Volksbanken Raiffeisenbanken
cooperative financial network

DZ HYP

OVERVIEW

€ mn	2023	2022
DEVELOPMENT OF NEW BUSINESS		
Corporate Clients	7,439	8,064
Retail Customers	753	1,624
Public-Sector Clients	435	751
PORTFOLIO DEVELOPMENT	31 Dec 2023	31 Dec 2022
Total assets	77,477	77,224
Mortgage loans	56,902	56,686
Originated loans to local authorities	8,785	9,283
Securities business*)	9,007	8,690
Pfandbriefe and other debt securities	49,880	48,672
Own funds	1,896	1,895
Total capital ratio (in %)	12.4	12.6
Tier 1 ratio (in %)	11.9	12.1
Common equity tier 1 ratio (in %)	11.9	12.1
PROFIT AND LOSS ACCOUNT	1 Jan to 31 Dec 2023	1 Jan to 31 Dec 2022
Net interest income	711.0	671.8
Net commission result	-14.5	-20.1
Administrative expenses	246.7	275.8
Net other operating income/expenses	16.6	16.9
Risk provisioning	-109.6	-85.6
Net financial result	-1.7	-134.0
Operating profit	355.1	173.2
Allocation to the fund for general banking risks	155.0	31.0
Taxes	144.2	92.6
Partial profit transfer	0.5	19.6
Profits transferred under a profit and loss transfer agreement	55.4	30.0
Distributable earnings	210.2	61.4
Cost/income ratio (in %)	35.2	42.4
Return on equity (in %)	16.1	7.3
NUMBER OF EMPLOYEES	31 Dec 2023	31 Dec 2022
Annual average	863	855

*) Lending transactions with national governments and sub-sovereign entities, Landesbanken and development and promotional banks, as well as state-guaranteed corporate bonds, bank bonds, and mortgage-backed securities

Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

ANNUAL REPORT 2023

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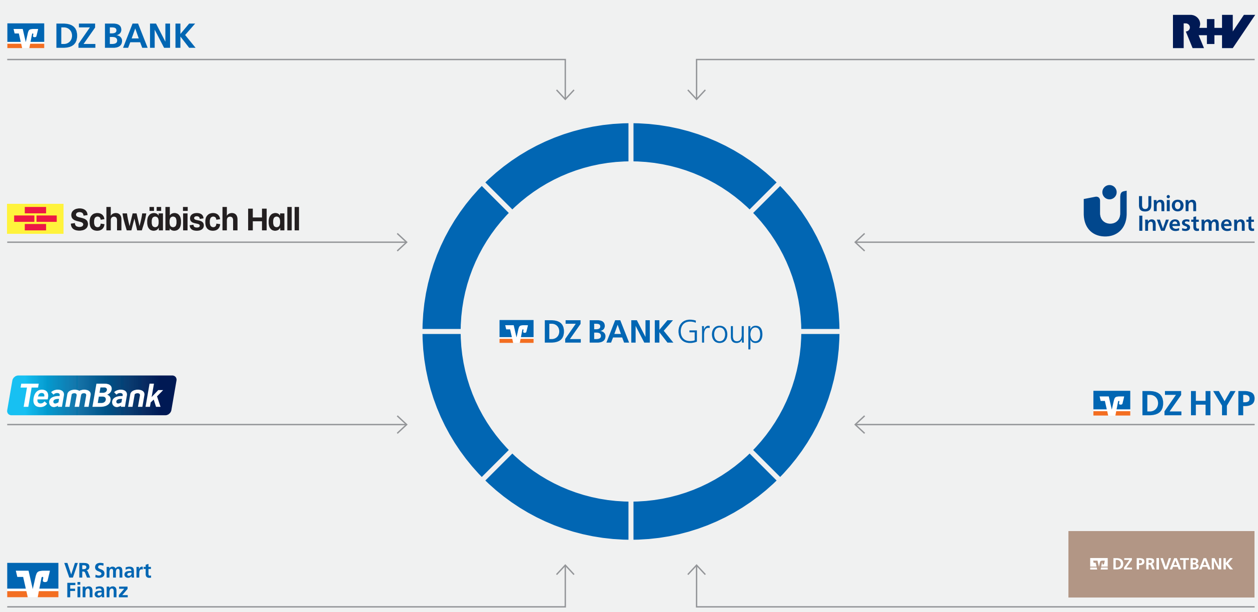
DZ HYP

DZ HYP – PART OF A STRONG GROUP (SELECTED COMPANIES)



DZ HYP itself is a part of the DZ BANK Group and therefore of the Volksbanken Raiffeisenbanken Cooperative Financial Network, which comprises 737 individual cooperative banks. In terms of total assets, the network 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 comprises Bausparkasse Schwäbisch Hall building society, DZ HYP, DZ PRIVATBANK, R+V Versicherung insurance, TeamBank, Union Investment Group, VR Smart Finanz as well as various other specialist financial services providers. The 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 clients along the lines of four business segments: Retail Banking, Corporate Banking, Capital Markets and Transaction Banking.

