REVERSE and IMMO META. Via the latter, DZ HYP participates pari passu with cooperative banks in commercial real estate financings for mid-sized regional real estate clients. The cooperative banks retain their leadership role with such financing. Unlike with IMMO META REVERSE+, the cooperative banks can use IMMO META REVERSE to get involved in selected large-volume projects in their regions, from as early as the origination phase. The cooperative banks themselves decide on the level of their involvement, participating on a pari-passu basis.

Managing real estate risks

To complement its product range in the field of commercial real estate finance, DZ HYP makes available a web-based rating application to the German cooperative banks in the form of "agree21VR-Rating-IMMO". This uniform rating tool allows the cooperative banks to determine the customer-specific probabilities of default for their commercial real estate customers. DZ HYP offers this application in collaboration with Fiducia & GAD IT AG and parcIT GmbH. The banks can use the process to implement a modern risk management process that takes account of all the relevant factors. It is aimed at cooperative banks that focus on commercial real estate finance, and at those for which commercial real estate accounts for a significant proportion of their credit portfolio. The rating application provides a key foundation for joint commercial real estate lending business within the Cooperative Financial Network, and is encountering continuously growing demand. As at 31 December 2019, 518 German cooperative banks were using agree21VR-Rating-IMMO, compared to 472 in 2018.

A partner for the Housing Sector

This area of business is originated both using a direct business approach and in cooperation with cooperative banks. DZ HYP also cooperates with selected intermediaries. The focus is on customised financing solutions for residential or mixed-use properties, with fixed interest terms for up to 30 years. Cooperative, municipal, church-related and other housing companies in Germany receive loans and forward loans for their new construction, refurbishment and other financing projects, also in combination with subsidised development loans granted by the German government-owned development bank (Kreditanstalt für Wiederaufbau – "KfW"). DZ HYP focuses on long-standing customer relationships with companies that create sustainable and affordable housing for broad sections of the population. It is a premium sponsoring member of the German Federal Association of German Housing and Real Estate Companies (Bundesverband deutscher Wohnungs- und Immobilienunternehmen e. V. – "GdW") and a sponsoring member of numerous regional associations. In this capacity, it is committed to intensive dialogue between real estate financing providers and housing companies.

Solutions for Retail Customers/Private Investors

As part of the Cooperative Financial Network, DZ HYP works closely with cooperative banks in its business with retail customers and private investors. Joint customers include private developers and investors acquiring properties as owner-occupiers or for investment purposes. New retail business is exclusively originated through intermediation by cooperative banks. DZ HYP's offering includes initial as well as roll-over financings for new construction, purchase and modernisation/refurbishment. Thanks to DZ HYP's broad product range of home loans – with fixed-interest terms of up to 30 years – cooperative banks can offer their customers solutions which fit their needs exactly. Business with retail customers and private investors is based on standardised credit processes, and is characterised by swift lending decisions. The full distribution potential of the Cooperative Financial Network is made available to reach retail customers through technological integration of the products into the distribution systems of individual cooperative banks, and through using largely automated processes.

Centre of competence for public-sector clients

As a centre of competence for public-sector clients within the Cooperative Financial Network, DZ HYP supports cooperative banks across Germany in developing their business with regions, towns/cities and local authorities, their legally dependent operations, municipal special public-law administrative unions and public-sector institutions. The core of both the business conducted jointly with the German cooperative banks and the direct business is the granting of loans to local authorities. The spectrum of collaboration ranges from purely commission-based, intermediated business to joint client development. In addition, DZ HYP offers banks a municipal ranking that uses the latest data to provide information on the economic, budgetary and debt situation of the municipalities in the individual business regions. The public-sector client target group includes smaller and medium-sized municipalities in particular. The DZ HYP portfolio also includes Public/Private Partnerships (PPPs). For specific projects, the Bank also brings in other experts from the DZ BANK Group.

Real estate valuation by the subsidiary VR WERT

The valuation of real estate properties is essential in order to conduct pricing commensurate with risk and guarantee the portfolio quality of the loans. The wholly-owned subsidiary of DZ HYP, VR WERT Gesellschaft für Immobilienbewertungen mbH, appraises real estate for banks, the corporate sector, investors and housing cooperatives. The range of services offered includes market and mortgage lending value appraisals, advice/consultancy on real estate matters and product audits of appraisals performed by German cooperative banks. Depending on what the client requests, mortgage lending values are calculated in accordance with the Regulation on the Determination of the Mortgage Lending Value or the uniform Valuation Directive 3.0 "Wertermittlungsrichtlinie 3.0" of the Cooperative Financial Network.

The company values properties financed by DZ HYP with a focus on commercial clients, who require a particularly sophisticated and individual case analysis, as well as properties for the housing industry/private investors/retail customers.

ECONOMIC REPORT

ECONOMIC ENVIRONMENT

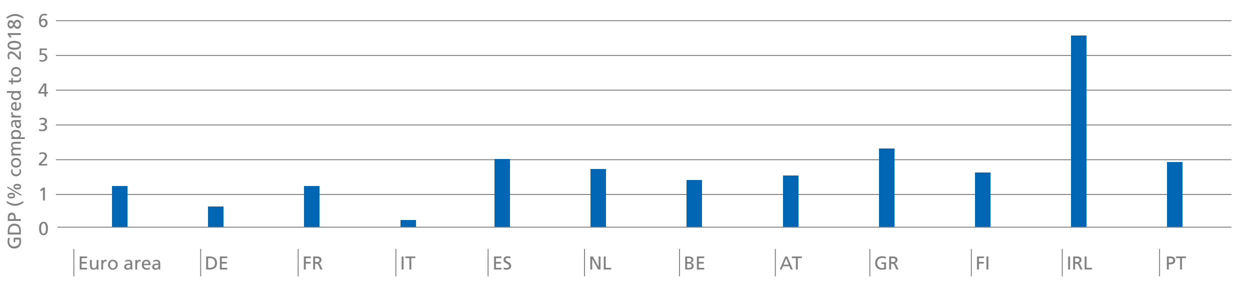
German economic growth slows

The German economy grew for the tenth time running in 2019, expanding by 0.6 per cent. This increase was, however, down on both the prior-year figure of +1.5 per cent and the average for the past ten years of +1.3 per cent. The slower pace of growth can be attributed primarily to the industrial sector. Global demand for German industrial products lost momentum in the face of various political pressure.

The main factor driving growth in the year under review was consumption, with private spending up by 1.6 per cent in inflation-adjusted terms (2018: +1.3 per cent). This trend is due not least to an increase in the number of people in employment by around 400,000 to 45.3 million, coupled with growth in wages and salaries. Government spending increased by 2.5 per cent in 2019. The highest rate of growth, 4.0 per cent, was witnessed in the construction industry, with capital investment also increasing in the year under review. In inflation-adjusted terms, for example, investments in buildings were up by 3.8 per cent in a year-on-year comparison (+2.5 per cent). The civil engineering and residential construction sectors benefited the most from this development.

On the other hand, the manufacturing industry – excluding the construction industry – showed weaker development than in 2018, contracting by 3.6 per cent, also due to the low level of production in the automotive industry. By contrast, the information and communication, and finance and insurance, service sectors reported above-average growth of +2.9 per cent each. Although exports increased again despite ongoing political pressure at international level, growth came to 0.9 per cent, below the previous year's figure of +2.1 per cent. At 1.9 per cent, the rate of growth in imports was more than twice as high, although they nevertheless continued to lag behind the previous year's figure of +3.6 per cent.

DEVELOPMENT OF GROSS DOMESTIC PRODUCT (GDP) 2019 – EURO AREA AND SELECTED OTHER COUNTRIES



Euro area	1.2	Italy	0.2	Belgium	1.4	Finland	1.6
Germany	0.6	Spain	2.0	Austria	1.5	Ireland	5.6
France	1.2	Netherlands	1.7	Greece	2.3	Portugal	1.9

Source: DZ BANK Research

The graph does not form part of the Management Report.

Outlook for the euro area

Trade disputes and trends towards protectionism resulted in slower economic development in the year under review, meaning that the euro area reported growth of 1.2 per cent in 2019, falling short of the figure achieved a year earlier (1.9 per cent). With growth of 1.2 per cent, France recorded an increase that was twice as high as in Germany, which was second bottom of the euro area rankings with 0.6 per cent. Italy came in last with growth of 0.2 per cent. Even under the new coalition, the southern European country is struggling to reach an agreement in the budget dispute. With regard to the economic outlook, while the downward trend lasting from the beginning of 2018 until the middle of the year under review has come to an end, there are no signs of a turnaround on the horizon as yet. Nevertheless, the industrial sector, which was the main factor responsible for the slump, recently reported an increase in incoming orders, production forecasts and purchasing manager indices. Overall, the outlook for the euro area remains in "cautious to slightly positive" territory.

The euro area unemployment rate came to 7.5 per cent in December, close to the all-time low of 7.3 per cent recorded in March 2008. As things stand at the moment, it is not expected to increase. Employment levels are growing steadily despite a stagnating rate in the euro area. The "hidden reserve", which had previously turned away from the labour market, is making a return. Net migration is also likely to have increased the supply of labour. The shortage of skilled labour in the euro area has increased in recent years, with a particular need for staff in the construction and service sectors.

Shape of Brexit still unclear

Uncertainty regarding the details of the United Kingdom's exit from the European Union (EU) persisted in 2019. The prospects of an agreement between the EU and the UK improved, however, following the general election held on 12 December 2019, which resulted in a clear majority. Following the UK's withdrawal on 31 January 2020, direct economic relations between the UK and the European mainland will not change to any considerable degree for the time being, with the agreed transitional arrangements set to apply until the end of 2020. A free trade agreement, the content of which is still to be negotiated, is expected to enter into force from 2021 onwards.

ECB key interest rates unchanged in 2019

The Governing Council of the European Central Bank (ECB) left the key interest rate in the euro area unchanged at zero per cent in the year under review, continuing with its expansionary monetary stance despite the change at the helm of the ECB. President Christine Lagarde, who took over the reins on 1 November 2019, had already made it clear before she took office that she considered a loose monetary policy to be necessary for the foreseeable future. Interest rates are expected to remain at the current or lower levels until the Governing Council decides that the inflation outlook for its projection period is below 2 per cent. 1 November signalled the resumption of net purchases under the ECB's Asset Purchase Programme (APP) with a monthly volume of € 20 billion. The ECB plans to continue with the programme until it is just about to raise key interest rates. The comprehensive package of measures adopted by the Governing Council at its September meeting provides significant monetary stimulus, ensuring favourable financing conditions across all sectors of the economy. In particular, improved lending conditions for the corporate sector and private households will boost consumer spending and corporate investment. This will support growth in the euro area and the continued building of domestic price pressure, bringing inflation rates closer to the Governing Council's medium-term objective.

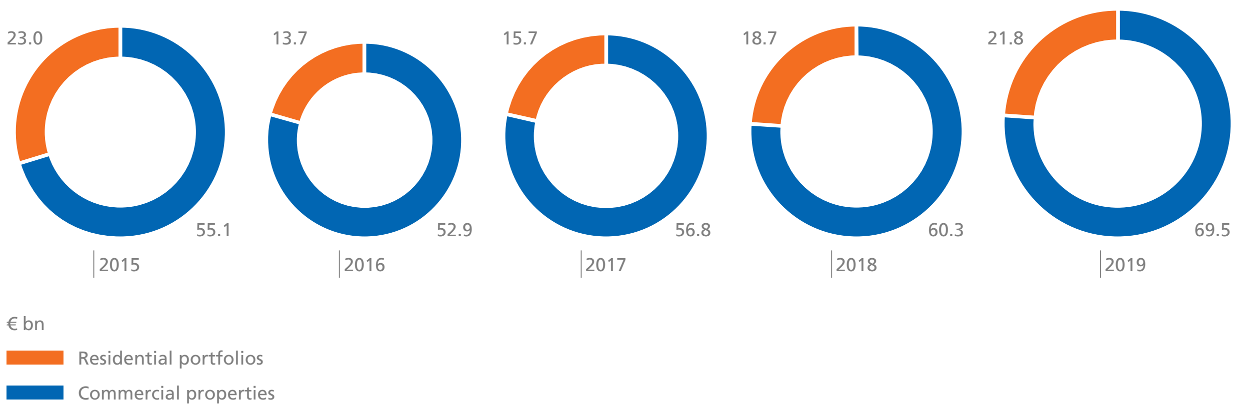
MARKET DEVELOPMENTS

Real estate investment market reports highest full-year result

Overall conditions on the real estate market remained largely unchanged in the year under review compared to 2018. Interest rates remained low. Although the German economy reported weaker growth than in previous years, at 0.6 per cent, previous predictions of a recession largely failed to materialise. The labour market remained unchanged compared to 2018 with an unemployment rate of 4.9 per cent. In this environment, the upswing on the investment market continued. The commercial real estate transaction volume, including residential investments, overshot the previous year by € 12.3 billion, coming to around € 91.3 billion in total. This equates to an increase of 16 per cent and represents the highest full-year result witnessed on the investment market to date. These figures see Germany replace the United Kingdom as the leading market in Europe for the very first time. In addition to the high demand, the result can also be traced back to an increase in indirect investments. Around € 12 billion of the total volume was attributable to the acquisition of real estate via equity interests/takeovers or parcels of shares.

Given the stable overall conditions in Germany in both economic and political terms, foreign investors continued to show a keen interest in the market in the year under review. Around half of the investments in commercial real estate (excluding residential investments) were made by international investors. The seven large German real estate locations of Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart accounted for a transaction volume of € 52.6 billion. This was 14 per cent more than in the previous year and corresponded to around 58 per cent of the total capital invested in German real estate. As a result, the country's major cities now play an even more prominent role than they did in 2018. Berlin was the strongest market, with a transaction volume of € 15.8 billion and an increase of 46 per cent over the previous year (€ 10.8 billion), making the German capital responsible for 30 per cent of the investments made in the seven prime locations. Properties worth € 10.9 billion were traded in Munich, up by 65 per cent compared to 2018 (€ 6.6 billion), the largest increase in relative terms. Cologne reported an increase of 36 per cent from € 2.5 billion to € 3.4 billion. The other four metropolitan areas reported a drop in the transaction volume, with Hamburg recording the most pronounced decline of 24 per cent. Transactions on the Hamburg market dropped back from € 7.2 billion in 2018 to € 5.5 billion in the year under review.

COMMERCIAL REAL ESTATE FINANCE VOLUMES IN GERMANY



Source: Jones Lang LaSalle

The graph does not form part of the Management Report.

Investor activity also increased outside the country's major cities. With a transaction volume of € 38.7 billion, 17 per cent more commercial real estate was traded in regional locations throughout Germany than in the previous year (around € 33.0 billion).

Investors focused on the office real estate and residential asset classes in 2019. At € 36.8 billion, around 40 per cent of the transaction volume was attributable to the office segment, with a further 24 per cent attributable to residential real estate (€ 21.8 billion). Retail properties followed in third place, with a volume of around € 10.9 billion, accounting for a share of 12 per cent. At € 9.3 billion, investments in neighbourhoods featuring mixed-use properties in which there is no dominant asset class were more than twice as high in the year under review as in the previous year (€ 4.0 billion). The transaction volume for logistics properties was slightly lower in a year-on-year comparison. Around € 6.6 billion, or 7 per cent of the total volume, was invested in this asset class in 2019. In 2018, these properties still accounted for 9 per cent with a volume of € 7.5 billion.

Greater momentum in the residential investment market

The demand for residential real estate and portfolios rose in the year under review. At around € 20.0 billion, the financial year under review exceeded the prior-year value of € 18.7 billion by 7 per cent, thus recording the second-best result seen in the previous ten years. At 130,500 units, the number of apartments sold is on a par with the previous year's level, meaning that the increase in the transaction volume is due more to increasing prices than to an increase in the number of apartments traded. The purchase price per square metre came to € 2,300 in 2019, up by around 8 per cent on the € 2,200 per square metre reported in the previous year. Market activity was defined largely by smaller transactions. Portfolios with fewer than 800 residential units accounted for more than 90 per cent of sales, with a total volume of around € 9.4 billion. The transactions featured only five portfolios with more than 4,000 residential units. Buyers increasingly included municipal, not-for-profit housing companies in 2019. Over the year as a whole, they upped their investments by almost 100 per cent year-on-year to a total of € 2.4 billion. Together with open-ended mutual funds (€ 2.9 billion) and special funds (€ 2.8 billion), they were responsible for the highest level of asset generation. Housing developers sold 15,700 apartments, making them the biggest seller group. The value of the units sold came to € 5.1 billion, up by 12 per cent on the previous year.

The most sought-after location in 2019, with a transaction volume of € 3.7 billion, was Berlin, with a 19 per cent increase as against the previous year, followed by Frankfurt with a volume of € 2.4 billion and Hamburg with € 1.2 billion.

Rental development reflects demand

Rent levels for the individual asset classes developed in tandem with demand in the year under review, with increases for both office and residential real estate. At 8.1 per cent, the increase in top rents for office properties in the top seven German locations was higher than in 2018 (5.3 per cent). The rate of growth in the residential real estate market was down on the previous year's figure. The average first-occupancy rent rose by 2.8 per cent in the top seven locations, compared with an increase of 4.5 per cent in 2018. In the retail segment, on the other hand, top rents fell by -1.4 per cent.

Office property market dominated by shortage of space

Demand for office space remained high across Germany's seven prime locations during the 2019 financial year. Office space turnover came to around 4 million square metres, 0.8 per cent higher than in the previous year. This was thanks to Germany's economic stability and the situation on the labour market, with a low unemployment rate of 4.9 per cent. Given the level of demand for office space, construction activity for new office space was decidedly muted. A total of around 1.3 million square metres of office space was completed, almost all of which had been let by the end of the year.

This pushed vacancy rates in the country's prime locations down to an average of 3.1 per cent, the lowest level witnessed since 1992. The lowest vacancy rate in the year under review was recorded in Berlin, with a rate of 1.2 per cent, followed by Stuttgart with 1.9 per cent. Frankfurt recorded the most available space, with a vacancy rate of 6.5 per cent. In Düsseldorf, 6.1 per cent of the available space was vacant. The average top rent for the seven cities came to € 33.30 per square metre. In 2018, this figure was 8.1 per cent lower, at € 30.80 per square metre. The growth rate is largely due to the dynamic development seen in Berlin, with the German capital recording a year-on-year increase in top rents to the tune of 16.4 per cent. At € 39.00 per square metre, Berlin is only just behind the value for the country's most expensive location, Frankfurt, at € 41.00 per square metre. In 2018, rents came to € 33.50 per square metre in Berlin and € 39.50 per square metre in Frankfurt. With year-on-year growth rates of 6.8 per cent, Munich and Cologne reported the most pronounced rent increases after Berlin. The value in the Bavarian capital came in at € 39.50 per square metre (2018: € 37.00 per square metre). Cologne and Stuttgart were the cheapest prime locations with prices of € 23.50 and € 23.00 per square metre respectively (2018: € 22.00 per square metre in both cities).

Slight drop in retail rents

The boost in consumption brought about by the macroeconomic conditions impacted on retail trade in the seven prime locations. Nevertheless, top rents fell slightly on average. This can be explained by the high rent level of € 294 per square metre seen in 2019. Ten years ago, the top rent was still sitting at an average of € 228 per square metre. This is compounded by the change in consumer buying behaviour, where the focus is no longer exclusively on shopping. As a result, especially chains in the textile sector are focusing on reducing their retail space. At the same time, the importance of gastronomic concepts in inner-city areas is growing. While retail sales increased by 2.9 per cent in real terms in the year under review, this growth is primarily attributable to online trading. E-commerce accounted for around 11 per cent of total sales in the sector.

This led to a year-on-year decline in top rents of -1.4 per cent on average. The values stagnated in four out of the country's top seven locations. The lower rent level can be traced back to Berlin, where rents fell by 3.2 per cent, and Stuttgart, where they were down by 4.1 per cent compared to 2018. Düsseldorf was the only city to report higher rents, with an increase of 1.1 per cent. Top rents per square metre ranged from € 235 per square metre in Stuttgart and € 255 per square metre in Cologne to € 345 per square metre in Munich. Tenants in the capital of Baden-Württemberg still had to pay € 245 per square metre in 2018. The average rent for the prime locations came to € 294 per square metre (2018: € 298 per square metre).

Number of completed apartments is growing

The population of Germany's prime locations has increased by more than 1 million people to over 10 million over the past 20 years, fuelling a continuous increase in the demand for housing. In the year under review, the gap between demand and supply came to around 340,000 residential units. Housing construction plans are, however, increasing in the country's major cities. In the period between January and November 2019, permits were granted for the construction of 319,200 apartments in Germany, an increase of 1.3 per cent over 2018. The number of building permits granted for single-family homes rose by 1.5 per cent, with the figure for two-family and multi-family homes up by 0.9 per cent as against 2018. In the year under review, the increase in construction activity did not yet lead to any easing of the situation on the housing market. The increase in the number of building permits granted is offset by the trend towards single-person households. In the period between 1998 and 2018, the number of lone households in Germany rose from around 13.3 million to 17.3 million. More intensive residential construction is being hampered by a lack of land zoned for building and capacity shortages in the construction industry. This is particularly the case for the country's prime locations. What is more, the apartments being built are at the luxury end of the market, exacerbating the bottlenecks in affordable housing, which are more pronounced overall. The housing industry is doing its bit to tackle this issue by offering affordable housing below the average existing rents.

Trend towards higher rents on the housing market curtailed

While residential rents increased in all prime locations in the year under review, the momentum slowed compared with the previous year. The average first-occupancy rent rose by 2.8 per cent, to € 15.00 per square metre in 2019. In 2018, the value came to € 14.60, with the increase as against the previous year still coming to 4.5 per cent. Hamburg reported the smallest increase, at 1.4 per cent, with an average first-occupancy rent of € 14.40 per square metre. The increase in Düsseldorf was also below average at 1.6 per cent, bringing the rent level of € 13.10 per square metre in the year under review. Munich recorded the highest rate of growth with an increase of 4.2 per cent, to € 19.80 per square metre. This also makes the Bavarian capital the most expensive location in Germany. The slowdown in price momentum was most noticeable in Berlin. At € 13.90 per square metre, the average first-occupancy rent was 3 per cent higher than in the previous year, compared with a growth rate of 8 per cent in 2018.

Residential purchase prices increase again

The situation on the residential property market in the year under review was characterised by continued low interest rates and stable economic development. This resulted in sustained demand for residential property, pushing purchase prices up. In the prime locations, the price trend lost momentum compared with the previous year, but outstripped the level of rental growth. An average price of € 6,365 per square metre applied to owner-occupied apartments in 2019, up by 7.4 per cent as against 2018 (€ 5,926 per square metre). The rate of increase in the previous year came to 9.3 per cent. As in the previous year, the highest prices were paid in Munich, where one square metre costs € 8,800. Frankfurt followed some way behind with € 7,050 per square metre. The prime location with the lowest price in 2019 was Cologne, at € 5,100 per square metre.

The increase in purchase prices for single-family homes was similarly dynamic at 6.9 per cent, but also fell short of the prior-year level (8.4 per cent). An average of € 774,200 had to be paid for detached houses in Germany's prime locations, as against € 724,110 in 2018. Average prices ranged from € 480,000 in Berlin to as much as € 1,500,000 in Munich.

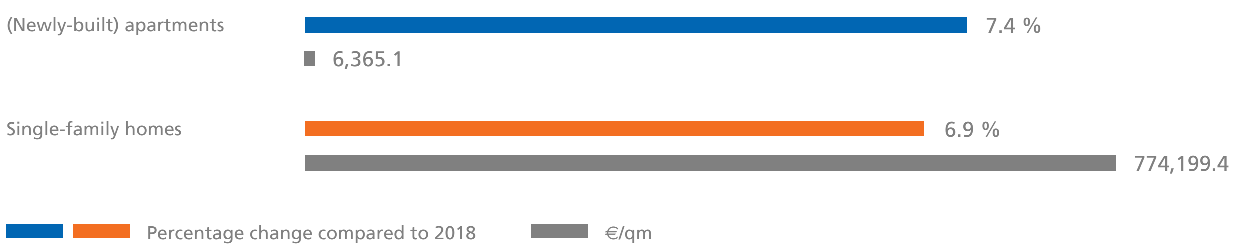
Public-sector budgets

In the first three quarters of 2019, federal revenues rose by 1.9 per cent, to a total of € 297.1 billion as against the same period of 2018. Federal spending climbed by 3.4 per cent, to € 293.6 billion, leaving the federal government with a financing surplus of € 3.6 billion. The revenues generated by local authorities and associations rose by 4.4 per cent, to € 197.9 billion, with spending rising by 6.0 per cent, to € 198.2 billion. This results in a financing deficit of € 0.4 billion for local authorities and associations in the first three quarters of 2019.

*) Data for 2019 as a whole was not yet available at the time the report was prepared.

Sources
Real estate markets: German Federal Statistical Office, JLL, Savills, DZ BANK, bulwiengesa
Public-sector budgets: Destatis

DEVELOPMENT OF RESIDENTIAL REAL ESTATE PRICES*



* Top locations in Germany
Source: bulwiengesa

The graph does not form part of the Management Report.

BUSINESS DEVELOPMENTS

Credit Business

New business volume expanded

The low interest rate level that manifested in the 2019 financial year meant that demand for real estate in Germany remained unchanged, despite the slower economic momentum. In this environment, DZ HYP succeeded in expanding its new business activities during the year under review. The volume of new business in DZ HYP's Commercial Real Estate Investors, Housing Sector, and Retail Customers/Private Investors segments totalled € 12,168 million (2018: € 10,970 million). Including financing for public-sector clients, the Bank originated new business of € 12,885 million in the year under review (2018: € 11,864 million).

Commercial Real Estate Investors segment

With a volume of € 8,976 million (2018: € 7,725 million), DZ HYP increased its new business in the Commercial Real Estate Investors segment in 2019. The German core market accounted for € 8,367 million (2018: € 7,420 million), in line with the Bank's strategic focus. The collaboration within the Cooperative Financial Network in the field of commercial real estate financing was also expanded during the year under review. In 2019, joint lending business with the cooperative banks rose by 17.9 per cent, to € 4,068 million (2018: € 3,451 million).