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

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LETTER FROM THE MANAGEMENT BOARD

The Management Board of DZ HYP
From left to right: Stefan Schrader, Sabine Barthauer (Chief Executive Officer), Jörg Hermes

Dear Business Associates,

the events of 2023 plunged the world into turmoil. Following the attack on Israel, the Middle East is once again a veritable powder keg. The Russian offensive in Ukraine is showing no signs of easing. Human suffering in these war-torn areas is immeasurable, and the geopolitical risks have not seemed so high for decades. These developments have also taken their toll on the German economy. Energy and food costs remain high, as does the cost of many building and raw materials. And then there are the domestic political uncertainties and an increasing shortage of skilled workers. All of this led Germany into a recession in the course of 2023. Nevertheless, the second half of the year in particular gave reason for cautious optimism. After a total of ten interest rate hikes by the ECB, we seem to have reached the peak, and future rate cuts are now likely. This gives businesses new planning security for their investment projects. At the same time, the sharp fall in inflation in the course of the year provided additional impetus for consumer spending. There are a number of positive factors indicating that the country will be able to emerge from the recession and return to stable growth in the longer term.

Economic and interest rate trends also impacted the real estate markets in 2023, with commercial real estate transactions at the end of the year down by as much as 52 per cent year-on-year. While the last quarter saw a slight uptick in deals, the typical year-end rally was more muted than in the past. The lack of predictability was a major challenge for the real estate sector in particular, given the absence of the firm ground that is usually needed to make decisions about long-term investments in real estate. The same was true of the private home loan market, where potential buyers were even more cautious than commercial investors.

In view of the market situation, we are very satisfied with DZ HYP's performance. The Bank's total new business amounted to € 8.6 billion and was, as expected, below the previous year's level. Even though the € 7.4 billion generated in our business with corporate clients was down slightly on the previous year, it is still a sound result given the challenging environment. In the business with retail customers, interest rates for construction finance were high in the year under review. Since potential buyers were very reluctant to buy a new home, the commitment volume of € 753 million was significantly down. Deals with public-sector clients declined as well, amounting to a total volume of € 435 million.

Having a robust loan portfolio is of key importance in challenging years such as 2023. Accordingly, we are very pleased to report that net interest income increased during the year under review. Thanks to our consistent and conservative risk strategy, we have a resilient portfolio to draw on, together with a business model that has proven to be sustainably viable.

We pursued our sustainability activities resolutely in the year under review, making good progress in establishing a green offering on the assets side. To this end, a product was developed in the Retail Customers segment that offers an attractive interest rate discount for financing privately-used real estate with a maximum energy consumption of 50 kWh/m² per year. This product feature from the VR-Baufi product family is scheduled to be marketed for the first time in the 2024 financial year.

Together with our public-sector clients, we were also able to take further steps towards a sustainable future. To this end, we launched a sustainability assessment solution in the form of our internally developed ESG ranking for municipalities. On the refinancing front, we have established ourselves as an issuer of Green Pfandbriefe, having successfully placed DZ HYP's Green Pfandbriefe in the course of the year, both as benchmark bonds and private placements.

The digital transformation is the second key issue that we are working on. In the Corporate Clients segment, we launched the "FK Digital" project to implement our vision for a new, digital loan processing solution. This move will enable us to meet the ever-growing requirements of all market participants and supervisory bodies across the entire loan life cycle and to increase the efficiency of our processes. In the Retail Customers segment, the digital platform business – including risk-based pricing – is now firmly established and was developed even further in the year under review. In the platform business, our VR-BaufiComfort model has also enabled us to create new ways to join forces with other players in the area of private home loan finance. This cooperation model allows cooperative banks to focus on advising customers, while we take care of processing the loans after the applications have been submitted in the VR-BaufiComfort process. Our aim here is to provide our partner banks and customers the best possible service.