To avoid cyclical peaks in the portfolio, DZ HYP continued to apply its conservative risk strategy with strict quantitative targets for its financing decisions in the year under review. The increased alignment with the cooperative banks' business model and the further development of regulations for core real estate led to moderate adjustments. Besides carrying out a comprehensive qualitative analysis of properties and location, including stress testing, the quality of the client relationship is essential.

As part of the process of consolidating the business activities of the Cooperative Financial Network, a decision was made in 2017 to bundle the commercial real estate financing business absorbed from WGZ BANK in the course of the merger with DZ BANK, at DZ HYP. The portfolio was originally sized at around € 2.6 billion and the process of gradual transfer started at the end of 2017. In the 2019 financial year, 50 exposures with a volume of € 557.1 million were transferred to DZ HYP. To date, a total of 58 exposures with a volume of € 655.1 million have been transferred to DZ HYP.

Housing Sector segment

In the housing sector business, the competitive landscape remained dominated by intense price competition. 2019 was characterised by a stable volume of applications for DZ HYP, laying the foundation for steady development in this segment. The Bank reported a new lending commitment of € 898 million (2018: € 1,013 million). DZ HYP also provided long-term financing for investment projects focusing on new construction and modernisation measures. Market coverage focused on the ongoing maintenance of existing customer relationships and on acquiring new customers. The collaboration with the German cooperative banks was also continued.

Retail Customers/Private Investors segment

Within the Cooperative Financial Network, the lending business with retail customers is dominated by real estate financing. Customer demand for long fixed-interest periods remained stable in the 2019 financial year, supported by the ongoing low interest rates. Thanks to the refinancing options available to it, DZ HYP is in a position to provide real estate financing to the cooperative banks that suits their needs.

Business with retail customers and private investors is attracting a growing number of intermediary partners within the Cooperative Financial Network. The volume of new commitments in this segment rose as against 2018 to € 2,294 million (2018: € 2,232 million). Of this amount, the retail business, which is placed via the core banking procedures of the Cooperative Financial Network and the Genopace and Baufinex network portals, increased to € 1,841 million (2018: € 1,468 million), an increase of 25.4 per cent. This means that business with retail customers reported the highest level of growth of any segment within DZ HYP. The volume of new commitments in the business with private investors came to € 453 million in the period under review (2018: € 764 million).

Public Sector segment

DZ HYP is a centre of competence for business with public-sector clients in the Cooperative Financial Network. In this function, it supports cooperative banks in developing business with domestic local authorities as well as their legally dependent operations, which are serviced across Germany. DZ HYP originated new business with a volume of € 717 million in loans to local authorities during the period under review (2018: € 894 million), of which € 582 million (2018: € 639 million) was brokered by cooperative banks and € 135 million (2018: € 255 million) was originated directly. 83 per cent of all transactions in this segment were brokered by cooperative banks.

Reduction of the non-strategic portfolio

DZ HYP's non-strategic portfolio comprises the portfolio of mortgage-backed securities (MBS) and the non-strategic part of the sovereign/bank treasury portfolio; in particular the PIS countries (Portugal, Italy and Spain). The primary objective is to run the portfolio down without burdening profit. In the 2018 financial year, the non-strategic portfolio was wound down further as a result of disposals, repayments and maturities from around € 4.7 billion as at 31 December 2019 to around € 4.4 billion as at 31 December 2019. DZ HYP will continue to adhere to this strategy and the resulting portfolio reduction.

VR WERT

VR WERT, a wholly-owned subsidiary of DZ HYP, increased the number of expert valuations it prepared to 3,291 in the 2019 financial year (2018: 2,767). This represents an increase of 18.9 per cent. Revenues came to € 11.8 million (2018: € 10.0 million), up by 18.0 per cent. The profit transferred to DZ HYP totalled € 2.6 million for 2019 (2018: € 2.5 million).

Refinancing

ECB determines market activity

The European Central Bank (ECB) again dominated the markets with its monetary policy decisions in the 2019 financial year. Whereas the central bank had gradually phased out new investments under its Asset Purchase Program in the course of 2018, taking a step towards normalising its monetary policy, it changed its monetary policy course again in 2019. Prompted by the slower economic momentum and persistently low inflationary pressure in the euro area, the ECB once again took appropriate monetary policy measures. At the meeting of the Governing Council held in March 2019, it first of all announced further longer-term refinancing operations (TLTRO III). As both economic and inflation data remained weak in the course of the year, it made the decision in September to resume its Asset Purchase Program (APP) for an indefinite period starting in November 2019. In addition, the conditions for the longer-term refinancing operations (TLTRO III) were improved and a tiering mechanism rate was introduced.

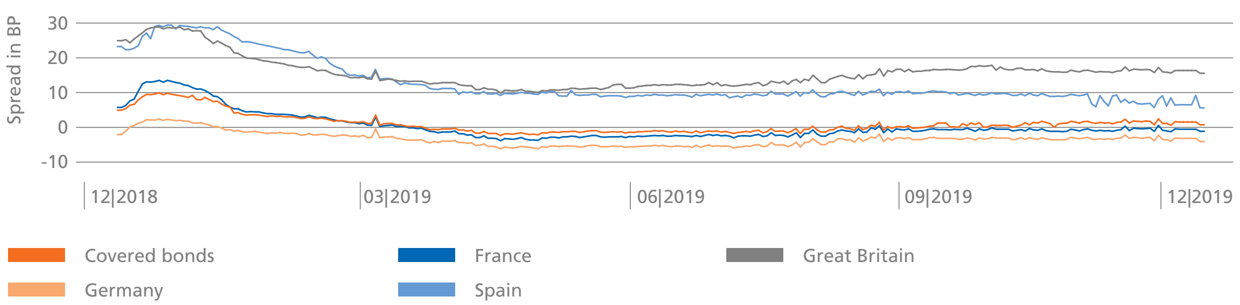
The trend towards rising refinancing premiums on the covered bond market, which had been triggered by the ECB's policy in 2018, came to an end in the first quarter of 2019. As the year progressed, the measures taken by the ECB brought issue spreads down, although these were limited by the negative yield environment. This mixture of negative yields for many maturities of the yield curve and falling refinancing premiums created new challenges for issuers and investors alike. Overall, the year under review brought lively issuance activity for covered bonds. The issue volume for euro benchmark covered bonds amounted to € 138.1 billion (2018: € 136.6 billion). Germany accounted for the highest share of the issue volume at 21.1 per cent, followed by France (19.0 per cent), Canada (8.3 per cent) and the Netherlands (7.6 per cent). This supply met with high demand, largely generated by banks (45 per cent) and asset managers (30 per cent).*)

In the financial year 2019, DZ HYP issued covered bonds totalling € 5.2 billion (2018: € 4.1 billion). € 4.0 billion of this amount was attributable to publicly placed euro benchmark bonds, with € 3.5 billion issued as Mortgage Pfandbriefe (2018: € 2.8 billion) and € 0.5 billion as Public Pfandbriefe (2018: € 0.0 billion). DZ HYP generated € 1.2 billion from private placements (2018: € 1.4 billion).

In unsecured funding DZ HYP generated € 5.7 billion (2018: € 5.1 billion) almost exclusely within the Cooperative Financial Network.

*) Source: DZ BANK Research

FUNDING SPREADS FOR FIVE-YEAR COVERED BONDS



Sources: DZ BANK Research, Markit

The graph does not form part of the Management Report.

NET ASSETS, FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Net assets

Driven by increase in new business, DZ HYP's total assets rose by € 3.5 billion to € 79.4 billion in the 2019 financial year, largely driven by the portfolio of real estate loans, which showed a € 4.9 billion increase to € 50.2 billion. The commercial real estate finance portfolio increased by € 4.0 billion to € 27.8 billion, mainly as a result of new business volume exceeding expectations, whereas the real estate finance portfolio of Retail Customers/Private Investors increased by € 0.4 billion to € 13.7 billion. The Housing Sector segment generated a portfolio increase of € 0.4 billion to € 8.6 billion.

In its business with public-sector clients, DZ HYP's investment strategy continues to focus on supporting the cooperative banks, whilst ensuring a balanced risk/return profile. New business originated during 2019 fell short of ongoing repayments, as expected, thus reducing the portfolio by € 1.0 billion to € 10.8 billion.

Furthermore, the public finance portfolio declined by € 0.7 billion, to € 11.9 billion during the year under review, as a result of maturities and repayments in line with the Bank's strategy. The portfolio of bank bonds was also reduced by € 0.2 billion to € 0.4 billion. Exposures to countries and banks that are particularly affected by the debt crisis have developed as follows (details excluding MBS):

	Sovereigns*)		Banks		Total	
Nominal amounts € mn	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Spain	**1,351**	1,396	**110**	260	**1,461**	1,656
Italy	**1,662**	1,681	**–**	–	**1,662**	1,681
Portugal	**750**	750	**–**	–	**750**	750
Total	**3,763**	3,827	**110**	260	**3,873**	4,087

*) including state-guaranteed corporate bonds and sub-sovereign entities

DZ HYP did not hold any public-finance exposures vis-à-vis Ireland and Greece, or bonds issued by banks in these countries. Loans and advances to banks exclusively consisted of covered bonds.

All in all, the political environment in Europe stabilised in 2019, despite the ongoing discussion surrounding Brexit. It would now appear that the UK's exit efforts will follow a structured process, a development that received a positive response in the last few weeks of the year under review, helping to ease the situation on the capital markets. In Italy, the recent formation of a new government consisting of moderate parties has stabilised credit spreads on Italian bonds. The ECB is using its monetary policy to ease the situation on the European capital markets. DZ HYP assumes that this monetary policy approach will continue with further measures if the situation deteriorates.

Excluding derivatives hedges taken out within the scope of overall bank management, the hidden burdens for DZ HYP's securities (excluding MBS) that are treated as fixed assets totalled € 25.7 million as at 31 December 2019 (31 December 2018: € 40.9 million). This is offset by undisclosed reserves in the amount of € 1,731.5 million (31 December 2018: € 1,099.3 million). Taking into account the net effects from hedges within the context of the overall management of the Bank, hidden burdens from this securities portfolio amounted to € 617.0 million (31 December 2018: € 898.1 million). Following a comprehensive assessment of these securities, DZ HYP has concluded that none of the securities are permanently impaired.

There have been no new investments in mortgage-backed securities (MBS) since mid-2007. The portfolio in this segment, which is being phased out, was reduced by € 0.1 billion to € 0.4 billion during the 2019 financial year, especially as a result of ongoing repayments, sales and exchange rate fluctuations. MBS holdings are intensively monitored by means of a detailed risk management system, regular analyses of individual exposures, and comprehensive stress testing. The development of material risk factors has confirmed the stabilisation of this non-strategic portfolio, which has been ongoing for several years now. Undisclosed reserves on the MBS portfolio totalled € 0.1 million on the reporting date (31 December 2018: € 0.1 million). Hidden burdens on this exposure in the amount of € 27.0 million (31 December 2018: € 37.7 million) predominantly reflect market illiquidity and stricter regulatory capital requirements. In this respect, DZ HYP anticipates a write-back over the remaining term of the MBS portfolio.

Overall, DZ HYP's credit portfolio was increased as follows by 4.2 per cent during the 2019 financial year.

DEVELOPMENT OF LENDING VOLUME

€ mn	31 Dec 2019	31 Dec 2018	Change from the previous year € mn	Change from the previous year in %
Mortgage loans*)	**50,151**	**45,289**	4,862	10.7
Originated loans to local authorities)**	**10,808**	**11,789**	-981	-8.3
Public-sector lending*)**	**11,917**	**12,608**	-691	-5.5
Bank bonds**)**	**442**	**571**	-129	-22.6
MBS	**449**	**542**	-93	-17.2
Total	**73,767**	**70,799**	2,968	4.2

*) mortgage loans including short-term loans collateralised by real property liens
**) lending business with direct liability of German local authorities or their legally dependent operations
***) securities issued by national governments and sub-sovereign entities as well as state-guaranteed corporate bonds
****) securities issued by banks

DZ HYP's financial position is sound.

Regulatory capital

DZ HYP has used the so-called waiver option provided under section 2a of the German Banking Act (Kreditwesengesetz – "KWG"; old version) with effect from the reporting date of 31 December 2012. In accordance with section 2a (1), (2) and (5) of the KWG (as amended) in conjunction with section 6 (1) and (5) as well as section 7 of the EU Capital Requirements Regulation (CRR), the provisions of parts 2 - 5, as well as parts 7 and 8 of the CRR, do not need to be applied by DZ HYP on an individual basis, but are covered at DZ BANK Group level instead. However, DZ HYP will continue to make use of the regulatory capital requirements for internal management purposes.

	31 Dec 2019	31 Dec 2018
Own funds (€ mn)	**2,239**	**2,276**
Total capital ratio (in %)	**12.6**	**13.3**
Tier 1 ratio (in %)	**9.5**	**10.4**
Common equity tier 1 ratio (in %)	**8.4**	**9.0**

To further strengthen common equity tier 1 capital, in coordination with DZ BANK, DZ HYP agreed to allocate a material portion of the profit generated in the 2019 financial year to the fund for general banking risks pursuant to section 340g of the HGB.

Financial position

Within the scope of liquidity management, DZ HYP differentiates between the ongoing liquidity management and structural funding. Appropriate management systems are in place for both types of liquidity. Liquidity management takes into account and complies with the limits of the internal liquidity risk model, DZ BANK's liquidity risk model, and the regulatory risk requirements.

» Ongoing liquidity management aims to guarantee a reliable and continuous provision of liquidity at all times. Given DZ HYP's integration in the Cooperative Financial Network and its affiliation with DZ BANK, DZ HYP consciously refrains from maintaining an independent market presence for the purposes of short-term liquidity management, which is carried out in close coordination with DZ BANK. Due to its central bank function within the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK raises cash and cash equivalents of various maturities, and applies the funds raised within its Group. Within this Group liquidity management framework, subsidiaries such as DZ HYP may call upon funding from DZ BANK. This is based on closely coordinated, regular risk reporting about future changes to the liquidity position.

» Structural funding is exposed to the risk that, due to various influencing factors, the Bank might be unable to maintain the required funding levels, and that in certain circumstances, debt may not be sufficiently available in the desired maturities. As a Pfandbrief issuer, DZ HYP is licensed to issue Pfandbriefe. This licence is the foundation for covered funding, and thus provides a safe and cost-efficient way to raise liquidity. DZ HYP maintains its own market presence as a Pfandbrief issuer, placing Pfandbriefe with investors within as well as outside the Volksbanken Raiffeisenbanken Cooperative Financial Network.

The cash flow statement, published as part of the financial statements within this annual report, shows the changes in cash flows from operating activities, as well as from investing and financing activities, for the financial year under review and the previous year.

DZ HYP's liquidity situation is adequate.

Financial performance

DZ HYP's financial performance continued to reflect operating performance in real estate finance aimed at achieving sustainable results in 2019. Once again, increased net interest income was accompanied by low levels of write-downs.

In its financial management and operational as well as strategic planning, DZ HYP measures the Bank's profitability using the financial performance data shown in the following table and derived from accounting under HGB, as well as the cost-income ratio and return on equity.

OVERVIEW OF THE PROFIT AND LOSS ACCOUNT

			Change from the previous year	
€ mn	2019	2018	€ mn	in %
Net interest income	554.4	523.5	30.9	5.9
Net fee and commission income	-36.1	-27.4	-8.7	31.8
Administrative expenses	251.4	294.2	-42.8	-14.5
Net other operating income/expenses	4.5	7.9	-3.4	-43.0
Risk provisioning*)	-3.7	-68.7	65.0	-94.6
Net financial result)**	-2.5	38.5	-41.0	>-100.0
Operating profit	**265.2**	**179.6**	**85.6**	**47.7**
Net extraordinary income/expenses	-17.3	–	-17.3	–
Allocation to the fund for general banking risks	100.0	45.0	55.0	>100.0
Taxes	81.8	63.3	18.5	29.2
Partial profit transfer	16.1	16.3	-0.2	-1.2
Profit transfer	50.0	55.0	-5.0	-9.1

*) equates to the income statement line items "write-downs and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions"
**) equates to the income statement line items "income from write-ups to participating interests, shares in affiliated companies and securities held as fixed assets"

Net interest income

DZ HYP's net interest income of € 554.4 million in 2019 was € 30.9 million higher than the previous year's figure (2018: € 523.5 million). The increase in the average real estate loan portfolio in particular has a positive effect. The stable development of net interest income is evidence of DZ HYP's management of its banking book, which is geared towards generating long-term, matched-maturity margins.

NET INTEREST INCOME IN DETAIL

€ mn	2019	2018
Interest income	1,958.0	2,003.1
Interest expenses	1,406.3	1,482.3
Current income from participations	0.1	0.2
Income from profit pooling, profit transfer, and partial profit transfer agreements	2.6	2.5
Net interest income	**554.4**	**523.5**

Net commission result

The net commission result of € -36.1 million was down € 8.7 million on the comparable figure for the previous year of € -27.4 million. At the same time, € 29.5 million (previous year: € 20.9 million) in commission income was generated from the lending business, which depends both on the respective product mix and disbursement. Moreover, € 55.4 million (previous year: € 45.1 million) was paid for brokerage services from cooperative banks within the Cooperative Financial Network.

Administrative expenses

Administrative expenses in the 2019 financial year, the total of general administrative expenses (€ 245.5 million; previous year: € 289.2 million) and write-downs on intangible assets and tangible fixed assets (€ 6.0 million; previous year: € 5.0 million), were down by € 42.8 million on the previous year's figure of € 294.2 million. Personnel expenses of € 90.8 million were down € 6.5 million year-on-year.

Consultancy costs for the implementation of the merger, most of which have been incurred over the last two years, resulted in expenses of € 40.5 million in total, i.e. a decline of € 20.1 million compared to the previous year (2018: € 60.6 million).

Due to a non-recurring effect resulting from the merger, the bank levy due for the year amounted to € 10.3 million – € 15.0 million lower than the previous year's figure of € 25.3 million. As in the previous year, the 85 per cent / 15 per cent rule was applied for the 2019 payment of contributions, so that a further € 1.8 million of the total contribution of € 12.1 million was deposited with Deutsche Bundesbank as cash collateral, in addition to the aforementioned € 10.3 million.

Net other operating income/expenses

At € 26.6 million, other operating income, generated largely from rental income of € 9.6 million, was down slightly on the prior-year value of € 28.0 million. € 1.5 million of the € 2.1 million increase in other operating expenses to € 22.1 million (previous year: € 20.1 million) was due to lower interest rates affecting the discount rate to be used in calculating pension provisions. Net other operating income and expenses, as the balance of the two aforementioned income statement line items, fell by € 3.5 million to € 4.5 million.

Risk provisioning

Overall, DZ HYP's risk provisioning once again showed unremarkable development in the 2019 financial year: No material specific provisions needed to be recognised in the commercial real estate finance business, nor with respect to private home loan financing. At the same time, specific loan loss provisions for credit losses were reversed, thanks to recoveries in the loan portfolio, improvements of collateralisation, and lower probabilities of default. In order to offset potentially higher loan defaults in future downturns, in coordination with DZ BANK, DZ HYP decided to more than offset the positive loan loss provisioning balance in 2019 by means of an allocation to general risk provisions pursuant to section 340f of the HGB. DZ HYP's risk provisioning amounts to € -3.7 million (previous year: € -68.7 million). Another positive provisioning result in the lending business (€ 2.6 million; previous year: € 9.9 million) and in the securities business of € 0.2 million (previous year: € -41.3 million) were offset by additions to the reserves pursuant to section 340f of the HGB.

Net financial result

In 2019, effects from sale of securities held as fixed assets in the amount of € 21.7 million were achieved as part of the reduction in the non-strategic securities portfolio (previous year: € 77.3 million). Including the impact of interest rate hedges terminated simultaneously, this led to a net effect of € -0.1 million (previous year: € 36.1 million). Other realisation and measurement effects on securities and credit derivatives intended to be held permanently, totalled € 0.9 million (previous year: € 1.1 million). The depreciation and net valuation result for the MBS portfolio amounted to € -3.3 million (previous year: € 1.3 million), bringing the net financial result down by € 41.0 million to € -2.5 million (previous year: € 38.5 million).

Operating profit

Operating profit reflects DZ HYP's performance in its core business, and is used for the internal management of the operating divisions. Material non-recurring effects related to the risk exposures make it difficult to draw an annual comparison of DZ HYP's operating result. Nevertheless, the operating result of € 265.2 million (previous year: € 179.6 million) once again significantly surpassed the Bank's projections.

Net extraordinary income/expenses

Extraordinary expenses are reported due to a restructuring provision of € 17.3 million (previous year: € 0.0 million).

Cost/income ratio

The cost/income ratio (CIR) expresses the ratio of administrative expenses (including other operating expenses) to the aggregate of net interest income, net commission result, and other operating income. The CIR serves as a yardstick for the efficiency of commercial activities, as well as an internal management parametre. Reflecting a lower level of non-recurring effects, in particular the reduction in merger-related expenses and the higher net interest income, the CIR of 50.2 per cent fell by 9.8 percentage points from 2018's 60.0 per cent

Change in the fund for general banking risks

During the 2019 financial year, € 100.0 million (previous year: € 45.0 million) was allocated to the special item for general banking risks pursuant to section 340g of the German Commercial Code (HGB), to take account of particular risks facing the business area.

Taxes

Taxes must be determined on a stand-alone basis under the existing tax compensation agreement between DZ BANK and DZ HYP. Taxes amounting to € 81.8 million (previous year: € 63.3 million) were allocated to DZ HYP. This largely includes a € 82.1 million income tax expense from tax allocations (previous year: € 78.2 million) that is reported under income taxes. Other tax expenses amounted to € 0.3 million (previous year: € 3.7 million) and mainly related to real estate taxes payable for the Bank's properties.

Profit transfer

DZ HYP allocated a partial profit of € 16.1 million (previous year: € 16.3 million) to its silent investors – slightly lower than in the previous year, reflecting interest rate developments. After taxes, profits of € 50.0 million (previous year: € 55.0 million) will be transferred to DZ BANK in accordance with the distribution policy agreed with DZ BANK.

Return on equity

The return on equity (RoE) relates net income before taxes and allocation to general risk provisions to the average invested relevant equity (funds from the portfolio of the year under review and the previous year). RoE of 13.2 per cent in the year under review (previous year: 11.5 per cent) exceeded expectations.

STRUCTURE OF CIR COMPONENTS

€ mn	2019	2018
Administrative expenses	251.4	294.2
Other operating expenses	22.1	20.1
Total relevant expense items	273.5	314.3
Net interest income	554.4	523.5
Net commission result	-36.1	-27.4
Other operating income	26.6	28.0
Total relevant income items	544.9	524.1

Overall, DZ HYP's economic situation stabilised further during the 2019 financial year. The Bank's robust financial performance is the result of a rigorously pursued business and risk strategy, whereby an accelerated reduction of hidden reserves and general risk provisions, combined with an absence of any obvious risks in the target business, provided the basis for a sound financial position and performance, based on a viable business model.

COMPOSITION OF NET INCOME BEFORE TAXES AND ALLOCATION TO GENERAL RISK PROVISIONS

€ mn	2019	2018
Net income before profit transfer	50.0	55.0
Allocation to general risk provisions pursuant to section 340f of the HGB	6.6	37.2
Allocations to the fund for general banking risks pursuant to section 340g of the HGB	100.0	45.0
Tax expense on income	81.5	59.7
Net income before taxes and allocations to general risk provisions	**238.1**	196.9

CALCULATION OF AVERAGE INVESTED RELEVANT EQUITY

€ mn	2019	2018
Share capital	150.0	150.0
Capital reserves	884.2	884.2
Retained earnings	93.1	93.1
General risk provisions pursuant to section 340f of the HGB	166.0	159.4
Fund for general banking risks pursuant to section 340g of the HGB	567.0	467.0
Relevant equity	**1,860.3**	1,753.7
Average invested relevant equity	**1,807.0**	1,712.6

REPORT ON OPPORTUNITIES, RISKS AND EXPECTED DEVELOPMENTS

REPORT ON OPPORTUNITIES

In addition to the opportunities already described in the Economic Report resulting from a real estate market environment that remains fundamentally positive, the completed merger to form a leading real estate bank and Germany's largest Pfandbrief issuer, has created specific opportunities for DZ HYP. In addition to risk diversification and the bundling of forces within the Cooperative Financial Network, DZ HYP expects to achieve synergies as a result of avoiding duplicate investments. Furthermore, savings are expected to be achieved by bundling and standardising the Bank's existing areas of expertise, structures and processes. The current project "Focus 2020" aims to enhance client focus, and to achieve a more efficient operating model. The related costs have been largely absorbed.

As a subsidiary of DZ BANK, DZ HYP is a member of the Cooperative Financial Network – a network characterised by a high degree of solidity, strong credit quality, and liquidity through customer deposits. The broadly diversified market position of the Cooperative Financial Network forms the basis for DZ HYP to finance business, with a view to risks and returns. DZ HYP will continue to use this ability to act in the future, jointly with the German cooperative banks, as a reliable financing partner to its clients.

In its projections, DZ HYP defines opportunities as positive unexpected deviations from the financial performance expected for the next financial year. The key factors determining value for the financial performance in this context (value drivers) were included in the forecast, as planning assumptions. Specifically, opportunities exist in the form of sources of income identified therein exceeding projections, or expenses remaining below projections. DZ HYP once again used these opportunities to its advantage during the 2019 financial year. In particular, risk costs were significantly lower than projected. Interest income which exceeded projections more than offset administrative expenses (which were also higher than planned), leading to net income for the year before profit transfer exceeding the planned levels.

Managing opportunities

Exploiting business opportunities whilst observing target returns is an integral part of DZ HYP's enterprise management system. The activities driven by the Bank's business model require the ability to identify, measure, assess, manage, monitor and communicate opportunities.

DZ HYP's opportunities management is integrated into DZ BANK Group's annual strategic planning process. Strategic planning allows the identification and analysis of trends and changes to the market, and to the competitive environment; it forms the basis for assessing potential opportunities. Reports submitted to the Management Board on opportunities arising from future business development, as derived from the business strategy, are based on the results of the strategic planning process. Staff are informed about potential opportunities identified in the course of communicating the business strategy.