Our activities in both of these areas are also of central importance when it comes to attracting qualified staff. We position ourselves as an attractive employer with a modern working environment. This positioning is reinforced by a variety of employer branding measures on different social media channels.

DZ HYP's Management Board underwent some changes in the last year. After 15 years on the Management Board, Dr Georg Reutter stepped down as Chief Executive Officer and left the Company on 31 July 2023. He was succeeded by Sabine Barthauer, who took over as Chief Executive Officer on 1 August 2023. The position of Head of Back Office and Chief Risk Officer was filled during the year, with Stefan Schrader taking office on 1 November 2023.

We expect real estate markets to bottom out this year. As interest rates are projected to at least remain stable, we are likely to see a recovery over the course of the year. Interest rate optimism is growing in the sector and investors are planning to expand their market activities again. We also see developments on the private residential real estate markets as ground for cautious optimism. Rising rents, combined with falling purchase prices and a more predictable – and diminishing – interest burden, should make buying a home a more viable option for private households again. It remains to be seen whether the markets will recover gradually or gather sufficient momentum for a swift upturn.

In the present year, we are looking forward to advancing the Bank and continuing to work on the key issues of sustainability and digital transformation. In this way, we will remain an expert source of real estate finance and a reliable partner to Germany's cooperative banks in the future.

Yours sincerely,
The Management Board

Sabine Barthauer
Chief Executive Officer

Jörg Hermes

Stefan Schrader

Hamburg and Münster, 2 April 2024

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. We strengthen the market position of cooperative banks in the Corporate Clients, Retail Customers and Public Sector segments. 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 Volksbanken Raiffeisenbanken Cooperative Financial Network, and to realise financing solutions together. To this end, DZ HYP offers German cooperative banks a solution-oriented range of products and services, 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 that come from developing the market throughout Germany.

Working together with the German Cooperative Financial Network for corporate clients

In their business with corporate clients, working together with DZ HYP using the IMMO META product family enables cooperative banks to realise larger financing solutions for their medium-sized real estate customers and companies in the housing industry – and also to diversify their own risk. The German cooperative banks can draw on the specific financing expertise of their partner within the network, while at the same time contributing their regional market knowledge.

Through IMMO META, DZ HYP participates on a *pari-passu* basis in real estate finance exposures originated by cooperative banks in their region. In these cases, cooperative banks retain their lead manager role. With IMMO META REVERSE, the cooperative banks can get involved in selected large-volume DZ HYP financing projects early on, in some cases even in the origination phase. The financing partners themselves decide on their own level of involvement, also participating on a *pari-passu* basis. IMMO META REVERSE+ allows a large number of cooperative banks to acquire individual tranches of a property financing arrangement concluded by DZ HYP; here, they can participate in a standardised manner as equal-ranking partners in the syndicate. The German cooperative banks can access an online platform to simplify the process and ensure efficient distribution. A framework agreement must be concluded before using this platform.

Working together with the German Cooperative Financial Network for retail customers

DZ HYP has a broad range of private home loan financings on offer for cooperative banks in its retail customer business. These range from annuity loans and publicly subsidised financing from KfW Group's portfolio for new construction, purchase, modernisation and refurbishment of real estate to roll-over financings. Products can be adjusted to meet specific client requirements with regard to their fixed-rate period as well as their scheduled and unscheduled repayment rates. With terms and conditions being updated on a daily basis and risk-adjusted pricing models in place, DZ HYP is able to offer attractive packages.

Cooperative banks can close loans using the agree21, GENOPACE and BAUFINEX distribution systems or the Europace broker platform. A traffic light code, including immediate approval, ensures that the process leading to a lending decision is fast and reliable. Whenever questions arise, DZ HYP's Customer Dialogue Centre ensures that they are answered quickly and conclusively. Regional directors are at hand to help intermediary banks with their sales and market activities.

In autumn 2023, DZ HYP launched VR-BaufiComfort, a new model for cooperating with partner banks that does not require master agreements. Under this model, DZ HYP takes care of all steps from reviewing and approving loan applications to paying the loan. This in turn frees up banks to focus on advising customers and attending to their financing needs.