Non-financial reporting

The German CSR Directive Implementation Act, which came into force in 2017, requires affected companies to issue a Non-Financial Statement covering various non-financial performance aspects, and to supplement their Corporate Governance Statement with a diversity concept. The Act has thus regulated reporting on certain sustainability-related topics for the first time. The objective of the EU Corporate Social Responsibility (CSR) Directive is to enhance transparency and promote discussion of social and ecological aspects of companies. Specifically, this requires the disclosure of information on environmental, social and employee aspects, on the respect for human rights, and the fight against corruption and bribery.

DZ HYP is included into the Non-Financial Statement of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, and thus is exempt from issuing its own Non-Financial Statement. The consolidated Non-Financial Statement has been published in the chapter "Non-Financial Statement" in DZ BANK's Group Annual Report 2019, and can be downloaded on the following website in German: www.berichte2019.dzbank.de

RISK REPORT

Under its former company name "DG HYP", in November 2012 DZ HYP notified the German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank that it would use the waiver pursuant to section 2a (2) of the German Banking Act (KWG, as amended at the time), with respect to the provisions of sections 10, 13 and 25a (1) sentence 3 no. 1 of the KWG. DZ BANK Group continued to make use of this waiver rule, which was incorporated into Article 7 of the CRR, and pursuant to which – provided certain conditions are met – the supervision of individual institutions domiciled in Germany within a group of institutions may be performed by the Group's supervisor, for DZ HYP during the 2019 financial year. DZ HYP continues to apply the waiver, with the objective of securing DZ HYP's integration into the risk management of DZ BANK Group. As a result, according to Art. 7 (1) in conjunction with Art. 6 (1) and (5) of the CRR, DZ HYP is not required to comply on a single-entity level with the requirements set out in parts 2, 3, 4, 7, 7A and 8 of the CRR, section 2 of Regulation (EU) 2017/2402 as well as with certain requirements as defined in section 2a Art. 2 of the KWG pursuant to section 25a Art. 1 of the KWG.

To qualify for the waiver, DZ HYP must be closely integrated into DZ BANK Group management processes, both through DZ BANK Group's committee structure and the Group's integrated system of Risk Appetite Framework, including an appropriate documentation hierarchy, which defines Group-wide standards for risk measurement and risk reporting. In the context of this integration, and for the purposes of the waiver, economic and regulatory capital adequacy is being monitored, ascertained and disclosed at the level of DZ BANK Group. The procedures established to safeguard the Bank's ability to secure adequate liquidity, from an economic as well as regulatory perspective, are outlined in the "Liquidity risk" chapter below.

DZ BANK's Group Management Report is in line with German Accounting Standard No. 20; to this extent, the specifications of DZ BANK's Group-wide risk management system can also be applied to DZ HYP. Against this background, DZ HYP performs a risk reporting system that is in line with the requirements of a subordinated entity.

The migration of business data inventories from the IT systems of former WL BANK to DZ HYP's IT systems, which commenced in the previous year, has been successfully completed during the 2019 financial year. In particular, data from the lending business and capital market activity, including that of business partners, was integrated into DZ HYP's systems and applications in two tranches. The combination of risk positions, which is associated with the migration, is thus completed during the 2019 financial year, as planned. In addition, the retail systems "agree21" and "Genopace" were integrated into DZ HYP's core SAP bank systems, including connectivity to the Cooperative Financial Network. Decommissioning of "bank21" applications (including related systems) commenced at the end of 2019. A follow-on stabilisation phase is planned for 2020.

Risks

Risks arise from unexpected adverse developments for the net assets, financial position and performance. Key risks for the financial performance of DZ HYP exist in the form of value drivers for income falling short of, or risk costs exceeding projections. In particular, DZ HYP's net assets, financial position or financial performance may be adversely affected by counterparty credit risk – which is why continuous risk monitoring of the portfolios is indispensable.

I) Objectives of risk management

Risk management at DZ HYP is an integral part of the strategic and operative management of the Bank as a whole. Assuming risks in a targeted and controlled manner, observing target returns, is an element of enterprise management within the DZ BANK Group, and hence, also within DZ HYP. The activities driven by DZ HYP's business model require the ability to identify, measure, assess, manage, monitor and communicate risks. In addition, maintaining an adequate level of equity backing for risk exposure is fundamentally important as a prerequisite for the Bank's continued operation. As a guiding principle for all business activities carried out by DZ BANK Group – and hence, also by DZ HYP – risk is assumed only to the extent required to achieve business policy objectives, observing the mission statement, and provided that the Bank has an adequate understanding and expertise for measuring and managing the risks assumed.

To implement this principle, DZ HYP's Management Board has defined a Risk Appetite Statement, which is in line with Group guidelines. DZ HYP defines risk appetite as the type and scope of risk an institution is willing to assume in order to implement its business model and achieve its business objectives, within the framework of its risk-bearing capacity. Essentially, this is determined by the limit concept defined by DZ BANK Group, the Liquidity Coverage Ratio, and the minimum level of excess liquidity. Based on the risk policy guidelines and the business strategy, a Risk Strategy Framework was prepared, and risk strategies were determined for the material risks the Bank is exposed to. Each of these risk strategies comprises the business activities exposed to risk, the risk management objectives (including provisions concerning risk acceptance and avoidance), and the measures designed to achieve these objectives. These strategies are being examined yearly in terms of adjustment requirements and discussed with the Risk Committee.

a) Responsibilities

The regulatory organisational requirements and the allocation of risk management responsibilities are set out, in particular, in the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – "MaRisk") and the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – "InstVergV"). DZ HYP considers these requirements, adapting its relevant processes to the specific needs of its business model and considering the specific requirements to the Group waiver. DZ HYP has also developed and implemented a risk management and risk control framework that fulfils the needs arising in the market and competitive environment, as well as the requirements arising from the Bank's integration in the DZ BANK Group. This forms the basis that ensures the proper operation and efficiency of the risk management process.

DZ HYP has assigned the relevant tasks to the following bodies and committees:

Supervisory Board

The entire Supervisory Board decides on personnel matters and remuneration of the Management Board, the Rules of Procedure and Schedule of Responsibilities for the Management Board. The Supervisory Board also decides on transactions requiring approval, such as the acquisition or disposal of participating interests in the event of changes exceeding € 500,000 in the carrying amount of such interests, the conclusion of rental or lease contracts involving annual rent or lease payments exceeding € 500,000 as well as on the establishment or disposal of business lines, establishing branches and representative offices, the purchase, disposal or charges of property assets, and on material issues related to loans or participations that are not explicitly assigned to the Risk Committee of the Supervisory Board. The Bank's strategic and operational planning are also presented to the Supervisory Board. To fulfil its duties, the Supervisory Board has constituted the following committees from amongst its members: a Risk Committee, an Audit Committee, as well as committees for personnel matters (Nomination Committee and Remuneration Oversight Committee).

Risk Committee

The Risk Committee is responsible for risk management. In addition, the Supervisory Board has assigned responsibility for the Bank's risk appetite statement and the risk strategies derived therefrom (in accordance with MaRisk) to the Risk Committee. The Committee advises the plenary meeting of the Supervisory Board on the Company's current and future total risk appetite, and supports the Supervisory Board in monitoring implementation of this strategy by the Bank's top management.

Furthermore, the Risk Committee monitors whether terms and conditions for client business are in line with the Company's business model and risk structure. Where necessary, the Committee requests proposals and monitors their implementation. The Committee verifies whether the incentives created by the remuneration system take the Company's risk, capital and liquidity structure into account, as well as the probability and timing of income. It also determines the type, scope, format and frequency of information on strategy and risks, to be submitted by the Management Board. The Committee accepts the Management Board's reports concerning risk exposure, participations and credit issues, analyses them and reports material findings to the plenary meeting of the Supervisory Board.

Moreover, pursuant to the MaRisk, the Risk Committee is one of the recipients of reports to be submitted to the supervisory body in the event of ad hoc reporting that may be required. The Committee is also responsible for decision-making regarding those loan exposures, portfolio transactions and participating interests that – in line with the Internal Rules of Procedure – do not fall within the remit of the Management Board.

Due to the utilisation of the Group waiver, decisions regarding large exposures (as defined in section 13 of the KWG) are the responsibility of DZ BANK's entire Board of Managing Directors.

Audit Committee

The Audit Committee's monitoring duties include, in particular, the accounting and financial reporting process, the effectiveness of the risk management system (in particular of the internal controlling systems and the Internal Audit), the audit of the financial statements, as well as the independence of the external auditors. The Committee supervises the rectification of any deficiencies identified by the external auditors. Furthermore, the Supervisory Board has nominated the Audit Committee as the recipient of quarterly reporting in accordance with MaRisk. The Committee is also responsible for the approval of certain agreements related to the Bank's IT systems, and for instructing the external auditors with any tasks outside the scope of auditing.

Nomination Committee

The Nomination Committee supports the Supervisory Board; its tasks include identifying candidates for appointment to the Management Board, assessing the structure, size composition and performance of the Management Board and the Supervisory Board. Specifically, this entails appraising the skills, professional aptitude and experience of individual members of the Management Board and the Supervisory Board.

Remuneration Oversight Committee

The Remuneration Oversight Committee monitors whether remuneration systems for the Management Board and for the Bank's employees are appropriate – particularly for those employees whose activities have a material impact on the Bank's overall risk profile, and for the heads of Risk Controlling and Compliance. The Committee supports the Supervisory Board in monitoring whether remuneration systems for the Bank's staff are appropriate, and in assessing the impact of remuneration systems on the management of risk, capital and liquidity. Furthermore, the Remuneration Oversight Committee prepares the Supervisory Board's resolutions concerning the remuneration for members of the Management Board.

Management Board

The Management Board – as the highest decision-making body – is responsible for the internal management of DZ HYP. The weekly Management Board meetings, which are attended by the heads of front-office and back-office departments, as well as the heads of Finance and Risk Controlling, serve for the Management Board's resolutions. Concerning DZ HYP's risk governance, the Management Board has the sole power of representation and management authority, in accordance with sections 77 and 78 of the German Public Limited Companies Act (Aktiengesetz – "AktG"). The Management Board is the central body responsible for managing and monitoring risks of the entire Bank at a portfolio level, as well as for the allocation of risk capital. The Management Board decides upon individual loan exposures in line with its lending authority. The Management Board also decides upon the strategy to be adopted for asset/liability management, and determines the Bank's liquidity costs to be taken into account for its lending business.

In addition, DZ HYP is integrated into the committee structures of DZ BANK Group and the Cooperative Financial Network, where DZ HYP's Management Board members or other employees are represented.

b) Functions

Risk planning

Planning, as a bank-wide exercise, comprises the planning of income and costs as well as the risks associated with DZ HYP's individual business activities. Within this planning process, risk limits and earnings projections are determined, taking into consideration the risk-bearing capacity of DZ BANK Group. Due to the use of the waiver option, resolutions on risk limits are passed by the Board of Managing Directors of DZ BANK.

Risk Management

A so-called "three lines of defence" model has been established for the structural organisation of the risk management and control framework. This model clearly differentiates responsibilities between the various units, and addresses potential conflicts of interest. The first line of defence is the operative management in the front-office units. The units involved are responsible for recognising risks at an early stage, assessing them, consciously assuming them, and implementing suitable measures, taking the existing framework conditions into account. The second line of defence is responsible for establishing and developing risk management standards. It also monitors compliance with these standards by the first line of defence, and submits corresponding reports to the Management Board and the Supervisory Board. Accordingly, the second line of defence largely assumes the function of monitoring the first line of defence, as required by MaRisk, through the second vote of the back office. As the third line of defence, and independent of individual processes, Internal Audit examines and assesses risk management and risk control processes employed by the first and second lines of defence. In this capacity, the third line of defence reports directly to the Management Board, the Supervisory Board, and the Audit Committee.

Risk Controlling

Within the second line of defence, the departments within the Chief Risk Officer's area of responsibility assume a special role in terms of risk management and risk control. This applies especially to Risk Controlling, which assumes overarching responsibility for identifying, measuring, assessing, managing and limiting risks, as well as for risk monitoring and communication.

The purpose of the annual risk inventory carried out within the DZ BANK Group is to identify the relevant types of risk the DZ BANK Group is exposed to, and to assess their materiality. Where required due to specific events, the Group also performs a risk inventory during the course of a financial year, to be able to recognise any material changes to the risk profile where necessary. A materiality analysis is carried out for any types of risk that may occur in principle, given the business activities of DZ BANK Group entities. In a next step, all types of risk classified as material are evaluated as to what extent risk concentrations exist.

Credit risk, market price risk, liquidity risk, operational risk, investment risk, reputational risk, as well as business risk have been identified as material for DZ HYP. These types of risk are explained in sections II to VIII. With the exception of liquidity risk, economic capital – referred to as the risk capital requirement – is determined for these types of risk; for risk types measured by DZ BANK, the so-called risk contribution is used accordingly. Exposure to reputational risk is mapped to business risk.

Risk is generally determined using a value-at-risk (VaR) figure based on a one-year holding period and a confidence interval of 99.9 per cent. To account for types of risk for which capital requirements cannot yet be (sufficiently) determined, the Bank has set aside a capital buffer. As soon as adequate measures to quantify such risks become available (and the exposure can be included in the risk capital requirement or risk contribution, respectively), it will be possible to release this buffer.

In contrast to the other types of risk, economic capital is not allocated for liquidity risk: this is because the allocation of aggregate risk cover will not prevent an imminent insolvency. Methods and procedures used for managing liquidity risk are outlined in section IV. Within the framework of an annual suitability check, the suitability of risk measurement methods for all risk types classified as material is examined. Measures are taken to adjust the management toolbox where necessary; risk inventories, suitability checks and the capital buffer process are harmonised in terms of content and timing.

Risk Controlling is responsible for ongoing reporting and – together with back-office units – for monitoring risk on a portfolio level. Credit Risk Controlling is responsible for quantifying the risk capital requirement, using a credit portfolio model to determine Expected Loss (EL) and Credit Value-at-Risk (CVaR) on a monthly basis. For this purpose, default probabilities required are mapped using CRR-compliant ratings to the extent possible. In principle, Expected Loss is determined by mapping probability of default and expected loss severity, after the realisation of collateral. Expected losses on the level of individual transactions are incorporated into the calculation parametres for new business, in order to prevent a creeping erosion of capital. Key factors used to determine credit risk, employing the credit portfolio model, are lending volume, concentration effects (relative to sectors, countries, or counterparties), eligible collateral, and the credit quality structure of the portfolio. Measurement captures default risk from the lending business as well as trading activities. The risk capital requirement determined in this way (plus any capital buffer required) is compared to the limit for credit risk, and is being monitored.

An Overall Risk Report is prepared on a monthly basis; in accordance with MaRisk requirements, this report comprises a presentation of the Bank's aggregate risk situation, the material types of risk, as well as the regulatory and economic capital adequacy. The Overall Risk Report is discussed by the Management Board on a monthly basis; it is discussed by the Supervisory Board and the Risk Committee on a quarterly basis. The Report is also submitted to Heads of Division of DZ HYP and DZ BANK. Furthermore, Risk Controlling also carries out daily risk reporting and limit monitoring on the market risks and existing liquidity risks to which DZ HYP is exposed, in accordance with MaRisk. These reports are submitted to the Management Board, the units involved in managing the Bank, and DZ BANK; in addition, the key findings are regularly reported to the

Supervisory Board, or to the Risk Committee of the Supervisory Board.

Internal Audit
As an independent unit, Internal Audit examines whether the demands on the internal controlling systems, the risk management and risk controlling systems, and the necessary reporting, are adequately met.

Compliance
DZ HYP's Compliance Office reports directly to the Management Board. The Compliance Office combines the compliance function in accordance with the MaRisk and the German Securities Trading Act (WpHG): it performs the second-line functions of (i) Money Laundering Prevention Officer and Central Unit for the prevention of money laundering and fraud, (ii) Data Protection Officer, (iii) Information Security Officer, and (iv) Business Continuity Manager. For the purposes of MaRisk compliance, the Bank has established a Compliance Board (comprising members of the Management Board and Division Heads) as well as a Compliance Committee (comprising representatives from the divisions). During the course of regular meetings, the existing legal monitoring is reviewed; views and opinions concerning Compliance issues and risks are exchanged whenever needed.

c) Ongoing regulatory developments

In close cooperation with DZ BANK, DZ HYP analyses and evaluates the requirements resulting from ongoing regulatory developments. Given the classification of DZ BANK as an institution with systemic relevance on a national level, the ECB assumed the direct supervision of DZ BANK and the DZ BANK Group in November 2014. Therefore, DZ HYP generally has to comply with regulatory requirements for "significant" institutions. In particular, DZ BANK Group – and hence, DZ HYP – must comply with the "Principles for effective risk data aggregation and risk reporting" (BCBS 239), published in January 2013 by the Basel Committee on Banking Supervision. Besides requirements for the organisational structure and workflows of banks' risk management function, these rules – which were incorporated into the MaRisk in October 2017 – also include specific regulatory requirements concerning the IT architecture and data management in banks.
DZ HYP has been working on a project to implement the requirements under BCBS 239 since 2015, closely coordinated with DZ BANK's activities in this context. DZ HYP is also looking at new requirements concerning outsourcing and risk culture, which were also published as part of the MaRisk amendments in October 2017. For instance, a separate Risk Culture Policy was established in 2019, including a structured survey and assessment of DZ HYP's risk culture.

The focus during the year under review was additionally on requirements under the published draft versions of CRR II/CRD V, which include new regulations regarding the interest rate risk in the banking book (IRRBB), the Leverage Ratio and the NSFR. Furthermore, the Bank continued a project to prepare for new regulatory requirements concerning the definition of default, as well as the estimation of risk parametres in the IRBA, which will come into force in 2021. DZ HYP also implemented requirements from the EBA Guidelines on Connected Clients, as well as from the German Regulation on the Creditworthiness Assessment for Real Estate Loans to Consumers (Immobiliar-Kreditwürdigkeitsprüfungsleitlinien-Verordnung – "ImmoKWPLV"). Ongoing projects, conducted in coordination with DZ BANK, concern implementation of the ECB Non-Performing Loans Guideline (published in 2017), the preparatory evaluation of regulatory minimum requirements for risk management (published in 2018 and 2019), as well as of the EBA guidelines on loan origination and monitoring (for which a consultation was started in 2019). Moreover, DZ HYP concerned itself with sustainability risks during the year under review: for instance, the Bank established a Sustainability Committee tasked with facilitating the professional exchange of views and opinions concerning sustainability topics within the Company, and assessing the risks emanating from current developments. Further measures designed to identify and adequately document sustainability risks are planned for 2020. This will include taking the requirements stipulated in BaFin's guidance notice on dealing with sustainability risks into consideration.

d) Requirements pursuant to section 27 of the German Pfandbrief Act

DZ HYP's risk management and risk control framework fulfils all requirements under section 27 of the German Pfandbrief Act (Pfandbriefgesetz – "PfandBG"). The TXS-Pfandbrief application is used to determine the market risk exposure of cover assets pools, based on a coverage concept using present values, as set out in the Present Value Cover Regulation ("PfandBarwertV") promulgated by BaFin. Stress scenarios simulating the impact of standardised interest rate shocks on the present value of cover assets pools are used to quantify the market risk exposure.

BaFin has prescribed some structural parametres for these interest rate shock scenarios, as well as for the maximum impact these scenarios may have on the present value of the cover assets pools. A report on the present values and DZ HYP's liquidity status is prepared on a daily basis and submitted to Treasury.

In addition, a quarterly report, which covers the more extensive PfandBG requirements regarding historical and future performance and credit risk exposure of the cover assets pools, is submitted to the Management Board.

Internal rules regarding the commencement of business in new products or markets comply with the requirements of the MaRisk as well as with those under section 27 of the PfandBG.

e) Internal control and risk management system related to the financial reporting process

As an issuer of publicly-traded securities (as defined in section 264d of the HGB), DZ HYP is obliged, pursuant to section 289 (4) of the HGB, to outline the key features of the internal control and risk management system it has implemented with regard to the financial reporting process.

Organisation
DZ HYP's accounting and financial reporting system is predominantly assigned to the Finance division (which is independent from the business divisions); it comprises financial accounting and asset accounting. Securities accounting as well as loan accounting are assigned to the various back-office units within DZ HYP. Payroll administration has been outsourced to ZALARIS Deutschland AG, Henstedt-Ulzburg.

Strategy
The internal control and risk management system implemented for the accounting process consists of accounting-related and other control objectives. Accounting-related control objectives are designed to ensure the proper functioning and reliability of internal and external accounting and financial reporting systems. Key objectives in this context are the completeness and accuracy of documentation, timely recording, the reconciliation of balances across the IT systems used, and compliance with accounting rules. Other control objectives relate to ensuring the efficiency of business activities as well as to compliance with applicable laws and regulatory requirements related to accounting and financial reporting.

Integrated business process control mechanisms have been installed, in order to fulfil the strategy outlined above. This includes checks of completeness and accuracy, applying the principle of dual control. Errors are also mitigated through the separation of functions, access restrictions, work instructions, and plausibility checks. The Bank regularly draws upon support by external experts for implementing new legal regulations. New product processes always require evidence, prior to the launch of a new product, that the new product can be implemented in the accounting and financial reporting system, in an orderly manner that is in line with applicable rules. Internal Audit regularly carries out process-independent checks concerning accounting and financial reporting.

Overall, the Bank has implemented a control and risk management system with regard to the financial reporting process. This system comprises measures to identify and assess material risks (and related risk mitigation measures) to ensure the proper preparation of the financial statements.

II) Credit risk

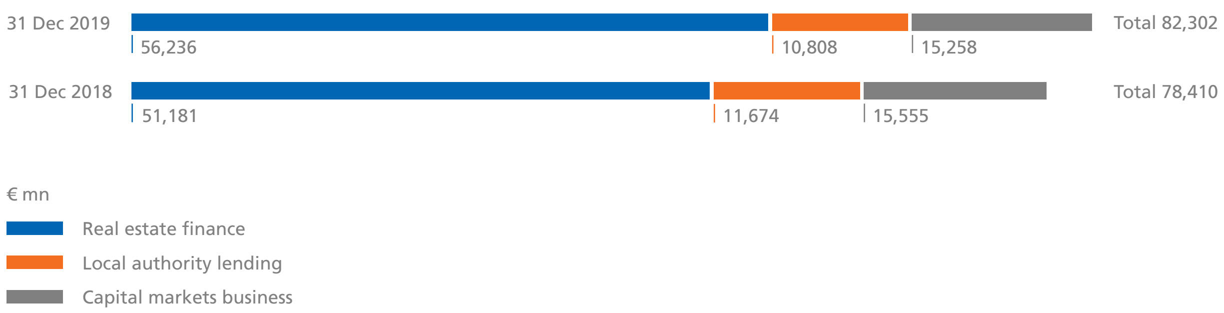
Credit risk is defined as the risk of losses incurred as a result of the default of counterparties (borrowers, issuers, other counterparties) or guarantors as well as from impairment due to a decline in creditworthiness of borrowers or by market turbulence. Both traditional lending business (real estate finance or local authority lending, including financial guarantees and loan commitments) as well as capital markets activities may be exposed to credit risk. In the context of credit risk, capital markets activities relate to products such as securities, promissory note loans ("Schuldscheindarlehen"), derivative and money-market transactions.

Credit risk in real estate finance and local authority lending is defined as (i) the risk that a client is unable to settle claims arising from loans taken out by him and due claims for payments; or (ii) the risk of losses from contingent liabilities and committed credit lines.

Credit risk from capital markets activities is further distinguished into replacement risk and issuer risk, for example. Replacement risk from derivatives is defined as the risk of a counterparty defaulting during the term of a transaction (with a positive market value), in which case DZ HYP would have to incur additional expenditure (equivalent to this market value, at the time of default) in order to enter into an equivalent transaction with another counterparty. Issuer risk denotes the threat of losses from the default of issuers of tradable bonds or losses from the default of underlying instruments of derivatives (such as credit derivatives).

DZ HYP's lending volume increased by 5 per cent in the 2019 financial year, to € 82,3 million. Real estate lending is predominantly collateralised by land charges and mortgages (98 per cent). The following chart breaks down lending volume by DZ HYP's three types of business:

LENDING VOLUME BY BUSINESS DIVISION



a) Lending process

The front and back offices for the real estate finance business are located in DZ HYP's decentralised Real Estate Centres; for certain client groups, these functions are at DZ HYP's head offices in Hamburg and Münster. Key workflow stages include the credit rating, which is identified using rating procedures that comply with the CRR, and also client, property and project assessments. In this context, DZ HYP benefits from the local presence of advisors and surveyors to the client, as well as from the Bank's integration into the Cooperative Financial Network. The loan application is authorised on the basis of lending volume and risk classification, observing the separation of functions prescribed by MaRisk.

Market coverage, credit analysis and the processing of exposures in local authority lending and capital markets business are centralised in Hamburg and Münster, and are being handled by specialist front-office and back-office teams. Likewise, the existing portfolio of mortgage backed securities (MBS) is also looked after centrally in Hamburg by a specialist back-office department. The Bank no longer enters into new business in this type of product.

b) Limit system

DZ HYP has limit systems in place for the internal management and monitoring of credit and country risks, thus ensuring compliance with the strategic requirements of DZ HYP and the DZ BANK Group. Treasury has access to the respective limits and their utilisation at any time, for the purposes of intraday monitoring. Back office units monitor the utilisation of individual business partner and country limits on a daily basis, as part of their monitoring processes, and initiate escalation procedures in the event of any limit transgressions. These procedures are designed to restore limit compliance, or to approve transgressions, in line with delegated authority, taking the strategy adopted by DZ HYP/DZ BANK Group into account.

c) Credit rating

As an IRBA institution, DZ HYP complies with regulatory requirements regarding methods, process flows, management and monitoring procedures as well as data recording and data processing systems used in the credit business in order to measure and manage risks.

The rating environment was expanded during the course of the merger to include further procedures used by former WL BANK. Also within the framework of the merger, rating systems were systematically harmonised and incorporated, in line with a schedule agreed upon with the regulators, in order to ensure that going forward, DZ HYP will continue to employ tailor-made rating procedures matching the risk profiles of various client groups. ECB has partially approved the rating systems for the purpose of calculating equity requirements under the Foundation IRB approach; they safeguard an adequate assessment of counterparty credit risk and support internal management. Models are developed and validated in line with DZ BANK's requirements; rating procedures are validated at least once a year.

For real estate financings, these rating procedures adequately incorporate the special characteristics of commercial and residential real estate developers, commercial housing enterprises, special purpose entities, commercial and private real estate investors, as well as open-ended and closed-ended real estate funds and retail customers, considering the specific risks involved.

Given its extensive real estate expertise, DZ HYP has assumed the lead – within the Cooperative Financial Network – for the conception, regular maintenance and development of rating procedures for commercial real estate finance in Germany. In this context, the Bank is also responsible for compliance with CRR standards, which the ECB monitors regularly, in its capacity as supervisor. Having been approved by the regulatory authority, these rating procedures fulfil the highest standards; thanks to this high quality level, the procedures are also employed by numerous cooperative banks.

DZ HYP also uses CRR-compliant rating procedures – whose IRBA eligibility was approved during the course of regular supervisory audits – for other client segments, such as banks, sovereigns, or large SMEs. DZ BANK is responsible for methodological development regarding these segments, whereby the National Association of German Cooperative Banks (BVR) is also involved. DZ HYP regularly validates the adequacy of these procedures for its own portfolios, by way of internal validation processes.

DZ HYP also applies a CRR-compliant rating procedure to assess the credit quality of local authorities. Given the regulatory exemption for capital requirements concerning exposures to domestic and selected European local authorities, no regulatory approval is required here.

Due to cost/benefit considerations, for a low number of special cases, DZ HYP applies a simplified rating procedure where no IRBA approval has been applied for.

A breakdown of DZ HYP's total lending volume by type of business and by rating class is provided below:

LENDING VOLUME*) BY RATING CLASS

€ mn	Total 31 Dec 2019	Total 31 Dec 2018	Real estate lending as at 31 Dec 2019	Local authority lending 31 Dec 2019	Capital markets business 31 Dec 2019
Investment grade (rating class 2A or better)	**78,126**	73,243	52,652	10,808	14,666
Non-investment grade (rating classes 2B-3E)	**4,045**	4,952	3,511	0	534
Defaulted rating classes (4A or worse)	**101**	126	66	0	35
Unrated	**30**	89	7	0	22

*) including disbursement commitments

A new rating is prepared for each client at least once a year, or on an event-driven basis.

d) Intensified handling and management of problem loans

DZ HYP uses an individual risk management system ("ERM") for the purposes of early warning, in a similar way as employed by the parent company DZ BANK. Cases with early warning indicators are assigned to a so-called "yellow list". Loans with regard to which a subsequent loss cannot be excluded are kept on a "watch list". Where there is a clear negative trend, coupled with an existing requirement for recognising specific risk provisions, the cases are included on the "default list", which also includes all exposures subject to recovery without specific provisions required.

The processing rules and requirements on the transfer from one ERM list to another are subject to defined criteria. Exposures which are subject to an ongoing threat of elevated risk remain within the responsibility of staff within the respective division, whereby the centralised intensified handling team is also involved. Problem loans that are judged to have a favourable outlook are passed on to the Restructuring department for further processing. As a basis for a restructuring decision, a concept is submitted that must comprise a differentiated analysis and assessment of the overall situation of the exposure and a cost-benefit analysis, as well as usually a comprehensive restructuring plan. Loan exposures are transferred to workout if restructuring has failed or if this is deemed to be fruitless from the outset. A detailed report on problem exposures is submitted to the Management Board on a monthly basis.

Non-performing loans are managed using the following indicators:

» the NPL ratio (defined as the share of non-performing loans in total lending volume);
» the provisioning ratio (defined as the share of aggregate provisions for loan losses and loss allowance in total lending volume); and
» the risk coverage ratio (defined as the share of aggregate provisions for loan losses and loss allowance in aggregate non-performing loans).

Selected indicators used for internal management of credit risk developed as follows during the year under review:

CREDIT RISK INDICATORS

€ mn	Total 31 Dec 2019	Total 31 Dec 2018	Change in %*)
Lending volume) (LV)**	**82,302**	78,410	5.0
NPL volume	**101**	126	-19.6
NPL ratio (in %)	**0.1%**	0.2%	-23.4
Loss allowance	**216**	211	2.4
Provisioning ratio (in %)	**0.3%**	0.3%	-2.4
Risk coverage ratio (in %)	**214%**	168%	27.3

*) changes shown relate to figures before rounding
**) including disbursement commitments

e) Provisions for loan losses / loss allowance

The Bank has accounted for all identifiable credit risks, in accordance with prudent commercial judgement, by recognising provisions in the amount of expected losses. Provisions for loan losses comprise write-downs and provisions for credit risks and inherent default risks, for all receivables carried on the balance sheet as well as for off-balance sheet transactions.

Specific provisions are recognised when the Bank has reason to doubt the performance of a receivable, due to the difficult financial circumstances of a borrower, or in the event of insufficient collateralisation; or if there are indications that the borrower will be unable to pay interest on a sustainable basis. The same applies to contingent receivables. When determining specific loss allowance, existing receivables as at the valuation date (including any pro-rata interest and pending items) are compared to discounted and scenario-weighted collateral; the uncovered portion determined in this way is written down in full. The inventory of specific loss allowance is regularly monitored; reports are submitted to the Management Board as part of the monthly ERM reporting package and the quarterly risk report for the Bank as a whole.

The measurement of portfolio-based loss allowance was changed, effective 1 January 2018, to the stage concept pursuant to IFRS 9, whereby the Bank recognises loss allowance in the amount of 12-month expected credit losses for financial instruments where credit risk has not increased significantly compared to a defined threshold value since initial recognition (stage 1), and in the amount of lifetime expected credit losses for financial instruments where credit risk has increased significantly compared to the defined threshold value since initial recognition (stage 2). This loss allowance accounting policy was designed to provide readers of financial statements with a more accurate, fair and true view of the Bank's financial situation. In addition, this ensures that loss allowance accounting processes in accordance with the HGB are aligned with international accounting standards.

Amounts carried for the various types of provision/allowance developed as follows in 2019:

LOSS ALLOWANCE PARAMETRES

€ 000's	Total 31 Dec 2019	Total 31 Dec 2018	Change in %
Specific allowance for credit losses	10,422	12,503	-16.6
Portfolio-based allowance for credit losses	33,586	33,435	0.5
General risk provisions (section 340f of the HGB)	165,945	159,345	4.1
Other provisions	5,891	5,602	5.2
Total loss allowance	215,844	210,885	2.4

The reduction in specific allowance was largely due to the harmonisation of processes during the course of the merger, as well as the associated change in the valuation of collateral for the portfolio of former WL BANK. In addition, write-downs had to be reversed due to recoveries of previously non-performing loan exposures. This shows a further improvement in the quality of the loan portfolio, thanks to successful restructuring and workout measures. This was offset by an allocation to general risk provisions in accordance with section 340f of the HGB.

f) Concentration risks

Key factors used to determine credit risk are concentration effects (relative to counterparties, sectors, countries, or maturities), as well as the credit quality structure of the portfolio. Elevated concentrations of lending volume regarding counterparties, sectors or countries increase the risk of credit risks materialising cumulatively – for example, when in the event of a default of counterparties subject to higher concentrations, or in case of economic crises affecting sectors or countries with higher concentrations. Furthermore, the term of loan agreements is a key credit risk factor, due to the fact that the probability of credit quality deterioration rating (and hence, of the counterparty defaulting during the term of the agreement) increases over time.

The Management Board is informed about economic capital requirements for credit risks, as part of the overall internal risk report. In addition, internal reporting provides a more in-depth analysis of the portfolio structure in terms of concentration risks, using key risk criteria such as country, sector, property type, credit rating class, or the volume of loans extended to a single business partner. These reports contain details concerning individual exposures as well as on any specific provisions.

Real Estate Finance

The share of domestic loans in DZ HYP's total real estate financing portfolio currently stands at 96.9 per cent (2018: 97.3 per cent). The share of international financings rose by 17.1 per cent overall in 2019, whereby the target markets of Austria, France, the United Kingdom and the Netherlands accounted for 89.2 per cent of international lending volume.

A breakdown of real estate lending volumes by property type is provided below:

REAL ESTATE LENDING VOLUME BY TYPE OF PROPERTY

€ mn	Total 31 Dec 2019	Total 31 Dec 2018	Change in %
Residential	10,814	15,394	-29.8
Multi-storey apartment buildings (multi-family homes)	18,882	13,869	36.1
Office	10,817	8,437	28.2
Commerce	9,128	7,916	15.3
Hotels	2,992	2,371	26.2
Logistics	1,114	1,047	6.4
Other	1,416	1,180	20.0
Not allocated to any property type	1,073	967	10.9
Total	56,236	51,181	9.9

Originated loans to local authorities

Risk monitoring in the area of public-sector clients focuses on regional concentration risks in particular. The broad portfolio diversification was maintained in 2019, with 56 per cent of the aggregate portfolio attributed to the German Federal states of North-Rhine Westphalia (26 per cent), Baden-Württemberg (15 per cent) and Hesse (15 per cent).

Capital markets business

DZ HYP is exposed to noticeable concentration risks in the public finance portfolio in particular. In the event of any material loan defaults or bail-ins affecting these holdings, DZ HYP might be forced to draw upon DZ BANK's obligation to equalise losses, as provided for in the control and profit transfer agreement.

The regional breakdown of the securities portfolio is analysed below:

CAPITAL MARKETS BUSINESS (EXCLUDING MBS): REGIONAL DISTRIBUTION OF SECURITIES HOLDINGS

€ mn	Total 31 Dec 2019	Total 31 Dec 2018	Change in %
Germany	8,635	8,405	2.7
EU peripheral countries*)	3,873	4,087	-5.2
Other EU member states	984	1,149	-14.4
Other third countries	901	939	-4.1
Supranationals	416	433	-4.0
Total	14,809	15,013	-1.4

*) Italy, Portugal and Spain

The portfolio is continuously monitored and examined for risks. During the financial year under review, a particular focus was on the portfolio of exposures to countries at the European periphery, which was subject to persistent uncertainty on international financial markets due to the political and economic crisis in Italy. Furthermore, the portfolio of exposures to the United Kingdom was a focal point of checks, given the UK's impending exit from the EU (Brexit). Such analyses cover the entire economic environment (including the labour market, the real estate market and gross domestic product, for example). As a result, Brexit-related risks from the MBS exposure to the UK have sufficiently been taken into consideration within internal stress scenarios. The monitoring of credit risk and collateral for individual exposures has not yielded any signs of material risks. Given its predictable new business activities in the United Kingdom, DZ HYP does not anticipate any material impact on its operating business due to Brexit. The Bank was able to further reduce its Treasury portfolio in the UK, thanks to a complete disposal of covered bond holdings. Furthermore, it initiated and partially implemented the transfer of derivative transactions from UK to European entities. Residual derivative transactions with banks in the UK are neutralised through cash collateral on a daily basis. The following table shows the entire underlying exposure [to the UK]:

UK EXPOSURE

€ mn	Total 31 Dec 2019	Total 31 Dec 2018	Change in %
MBS	249	270	-7.8
Real estate lending	358	279	28.3
Bank bonds	0	129	-100.0
Derivatives	89	78	14.0
Total	696	756	-7.9

III) Market price risk

Market price risk is the impact of interest rate fluctuations on the money and capital markets, and changes in exchange rates. DZ HYP is largely exposed to market price risk in the form of interest rate risk, currency risk, as well as spread and migration risk. These risks are measured, and limits applied, at Group level, using data provided by DZ HYP on a daily basis. Market price risk is quantified via the risk contributions for interest rate risk and currency risk as well as for spread and migration risk.

DZ HYP uses various hedging tools in its dynamic management of interest rate risk and currency risk for the Bank as a whole. This consists mainly of interest-rate swaps, cross-currency swaps and caps. Each derivative hedge forms part of the overall management of the entire banking book.

Market Risk Controlling informs the Management Board (as well as Treasury) on the limit utilisation in terms of the risk capital requirement calculated using the Group model on a monthly basis; the utilisation of sensitivity limits implemented is reported daily. A multi-level escalation plan, comprising escalation paths and measures to be taken, has been implemented to deal with the breach of defined thresholds. No escalation was required in the financial year under review.

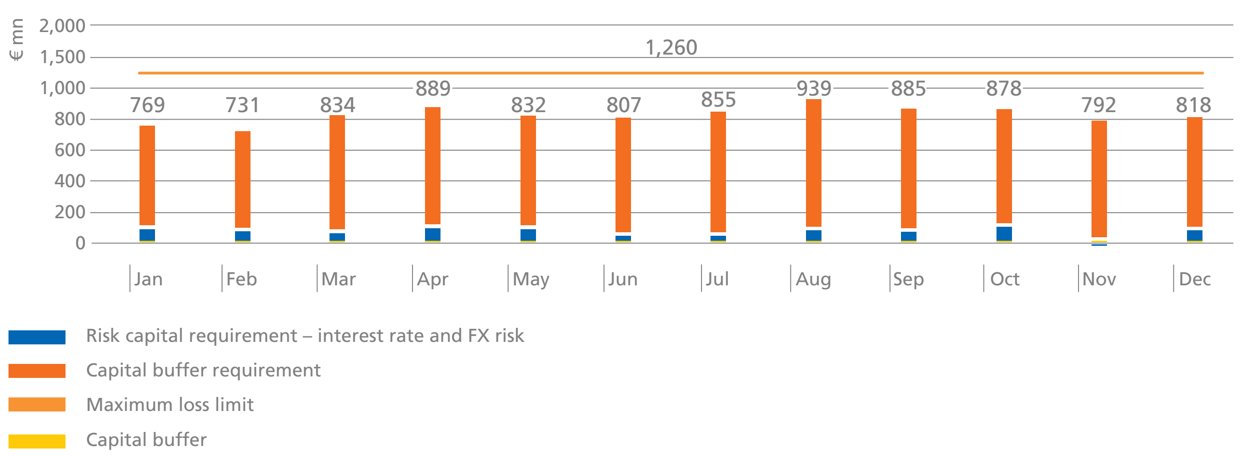
To quantify market price risk, the Bank calculates interest rate sensitivity parametres (id est theoretical present value changes given simulated changes in interest rates) on a daily basis. Interest rate sensitivity during the year under review was characterised by low fluctuations at a low level. Aggregate interest rate sensitivity limits were always complied with. In line with the procedures applied to other types of risk, the risk classification procedure is examined for appropriateness on an annual basis, and adjusted if necessary. The Bank regularly calculates scenarios based on parametres set by DZ BANK. These also include those defined by BaFin (in Circular 06/2019) for the purposes of monitoring interest rate risk exposures of investments.

DZ BANK Group introduced a new limit concept in January 2019, which also considers spread and migration risks, in addition to interest rate and foreign exchange risks. The limit for contributions to Group risk exposure was set at €1,260 million; utilisation increased slightly during the 2019 financial year.

Capital buffer amounts – as part of market price risk – are only being maintained for real estate risk, i.e. for potential fluctuations in the value of the Bank's own property holdings. Real estate risks will be incorporated in investment risk from 2020 onwards.

DZ HYP's Treasury management is in line with the Bank's business model. In particular, the primary focus of Treasury management is on managing profit and loss for the period, in order to protect margins from client business. Treasury's business activities are not regarded as a profit centre.

CONTRIBUTION AT GROUP LEVEL



Real estate loans with a term exceeding ten years are subject to statutory termination rights pursuant to section 489 of the German Civil Code (BGB). The effect of these optional risks is reflected in the risk model. Contractual early redemption rights are adequately taken into account via notional lifetimes which are validated statistically.

IV) Liquidity risk

Liquidity risk comprises the threat that DZ HYP is actually unable to borrow the funds required to maintain payments. Liquidity risk can thus be understood as the risk of insolvency. In this regard, liquidity risk arises from a mismatch in the timing and amount of cash inflows and outflows and is affected to a significant degree by other types of risk, such as market price risk or reputational risk. The Bank's liquidity situation is determined daily, in line with the regulatory and business requirements and in coordination with DZ BANK.

Based on the management of economic liquidity, Market Price Risk and Liquidity Risk Controlling provides Treasury with a differentiated overview on each business day, indicating future liquidity flows (comprising cash flows as well as a gap analysis of principal repayments and fixed interest mismatches) resulting from the individual positions in the portfolio. Where a comparison of liquidity data against defined limits gives rise to escalation, this follows a pre-defined process flow which may invoke emergency liquidity planning. No escalation was required in 2019.

In order to determine Group liquidity risk exposure and DZ HYP's contribution thereto, DZ HYP's liquidity data is transmitted to DZ BANK's Risk Control Unit daily, where this is used to determine limit utilisation.

Additionally, an overview of excess liquidity post-stress scenarios is submitted to Management Board meetings. Liquidity is managed on the basis of this overview, with the dual objectives of securing the Bank's long-term liquidity and achieving compliance with CRR requirements. A suitable liquidity controlling system is already in place in line with the requirements of MaRisk for measuring and reporting on liquidity risk (BTR 3.1 and 3.2). A limit system is implemented on a daily basis and integrated into the risk monitoring process. The results from the scenario analyses – which comply with the requirements set out in the relevant sections of MaRisk – are fed into the risk analysis process.

The first step in determining risk indicators is to calculate a liquidity run-off profile, based on the contractually-agreed terms of all financial instruments with an impact on liquidity. The base case scenario maps the development of current and future liquidity reserves, in connection with expected business activities. Potential changes to the liquidity run-off profile, and to liquidity reserves, in the event of a crisis affecting markets or the Bank are simulated for four stress scenarios:

» a serious crisis threatening the DZ BANK Group;
» a one-notch rating downgrade of DZ BANK Group;
» a global economic crisis; and
» a combination of a crisis affecting the market as well as the Company.

Expected liquidity is indicated by the liquidity run-off profile in the base case scenario. In the stress scenario, liquidity is defined by the worst daily value among the four scenarios. Using expected liquidity for each record date, the minimum excess liquidity indicator is determined, which expresses the adequacy of economic liquidity. Throughout 2019, this indicator remained above the limit of zero. The set of scenarios is complemented by inverse stress tests carried out on a quarterly basis.

The liquidity risk model and the emergency concept are reviewed annually, within the framework of an adequacy check, and adjusted if necessary.

One or more independent credit rating agencies may assign ratings for DZ HYP. The purpose of a rating is to assess DZ HYP's credit quality, informing investors about the repayment probability of capital invested in DZ HYP. Refinancing risk denotes the risk of a loss which may be incurred as a result of a decline of DZ HYP's liquidity spread (which forms part of the spread on DZ HYP's own issues): with a wider liquidity spread, covering any future liquidity requirements would incur additional cost. DZ HYP minimises funding risk through the management of the liquidity run-off profile.

During 2019, DZ HYP's funding activities comprised the use of unsecured liquidity facilities (largely provided by DZ BANK AG), as well as the issuance of Mortgage Pfandbriefe and Public-Sector Pfandbriefe (which were predominantly purchased by counterparties outside the Cooperative Financial Network).
DZ HYP defines market liquidity risk as the threat of losses which may be incurred due to unfavourable changes in market liquidity – for example, due to a deterioration in market depth, or in the event of market disruptions, in which case the Bank may only be able to sell assets held at a discount, and active risk management may be restricted. Since the impact of market liquidity risk is evident in changed spreads and volatility levels, this is implicitly reflected in risk calculations.

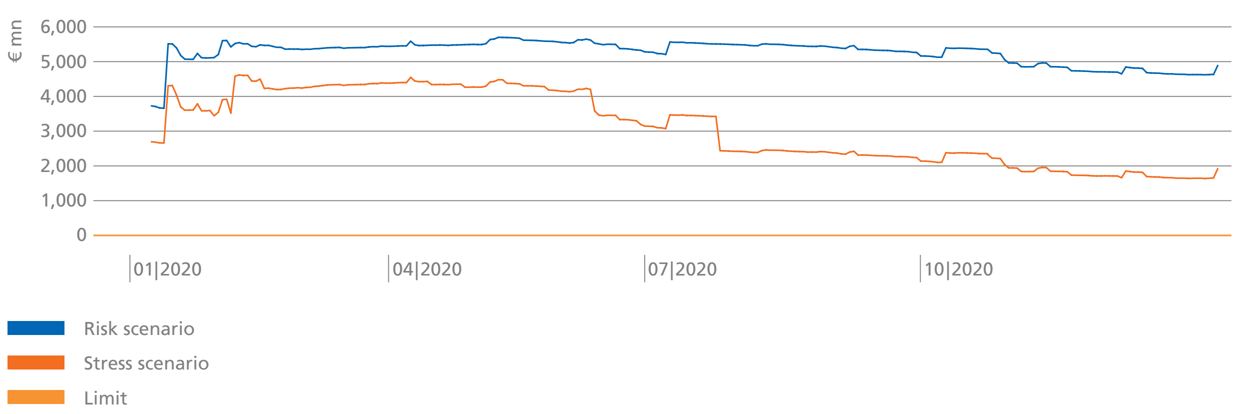
For the purposes of regulatory monitoring of the Bank's liquidity situation, part 6 of the CRR defines the calculation of the (short-term) Liquidity Coverage Ratio (LCR), which is designed to ensure the resilience of banks through a 30-day liquidity stress scenario. The indicator is defined as the ratio of available highly liquid assets to net cash outflows over the next 30 days, subject to defined stress conditions. A minimum Liquidity Coverage Ratio (LCR) of 100 per cent has been mandatory for banks since 1 January 2018.

The waiver under Article 7 of the CRR does not cover the requirements under part 6; therefore, DZ HYP must comply with the corresponding requirements at a single-entity level. Accordingly, the Bank reports its single-entity LCR, in accordance with the CRR, to the supervisory authorities on a monthly basis. An additional LCR indicator is determined for DZ HYP, based on the requirements of Delegated Regulation 2015/61/EU. This indicator remained above 100 per cent throughout the 2019 financial year.

in %	December 2019	September 2019	June 2019	March 2019
LCR (month-end)	253	278	324	273

The (long-term) Net Stable Funding Ratio (NSFR) is designed to restrict banks' ability to enter into mismatches between the maturity structure of assets vs. liabilities.

DEVELOPMENT OF EXPECTED LIQUIDITY PER 31 DEC 2019



The NSFR relates the amount of stable funding (equity and liabilities) to the required amount of stable funding (as required by the lending business). For this purpose, funding sources and assets are weighted, depending upon their degree of stability (or the ability to liquidate them, respectively), using inclusion factors defined by the supervisory authorities. To date, the NSFR was implemented as a pure reporting obligation. CRR II provides for a transition to a binding minimum ratio, with a two-year transition period determined. In line with LCR requirements, the minimum NSFR requirement of 100 per cent will also have to be complied with at all times. Within the scope of internal reporting, DZ HYP already provides the NSFR parametre, in line with applicable calculations; NSFR figures were above 100 per cent throughout 2019.

V) Operational risk

Closely aligned to the definition by banking regulators, DZ BANK Group defines operational risk as the risk of losses resulting from human behaviour, technical faults, weakness in processes or project management procedures, or from external events. This definition includes legal risk.

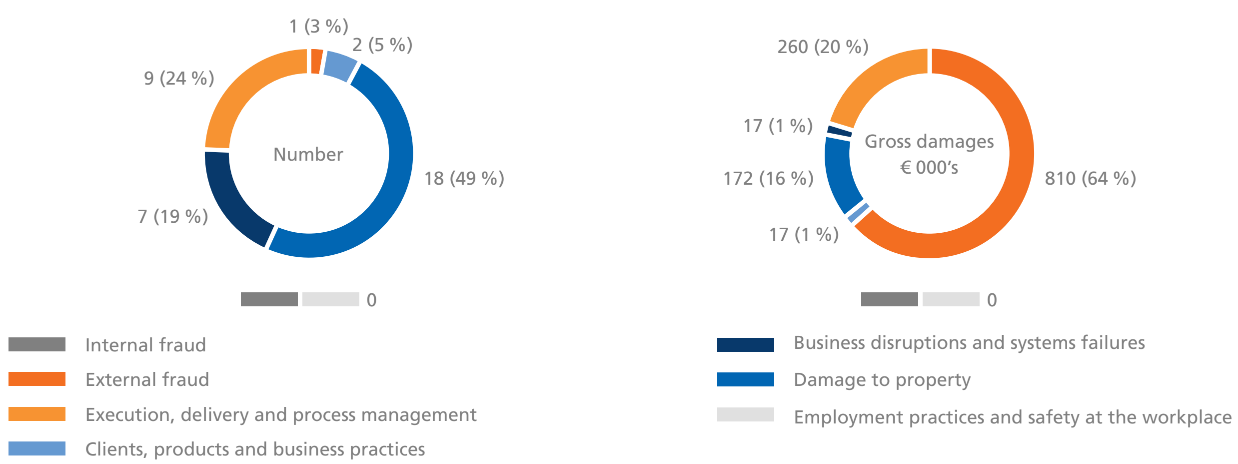
Capital requirements for the operational risk are determined at DZ BANK Group level, as part of the process to determine regulatory capital requirements, applying the standardised approach as set out in the CRR. Due to the waiver, DZ HYP does not carry out its own determination; instead, DZ HYP's data is incorporated into DZ BANK Group calculations. Moreover, economic capital for operational risk is determined at Group level, using a portfolio model, and incorporated into internal management, both on a Group and single-entity level.

Compiling loss data in a central database allows to identify, analyse and assess loss events, thus allowing to recognise patterns, trends and concentrations of operational risks. Criteria for data compilation include a minimum threshold of € 1,000 gross. Losses incurred by DZ HYP are incorporated into DZ BANK's economic model, enhancing the database.

Losses incurred from operational risks do not follow a steady trend: instead, the overall loss profile is derived from losses incurred over many years, and characterised by a small number of large losses. Comparing net losses for the period under review with the previous year's levels is therefore not meaningful, which is why no such comparative figures are provided. Given that larger-sized damages occur in very isolated cases, the development of damages over time is subject to regular fluctuations. This means that a meaningful presentation of loss developments requires setting a sufficiently long and constant reporting horizon. For this reason, data is selected from the loss history for the past four quarters, based on the date of the cash outflow. During the past four quarters, 37 loss events occurred, resulting in cash damages of € 1,274,107 burdening income.

In order to be able to identify operational risks in good time, an early warning system used by DZ HYP regularly records a total of 162 risk indicators (aligned with the CRR event categories, including system failures, fraud, staff fluctuation) and analyses results by way of a traffic light system. As in the previous year, the risk indicator system did not yield any indications of particular operational risks during 2019. Throughout the year, the vast majority of risk indicators were in "green" status.