Working together with the German Cooperative Financial Network for public-sector clients

As a centre of competence for public-sector clients within the Volksbanken Raiffeisenbanken Cooperative Financial Network, DZ HYP helps cooperative banks across Germany to develop their business with counties, towns/cities and local authorities, their legally dependent operations, municipal special public-law administrative unions and public-sector institutions. The core element of the business conducted jointly with the German cooperative banks – and of the direct business – is granting loans to local authorities and short-term public-sector loans. 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. This municipal ranking was expanded to better account for ESG factors and was also included in DZ HYP's local authority lending process. Integrating sustainability criteria – with the environmental, social and governance pillars – will allow DZ HYP to gain insight into the fundamental factors driving the sustainable transformation and long-term stability of a municipality.

Managing real estate risks

As an addition to its product range, DZ HYP provides Germany's cooperative banks with a web-based and uniform rating application called "agree21VR-Rating-IMMO". This application allows cooperative banks to determine the client-specific probabilities of default for their commercial real estate clients. DZ HYP offers this application together with Atruvia and parcIT GmbH. Banks can use it to implement a modern risk management process that takes account of all the relevant factors. It is aimed at cooperative banks that are active in commercial real estate financing and at those with a significant proportion of commercial real estate accounts in their loan portfolio. agree21VR-Rating-IMMO provides an important foundation for joint business within the Cooperative Financial Network.

Real estate valuation by the subsidiary VR WERT

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. Its range of services includes market and mortgage lending value appraisals, advice/consultancy on real estate matters, construction monitoring and product audits of appraisals performed by German cooperative banks. Mortgage lending values are calculated in line with the requirements of the Regulation on the Determination of Mortgage Lending Value (BelWertV). For the most part, VR WERT values properties financed by DZ HYP with a focus on the business with corporate clients – which require a particularly sophisticated and individual case analysis – and also privately owned properties.

Ratings

Standard & Poor's (S&P) reviewed the DZ HYP rating in June and November 2023, confirming the issuer rating A+/A-1 and the stable outlook. According to S&P, commercial real estate markets have been cooling off markedly since mid-2022 as both interest rate levels and prices for energy and building materials increased. Demand for office and retail space was under particularly great pressure as a result of post-pandemic structural changes and recessive tendencies. S&P does not expect these headwinds to subside as the ECB is continuing to adhere to its tightening monetary policy, with negative impacts for DZ HYP's asset quality and risk provisioning. S&P deems DZ HYP's focus on the real estate lending business a concentration risk, albeit mitigated by its strong positioning among commercial real estate finance providers in Germany. The rating agency credits the Bank's solid and reliable expertise in the country's commercial and residential real estate markets as well as its strong reputation and long-term client relationships. DZ HYP's rating is also helped by the Bank's affiliation with DZ BANK and the Deposit Guarantee Scheme of the National Assotiation of German Cooperative Banks (BVR). Moderate support can also be expected from the degree of government aid. DZ HYP's Mortgage Pfandbriefe and Public Pfandbriefe continue to enjoy a top AAA/A-1+ rating awarded by S&P, with a stable outlook.

Moody's reviewed the DZ HYP rating in October 2023 and confirmed the Aa2/P-1 issuer rating and stable outlook. The rating agency expects the financial profile for DZ HYP and the cooperative banking sector to remain stable over a twelve- to 18-month forecast horizon. In this connection, it sees the very high quality of the Bank's assets and the extensive loan loss provisions on the balance sheet to be key factors in mitigating risk. Moody's believes that DZ HYP's focus on Germany, combined with the high share of lower-risk sectors such as residential and multi-family homes, will protect the Bank from a substantial deterioration in its asset risks. It should also help the Bank respond to the structural challenges currently being faced by commercial property loans, so that these will only result in a moderate decrease in the asset quality of DZ HYP's loan portfolio. DZ HYP's rating is also helped by the Bank's affiliation with DZ BANK and the Deposit Guarantee Scheme of the National Association of German Cooperative Banks (BVR), and the support that can be expected from this, together with a moderate degree of government aid. Moody's continues to assign the top Aaa rating to DZ HYP's Mortgage and Public Pfandbriefe.

Fitch Ratings evaluates DZ HYP as part of the joint rating awarded to the Cooperative Financial Network. The issuer default rating of AA-/F1+ and the stable rating outlook were both confirmed in April 2023. The ratings reflect the Group's highly diversified business profile, its low leverage, strong capitalisation, solid asset quality (despite macro-economic and geopolitical risks), and its stable profitability, which is above average by national standards. Fitch sees the Cooperative Financial Network's funding as very stable. As Germany's largest Pfandbrief issuer, backed by an established and geographically diverse investor base, DZ HYP is a reliable partner to the Network as it provides access to the capital markets. Fitch has identified a high interest rate risk in the loan and security portfolios of local cooperative banks but believes this risk to be sufficiently mitigated by a strong deposit business, comfortable liquidity position and solid financial performance, and that it is therefore not necessary to dispose of any securities. Support within the Cooperative Financial Network and the BVR deposit insurance scheme are other factors with a positive impact on the rating.

RATING OVERVIEW

	Standard & Poor's	Moody's	Fitch Ratings*)
ISSUER CREDIT RATING	A+	Aa2	AA-
Outlook	Stable	Stable	Stable
Current liabilities	A-1	Prime-1	F1+
ISSUE RATINGS			
Mortgage Pfandbriefe	AAA	Aaa	–
Public Pfandbriefe	AAA	Aaa	–
NON-CURRENT LIABILITIES			
- Preferred senior unsecured	A+	Aa2	AA
- Non-preferred senior unsecured	A	A3	AA-

*) Joint rating of the Cooperative Financial Network

DIGITALISATION

Digitalisation in the retail and corporate business

DZ HYP continued to pursue its digitalisation strategy in many areas in the 2023 financial year. In the Retail Customers segment, key milestones were reached with the launch of the application processing and lending decision systems. Since autumn 2023, these systems have allowed DZ HYP to offer cooperative banks a new collaboration model, in addition to traditional business through master agreements. In the new model, DZ HYP takes care of application and payment processing. More optimisation measures are planned for 2024, including connecting Atruvia's omni-channel platform and launching a service portal for customers and partner banks.

In the Corporate Clients segment, we launched the *FK Digital* project with a view to establishing a new, digital loan processing structure. This involves setting up, in various stages, a central credit workplace with a uniform database and state-of-the-art user interfaces reflecting all major tasks across the entire loan life cycle. The first stage is set to be completed in the spring of 2025.

Modifying internal bank processes

DZ HYP also continued to advance the digital transition of its internal processes in the reporting year and has now done so extensively across the board. One milestone was the successful migration of our banking systems to S/4 HANA. Some remaining SAP components for bank management were also moved, as were the first sections of the central data warehouse. DZ HYP began implementing its cloud infrastructure in 2023, migrating a first batch of applications to a cloud-based SaaS model. More applications will follow in 2024, together with a review of how artificial intelligence (AI) can be utilised. Once AI use cases have been identified, the Bank will start to implement them.

EMPLOYEE MATTERS

Efforts to increase employer attractiveness stepped up

In 2023, DZ HYP raised its profile as an attractive employer across different formats. The Bank launched a second career channel on LinkedIn, DZ HYP's most important digital employer branding communication platform, dealing primarily with employer topics. Since May 2023, the Bank has also been actively targeting young talent on Instagram. The members of the DZ Bank Group, including DZ HYP, launched another advertising campaign on the social media platform TikTok in 2023. DZ HYP has also produced new episodes for its external and internal podcasts *DZ HYP HÖRBAR* and *DZ HYP HÖRBAR intern*, covering working life at DZ HYP and recent projects in different departments.

Employee survey launched

Another "Pulse Check" employee survey was conducted at the end of 2023 to gauge the mood and motivations of DZ HYP's employees. The findings will be presented at the beginning of 2024, after which appropriate measures will be derived and implemented.

Social benefits improved

Social benefits were improved and harmonised in the year under review, with a particular focus on sustainability. In this context, the public transport allowance for employees was increased to € 49 (the price of the Deutschlandticket, which allows the holder to use public transport throughout Germany), meaning that DZ HYP covers all costs incurred for travelling to work by public transport. The cap for the maximum value of leased company bikes was increased to € 7,500. These measures were taken to encourage employees to travel to work by public transport or bicycle rather than by car.

Family-friendly human resources policy

As part of its family-friendly HR policy, the Bank optimised and harmonised its activities aimed at allowing employees to strike a healthy balance between work and family life. A service provider was hired to give expert advice and support to employees across all locations in all matters relating to childcare, parent counselling, caring for relatives and life coaching. Employees can use an online platform to access information and can also contact the service providers directly if they wish to. Having successfully completed recertification, the Bank was awarded a certificate with distinction by berufundfamilie Service GmbH in recognition of its long-standing, sustainable HR policy, which specifically addresses the needs of families and different life phases.