OPRISK LOSSES 2019



Scenario-based risk self-assessments were once again conducted in 2019. Using risk scenarios, material potential risks were determined, in accordance with the CRR, for all first-level risk categories and mapped in the form of scenarios. The results of DZ HYP's assessments are incorporated into the economic risk model developed by DZ BANK at Group business strategy, and the remuneration strategy at Bank and Group level. The scenarios deemed to be most likely were potential threats from hacker attacks, and outsourcing risks.

Managing information risks

Virtually all transactions and business activities are settled using corresponding IT procedures. The systems used are connected, and depend upon each other during the course of operations. To safeguard the adequate management of IT risks, processes are designed with due consideration for risk aspects, and monitored by way of selected control activities. This is based on the determination which risks the Bank is permitted to assume in certain areas, such as IT. Detailed requirements are derived from this, which in turn determine the intensity of control activities to be carried out, and which are designed to ensure compliance with the risk appetite defined beforehand.

Through extensive physical as well as logical security precautions, DZ HYP's IT guarantees the security of data and applications, and ensures that ongoing operations are maintained. Measures taken to contain the threat of a partial or total failure of data processing systems include physically separate IT centres at different locations (whereby systems and data are being mirrored), special access controls, fire safety precautions, as well as uninterrupted power supply through generators. Defined re-start procedures for emergencies or crisis situations are checked for effectiveness through regular trial runs. Data backups are taken in different buildings with high-security rooms.

DZ HYP's assessment methodology for IT risks is provided centrally by Information Security Management, and applied on a decentralised basis by the respective responsible staff members for the various applications, within the framework of tool-based control processes. This concept ensures collaboration between information security management and information risk management. The Information Security Officer submits all material issues to the Security Advisory Board for decisions regarding further steps to be taken. Any deviations identified within the scope of these processes are assessed regarding the risks involved. All IT risks identified as being material are incorporated into regular information security reports to the Management Board.

Outsourcing

DZ HYP has outsourced certain activities and processes to external service providers. The outsourcing business unit is predominantly responsible for determining, as part of the outsourcing risk analysis, whether an outsourced activity or process is material, and for assessing the risk involved. Other relevant organisational units (such as the Legal department) are involved in this process. This risk analysis is reviewed and updated once a year.

DZ HYP's material outsourcing arrangements include the outsourcing of IT and network operations to T-Systems International GmbH, Frankfurt/Main, and to Ratiodata IT-Lösungen & Services GmbH, Münster. DZ HYP has outsourced its reporting to DZ BANK AG, which has assumed large parts of regulatory reporting, in accordance with outsourcing agreements. Measures to support this process, and to assure process quality, include outsourcing control exercised by DZ HYP's Regulation/Reporting unit. Furthermore, DZ HYP is integrated into DZ BANK's risk measurement, monitoring and management structure (including the measurement of liquidity risk and Group-wide market price risk), via corresponding outsourcing arrangements. From an organisational perspective, DZ HYP's Risk Controlling unit is responsible for measuring operational risks, whilst the Central Outsourcing Management unit within DZ HYP's Finance division is responsible for coordinating outsourcing control. Both units report regularly, at DZ HYP's Management Board meetings, on losses sustained, on the activities for further developing the quantification approach, as well as on the status of outsourcing control.

VI) Equity investment risk

Equity investment risk is defined as the risk of losses due to negative changes in value affecting the part of the investment portfolio that is not taken into account for other types of risk. Investments are held for strategic considerations; they are of minor importance to DZ HYP.

The risk capital requirements for DZ HYP's equity investment risk are calculated by DZ BANK, in line with the measurement of equity investment risk by DZ BANK. For this purpose, risk capital requirements are measured using a value-at-risk concept based on a variance/covariance approach, with a one-year holding period. Risk drivers are the market values of investments, volatility of such market values and correlation among them. Market value fluctuations are predominantly derived from exchange-listed reference assets.

From 2020 onwards, real estate risk – which was reported as part of market price risk to date – will be shown as part of investment risk, by way of a capital buffer amount.

VII) Reputational risk

Reputational risk is defined as the risk of losses caused by events which damage the confidence of, in particular, clients, shareholders, labour market participants, the general public or regulatory authorities – in the Bank, or the products and services it offers. Reputational risk may be caused by other risk having materialised, but also by other publicly available information concerning DZ BANK Group or DZ HYP.

The Bank's fundamental strategic objectives for dealing with reputational risk have been incorporated in a separate risk strategy. This strategy defines the following key objectives, which also apply on a Group-wide level:

- to avoid losses from reputational events, through preventive measures;
- to mitigate reputational risks, through preventive as well as responsive measures;
- to strengthen awareness of reputational risk within the Bank – including by appointing persons responsible for this risk type, and by establishing a Group-wide framework and reporting structure for reputational risks.

As a matter of principle, reputational risk continues to be implied for risk measurement and capital backing purposes through business risk. Moreover, liquidity risk management explicitly covers the threat of funding problems as a result of potential reputational damage.

VIII) Business risk

DZ HYP defines business risk as the threat of losses arising from unexpected fluctuations in the Bank's results which cannot be offset by cutting costs; assuming an unchanged business strategy, such fluctuations usually materialise on a short-term horizon (within a one-year period) due to changed external circumstances (e.g. in the business or product environment, or due to customer behaviour). DZ HYP models this risk using a so-called earnings volatility approach. An additional capital buffer requirement to cover the option resulting from the termination right under section 489 of the German Civil Code "Bürgerliches Gesetzbuch" is added to the earnings volatility approach.

IX) Summary

Managing DZ HYP's opportunities and risks is an integral part of the strategic planning process at DZ BANK Group. High-performance management and control tools are deployed across all risk areas; these tools are continuously fine-tuned and developed. DZ HYP's expected performance is appropriate in terms of the risks assumed. Hence, there are no indications for any threats to DZ HYP's continued existence.

REPORT ON EXPECTED DEVELOPMENTS

Cautionary forward-looking statement

This forecast and other parts of the Annual Report include expectations and forecasts that relate to the future. These forward-looking statements, in particular those regarding DZ HYP's business and earnings growth, are based on forecasts and assumptions, and are subject to risks and uncertainties. As a result, the actual results may differ from those currently forecast. There are many factors that impact on DZ HYP's business, and that are beyond the Bank's control. These factors primarily include changes to the general economic situation and the competitive arena, and developments on the national and international real estate and capital markets. In addition, results can be impacted by borrowers defaulting or by other risks, some of which are discussed in detail in the risk report. In this context, DZ HYP would like to point out that despite discernible progress made, no sustainable solution has been found for the global issue of high sovereign debt; ongoing reforms are needed.

Quality of forecasts

DZ HYP's financial performance in the 2019 financial year exceeded projections, especially in terms of new business volume in Real Estate Finance, which outperformed expectations. Average interest margins were slightly higher than the budgeted figures. Especially the associated portfolio increase contributed to net interest income exceeding projections. Net commission result was in line with expectations. The aggregate of net interest income and the net commission result was 4.0 per cent above forecast levels. Thanks to the macroeconomic environment in Germany, which remains positive for real estate, loss allowance was once again lower than the projected figure, which was determined on the basis of standard risk costs. Overall, the quality of DZ HYP's forecasts for the year under review proved to be robust. The fact that results once again exceeded forecasts overall also underlines the conservative stance on which the Bank's projections are based.

Forecast period

Based on the strategic business orientation as part of a five-year plan, DZ HYP derives its operative planning on an annual basis, focusing on the subsequent financial year. As a rule, the Bank's forecast is based on the one-year operative planning horizon; in certain cases it also refers to the results of the five-year plan.

Business environment and assumptions underlying the forecast

The German economy grew for the tenth year in a row in 2019 – in a challenging international environment exposed to global risks. This has mainly been driven by private consumption, which benefits from higher nominal disposable income – driven in particular by the positive labour market development and the associated increase in salaries. Looking ahead to the next year, it is fair to assume that disposable income will increase further. It is thus fair to assume that the German economy will continue its uptrend in 2020.

DZ HYP expects the German real estate market to remain resilient and stable in this environment during 2019. Given the ECB's persistently accommodating monetary policy, combined with the high investment pressure from institutional investors (including those from abroad), the Bank continues to envisage a high volume of investments on the German real estate market. The robust labour market is likely to sustain demand for office space. Rising wages will support the retail sector, and will help private households to pay rising residential rents. At the same time, this means that pressure on yields will remain strong, with risk premiums, which are already lower than they were in previous years, set to shrink further.

Nonetheless, political risks in particular may challenge the German economy, which has been resilient so far: these may include a scenario in which policymakers fail to push through structural reforms (in France, for example, given the failure to carry through the reform to the pension system), Italy's sovereign finances, risks associated with Brexit (which is now reality) and the associated potential trade restrictions, as well as geopolitical risks. Against this background, the ECB will adhere to its accommodative monetary policy, and will respond as required at any time. It is also fair to assume that if needed, the ECB would also resume direct purchases of sovereign and corporate bonds.

DZ HYP's business model, which is focused on the German real estate market, shows different degrees of sensitivity to these potential threats. Implications are thus possible – at least indirectly, e.g. due to falling demand, financial market volatility, or price bubbles.

Expected development of DZ HYP

Based on these framework conditions, and adhering to its unchanged conservative risk strategy, DZ HYP plans to avoid cyclical peaks in the long-term business it pursues, to the extent possible. Moreover, the Bank does not calculate any performance contributions from unhedged interest rate or foreign exchange positions in its projections. Therefore, any changes to the relevant market parametres do not materially influence the Bank's results planning. Key value drivers for DZ HYP's future financial performance are thus the Bank's planned business volume, net credit margins, commissions earned and risk costs incurred in new business, as well as any write-downs which may be necessary in the non-strategic portfolios. Given DZ HYP's strengthened market position, the Bank has conservatively accounted for these factors in its planning calculations.

The Basel Committee on Banking Supervision (BCBS) finalised its revised "Basel III: Finalising post-crisis reforms" framework for the calculation of risk-weighted assets and capital floors on 7 December 2017. Simulations show that the amended regulations will only have a minor direct impact upon DZ HYP's calculation of risk-weighted assets under the IRB approach. However, the capital floor is expected to lead to increased capital requirements under the revised Credit Risk Standard Approach, due to higher capital requirements for commercial real estate finance. These regulations will take effect starting in 2022 with a phase-in period until 2027. Since this period provides sufficient scope for profit retention, DZ HYP is in the process of examining the impact of the changed framework, in coordination with the Group parent, and referring to the existing Group waiver in this context.

Taking this into account, DZ HYP expects to originate new real estate finance business to the tune of € 10 billion in 2020, with slightly higher margins being anticipated. The aim is to strike a good balance between profitability targets and equity requirements, whilst closely adhering to the relevant regulatory requirements.

Net interest income is expected to be slightly lower than the € 554 million figure reported for the year under review.

Depending on the relevant deal flow and the product mix, the net commission result is likely to be in line with the current level of € 36 million.

The future development of administrative expenses will not least be driven by increasing regulatory requirements, which exert additional pressure on staff and IT costs. All in all, the Bank expects a slight increase in the future.

Provisions for loan losses are calculated using individual standard risk costs which are commensurate with the Bank's business model; the long-term forecast projects a mid-range double-digit million euro figure. Overall, the expected acute default risks are conservatively accounted for.

The MBS portfolio is intensively monitored by means of a detailed risk management system, regular analyses of individual exposures, and comprehensive stress testing. The development of material risk factors indicates stabilisation at the current levels. The persistent default risks this portfolio is exposed to were identified within the scope of a five-year forecast, and adequately incorporated in the Bank's projections.

The merged Bank performs successfully in terms of profitability and new business origination. New business is aligned toward our clients' requirements. The Bank is consistently reducing capital markets transactions which are not related to client business.

The merger of DG HYP and WL BANK to form DZ HYP in 2018 has created a leading real estate finance house and Pfandbrief issuer in Germany – with products and services and a distribution approach aligned to client segments, alongside customised offers, catering to the

segments of Commercial Real Estate Finance, Housing Industry, Public Sector, and Retail Customers/Private Investors. The Bank's central business policy role is to anchor real estate financing and public-sector lending in the Cooperative Financial Network, and to realise financing solutions together. To this end, DZ HYP offers the German cooperative banks an extensive range of products and services, working hand-in-hand with them to cover the regional markets. In this context, both sides benefit from the partnership – DZ HYP from the direct contact with regional clients, and the German cooperative banks from the business relationships arising from developing the market throughout Germany.

EMPLOYEES

Human Resources activities in the year after the merger

Following the merger of DG HYP and WL BANK to form DZ HYP in 2018, merger-related follow-up work determined the Human Resources activities in the year under review. Focal areas included further organisational adjustments, such as the transfer of in-house real estate valuers to the VR WERT subsidiary, effective 1 January 2020, as well as a more precise delimitation of customer groups, which also entailed organisational changes. Furthermore, Bank-wide IT migrations shaped the daily work and required precise capacity management. Additionally, the personnel policy objective of harmonisation was further pursued in order to drive forward the cultural integration by means of a suitable framework. One example is the conclusion of a works council agreement on variable performance-related pay identical in content in both the Hamburg and Münster offices. The aim of the "Focus 2020" project launched in the year under review is to examine and further develop the Bank's strategic orientation in terms of its future viability. In a first step, the Human Resources department's tasks comprise shaping the co-determination process, and negotiations.

Demographic management at DZ HYP

DZ HYP conducts active demographic management with the aim of preparing for the challenges of the future. The objective is to ensure DZ HYP's performance in a changed environment, such as the upcoming retirement of the baby-boomer generation, the general lack of skilled workers, new expertise requirements within digitalisation or the younger generation's new demands.

With a concept decided on in 2019, DZ HYP focuses on four areas: personnel planning, personnel recruitment, staff retention and health. These include a variety of instruments and measures. Within this scope, the Bank is going to increase, for example, its vocational training activities in order to address the shortage of skilled workers, including both the development of additional young talent via vocational training (dual course of study or trainee programme) and an expansion of the educational spectrum in terms of content. Thus, alongside vocational training in the area of real estate finance, bank management and regulation, as well as IT will take centre stage in future.

Due to the lack of skilled workers, relevant target groups must be actively addressed, not only to increase vocational training activities, but also generally. For this reason, DZ HYP will expand its employer branding by means of a campaign, gradually improving its market presence.

Alongside personnel planning and recruitment issues, staff retention plays an increasingly important role. As of 2020, new measures will complement the already existing formats. These measures include a programme to promote internal talent, intending to contribute to supporting especially female potential, as well as regular "pulse checks" to measure employee satisfaction as a kind of risk assessment. Furthermore, we have launched a stay-in-touch programme for especially talented interns and working students.

Personal health and a work-life balance are prerequisites when it comes to enhancing sustainable commitment and performance among employees in all age groups. However, depending on their stage of life, people have very different needs. For this purpose, DZ HYP offers organisational models adapted to specific phases of life, reaching from various working time models via mobile working and up to sabbaticals. Furthermore, DZ HYP conducts an occupational health management programme that will increasingly deal with psychological stress at the workplace due to a changing working world.

Personnel development

At the Münster office, the former "bank 21" loan management IT systems were migrated to SAP on 18 November 2019. To prepare the staff for this change, more than 350 employees, of which around 260 work in loan-related areas, were trained in different relevant modules. Supported by Human Resources, the working group responsible for training courses developed a cross-divisional training concept within the scope of the sub-project Loan Management IT Migration and Test (M&T), comprising systems trainings, technical trainings, work placements, providing a test system, and floorwalkers.

Vocational training and empowering the next generation

DZ HYP provides tailor-made offers to school leavers, university students, and graduates. Since August 1989, the Münster office offers applicants vocational training as a bank officer. For 2.5 years, the apprentices go through all relevant departments in Münster, and since the merger also increasingly in Hamburg. For the school-based part of their vocational training, the apprentices attend courses at the GenoKolleg cooperative vocational college in Münster, together with DZ BANK apprentices and others.

In addition to conventional vocational training, the Münster office has also been offering dual study programmes for Bachelor and Master of Science degrees in Banking & Finance, with an integrated two-year vocational training component, since 2012. The programme features alternating practical and theoretical phases at ADG Business School in Montabaur as sandwich courses. The trainees and dual students are selected via several school cooperation projects, participation in vocational training fairs, trainee speed-dating events, and internship trainee programmes organised by the Chamber of Commerce and Industry (IHK). A total of four trainees and two dual students are employed per training year. In the year under review, the Bank concluded permanent employment contracts with three female dual students at the Münster office.

DZ HYP's 18-month graduate trainee programme was developed and launched in 2010. In the year under review, the Bank initiated the eighth cycle and employed a trainee at Commercial Real Estate Investors – SMEs & Cooperative Financial Network (Hamburg Regional Centre). At the Münster office, a second trainee began his training in the Retail Customers and Cooperative Financial Network Business (sales support Private Investors). "Trendence und Absolventa", the leading online jobs portal for young academics, once again awarded DZ HYP its seal of quality in 2019 for its "fair trainee programme".

DZ HYP Real Estate Academy enters sixth year

The DZ HYP Real Estate Academy is an integral part of the Bank's specialist training programme. It functions in partnership with the IRE|BS Real Estate Business School, Regensburg, one of the most renowned further training establishments in the real estate sector. Since 2010, around 100 employees have participated in the continuing professional development measure. In addition to attending a series of lectures split into three modules, participants work on a practice-oriented case study, executed in small teams and subsequently presented to a commission of IRE|BS representatives and DZ HYP's Management Board. The Real Estate Academy offers comprehensive training and an in-depth insight into the various areas of the real estate industry. In addition to the Bank's own workforce, representatives of cooperative banks also take part in the Real Estate Academy: in 2019, they accounted for 50 per cent of participants.

Promoting women: statutory quotas and corporate initiative

In accordance with statutory requirements, the Supervisory Board and Management Board of DZ HYP are obliged to set targets for the proportion of women on the Supervisory Board, the Management Board, and the two management levels below the Management Board – as well as target dates for achieving such targets. Against this background, on 29 November 2019 the Management Board of DZ HYP set target figures for the first (F1) and second (F2) management levels within the scope of its demographic concept. By 30 June 2024, the share of women shall amount to 12 per cent at F1 management level, and to 23 per cent at F2 management level. As at 31 December 2019, the share was 6 per cent at F1 level and 17 per cent at F2 level. The targets for the Supervisory Board and the Management Board had already been set in the previous year, with the aim to reach them until 31 July 2020. The next Annual Report will elaborate.

Health management

In October 2019, a works council agreement on occupational re-integration management was signed at the Münster office. Since then, an integration team consisting of five DZ HYP employees (Human Resources, Works Council, dedicated representation for severely handicapped employees, Workplace Safety) has been working together, contacting all employees who were absent for more than 42 days due to illness in the last twelve months. Thus, since this works council agreement was entered into, permanent integration teams exist at the head offices in Hamburg and Münster, which contact affected employees during their working hours, implementing measures for re-integration or continued employment at the workplace.

The Occupational Health Management Committee (BGM), founded a few years ago in the Hamburg office, was extended to the Münster office in the year under review. This cross-company Committee is equally represented by Works Council members and company representatives, who meet at regular intervals in order to harmonise and expand the BGM services, and to plan specific measures.

In addition to the already existing services (annual flu vaccination, health check for monitor-based work ("G37 examination"), physiotherapy at the Münster office, yoga course at the Berlin Regional Centre), a mobile massage service was reintroduced at the Hamburg office and a cooperation agreement was entered into with the fitness centre chain Fitness First in the year under review, granting all DZ HYP employees discounted memberships. Furthermore, the BGM's first event "Lauf in den Herbst" (an autumn race) took place in September at both the Münster and Hamburg offices, and the existing corporate sports club was expanded to include sailing on Lake Aasee.

In November 2019, a DZ HYP employee representative took part in the Health Protection and Demography working group of the German Employers' Association of Private-Sector Banks (Arbeitgeberverband des privaten Bankgewerbes – "AGVBanken") for the first time, exchanging views and experience with the representatives of different banks.

Cooperation with the Works Council

The constructive cooperation between DZ HYP and the Works Council members continued unchanged during the year under review. The issues discussed include, in particular, harmonising variable remuneration across the two offices, implementing further merger-related reorganisation measures, and completing Works Council agreements on the subject of "functions and salary ranges for non-tariff employees" and "occupational re-integration management". DZ HYP would like to thank the Works Council members for the good and constructive cooperation.

STAFFING INDICATORS

	2019	2018
Total*)	**870**	873
Fluctuation rate (in %)	**6.0**	4.4
Share of voluntary resignations (in %)	**3.9**	2.5
Years of service	**13.4**	13.7
Number of training days per employee	**3.0**	1.1
Employment basis (in %))**		
Full-time employees	**76.3**	77.9
Part-time employees	**23.7**	22.1
Share of women (in %)	**45.4**	45.8
Average age	**45.6**	45.3

*) annual average
**) average values

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2019
ASSETS

	€ 000's	Note	€ 000's	31 Dec 2019 € 000's	31 Dec 2018 € 000's
CASH FUNDS				412	570
a) Cash on hand			2		66
b) Balances with central banks			410		504
of which: with Deutsche Bundesbank	410				(504)
LOANS AND ADVANCES TO BANKS		(4)		5,328,795	4,356,777
a) Mortgage loans			19,605		20,327
b) Loans to local authorities			242,877		319,045
c) Other loans and advances			5,066,313		4,017,405
of which: payable on demand	918,842				(2,853,062)
LOANS AND ADVANCES TO CUSTOMERS		(4)		63,779,180	60,039,766
a) Mortgage loans			47,705,542		42,889,984
b) Loans to local authorities			13,591,832		14,726,537
c) Other loans and advances			2,481,806		2,423,245
BONDS AND OTHER FIXED-INCOME SECURITIES		(6)		9,890,234	11,082,874
a) Bonds and debt securities			(9,781,726)		10,464,426
aa) Public-sector issuers			6,793,623		6,938,658
of which: securities eligible as collateral with Deutsche Bundesbank	5,958,200				(6,086,953)
ab) Other issuers			2,988,103		3,525,768
of which: securities eligible as collateral with Deutsche Bundesbank	2,426,402				(2,874,215)
b) Own bonds issued			108,508		618,448
Nominal amount	107,197				(616,366)
PARTICIPATIONS		(6)		911	911
INVESTMENTS IN AFFILIATED COMPANIES		(6)		1,566	1,566
TRUST ASSETS		(7)		30,189	41,902
of which: trustee loans	23,802				(23,802)
INTANGIBLE FIXED ASSETS		(6)		2,087	2,232
a) Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets			2,087		1,845
b) Advance payments made			–		387
TANGIBLE FIXED ASSETS		(6)		180,365	174,424
OTHER ASSETS		(8)		30,709	29,594
PREPAID EXPENSES		(10)		192,553	160,624
a) From new issues and lending			190,987		159,447
b) Other			1,566		1,177
TOTAL ASSETS				79,437,001	75,891,240

BALANCE SHEET AS AT 31 DECEMBER 2019
LIABILITIES AND EQUITY

	€ 000's	Note	€ 000's	31 Dec 2019 € 000's	31 Dec 2018 € 000's
LIABILTIES TO BANKS		(13)		30,480,258	26,916,136
a) Outstanding Registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)			2,105,584		2,126,657
b) Outstanding Registered Public Pfandbriefe (öffentliche Namenspfandbriefe)			797,860		1,087,054
c) Other liabilities			27,576,814		23,702,425
of which: payable on demand	23,416				(79,764)
LIABILITIES TO CUSTOMERS		(13)		17,666,528	19,533,904
a) Outstanding Registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)			5,769,689		6,528,140
b) Outstanding Registered Public Pfandbriefe (öffentliche Namenspfandbriefe)			9,689,656		10,705,969
c) Other liabilities			2,207,183		2,299,795
of which: payable on demand	542,893				(507,059)
Registered Mortgage Pfandbriefe and Registered Public Pfandbriefe surrendered to lenders as collateral for borrowings	2,556				(-)
SECURITISED LIABILITIES		(13)		28,213,179	26,487,437
BONDS ISSUED					
a) Mortgage Pfandbriefe (Hypothekenpfandbriefe)			23,052,581		20,483,690
b) Public Pfandbriefe (öffentliche Pfandbriefe)			3,387,715		3,624,599
c) Other debt securities			1,772,883		2,379,148
TRUST LIABILITIES		(7)		30,189	41,902
of which: trustee loans	12,089				(23,802)
OTHER LIABILITIES		(14)		166,646	169,953
PREPAID EXPENSES		(10)		232,390	186,666
a) From new issues and lending			232,390		186,664
b) Other			–		2
PROVISIONS				253,980	245,161
a) Provisions for pensions and similar obligations			185,601		172,447
b) Provisions for taxes			4,337		10,666
c) Other provisions			64,042		62,048
SUBORDINATED LIABILITIES		(15)		64,500	80,750
FUND FOR GENERAL BANKING RISKS				567,000	467,000
EQUITY				1,762,331	1,762,331
a) Subscribed capital		(16)	(784,990)		(784,990)
aa) Share capital			149,990		149,990
ab) Silent partnership contributions			635,000		635,000
b) Capital reserves			884,196		884,196
c) Retained earnings			(93,145)		(93,145)
ca) Legal reserves			945		945
cb) Other retained earnings			92,200		92,200
TOTAL EQUITY AND LIABILITIES				79,437,001	75,891,240
CONTINGENT LIABILITIES		(17)			
Liabilities from guarantees and indemnity agreements				446,968	376,424
OTHER COMMITMENTS		(18)			
Irrevocable loan commitments				5,849,575	5,770,066

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

	€ 000's	Note	€ 000's	2019 € 000's	2018 € 000's
INTEREST INCOME FROM					
a) Lending and money market transactions			1,668,914		1,693,698
b) Fixed-income securities and debt register claims			289,136		309,372
				1,958,050	2,003,070
INTEREST EXPENSES				1,406,317	1,482,293
				551,733	520,777
CURRENT INCOME FROM PARTICIPATIONS				95	156
INCOME FROM PROFIT-POOLING, PROFIT TRANSFER OR PARTIAL PROFIT TRANSFER AGREEMENTS				2,590	2,544
COMMISSION INCOME			42,954		31,776
COMMISSION EXPENSES			79,031		59,135
NET COMMISSION RESULT				-36,077	-27,359
OTHER OPERATING INCOME		(27)		26,556	27,973
GENERAL ADMINISTRATIVE EXPENSES					
a) Personnel expenses					
aa) Wages and salaries			75,177		78,372
ab) Compulsory social security contributions and expenses for pensions and other employee benefits			15,576		18,859
			90,753		97,231
of which: pension expenses	4,556				(8,620)
b) Other administrative expenses			154,711		191,938
				245,464	289,169
AMORTISATION/DEPRECIATION AND WRITE-DOWNS OF INTANGIBLE AND TANGIBLE FIXED ASSETS				5,953	5,002
OTHER OPERATING EXPENSES		(28)		22,061	20,047
WRITE-DOWNS AND VALUATION ALLOWANCES OF LOANS AND ADVANCES AND SPECIFIC SECURITIES, AS WELL AS ADDITIONS TO LOAN LOSS PROVISIONS				3,724	68,691
AMORTISATION AND WRITE-DOWNS ON PARTICIPATIONS, SHARES IN AFFILIATED COMPANIES, AND INVESTMENT SECURITIES				2,518	-38,469
ALLOCATION TO THE FUND FOR GENERAL BANKING RISKS				100,000	45,000
RESULT FROM ORDINARY ACTIVITIES				**165,177**	134,651
EXTRAORDINARY INCOME			–		–
EXTRAORDINARY EXPENSES		(29)	17,300		–
NET EXTRAORDINARY INCOME/EXPENSES				-17,300	–
INCOME TAXES		(30)	81,514		59,664
OTHER TAXES NOT DISCLOSED UNDER "OTHER OPERATING EXPENSES"			274		3,680
				81,788	63,344
PROFITS TRANSFERRED UNDER PROFIT TRANSFER AGREEMENTS				50,000	55,000
PROFITS TRANSFERRED UNDER PARTIAL PROFIT TRANSFER AGREEMENTS				16,089	16,307
NET INCOME				–	–

STATEMENT OF CHANGES IN EQUITY

	31 Dec 2018	Issue of shares	Dividends paid	Net income/ loss	Transfers to/ from retained earnings	Other changes	31 Dec 2019
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	**€ 000's**
SUBSCRIBED CAPITAL	(784,990)	–	–	–	–	–	**(784,990)**
- Share capital	149,990	–	–	–	–	–	**149,990**
- Silent partnership contributions	635,000	–	–	–	–	–	**635,000**
CAPITAL RESERVES	(884,196)	–	–	–	–	–	**(884,196)**
- Premium at issuance	408,590	–	–	–	–	–	**408,590**
- Other payments	475,606	–	–	–	–	–	**475,606**
RETAINED EARNINGS	(93,145)	–	–	–	–	–	**(93,145)**
- Legal reserves	945	–	–	–	–	–	**945**
- Other retained earnings	92,200	–	–	–	–	–	**92,200**
- Net retained profit	–	–	–	–	–	–	**–**
EQUITY	1,762,331	–	–	–	–	–	**1,762,331**

CASH FLOW STATEMENT

€ mn		2019	2018
RESULT FROM ORDINARY ACTIVITIES		165	135
EXTRAORDINARY EXPENSES		-17	–
OTHER TAXES NOT DISCLOSED UNDER “OTHER OPERATING EXPENSES“		0*)	-4
	PROFIT OR LOSS FOR THE PERIOD (NET INCOME/LOSS BEFORE TAXES AND PROFIT TRANSFER)	148	131
+/-	Amortisation/depreciation, write-downs and write-ups on loans and advances, and non-current assets	11	3
+/-	Increase/decrease in provisions	9	24
+/-	Other non-cash expenses/income	101	53
-/+	Profit/loss from the disposal of non-current assets	-1	-1
-/+	Other adjustments (net balance)	285	-3
-/+	Increase/decrease in loans and advances to banks	-969	-142
-/+	Increase/decrease in loans and advances to customers	-3,692	-1,820
-/+	Increase/decrease in securities (excluding financial assets)	509	103
-/+	Increase/decrease in other assets from operating activities	-21	46
+/-	Increase/decrease in liabilities to banks	3,539	1,270
+/-	Increase/decrease in liabilities to customers	-2,025	-1,676
+/-	Increase/decrease in securitised liabilities	1,644	1,252
+/-	Increase/decrease in other liabilities from operating activities	31	-71
+/-	Interest expenses/income	-554	-523
+/-	Income/expenses from extraordinary items	17	0
+	Interest and dividend payments received	1,991	2,015
-	Interest paid	-1,519	-1,496
-/+	Net cash inflow/outflow from income taxes (including Group tax overheads)	-77	-47
=	CASH FLOW FROM OPERATING ACTIVITIES	-573	-882
+	Receipts from the disposal of financial assets	672	1,208
-	Payments for investments in financial assets	0	-784
+	Cash proceeds from the disposal of property and equipment	0*)	0*)
-	Payments for investments in tangible fixed assets	-11	-12
-	Payments for investments in intangible fixed assets	-1	-2
=	CASH FLOW FROM INVESTING ACTIVITIES	660	410
-	Cash outflow from profit transfer to DZ BANK (as holder of the share capital)	-55	-68
-	Cash outflow from partial profit transfer to DZ BANK (as holder of the silent partnership contributions)	-17	-16
+/-	(Net) cash inflow/outflow from issuance/repayment of subordinated liabilities	-16	-94
=	CASH FLOW FROM FINANCING ACTIVITIES	-88	-178
	CASH FUNDS AT THE BEGINNING OF THE PERIOD	1	651
+/-	Cash flow from operating activities	-573	-882
+/-	Cash flow from investing activities	660	410
+/-	Cash flow from financing activities	-88	-178
	CASH FUNDS AT THE END OF THE PERIOD	0*)	1

*) values less than € 0.5 million

The cash funds correspond to the balance sheet item “Cash funds“ and include cash on hand and balances with central banks.

NOTES TO THE FINANCIAL STATEMENTS

GENERAL NOTES

DZ HYP AG (“DZ HYP“) has dual registered offices in Hamburg and Münster, Westphalia. DZ HYP is registered with the Commercial Register of the Hamburg Local Court (Amtsgericht Hamburg) under HRB 5604, and with the Commercial Register of the Münster Local Court (Amtsgericht Münster) under HRB 17424.

(1) General information on the preparation of financial statements

The financial statements of DZ HYP for the financial year 2019 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – “HGB“). Furthermore, the financial statements are prepared in accordance with the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute - “RechKredV“) and the German Banking Act (Kreditwesengesetz – “KWG“); they fulfil the requirements of the German Stock Corporation Act (Aktiengesetz – “AktG“) and the German Pfandbrief Act (Pfandbriefgesetz – “PfandBG“).

Given the non-materiality of all subsidiaries, even if considered in aggregate, in accordance with section 290 (5) in conjunction with section 296 (2) of the HGB, the company has not prepared consolidated financial statements.

All amounts have been quoted in euros, in accordance with section 244 of the HGB.

(2) Accounting policies

These annual financial statements of DZ HYP as at 31 December 2019 are generally based on the same accounting policies as were applied in the annual financial statements as at 31 December 2018; accordingly, there were no material changes to accounting methods since then.

One change of presentation resulted from a change in the Bank’s interest rate risk management approach, compared to the previous year: In 2018, the repurchase of fixed-rate registered Pfandbriefe was primarily offset – within the scope of interest rate risk management – through sales of fixed-interest securities, with early termination of interest rate swaps only used to a minor extent. Consequently, in the previous year, gains or losses realised from the repurchase of Pfandbriefe, and from interest rate swaps terminated early due to such repurchases, were included in cross-offsetting in accordance with section 340f (3) of the HGB. Since the beginning of 2019, and in contrast to the previous year, the Bank’s management approach has been to eliminate interest rate risk from Pfandbrief repurchases exclusively through early termination of interest rate swaps. Therefore, results realised from the repurchase of Pfandbriefe and early termination of interest rate swaps have since been reported in net interest income. The change led to a net amount of € 0.1 million reported in net interest income, instead of the income statement item “Write-downs and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions“.

Following the integration of IT systems, provision tests (as defined in IDW RS BFA 3) in connection with the fair-value measurement of the interest-related banking book are now carried out under a single management approach. Given the systems environment as at 31 December 2018, banking books were managed independently at the Münster and Hamburg offices at that time.

Loans and advances to banks/to customers

Loans and advances to banks and customers are recognised at nominal value, in accordance with section 340e (2) of the HGB. Where their stated value differs from the amount disbursed, or cost, the amount of the difference is reported under prepaid expenses or deferred income, and amortised in interest income over the term of the transaction.

Loans and advances which are fully classified as current assets are valued strictly at the lower of cost or market. All existing individual lending risks are covered by specific loss allowance and provisions.

Specific allowance is recognised when the Bank has reason to doubt the performance of a receivable, due to the difficult financial circumstances of a borrower, or in the event of insufficient collateralisation; or if there are indications that the borrower will be unable to pay interest on a sustainable basis. The same applies to contingent receivables.

When determining specific loss allowance, existing receivables as at the valuation date (including any pro-rata interest and pending items) are compared to discounted and scenario-weighted cash flows from collateral – including realisation of collateral. The uncovered portion determined in this way is written down in full. Inherent default risks and country risks are covered by portfolio-based loss allowances, which are derived using a model similar to the IFRS 9 impairment loss model. Additional loss allowances were set aside in accordance with section 340f of the HGB.

When recognising loss allowances, DZ HYP applies the option to cross-compensate all income and expense items in line with section 340f (3) as well as section 340c (2) of the HGB.

Bonds and other fixed-income securities

Bonds and debt securities held as fixed assets are measured at amortised cost; if impairments are expected to be permanent, DZ HYP recognises a write-down to the lower observable closing rate ("gemildertes Niederstwertprinzip"). Other bonds and debt securities are allocated to the liquidity reserve. These items are measured at the lower of cost and fair value ("strenges Niederstwertprinzip").

The vast majority of bonds and debt securities held as fixed assets are used in coverage calculations as ordinary or extended cover. The difference between cost and redemption amount is disclosed in net interest income during the remaining term.

The fair value of liquid debt securities and other fixed-income securities is generally determined on the basis of external market prices. If a valid market price for securities already held cannot be determined as at the reporting date, due to a lack of transaction volume, spread curves are used to determine the relevant price on the basis of the discounted cash flow method. Future cash flows from interest and principal were discounted to their present value as at the reporting date, using market interest rates in line with the risks and maturities concerned. If specific parametres needed for valuation purposes cannot be observed on the market, and cannot be derived from market data, DZ HYP applies parametres estimated within the DZ BANK Group.

The valuation of securities held as fixed assets, or included in the liquidity reserve, is generally based on an individual approach.

Participations and interests in affiliated companies

Investments and shares in affiliated companies are measured at amortised cost, or at the lower fair values in case of permanent impairments.

Intangible and tangible fixed assets

According to section 253 (1) and (3) of the HGB, intangible and tangible fixed assets are measured at cost less depreciation, amortisation and impairment losses. Depreciation and amortisation are recognised monthly on a straight-line basis, taking the expected useful life into account. Low-value assets disclosed under intangible and tangible fixed assets with cost of between € 250 and € 800 (after deducting any pre-tax amounts) are recognised in the balance sheet in the year of acquisition, and amortised/depreciated immediately. Assets with cost of less than € 250 are recognised through profit or loss in the year of acquisition.

Liabilities

Liabilities are recognised at their settlement amount in accordance with section 253 (1) s. 2 of the HGB. The difference between the nominal value and the initial carrying amount of liabilities is recognised under prepaid expenses or deferred income, and amortised over the term of the transaction.

Zero bonds are shown at their issue value, plus pro-rata interest in line with the yield at the time of issue.

Liabilities classified as structured products (as defined in Statement IDW RS HFA 22 issued by the Institute of Public Auditors in Germany – "IDW") are accounted for as uniform liabilities, since such products at DZ HYP exclusively contain interest rate derivative components, which do not have to be accounted for separately.

Provisions

Provisions for pensions are recognised in accordance with actuarial principles and determined on the basis of the projected unit credit method, using Dr Klaus Heubeck's 2018 G actuarial tables (revised version from 2 October 2018). The calculation of the provisions takes into account future salary increases of 2.5 per cent p.a. as well as pension increases of 2.5 per cent p.a. DZ HYP uses the average market interest rate for the last 10 years and a notional remaining term of 15 years as established by Deutsche Bundesbank in accordance with section 253 (2) of the HGB (2.71 per cent).

Due to amended legal requirements, the calculation of pension provisions was adapted in 2016. The assessment period of the applied average interest rate was extended from 7 to 10 years. The positive difference according to section 253 (6) s. 1 of the HGB (i.e. the shortfall in pension provisions due to the change in the period used to determine average values to the last 10 years) stood at € 20.5 million as at year-end 2019.

The addition to provisions for pensions due to interest rate effects is recognised in other operating expenses.

DZ HYP recognises tax provisions for current taxes in accordance with tax regulations.

Other provisions are recognised for contingent liabilities or for impending losses from executory contracts in the amount of the expected settlement amounts, exercising prudent commercial judgement.

In accordance with section 253 (2) of the HGB, provisions with a remaining term of more than one year are discounted using the average market interest rate of the last seven years, in line with maturities. Income or expenses from discounting or accumulating provision items are recognised in other operating income/expenses.

Derivative financial instruments and fair value measurement of banking book

Financial derivatives are accounted for separately in auxiliary ledgers. These instruments are used to hedge against the interest rate and currency risk exposure of on-balance sheet transactions. All derivative transactions thus form part of the overall management of the banking book. Segregated sub-portfolios (valuation units) are not managed on an individual basis. Accordingly, section 254 of the HGB is not applicable.

Current interest payments are amortised and recorded in net interest income.

In connection with the early redemption of hedged items recognised on the balance sheet, we also generally terminate derivative financial instruments early. Any resulting gains are usually recognised in net interest income. Only where interest rate swaps can be allocated to individual securities, income realised upon closing out swaps is recognised in line with the recognition of income of the underlying transaction, in the net financial result, or in the net risk provisioning balance, respectively.

In accordance with Statement IDW RS BFA 3, the fair value measurement ("verlustfreie Bewertung") of the interest-related banking book (the "interest rate book") is based on the present value. The interest rate book comprises both the interest-related underlying transaction as well as the interest-related derivative.

As at 31 December 2018, the provision test resolved that no provisions pursuant to section 249 (1) sentence 1 alternative 2 of the HGB have to be recognised for the interest rate book, since the present value of the interest rate book was higher than the carrying amount of the interest rate book, less general administrative and risk costs.

Profit and loss account

Interest rate option premiums paid and received are disclosed under other liabilities, or other assets, and recognised through profit or loss in net interest income at maturity.

Damages for prepayments charged for loan repayments or extensions during the fixed-interest term of a loan are fully recognised in interest income.

Income and expenses from the valuation of the lending business and securities held in the liquidity reserve are recognised on an offset basis in accordance with section 32 of the RechKredV in conjunction with section 340f (3) of the HGB. Expenses from financial investments are offset against the corresponding income items in accordance with section 33 of the RechKredV in conjunction with section 340c (2) of the HGB.

(3) Currency translation

Assets and liabilities from foreign exchange transactions are translated in line with section 340h in conjunction with section 256a of the HGB and Statement IDW RS BFA. Book receivables, securities, liabilities and unsettled spot transactions as well as foreign exchange forwards and cross-currency swaps denominated in foreign currencies entered into for FX hedging purposes are translated into euro, using the ECB reference rate on the reporting date. Regarding foreign exchange forwards entered into in order to hedge interest-bearing balance sheet items, currency translations are made by splitting the forward rate into the spot rate and the swap rate in line with IDW RS BFA 4. Due to the specific coverage of all existing foreign currency items, all currency translation effects have been recognised in income. Currency translation effects (as well as any realised FX effects) are recognised in other operating income.

NOTES TO THE BALANCE SHEET

(4) Lending business

MORTGAGE LOANS	Principal € mn	Carrying amount € mn
to banks	20	20
to customers	47,596	47,706
Total	47,616	47,726

PORTFOLIO DEVELOPMENT (PRINCIPAL)	€ mn	€ mn
Balance at 31 Dec 2018		42,827
ADDITIONS DURING THE FINANCIAL YEAR 2019		10,631
through Disbursements	10,616	
Transfers	–	
Other additions	15	
DISPOSALS DURING THE FINANCIAL YEAR 2019		5,842
through Scheduled and unscheduled redemptions / repayments	4,812	
Transfers	1,030	
Other disposals	0	
BALANCE AT 31 DEC 2019		47,616

LOANS TO LOCAL AUTHORITIES	Principal € mn	Carrying amount € mn
to banks	241	243
to customers	13,516	13,592
Total	13,757	13,835

PORTFOLIO DEVELOPMENT (PRINCIPAL)	€ mn	€ mn
Balance at 31 Dec 2018		14,932
ADDITIONS DURING THE FINANCIAL YEAR 2019		637
through Disbursements	628	
Transfers	0	
Other additions	9	
DISPOSALS DURING THE FINANCIAL YEAR 2019		1,812
through Scheduled and unscheduled redemptions / repayments	1,812	
Transfers	0	
Other disposals	0	
BALANCE AT 31 DEC 2019		13,757

(5) Negotiable securities

	Listed		Unlisted		Carrying amount of negotiable securities not valued at the lower of cost or market	
Balance sheet item	31 Dec 2019 € 000's	31 Dec 2018 € 000's	31 Dec 2019 € 000's	31 Dec 2018 € 000's	31 Dec 2019 € 000's	31 Dec 2018 € 000's
Bonds and other fixed-income securities	9,396,979	10,494,826	493,255	588,048	696,018	1,157,589

As at 31 December 2019, the Bank did not recognise an extraordinary write-down in the aggregate amount of € 52.7 million (31 December 2018: € 78.6 million) for negotiable securities held as fixed assets with a carrying amount of € 696.0 million (31 December 2018: € 1,157.6 million) and a fair value of € 643.3 million (31 December 2018: € 1,079.0 million) not measured at the lower of cost or market, due to the expected temporary nature of the impairment. This assessment is based on the observation that the euro area has become more stress-resistant due to the crisis mechanisms established in the recent past, and that the effects of individual stabilisation measures are becoming (or have become) increasingly evident (such as bond acquisition programmes or low-interest rate policies).

As at 31 December 2019, the hidden burdens and reserves in the Bank's portfolio of negotiable securities amounted to a total of € 1,678.9 million (31 December 2018: € 1,020.8 million). The aggregate hidden reserves were affected by changes in the swap curve (decline in overall market interest rate levels over recent years) in the amount of € 2,322.8 million (31 December 2018: € 1,956.5 million) and by the poorer credit rating for some securities compared to the date of acquisition, affecting hidden reserves with € -643.9 million (31 December 2018: € -935.7 million). While DZ HYP enters into opposing primary and derivative interest rate transactions to neutralise swap curve developments and the resulting positive valuation effects for securities as part of the interest rate risk management (overall bank management) (i.e. DZ HYP does not profit from such valuation changes), the Bank fully carries the negative credit risk-related valuation changes for securities. According to its current assumptions, DZ HYP does not expect any disruptions of interest or principal payments; after an isolated consideration, the Bank did not recognise any impairments in connection with credit risk-related valuation losses. Please refer to the Bank's management report (chapter "net assets") for further information on the securities portfolio.

(6) Breakdown of, and statement of changes in fixed assets

	Purchase or production cost				
	1 Jan 2019 € 000's	Additions € 000's	Transfers € 000's	Disposals € 000's	31 Dec 2019 € 000's
I. INTANGIBLE ASSETS					
1. Software	23,481	1,006	660	–	25,147
2. Advance payments made on intangible assets	387	273	-660	–	0
	23,868	**1,279**	**–**	**–**	**25,147**
II. TANGIBLE FIXED ASSETS					
1. Land and buildings	218,879	9,680	–	–	228,559
2. Office furniture and equipment **)	11,172	864	–	764	11,272
	230,051	**10,544**	**–**	**764**	**239,831**
			Additions		
III. FINANCIAL ASSETS					
1. Participations	911		–		911
2. Investments in affiliated companies	1,566		–		1,566
3. Investment securities	10,317,240		43,516		10,805,844
	10,319,717		**43,516**		**10,808,321**

	Depreciation and amortisation				Carrying amounts	
	in the financial year € 000's	Transfers € 000's	Disposals € 000's	Total € 000's	31 Dec 2019 € 000's	1 Jan 2019 € 000's
I. INTANGIBLE ASSETS						
1. Software	1,424	–	–	23,060	2,087	1,845
2. Advance payments made on intangible assets	-	–	–	–	0	387
	1,424	**–**	**–**	**23,060**	**2,087**	**2,232**
II. TANGIBLE FIXED ASSETS						
1. Land and buildings	3,283	–	–	50,493	178,066*)	171,669
2. Office furniture and equipment **)	1,246	–	690	8,973	2,299	2,755
	4,529	**–**	**690**	**59,466**	**180,365**	**174,424**
		Disposals				
III. FINANCIAL ASSETS						
1. Participations		–			911	911
2. Investments in affiliated companies		–			1,566	1,566
3. Investment securities		697,355			9,663,401	10,334,260
		697,355			**9,665,878**	**10,336,737**

*) of which: owner-occupied properties: € 73.1 million; used by third parties: € 105.0 million.
**) fully used for the Bank's own operations

(7) Trust business

	31 Dec 2019 € 000's	31 Dec 2018 € 000's
Assets held in trust comprise:		
- Loans and advances to customers	12,089	23,802
- Participations	18,100	18,100
	30,189	41,902
Trust liabilities are carried vis-à-vis:		
- Banks	12,089	14,960
- Customers	18,100	26,942
	30,189	41,902

(8) Other assets

Other assets of € 30.7 million (31 December 2018: € 29.6 million) mainly include the cash collateral for the restructuring fund (€ 23.4 million), reinsurance coverage claims of € 3.6 million, as well as claims against VR WERT Gesellschaft für Immobilienbewertungen mbH, Hamburg, (profit transfer 2019) of € 2.6 million.

(9) List of investments pursuant to sections 285 no. 11 and 340a of the HGB

Minimum stake of 20% Name/registered office	Equity interest %	Equity € 000's	Result 2019 € 000's
VR WERT Gesellschaft für Immobilienbewertungen mbH, Hamburg	100.0	50	2,590*)
VR HYP GmbH, Hamburg	100.0	25	– **)
VR REAL ESTATE GmbH, Hamburg	100.0	25	– **)
TXS GmbH, Hamburg	24.5	200	344**)

*) control and profit and loss transfer agreement with DZ HYP
**) result for the financial year 2018

(10) Prepaid expenses and deferred income

	31 Dec 2019 € 000's	31 Dec 2018 € 000's
ASSETS		
Sub-item a) From new issues and lending comprises:		
Difference between the nominal amount and the higher disbursement amount of receivables	50,854	43,766
Difference between the nominal amount and the lower issuing amount of liabilities	84,366	88,580
LIABILITIES AND EQUITY		
Sub-item a) From new issues and lending comprises:		
Difference between the nominal amount and the lower disbursement amount of receivables	17,435	22,795

(11) Open-market transactions

	31 Dec 2019 € 000's	31 Dec 2018 € 000's
Open-market transactions entered into with the European Central Bank	1,581,789	1,588,293

(12) Securities repurchase agreements

	31 Dec 2019 € 000's	31 Dec 2018 € 000's
Carrying amount of securities pledged under repo agreements	2,567,436	2,931,252
Repurchase amount	2,564,698	3,073,542

(13) Breakdown of, and statement of changes in debt securities and borrowed funds

	Principal € mn	Carrying amount € mn
REGISTERED MORTGAGE PFANDBRIEFE		
to banks	2,081	2,106
to customers	5,697	5,770
MORTGAGE PFANDBRIEFE	22,962	23,052
	30,740	**30,928**
REGISTERED PUBLIC PFANDBRIEFE		
to banks	785	798
to customers	9,475	9,689
PUBLIC PFANDBRIEFE	3,370	3,388
	13,630	**13,875**
OTHER DEBT SECURITIES	**1,761**	**1,773**
BORROWED FUNDS		
from banks	21,079	18,502
from customers	1,581	981
	22,660	**19,483**
TOTAL	**68,791**	**66,059**

DEVELOPMENT (PRINCIPAL)

	Balance on 31 Dec 2018	Additions	Derecognitions	Reclassifications and other adjustments	Balance on 31 Dec 2019
	€ mn	€ mn	€ mn	€ mn	€ mn
Mortgage Pfandbriefe and Registered Mortgage Pfandbriefe	28,932	4,707	2,900	1	30,740
Public Pfandbriefe and Registered Public Pfandbriefe	15,138	500	2,025	17	13,630
Other debt securities	2,364	15	618	–	1,761
Borrowed funds	19,805	5,662	2,812	5	22,660
Total	**66,239**	**10,884**	**8,355**	**23**	**68,791**

(14) Other liabilities

This item amounts to € 166.6 million (31 December 2018: € 170.0 million) and mainly comprises liabilities from tax allocations of € 82.8 million, liabilities from profit transfers of € 50.0 million, as well as € 16.1 million in profits to be transferred under partial profit transfer agreements in connection with silent capital contributions.

(15) Subordinated liabilities

	31 Dec 2019 € 000's	31 Dec 2018 € 000's
SUBORDINATED		
other debt securities	25,000	67,000
borrowed funds	39,500	13,750
	64,500	80,750
INTEREST EXPENSE	4,031	4,693

Pursuant to the CRR, subordinated liabilities in the amount of € 26.0 million qualify as tier 2 capital in the determination of own funds for regulatory purposes. Early repayment obligations are not provided for in all cases. There are no provisions or plans for a conversion of such funds to capital, or into another form of debt.

Subordinated liabilities carry an average interest of 5.83 per cent, and have original maturities of between 10 and 20 years.

Disclosures on subordinated liabilities amounting to 10.0 per cent or more of the aggregate amount of subordinated liabilities:

Amount € mn	Currency	Coupon *) %	Maturity
25.0	€	6.61	21 Mar 2022
10.0	€	6.14	5 Sep 2023
6.5	€	4.42	28 Sep 2020

*) as at 31 Dec 2019

(16) Equity

DZ HYP reported equity of € 1,762.3 million as at 31 December 2019 (31 December 2018: € 1,762.3 million).

The share capital amounts to € 149,989,937.14 and is divided into 5,832,942 notional no-par value shares ("unit shares").

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, has given notice pursuant to section 20 (4) of the German Stock Corporation Act (Aktiengesetz – "AktG") that it holds a majority shareholding.

With effect from 31 December 2012, DZ BANK issued an unrestricted letter of comfort for DG HYP (DZ HYP after change of company name). According to the still-valid unrestricted letter of comfort, except in the event of political risk, DZ BANK has undertaken to ensure (in total for the consolidated entity DZ HYP) that DZ HYP is able to meet its contractual obligations.

Silent partnership contributions in the amount of € 635.0 million are open-ended and comply with the provisions of section 10 (4) of the KWG on the reporting date. The silent partnership contributions are partial profit transfer agreements within the meaning of section 292 (1) no. 2 of the AktG. Pursuant to the transitional regulations of the CRR, € 190.5 million of the silent capital contributions is eligible as tier 1 capital. The remaining € 444.5 million is included in tier 2 capital.

(17) Contingent liabilities

Contingent liabilities of € 447.0 million (31 December 2018: € 376.4 million) comprise mainly guarantees for commercial real estate loans, € 230.8 million of which are extended to DZ BANK. DZ HYP's credit risk management is responsible for monitoring contingent liabilities.

(18) Other commitments

Irrevocable loan commitments of € 5,849.6 million (31 December 2018: € 5,770.1 million) are related primarily to mortgage financing, and were decreased by € 2.6 million in provisions for contingent losses.

(19) Obligations

DZ HYP is a member of the BVR Institutssicherung GmbH (BVR-ISG) and the deposit insurance scheme of the National Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken – "BVR").

According to the articles of association of the deposit insurance scheme of the BVR, DZ HYP has issued a letter of indemnity to BVR. As a result, DZ HYP is liable to contingent liabilities in the amount of € 42.1 million.

According to BVR-ISG's articles of association, DZ HYP has undertaken to make special contributions and payments to BVR-ISG in proportion to the volume of the covered deposits. Pursuant to section 27 (4) of the German Deposit Guarantee Act (Einlagensicherungsgesetz), BVR-ISG may generally raise, as a statutory deposit guarantee scheme, special contributions and payments of a maximum amount of up to 0.5 per cent of the covered deposits of the credit institutions allocated to it within a given settlement year.

(20) Relationships with affiliated enterprises and subsidiaries

AFFILIATED COMPANIES

	31 Dec 2019 € 000's	31 Dec 2018 € 000's
Loans and advances to		
- banks	2,795,885	2,105,454
- customers	38,851	41,982
Other assets	6,860	7,489
Liabilities to		
- banks	25,016,429	21,120,949
- customers	669,012	720,278
Other liabilities	150,975	152,703
Other provisions	2,454	–
Subordinated liabilities	10,000	18,000

Subsidiaries

As at the reporting date, liabilities to subsidiaries amounted to € 204,000 (31 December 2018: € 30,000); besides provisions of € 986,000, loans and advances to subsidiaries amounted to € 1,000 (31 December 2018: € 1,000).

(21) Related-party transactions

There were no related-party transactions entered into – at terms not in line with prevailing market terms – which would give rise to a disclosure duty pursuant to section 285 no. 21 of the HGB.

(22) Breakdown of maturities for loans and advances, and liabilities

		31 Dec 2019 € 000's	31 Dec 2018 € 000's
ASSETS			
Loans and advances to banks			
Remaining term	**- payable on demand**	918,842	2,853,205
	- up to three months	3,118,999	1,164,646
	- between three months and one year	698	25,674
	- between one year and five years	1,252,461	254,593
	- more than five years	37,795	58,659
		5,328,795	**4,356,777**
Loans and advances to customers			
Remaining term	**- payable on demand**	258,420	209,541
	- up to three months	1,497,027	1,338,799
	- between three months and one year	3,965,717	3,952,433
	- between one year and five years	19,351,011	18,031,401
	- more than five years	38,707,005	36,507,592
		63,779,180	**60,039,766**
Bonds and other fixed-income securities maturing in the following year		658,106	859,021
LIABILITIES			
Liabilities to banks			
Remaining term	**- payable on demand**	23,416	79,764
	- up to three months	3,552,579	4,545,813
	- between three months and one year	3,614,441	2,383,421
	- between one year and five years	11,796,393	9,939,007
	- more than five years	11,493,429	9,968,131
		30,480,258	**26,916,136**
Liabilities to customers			
Remaining term	**- payable on demand**	542,893	507,059
	- up to three months	802,526	1,046,171
	- between three months and one year	681,401	940,411
	- between one year and five years	3,683,733	3,626,837
	- more than five years	11,955,975	13,413,426
		17,666,528	**19,533,904**
Certificated liabilities maturing in the following year		2,803,299	3,027,598

(23) Assets and liabilities in foreign currencies

	31 Dec 2019 € 000's	31 Dec 2018 € 000's
Assets include foreign-currency receivables in the total amount of	2,506,734	2,418,385
Liabilities and equity include foreign-currency liabilities in the total amount of	605,722	672,285

(24) Forward contracts not reflected in the balance sheet

The following types of forward transactions based on foreign currencies, interest rates or other underlying instruments were outstanding as at the reporting date:

€ mn	Nominal amounts by residual term			Total		Fair value			
						31 Dec 2019		31 Dec 2018	
	≤ 1 year	> 1 – 5 yrs	> 5 yrs	31 Dec 2019	1 Jan 2018	positive	negative	positive	negative
Interest rate instruments *)	10,085	39,942	77,822	127,849	120,985	5,257	7,565	3,549	5,477
Currency-related instruments	210	1,286	708	2,204	2,164	57	225	95	164
Credit-related transactions	6	25	17	48	79	–	–	7	–
Total	10,301	41,253	78,547	130,101	123,228	5,314	7,790	3,651	5,641

*) including interest rate swaps with identical foreign currency

The breakdown of the carrying amounts of forward contracts not reflected on the balance sheet by balance sheet items pursuant to section 285 no. 19 of the HGB is as follows:

	Carrying amount 31 Dec 2019 € mn	Carrying amount 31 Dec 2018 € mn	Balance sheet item Assets	Carrying amount 31 Dec 2019 € mn	Carrying amount 31 Dec 2018 € mn	Balance sheet item Liabilities
Interest-based transactions	506	432	Loans and advances to banks, loans and advances to customers, prepaid expenses, other assets	499	459	Liabilities to banks, liabilities to customers, deferred income, other liabilities
Currency-based transactions	5	40	Loans and advances to banks, loans and advances to customers, prepaid expenses, other assets	122	75	Liabilities to banks, liabilities to customers, deferred income, other liabilities
Rating-based transactions	2	4	Loans and advances to banks, prepaid expenses	2	2	Provisions

The forward transactions identified above are used to manage interest rate, currency and counterparty credit risk exposure. As a rule, counterparties are OECD banks, OECD financial services institutions or OECD central governments. In addition, borrowers as well as a public-sector institution formerly licensed as a bank also appear as counterparties (market value € 40.4 million) in connection with loan agreements.

Interest rate and currency swaps are valued using present values, determined by discounting cash flows to their present value as at the reporting date using interest rates in line with the credit risk and maturities concerned, as indicated by individual yield curves prevailing on the reporting date. Furthermore, credit adjustments are applied in the valuation of such trades, to reflect default risks and closing costs. Structured products are divided into components for valuation purposes.

Options are valued using option pricing models. These are applied on the basis of generally recognised assumptions regarding valuation parametres; in particular, the value and volatility of the underlying instrument, the agreed exercise price (interest rate), the remaining lifetime of the contract, as well as the risk-free interest rate for that lifetime. Regarding the valuation of foreign exchange forwards, the respective cash flows are translated into euro using the corresponding foreign currency rate, and discounted using the market interest rate appropriate to the risk level and maturity.

Credit derivatives are valued on an individual basis, predominantly on the basis of the default probability of the reference obligations concerned. Provisions have been recognised in the amount of € 1.7 million (31 December 2018: € 2.4 million) for the three total return swaps held since 2006 and 2007, respectively, in order to hedge the immediate counterparty risk exposure.

Market values are determined without consideration of netting agreements. The market values of derivatives are offset by compensating market values of the related hedged balance sheet items at overall bank level.

Cash collateral was provided for derivatives, as part of the Bank's collateral management, in the amount of € 2,686.2 million (31 December 2018: € 1,981.6 million).

NOTES TO THE PROFIT AND LOSS ACCOUNT

(25) Breakdown of income by geographic markets within the meaning of section 34 (2) no. 1 of the RechKredV

The breakdown of interest income, current income from equities and other non-fixed income securities, commission income and other operating income is as follows:

in %	2019	2018
GERMANY	84.2	84.1
INTERNATIONAL	15.8	15.9

(26) Interest expenses and income

Interest payments made and received in connection with derivative transactions, which are used to manage the overall interest rate risk, are recognised on a net basis in interest income or expenses. In individual exceptional cases, derivative transactions may be terminated early; the resulting compensation payments are recognised in net interest income.

Negative interest rates on financial assets and financial liabilities, due to the prevailing low interest rate environment, are offset in income against the corresponding interest expenses and interest income. Overall, interest income as disclosed in the profit and loss account comprised negative interest rates in the amount of € 3.5 million, which was considered insignificant (previous year: € 8.7 million). Interest expenses comprised positive interest of € 18.0 million (previous year: € 18.5 million).

(27) Other operating income

Other operating income of € 26.6 million (previous year: € 28.0 million) primarily comprise rental income of € 9.6 million, service income of € 7.2 million as well as € 6.6 million in income from the reversal of provisions.

(28) Other operating expenses

Other operating expenses totalling € 22.1 million (previous year: € 20.0 million) largely include expenses of € 17.4 million for the discounting of provisions for pensions and similar obligations, and expenses for buildings not directly used for Bank business of € 2.0 million.

(29) Net extraordinary income/expenses

Extraordinary expenses of € 17.3 million (previous year: € 0.0 million) were due to provisions recognised for restructuring activities.

(30) Income taxes

Income taxes predominantly comprise a tax levy in the amount of € 82.1 million by the controlling company, DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, in the year under review.

COVERAGE

(31) Coverage by balance sheet item

	Mortgage Pfandbriefe 31 Dec 2019 € mn	Mortgage Pfandbriefe 31 Dec 2018 € mn	Public Pfandbriefe 31 Dec 2019 € mn	Public Pfandbriefe 31 Dec 2018 € mn
ORDINARY COVER	34,513	31,985	16,336	18,378
LOANS AND ADVANCES TO CUSTOMERS	34,400	31,871	13,466	14,786
Loans secured by property mortgages	34,400	31,871	42*)	53*)
Loans to local authorities	–	–	13,424	14,733
LOANS AND ADVANCES TO BANKS	19	20	239	98
Loans secured by property mortgages	19	20	–	–
Loans to local authorities	–	–	239	98
DEBT SECURITIES	–	–	2,631	3,493
BANK BUILDINGS	94	94	–	–
EXTENDED COVER	801	1,176	65	36
LOANS AND ADVANCES TO BANKS	0	0	65	36
Monetary claims	0	0	65	36
DEBT SECURITIES	801	1,176	–	–
Total	35,314	33,161	16,401	18,414

*) under a municipal guarantee

(32) Details pursuant to section 28 of the German Pfandbrief Act

Outstanding Pfandbriefe and related cover assets

	Nominal amount		Present value		Risk-adjusted present value *)	
a) Total amount of outstanding	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Jan 2018 € mn
Mortgage Pfandbriefe	30,710	28,902	32,682	30,210	30,835	28,368
Cover assets pool	35,314	33,161	40,099	36,668	37,608	34,499
of which: derivatives	–	–	–	–	–	–
Excess cover	4,604	4,259	7,417	6,458	6,773	6,131
Excess cover in %	15.0	14.7	22.7	21.4	22.0	21.6

*) When calculating the risk-adjusted present value, the dynamic method pursuant to section 5 (1) no. 2 of the Present Value Cover Regulation (PfandBarwertV) was used.

Ref. a) Maturity structure	Mortgage Pfandbriefe 31 Dec 2019 € mn	Mortgage Pfandbriefe 31 Dec 2018 € mn	Cover assets pool 31 Dec 2019 € mn	Cover assets pool 31 Dec 2018 € mn
<= 6 months	1,669	1,625	1,515	1,566
> 6 months and <= 12 months	640	1,171	1,543	1,364
> 12 months and <= 18 months	1,118	1,634	1,381	1,297
> 18 months and <= 2 years	1,572	650	1,583	1,528
> 2 years and <= 3 years	3,029	2,123	2,953	2,990
> 3 years and <= 4 years	2,995	2,990	3,072	3,105
> 4 years and <= 5 years	2,841	2,642	2,830	2,844
> 5 years and <= 10 years	13,038	11,504	12,909	11,614
> 10 years	3,808	4,563	7,528	6,853
Total	30,710	28,902	35,314	33,161

Ref. a) Disclosure pursuant to section 6 of the German Pfandbrief Present Value Regulation (Pfandbrief-Barwertverordnung – "PfandBarwertV")

Currency	Net present value in € 31 Dec 2019 mn	Net present value in € 31 Dec 2018 mn
CHF	4.3	7.7
GBP	197.0	194.3
SEK	54.9	56.1
USD	44.4	43.3

Ref. a) additional indicators on Mortgage Pfandbriefe outstanding		31 Dec 2019	31 Dec 2018
Share of fixed-interest assets in total cover assets pool	%	90.3	91.0
Share of fixed-interest Pfandbriefe in liabilities to be covered	%	97.4	94.0
Total amount of assets breaching the limits as set in section 13 (1) of the PfandBG	€ mn	–	–
Average volume-weighted age of assets	in years	4.6	4.6
Average weighted loan-to-value ratio	%	54.1	54.0
Total amount of assets breaching the limits as set in section 19 (1) no. 2 of the PfandBG	€ mn	–	–
Total amount of assets breaching the limits as set in section 19 (1) no. 3 of the PfandBG	€ mn	–	–

b) Total amount of outstanding	Nominal amount 31 Dec 2019 € mn	Nominal amount 31 Dec 2018 € mn	Present value 31 Dec 2019 € mn	Present value 31 Dec 2018 € mn	Risk-adjusted present value *) 31 Dec 2019 € mn	Risk-adjusted present value *) 31 Dec 2018 € mn
Public Pfandbriefe	13,635	15,173	17,092	18,472	15,805	17,149
Cover assets pool	16,401	18,414	20,591	22,307	18,912	20,571
of which: derivatives	–	–	–	–	–	–
Excess cover	2,766	3,241	3,499	3,835	3,107	3,422
Excess cover in %	20.3	21.4	20.5	20.8	19.7	20.0

*) When calculating stress scenarios, the static method is used for currencies and the dynamic method for interest rates.

Ref. b) Maturity structure	Public Pfandbriefe 31 Dec 2019 € mn	Public Pfandbriefe 31 Dec 2018 € mn	Cover assets pool 31 Dec 2019 € mn	Cover assets pool 31 Dec 2018 € mn
<= 6 months	880	641	899	883
> 6 months and <= 12 months	969	1,320	596	1,082
> 12 months and <= 18 months	724	928	616	823
> 18 months and <= 2 years	364	941	606	630
> 2 years and <= 3 years	670	1,101	1,117	1,316
> 3 years and <= 4 years	877	695	1,114	1,124
> 4 years and <= 5 years	902	875	1,349	1,096
> 5 years and <= 10 years	3,490	4,203	4,085	4,639
> 10 years	4,759	4,469	6,019	6,821
Total	13,635	15,173	16,401	18,414

Ref. b) Disclosure pursuant to section 6 of the German Pfandbrief Present Value Ordinance ("Pfandbrief-Barwertverordnung")

Currency	Net present value in € 31 Dec 2019 mn	Net present value in € 31 Dec 2018 mn
CAD	37.1	35.6
CHF	77.5	78.8
GBP	24.8	6.6
JPY	35.0	34.2
USD	154.0	67.4

Ref. b) Additional indicators on Public Pfandbriefe outstanding		31 Dec 2019	31 Dec 2018
Share of fixed-interest assets in total cover assets pool	%	96.0	95.0
Share of fixed-interest Pfandbriefe in liabilities to be covered	%	95.6	95.0
Total amount of assets breaching the limits as set out in section 20 (2) no. 2 of the PfandBG	€ mn	–	–

Assets included in cover for Mortgage Pfandbriefe

by loan amount	31 Dec 2019 € mn	31 Dec 2018 € mn
<= € 300,000	8,458	8,221
> € 300,000 and <= € 1 mn	2,368	2,285
> € 1 mn and <= € 10 mn	10,858	10,637
> € 10 mn	12,829	10,842
Total	34,513	31,985

by type of property	31 Dec 2019 € mn	31 Dec 2018 € mn
Housing properties	20,622	19,715
Commercial properties	13,891	12,270
Total	34,513	31,985

Assets included in cover for Mortgage Pfandbriefe, by country where real property collateral is located, and by type of property

€ mn	Fiscal Year	Federal Republic of Germany	Belgium	Denmark	France	United Kingdom	Netherlands	Austria	Poland	Sweden	Hungary	Total
RESIDENTIAL PROPERTIES	31 Dec 2019	1,582	–	–	*) –	–	–	*) –	–	–	–	1,582
	31 Dec 2018	1,478	–	–	*) –	–	–	*) –	–	–	–	1,478
SINGLE AND DOUBLE FAMILY HOMES	31 Dec 2019	5,389	*) –	–	1	–	*) –	–	–	–	–	5,390
	31 Dec 2018	5,961	*) –	–	2	–	*) –	*) –	–	–	–	5,963
MULTI-FAMILY HOMES	31 Dec 2019	13,130	–	–	*) –	–	–	–	–	–	–	13,130
	31 Dec 2018	11,800	–	–	–	–	–	–	–	–	–	11,800
OFFICE BUILDINGS	31 Dec 2019	5,047	–	–	175	151	321	8	–	–	–	5,702
	31 Dec 2018	4,165	–	–	119	142	177	3	–	–	–	4,606
COMMERCIAL BUILDINGS	31 Dec 2019	3,884	–	–	85	29	127	–	51	54	42	4,272
	31 Dec 2018	3,661	–	–	85	38	104	–	37	55	44	4,024
INDUSTRIAL BUILDINGS	31 Dec 2019	135	–	–	–	–	–	–	–	–	–	135
	31 Dec 2018	45	–	–	–	–	–	–	–	–	–	45
OTHER COMMERCIAL PROPERTIES	31 Dec 2019	3,582	–	–	–	–	53	–	–	1	–	3,636
	31 Dec 2018	3,406	–	*) –	–	–	57	–	–	1	–	3,464
UNFINISHED NEW BUILDINGS NOT YET YIELDING RETURNS	31 Dec 2019	647	–	–	–	–	–	–	–	–	–	647
	31 Dec 2018	580	–	–	–	–	–	–	–	–	–	580
BUILDING PLOTS	31 Dec 2019	19	–	–	–	–	–	–	–	–	–	19
	31 Dec 2018	25	–	–	–	–	–	–	–	–	–	25
Total	31 Dec 2019	33,415	*) –	–	261	180	501	8	51	55	42	34,513
	31 Dec 2018	31,121	*) –	*) –	206	180	338	3	37	56	44	31,985

*) values < € 0.5 million

Assets included in cover for Mortgage Pfandbriefe
Total amount of registered cover assets

Sovereign borrowers	Assets pursuant to section 19 (1) no. 2 of the PfandBG: Equalisation claims pursuant to section 19 (1) no. 1 of the PfandBG		Assets pursuant to section 19 (1) no. 2 of the PfandBG: Total		Assets pursuant to section 19 (1) no. 2 of the PfandBG: of which: covered debt securities pursuant to art. 129 of the EU Regulation no. 575/2013		Assets pursuant to section 19 (1) no. 3 of the PfandBG		Total	
	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn
Federal Republic of Germany	–	–	–	–	–	–	801	1,176	801	1,176
Total	–	–	–	–	–	–	801	1,176	801	1,176

Overview of payments in arrears on cover assets for Mortgage Pfandbriefe

	Aggregate payments in arrears by at least 90 days		Total amount disclosed if applicable arrears equal at least 5% of total asset value	
	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn
Federal Republic of Germany	0.6	1.9	3.6	6.5
France	–	–	0.1	0.1
Total	0.6	1.9	3.7	6.6

Assets included in cover for Mortgage Pfandbriefe
Forced sales/forced administration

	Commercial properties		Housing properties	
	2019 Number	2018 Number	2019 Number	2018 Number
No. 4a				
Forced sales pending	11	8	96	108
Forced administrations pending	4	4	19	7
of which: included in forced sales pending	4	4	19	19
Forced sales executed	3	2	44	58
No. 4b	Number	Number	Number	Number
Purchases of properties to prevent losses (foreclosed assets)	–	–	–	–
No. 4c	€ mn	€ mn	€ mn	€ mn
Total amount of interest arrears	0.19	0.11	0.14	0.40

Assets included in cover for Public Pfandbriefe
Share in total amount of Pfandbriefe outstanding (nominal)

	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 %	31 Dec 2018 %
Total cover assets pool	16,401	18,414	120.29	121.36
of which: ordinary cover	16,336	18,378	119.82	121.12
of which: additional cover	65	36	0.47	0.24

Assets included in cover for Public Pfandbriefe

by loan amount	31 Dec 2019 € mn	31 Dec 2018 € mn
<= € 10 mn	5,950	6,931
> € 10 mn and <= € 100 mn	6,035	6,144
> € 100 mn	4,351	5,303
Total	16,336	18,378

Assets included in cover for Public Pfandbriefe, by country of domicile of the borrower and, in the case of full guarantee, of the guarantor

a) of which: due from	Sovereign states		Regional public-sector entities		Local public-sector entities		Other		Total a)	
€ mn	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Belgium	30	30	23	23	–	–	–	–	53	53
Federal Republic of Germany	151	215	1,655	1,776	9,982	10,795	717	1,010	12,505	13,796
France	40	40	–	7	5	20	21	21	66	88
Italy	170	690	132	200	80	80	–	–	382	970
Canada	–	–	271	280	5	5	–	–	276	285
Luxembourg	7	7	–	–	–	–	–	–	7	7
Austria	417	416	25	25	–	–	–	–	442	441
Portugal	280	280	–	–	–	–	–	–	280	280
Switzerland	–	–	235	226	–	–	–	–	235	226
Spain	50	50	925	980	30	137	–	–	1,005	1,167
EU institutions	–	–	–	–	–	–	271	288	271	288
Total	1,145	1,728	3,266	3,517	10,102	11,037	1,009	1,319	15,522	17,601

b) of which: guaranteed by	Sovereign states		Regional public-sector entities		Local public-sector entities		Other		Total b)		Total a) and b)	
€ mn	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Belgium	–	–	1	53	–	–	–	–	1	53	54	106
Federal Republic of Germany	51	51	169	63	292	226	5	5	517	345	13,022	14,141
France	–	–	–	–	–	–	–	–	0	0	66	88
Italy	–	1	–	–	–	–	–	–	0	1	382	971
Canada	–	–	137	134	–	–	–	–	137	134	413	419
Luxembourg	–	–	–	–	–	–	–	–	0	0	7	7
Austria	–	20	–	–	–	–	–	–	0	20	442	461
Portugal	200	200	–	–	–	–	–	–	200	200	480	480
Switzerland	–	–	–	–	–	–	–	–	0	0	235	226
Spain	–	–	24	–	–	24	–	–	24	24	1,029	1,191
EU institutions	–	–	–	–	–	–	–	–	0	0	271	288
Total	251	272	331	250	292	250	5	5	879*)	777*)	16,401	18,378

*) Totals do not include any guarantees due to promotion of export activities.

Assets included in cover for Public Pfandbriefe
Total amount of registered cover assets

	Assets pursuant to section 20 (2) no. 2 of the PfandBG							
	Equalisation claims pursuant to section 20 (2) no. 1 of the PfandBG		Total		of which: covered debt securities pursuant to art. 129 of the EU Regulation no. 575/2013		Total	
Sovereign borrowers	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn
Federal Republic of Germany	–	–	65	36	–	–	65	36
Total	–	–	65	36	–	–	65	36

Overview of payments in arrears on cover assets for Public Pfandbriefe

	Aggregate payments in arrears by at least 90 days		Total amount disclosed if applicable arrears equal at least 5% of total asset value	
	31 Dec 2019 € mn	31 Dec 2018 € mn	31 Dec 2019 € mn	31 Dec 2018 € mn
Total	0.1	–	–	–

OTHER INFORMATION ON THE ANNUAL FINANCIAL STATEMENTS

(33) Audit and consulting fees within the meaning of Section 285 no. 17 of the HGB

Auditors' fees are recognised in the consolidated financial statements of DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main.

(34) Executive bodies of DZ HYP

Supervisory Board

Uwe Fröhlich
Co-Chief Executive Officer of the Board of Managing Directors of DZ BANK AG Deutsche Zentral-Genossenschafts-bank, Frankfurt am Main
– Chairman –

Dagmar Mines
Bank employee, DZ HYP AG
– Deputy Chairwoman –

Thomas Müller
Spokesman of the Management Board Volksbank Dresden-Bautzen eG
– Deputy Chairman –

Brigitte Baur
Deputy Chairwoman of the Management Board, Volksbank Raiffeisenbank Nürnberg eG

Uwe Berghaus
Member of the Board of Managing Directors DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

Anja Franke
Bank employee, DZ HYP AG

Ralph Gruber
Bank employee, DZ HYP AG

Dr. Holger Hatje
Bank director (retired), until 20 May 2019

Olaf Johnert
Bank employee, DZ HYP AG

Carsten Jung
Chairman of the Management Board Berliner Volksbank eG from 20 May 2019

Dr Reinhard Kutscher
Chairman of the Management Board, Union Investment Real Estate GmbH

Ulrike Marcusson
Bank employee, DZ HYP AG

Rainer Peters
Chairman of the Management Board, Volksbank Halle/Westf. eG

Johannes Röring
Chairman of the Management Board, Stiftung Westfälische Landschaft, Münster

Martin Schmitt
Chairman of the Management Board, Volksbank Kassel Göttingen eG

Michael Speth
Member of the Board of Managing Directors DZ BANK Deutsche Zentral-Genossenschaftsbank AG, Frankfurt am Main

Hans-Peter Ulepić
Spokesman of the Management Board, Gladbacher Bank Aktiengesellschaft von 1922

Thorsten Wenck
Bank employee, DZ HYP AG

Hans Rudolf Zeisl
Chairman of the Management Board, Volksbank Stuttgart eG until 30 July 2019

Management Board

Dr Georg Reutter
– Chief Executive Officer –

Dr Carsten Düerkop

Manfred Salber

(35) Remuneration of the executive bodies

	2019 € 000's	2018 € 000's
Supervisory Board	257	295
Management Board	2,120	2,770
Advisory Council	140	127
Former members of the Management Board or their surviving dependants	2,759	2,628
Provisions for current pensions and pension commitments for former members of the Management Board or their surviving dependants	35,684	34,778

(36) Loans to members of executive bodies

	31 Dec 2019 € 000's	31 Dec 2018 € 000's
Supervisory Board	0	32

(37) Offices held by members of the Management Board or members of staff in supervisory bodies of large limited companies

As at 31 December 2019, neither the members of the Management Board nor members of staff held any offices in supervisory bodies of large limited companies.

(38) Average number of employees

	Male	Female	2019 Total	Male	Female	2018 Total
TOTAL NUMBER OF EMPLOYEES	475	395	870	482	391	873
of which: full-time employees	453	211	664	466	214	680
part-time employees						
number	22	184	206	16	177	193
weighted	(18)	(117)	(135)	(13)	(111)	(124)

(39) Information about the parent company pursuant to section 285 no. 14 of the HGB

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, prepares consolidated financial statements which incorporate the financial statements of DZ HYP. The consolidated financial statements of DZ BANK are published in the German Federal Gazette (Bundesanzeiger).

Report on material events after 31 December 2019

No events of particular importance materialised during the period from 1 January to 24 February 2020 which would have required a materially different presentation of DZ HYP's net assets, financial position and financial performance, had they occurred earlier.

Hamburg and Münster (Westphalia), 24 February 2020

DZ HYP AG

Dr Georg Reutter
– Chief Executive Officer –

Dr Carsten Düerkop

Manfred Salber

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Hamburg, 24 February 2020

DZ HYP AG

Dr Georg Reutter
– Chief Executive Officer –

Dr Carsten Düerkop

Manfred Salber

INDEPENDENT AUDITOR'S REPORT

To DZ HYP AG

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of DZ HYP AG, Hamburg and Münster, which comprise the balance sheet as at 31 December 2019, and the profit and loss account, cash flow statement and statement of changes in equity for the financial year from 1 January to 31 December 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of DZ HYP AG for the financial year from 1 January to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Institution's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Institution in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matter:

Completeness and accuracy of the migration of accounting-related data

Reasons why the matter was determined to be a key audit matter

In the wake of the merger of the former WL Bank with the former DG HYP in financial year 2018 (and its subsequent renaming as DZ HYP), the accounting-related data were migrated in several batches from the IT systems of the former WL BANK to the target systems of DZ HYP in the reporting year.

In light of the complexity of the migration, the significant volume of data and the potentially material effects of migration errors on DZ HYP's assets, liabilities, financial position and financial performance, it was a key audit matter.

Auditor's response

On a conceptual level, we assessed, in particular, whether the functional designs and scripts prepared by the Bank as well as the tests and quality assurance measures planned on its part, including the acceptance procedures, presented a suitable basis for the migration of accounting-related data. We also assessed the adjustments to the target systems needed in order to include new product features.

In addition, we audited the design and operating effectiveness of DZ HYP's accounting-related internal control system to ensure the complete and correct migration of data in accordance with German legally required accounting principles. This included an assessment of whether the controls implemented in the project were suitable for preventing or identifying and remedying errors arising during the migration.

With regard to the operating effectiveness, we satisfied ourselves of the proper performance of accounting-related controls based on a deliberately selected sample.

Furthermore, we verified the complete and correct migration of the accounting-related data by way of a comparison of the data in the legacy and target systems. We also checked the proper processing of significant anomalies that occurred during the migration.

Our audit procedures in relation to the complete and correct migration of accounting-related data did not lead to any reservations.

Reference to related disclosures

Disclosures concerning the migration of accounting-related data are provided in the "Risks" section of the management report.

Other information

The other information comprises the sections of the annual report entitled "Letter from the Management Board," "Report of the Supervisory Board," "DZ HYP," "Responsibility Statement," and "Service," which were available as drafts on or before the date of this auditor's report. The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Institution's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Institution's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Institution's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and

where applicable, the related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 20 May 2019. We were engaged by the Audit Committee on 2 October 2019. We have been the auditor of DZ HYP AG without interruption since financial year 2002.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Institution and an entity controlled by it the following services that are not disclosed in the annual financial statements or in the management report:

- Agreed-upon procedures in accordance with International Standard on Related Services 4400
- Project-related assurance engagements in accordance with ISAE 3000
- Procedures in accordance with the instructions of the group auditor of DZ BANK with regard to the IFRS reporting packages prepared by DZ HYP as of 30 June 2019 and 31 December 2019
- Issuance of a comfort letter in accordance with IDW AuS 910
- Review of the half-year financial report in accordance with IDW AuS 900
- Voluntary audit of the annual financial statements of a controlled entity

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Christian Mai.

Hamburg, 24 February 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Mai	Meyer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

REPORT OF THE SUPERVISORY BOARD

Chairman of the Supervisory Board
Uwe Fröhlich

DZ HYP's business development once again exceeded projections in the first year after the merger of DG HYP and WL BANK. Despite the post-merger work still required, the Bank maintained its position on the market, closing the 2019 financial year with a successful performance. Once again, DZ HYP has positioned itself as one of the strongest real estate lenders in Germany.

This development was supported by the prevailing positive environment for the real estate industry, characterised by persistently strong demand by tenants and investors – with prices rising from already high levels, as well as a continued low interest rate environment. In this situation, the Bank considered the increasing likelihood of possible corrections in its business activities, differentiating regional developments.

DZ HYP successfully adhered to its strategic focus on joint lending with the German cooperative banks during the year under review. Thanks to the strong interest shown by local banks, the further intensified cooperation once again turned out to be a focal point of DZ HYP's business activities, with joint lending volume rising year-on-year. The Bank thus strengthened its strong roots in the Cooperative Financial Network.

On the funding side, DZ HYP continued to benefit from its strong rating, and from its integration into the Cooperative Financial Network: the Bank was able to exploit market opportunities in its issuance.

Following the merger in the 2018 financial year, the Supervisory Board continued to concern itself, on an ongoing basis and in great detail, with DZ HYP's further consolidation, with the convergence of the operations in Hamburg and Münster, and with the data migration which was completed on schedule in 2019. Post-merger activities were successfully concluded with the data migration – the so-called 'day 500'.

The Management Board presented forward-looking planning assumptions to the Supervisory Board, designed to safeguard the Bank's sustainable earnings base and to enhance its efficiency. In this context, the Supervisory Board also looked at the future orientation of the Bank's locations in Hamburg and Münster, and with the divisions and departments allocated to these locations.

In 2019, the Supervisory Board also dealt regularly and in detail with business developments in what are now the Bank's four segments (Commercial Real Estate Investors, Housing Sector, Public Sector, Retail Customers/Private Investors), as well as with the development of the Bank's Southern European portfolio. It also gave considerable attention to increasing regulatory requirements and the Regulatory Readiness project launched to deal with them. The Supervisory Board also addressed the development of the Bank's risk situation and its risk management system on a regular basis, as well as with progress in the selection process for appointing new external auditors for the 2021 financial year.

Furthermore, the activities of the Supervisory Board focused on assessing the work and qualifications of the Supervisory Board and Management Board at regular intervals. The Supervisory Board also looked at the Bank's remuneration systems and the report of the Remuneration Officer, the target achievement levels of, and remuneration paid to, members of the Management Board. Implementation of EBA Suitability Guidelines into the Bank's policies, the introduction of a reporting process on compliance with Group lending standards, and progress of construction work at the Bank's locations in Hamburg and Münster were also the subject of discussions in the Supervisory Board.

After Dr Carsten Düerkop had expressed his intention to retire from his Management Board office, and to leave the Bank effective 31 March 2020, the Supervisory Board discussed the consequences of Dr Düerkop's resignation – and the requisite succession – during the course of an extraordinary meeting.

The Supervisory Board and its Committees

During the year under review, the Supervisory Board of DZ HYP and its committees monitored the Management Board's management of the Bank according to statutory regulations and those set out in the Bank's Articles of Association, and also took decisions on those transactions required to be presented to the Supervisory Board for approval. To fulfil its tasks, the Supervisory Board engaged a Nomination Committee, a Remuneration Oversight Committee, an Audit Committee, and a Risk Committee during the 2019 financial year.

The self-evaluation of the Supervisory Board and evaluation of the Management Board of DZ HYP performed between April and May 2019 concluded that the structure, size, composition and performance of the Supervisory Board and Management Board, as well as the knowledge, abilities and experience of the individual members of both the Supervisory Board and Management Board (as well as both Boards as a whole) were wholly in accordance, both with the statutory requirements and with those requirements set out in the Bank's Articles of Incorporation. The Supervisory Board also has adequate human and financial resources at its disposal to assist members in taking up office, and ensure they receive in-house training to help them maintain the required expertise. The next regular evaluation of DZ HYP's Supervisory Board and Management Board is scheduled for the first half of 2020.

Cooperation with the Management Board

The Management Board reported to the Supervisory Board on DZ HYP's situation and performance, general business developments, profitability and risk exposure, regularly, in good time and comprehensively, both in writing and in verbal reports. Furthermore, the Supervisory Board was informed by the Management Board about the Bank's operative and strategic planning, and about material lending exposures and investments. The Management Board provided the Supervisory Board with regular information concerning issues yet to be implemented with regard to the combination of DG HYP and WL BANK and – once these issues had been concluded – regarding the further structure and strategic focus of the merged DZ HYP.

The Supervisory Board discussed these issues, current developments and matters relating to the Bank's strategic focus with the Management Board; it advised the Management Board, and supervised the management of the Company. The Supervisory Board was involved in all decisions that were of fundamental importance to the Bank.

Meetings of the Supervisory Board

The Supervisory Board convened four times during the 2019 financial year. In addition, the committees engaged by the Supervisory Board – the Nomination Committee, the Remuneration Oversight Committee, the Audit Committee and the Risk Committee – convened on numerous occasions during 2019. The Chairmen of the various committees regularly gave accounts of their work to the plenary meeting.

Between meetings of the Supervisory Board, the Management Board informed it in writing of key events and transactions. During discussions with the Management Board outside the meetings, the Chairman of the Supervisory Board and the Chairmen of the Committees also discussed key decisions – especially transactions and the development of the Bank's business and risk exposure – on a regular basis as well as when required. Overall, the members of the Supervisory Board and its Committees participated regularly in the meetings of the respective bodies and written resolutions during the 2019 financial year. To avoid any conflicts of interest in the Risk Committee, committee members affected by such conflicts of interest did not participate in the respective resolutions. There were no other potential conflicts of interest during the year under review.

Cooperation with the external auditors

Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Hamburg, which presented a declaration of independence to the Supervisory Board, audited the annual financial statements of DZ HYP, including the accounting records and management report of DZ HYP for the 2019 financial year presented to it by the Management Board, and found these to be in line with statutory requirements. It issued an unqualified audit opinion. The audit report was submitted to members of the Supervisory Board, and was discussed in detail during Supervisory Board meetings. The Supervisory Board agreed to the results of the audit by the auditors, in line with a recommendation by the Audit Committee.

Approval and confirmation of the financial statements

The Supervisory Board and the Audit Committee reviewed the annual financial statements and the management report of DZ HYP in detail at their meetings. The Chairman of the Audit Committee notified the Supervisory Board about the detailed discussions of the Committee regarding the Bank's financial statements and management report. The auditor's representatives participated in the Supervisory Board meeting to adopt the annual financial statements, and in the preparatory meetings of the Audit Committee and the Risk Committee, and reported on the key findings of their audit in detail. They were also available to answer questions by Supervisory Board members. The Supervisory Board raised no objections with regard to the accounts. The Supervisory Board approved the financial statements of DZ HYP as at 31 December 2019, prepared by the Management Board, in its meeting on 27 March 2020. The financial statements are thus confirmed.

Personnel changes within the Supervisory Board and the Management Board

Dr Holger Hatje resigned from his offices on the Supervisory Board and on the Risk Committee, effective at the end of the Annual General Meeting on 20 May 2019. The Supervisory Board elected Mr Carsten Jung, who was newly elected to the Supervisory Board by the Annual General Meeting with effect from 20 May 2019, as a member of the Risk Committee, effective on the same date. Mr Hans Rudolf Zeisl resigned from his office as a member of the Supervisory Board, effective 30 July 2019. Mr Stefan Zeidler was appointed, following a corresponding proposal, as a member of the Supervisory Board by the court on 24 January 2020.

Dr Carsten Düerkop resigned from his office as a member of the Bank's Management Board, effective 31 March 2020. In accordance with the proposal of the Nomination Committee, the Supervisory Board appointed Mr Jörg Hermes, previously Head of DZ HYP's Finance division, as a member of the Bank's Management Board, with

effect from 1 April 2020. From 1 April 2020, DZ HYP's Management Board will therefore comprise Dr Georg Reutter, Chief Executive Officer, and the two Management Board members, Messrs Jörg Hermes and Manfred Salber.

Otherwise, there were no changes to the members of the Supervisory Board and the Management Board during the 2019 financial year.

The Supervisory Board would like to thank the Management Board, and all of DZ HYP's staff, for their commitment and successful contribution during the financial year 2019.

Hamburg and Münster (Westphalia), 27 March 2020

DZ HYP AG
The Supervisory Board

Uwe Fröhlich
Chairman of the Supervisory Board

SERVICE

CORPORATE BODIES AND COMMITTEES, EXECUTIVES

Supervisory Board

Uwe Fröhlich
Co-Chief Executive Officer of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
– Chairman –

Dagmar Mines
DZ HYP AG, Hamburg
– Deputy Chairwoman –

Thomas Müller
Spokesman of the Management Board Volksbank Dresden-Bautzen eG, Dresden
– Deputy Chairman –

Brigitte Baur
Deputy Chairwoman of the Management Board, Volksbank Raiffeisenbank Nürnberg eG, Nuremberg

Uwe Berghaus
Member of the Board of Managing Directors DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

Anja Franke
DZ HYP AG, Hamburg

Ralph Gruber
DZ HYP AG, Hamburg

Olaf Johnert
DZ HYP AG, Hamburg

Carsten Jung
Chairman of the Management Board Berliner Volksbank eG, Berlin

Dr Reinhard Kutscher
Retired managing director, Hamburg

Ulrike Marcusson
DZ HYP AG, Hamburg

Rainer Peters
Chairman of the Management Board, Volksbank Halle/Westf. eG, Halle (Westphalia)

Johannes Röring
Chairman of the Management Board, Stiftung Westfälische Landschaft, Münster

Martin Schmitt
Chairman of the Management Board, Volksbank Kassel Göttingen eG, Kassel

Michael Speth
Member of the Board of Managing Directors DZ BANK Deutsche Zentral-Genossenschaftsbank AG, Frankfurt am Main

Hans-Peter Ulepić
Spokesman of the Management Board, Gladbacher Bank Aktiengesellschaft von 1922, Mönchengladbach

Thorsten Wenck
DZ HYP AG, Hamburg

Stefan Zeidler
Chairman of the Management Board, Volksbank Stuttgart eG Stuttgart

Updated: 31 March 2020

Advisory Board – Banks

Ralf Schierenböken
Member of the Management Board, Volksbank eG Braunschweig Wolfsburg, Wolfsburg
– Chairman –

Rainer Mellis
Spokesman of the Management Board, Volksbank Düsseldorf Neuss eG, Düsseldorf
– Deputy Chairman –

Bernd Schmidt
Member of the Management Board, Kieler Volksbank eG, Kiel
– Deputy Chairman –

Stefan Baumann
Member of the Management Board, Heidelberger Volksbank eG, Heidelberg

Ralf Baumbusch
Member of the Management Board, VR-Bank Ostalb eG, Aalen

Jürgen Dünkel
Member of the Management Board, VR-Bank Bayreuth-Hof eG, Bayreuth

Klaus Hatzel
Member of the Management Board, Volksbank Raiffeisenbank Rosenheim-Chiemsee eG, Rosenheim

Karl-Heinz Hempel
Member of the Management Board, Volksbank Raiffeisenbank Dachau eG, Dachau

Michael Hietkamp
Member of the Management Board, Volksbank Raiffeisenbank eG, Greifswald

Wolfgang Hillemeier
Chairman of the Management Board, Volksbank Rietberg eG, Rietberg

Wolfgang Hirmer
Spokesman of the Management Board, VR-Bank Langenau-Ulmer Alb eG, Langenau

Johannes Hofmann
Member of the Management Board, VR-Bank Erlangen-Höchstadt-Herzogenaurach eG, Erlangen

Thomas Jakoby
Member of the Management Board, Volksbank Münster eG, Münster

Rainer Jenniches
Chairman of the Management Board, VR-Bank Bonn eG, Bonn

Herbert Kohlberg
Member of the Management Board, Mainzer Volksbank eG, Mainz

Christoph Kothe
Member of the Management Board, Leipziger Volksbank eG, Leipzig

Armin Kühn
Member of the Management Board, VR Bank Enz plus eG, Remchingen

Thomas Ludwig
Member of the Management Board, Volksbank Raiffeisenbank Nordoberpfalz eG, Weiden

Florian Mann
Chairman of the Management Board, Raiffeisenbank Regensburg-Wenzenbach eG, Regensburg

Klaus Merz
Member of the Management Board, Volksbank Rhein-Lahn-Limburg eG, Diez

Walter Müller
Member of the Management Board, Volksbank Koblenz Mittelrhein eG, Koblenz

Updated: 31 March 2020

Thorsten Rathje
Member of the
Management Board,
Hamburger Volksbank eG,
Hamburg

Manfred Resch
Member of the
Management Board,
Frankfurter Volksbank eG,
Frankfurt am Main

Cornelia Rosenau
Member of the
Management Board,
Winterlinger Bank eG,
Winterlingen

Norbert Schmitz
Spokesman of the
Management Board,
VR-Bank Fläming eG,
Luckenwalde

Ralf Schomburg
Member of the
Management Board,
VR Bank Westthüringen eG,
Mühlhausen

Volker Spietenborg
Member of the
Management Board
Volksbank Freiburg eG,
Freiburg

Jürgen Timmermann
Member of the
Management Board,
Grafschafter Volksbank eG,
Nordhorn

Ulrich Tolksdorf
Chairman of the
Management Board,
vr bank Untertaunus eG,
Idstein

Kai Wunderlich
Member of the
Management Board,
Volksbank Wittgenstein eG,
Bad Berleburg

Advisory Board – Public Sector

Christian Schuchardt
Lord Mayor of the
City of Würzburg,
Würzburg
– Chairman –

Konrad Beugel
Finance and Economics Officer
of the City of Erlangen,
Erlangen

Heinrich Böckelühr
President, Municipal Audit
Authority of North Rhine-
Westphalia,
Herne

Dr Birgit Frischmuth
Senior Policy Advisor,
Association of German Cities –
Finance Department,
Berlin

Dr Stefan Funke
Treasurer/Director of the
District of Warendorf,
Warendorf

Claus Hamacher
Councillor for Finance
and Municipal Economy,
Association of Cities and
Municipalities in North-Rhine
Westphalia,
Düsseldorf

Markus Kreuz
Treasurer of the
City of Hamm,
Hamm

Dr Georg Lunemann
First Councillor and Treasurer,
Landschaftsverband
Westfalen-Lippe,
Münster

Andreas Merkel
Treasurer of the
City of Gaggenau,
Gaggenau

Silke Meyn
First Councillor of the
City of Oldenburg,
Oldenburg

Dr Frank Nagel
Head of the Credit Department,
Ministry of Finance of the State
of Rhineland-Palatinate,
Mainz

Updated: 31 March 2020

Advisory Board – Housing Sector

Uwe Flotho
Member of the
Management Board of
Vereinigte Wohnstätten 1889 eG,
Kassel
– Chairman –

Franz-Bernd Große-Wilde
Chairman of the Management
Board of Spar- und Bauvereins eG,
Dortmund

Peter Kay
Member of the
Management Board of
BGFG – Baugenossenschaft freier
Gewerkschafter eG,
Hamburg

Steffan Liebscher
Member of the
Management Board of
GEWOBA Nord
Baugenossenschaft eG,
Schleswig

Matthias Lüdecke
Chairman of the
Management Board of
Wohnungsverein Hagen eG,
Hagen

Andreas Otto
Chairman of the
Management Board of
GWG Gifhorner Wohnungsbau-
Genossenschaft eG,
Gifhorn

Dr Wolfgang Pfeuffer
Spokesman of the
Management Board of
JOSEPH-STIFTUNG Kirchliches
Wohnungsunternehmen,
Bamberg

Peter Stammer
Executive Board member of
Baugenossenschaft Familienheim
Heidelberg eG,
Heidelberg

Sybille Wegerich
Member of the Management
Board of bauverein AG,
Darmstadt

Jörn-M. Westphal
Managing Director of
ProPotsdam GmbH,
Potsdam

Management Board
and distribution of responsibilities

Dr Georg Reutter
– Chief Executive Officer –

- Commercial Real Estate Investors Corporates & Cooperative Banks
- Commercial Real Estate Investors Institutional & International Customers
- Treasury
- Housing Sector
- Public Sector
- Retail Customers & Relationship Manager Cooperative Banks
- Communications, Marketing & Investor Relations
- Legal, Management Board Office & Committees

Dr Carsten Düerkop

- Finance
- Compliance
- IT and Organisation & Operations
- Internal Audit
- Human Resources

Manfred Salber

- Back Office Commercial Real Estate Investors
- Back Office Housing Sector, Private Investors & Retail Customers
- Restructuring & Recovery
- Back Office Treasury & Public Sector
- Risk Controlling

Updated: 31 March 2020

Senior General Managers

Jörg Hermes

Markus Wirsen

Department Heads

Patrick Ernst
Treasury

Norbert Grahl
Back Office Commercial Real Estate Investors

Steffen Günther
Commercial Real Estate Investors Institutional & International Customers

Jörg Hermes
Finance

Axel Jordan
Commercial Real Estate Investors Corporates & Cooperative Banks

Markus Krampe
Retail Customers & Relationship Manager Cooperative Banks, Public Sector

Dr Stefan Krohnsnest
Risk Controlling

Thomas Mirow
Restructuring & Recovery

Peter Ringbeck
IT and Organisation & Operations

Arne Schneider
Human Resources

Frank Schneider
Compliance

Siegfried Schneider
Back Office Treasury & Public Sector

Jürg Schönherr
Housing Sector

Peter Vögelein
Internal Audit

Carsten Hendrik Vollnberg
Legal, Management Board Office & Committees

Markus Wirsen
Back Office Housing Sector, Private Investors & Retail Customers

Anke Wolff
Communications, Marketing & Investor Relations

Trustees

Dr Michael Labe
Judge at the Hamburg Higher Regional Court (Hanseatisches Oberlandesgericht Hamburg), Hamburg

Michael Führer
Deputy Trustee, Public Auditor and tax adivsor, Münster

Björn Reher
Deputy Trustee, Public Auditor and tax advisor, Hamburg

DZ HYP ADDRESSES

Head Office Hamburg
Rosenstrasse 2
20095 Hamburg, Germany
PO Box 10 14 46
20009 Hamburg, Germany
Telephone: +49 40 3334-0

Head Office Münster
Sentmaringer Weg 1
48151 Münster, Germany
Mailing address:
48136 Münster, Germany
Telephone +49 251 4905-0

Regional Centres

Berlin Regional Centre
Pariser Platz 3
10117 Berlin, Germany
Telephone: +49 30 31993-5101
(Commercial Real Estate Investors)
Telephone: +49 30 31993-5080
(Housing Sector)
Telephone: +49 30 31993-5086
(Retail Customers/Private Investors)

Düsseldorf Regional Centre
Ludwig-Erhard-Allee 20
40227 Düsseldorf, Germany
Telephone: +49 211 210942-30
(Commercial Real Estate Investors)
Telephone: +49 251 4905-3830
(Housing Sector)
Telephone: +49 211 220499-5832
(Retail Customers/Private Investors)

Frankfurt Regional Centre
CITY-HAUS I, Platz der Republik 6
60325 Frankfurt/Main, Germany
Telephone: +49 69 75066-21
(Commercial Real Estate Investors)
Telephone: +49 211 220499-5833
(Housing Sector)
Telephone: +49 69 750676-12
(Retail Customers/Private Investors)

Hamburg Regional Centre
Rosenstrasse 2
20095 Hamburg, Germany
Telephone: +49 40 3334-3778
(Commercial Real Estate Investors)
Telephone: +49 40 3334-4704
(Housing Sector)
Telephone: +49 40 3334-4704
(Retail Customers/Private Investors)

Munich Regional Centre
Türkenstrasse 16
80333 Munich, Germany
Telephone: +49 89 512676-10
(Commercial Real Estate Investors)
Telephone: +49 89 512676-42
(Housing Sector)
Telephone: +49 89 512676-41
(Retail Customers/Private Investors)

Stuttgart Regional Centre
Heilbronner Strasse 41
70191 Stuttgart, Germany
Telephone: +49 711 120938-0
(Commercial Real Estate Investors)
Telephone: +49 89 512676-42
(Housing Sector)
Telephone: +49 711 120938-38
(Retail Customers/Private Investors)

Regional Offices

Hanover Regional Office
Berliner Allee 5
30175 Hanover, Germany
Telephone: +49 511 86643808

Kassel Regional Office
Rudolf-Schwander-Strasse 1
34117 Kassel, Germany
Telephone: +49 561 602935-23

Leipzig Regional Office
Schillerstrasse 3
04109 Leipzig, Germany
Telephone: +49 341 962822-92

Mannheim Regional Office
Augustaanlage 61
68165 Mannheim, Germany
Telephone: +49 621 782727-20

Münster Regional Office
Sentmaringer Weg 1
48151 Münster, Germany
Telephone: +49 251 4905 7314

Nuremberg Regional Office
Am Tullnaupark 4
90402 Nuremberg, Germany
Telephone: +49 911 94009816

Institutional Clients

Institutional Clients
Rosenstrasse 2
20095 Hamburg, Germany
Telephone: +49 40 3334-2159

DZ HYP AG

Rosenstraße 2
20095 Hamburg
Tel.: +49 40 3334-0

Sentmaringer Weg 1
48151 Münster
Tel.: +49 251 4905-0

dzhyp.de