Cultural project activities intensified

The cultural project launched in 2022 under the name "Reasons for Change" was continued in the year under review, with Bank-wide workshops being conducted in order to step up efforts. This included establishing an innovation lab that would drive innovation at DZ HYP and offer a platform for new ideas and trends to overcome current and future challenges. The Bank also introduced a framework for internal job shadowing as well as offering interesting keynote speeches and a format with its Management Board produced in DZ HYP's TV studio, creating opportunities for healthy interaction within the Company.

More training activities

For several years now, DZ HYP has been providing vocational training for talented young professionals. This is part of its ongoing effort to rise to current challenges and respond to changes in the skills required going forward. In the 2023 financial year, a total of four trainees and two "dual" students were recruited for the Munster office, which is primarily responsible for the Retail Customers business. The "dual" study programme, which includes a Bachelor of Arts degree in Banking & Finance, has been offered there since 2012 in addition to the vocational training programme for bank officers. DZ HYP awarded a permanent contract to two trainees in the year under review.

Trainee programmes extended

Trainee programmes offering vocational training for university graduates were extended in 2023. A total of twelve new trainees embarked upon specialist programmes in various areas and at different Bank locations. Adding to the established Real Estate Finance (Commercial Real Estate Finance), IT, Finance and Human Resources Management programmes, DZ HYP launched new traineeships in Risk Controlling and Lending Organisation & Data Management during the year under review.
At the same time, the traineeship programme that began in autumn 2022 also continued. Three trainees were offered a permanent contract after successfully completing their training. Trendence, an independent consultancy and market research company, once again awarded DZ HYP its seal of quality in 2023 for its Fair Trainee Programme.

Working together with the Works Council

The constructive working relationship cooperation between DZ HYP and the Works Council members in Hamburg and Munster continued unchanged during the year under review. This notably included further harmonising working conditions across locations, concluding an IT framework agreement and introducing an inflation compensation bonus. DZ HYP would like to thank the Works Council members for the constructive working relationship.

SUSTAINABILITY

Part of day-to-day business

As a member of the DZ BANK Group and the Cooperative Financial Network, DZ HYP is committed to responsible business practices. This means that the Bank's entrepreneurial spirit has a long-term horizon; it uses natural resources responsibly and efficiently, and takes risks and opportunities into consideration as part of its decision-making processes. Since 2012, DZ HYP has published an annual Sustainability Report, in which it discusses all the key aspects of the Bank in this area and outlines the main progress to date and the targets it has set for future efforts.

Following the successful issue of its first Green Mortgage Pfandbrief in 2022, DZ HYP placed two green benchmark bonds on the market via a dual tranche in January 2023. Another Green Pfandbrief was issued in August. There was also active demand for the product among investors as a top-up or private placements option. DZ HYP's Green Pfandbrief products offer investors the opportunity to participate, together with the Bank, in the sustainable transformation of Germany's real estate sector.

Sustainable corporate governance

Corporate governance is guided by the underlying principles laid down in DZ HYP's sustainability strategy. Sustainability plays a central role in the Bank's governance and business strategy and influences many other strategies, such as those relating to employee matters or credit risk. The sustainability strategy does not conflict with these other strategies but rather has an impact on them. We work with the respective departments to determine the interdependencies and incorporate them as necessary. Other operational sustainability issues are implemented in the respective departments through various guidelines and work instructions.

DZ HYP has established various committees in the area of sustainability to satisfy the requirements of policy makers, supervisory authorities, investors and society in general. Due to its great importance, sustainability is the responsibility of the Management Board. The Sustainability Committee, which is composed of the Management Board and Department Heads, creates the ideal framework for the Bank to pursue a sustainable approach. The Committee acts as a central decision-making body, connecting the sustainability management team with the Bank's various organisational units. An additional board provides impetus for developing sustainable products on both the asset and the liabilities sides as well as analysing trends and developments on the banking market. The Coordination Committee is responsible for the operational design and management of the different themes.

In the context of regulatory efforts to incorporate environmental, social and governance criteria into risk management, DZ HYP had already set up and completed a project entitled "ESG Risks" in 2022. This involved developing a methodology for quantifying emissions in the real estate business, and a valuation model for the relevant drivers of physical and transitory risks in the real estate portfolio. In addition, we incorporated ESG topics into the Bank's risk strategies and defined indicators for determining and managing the risk potential. Analysing geoscientific data in-house is part of the lending decision process, which involves integrating physical climate and environmental risks. If risk potential is identified, an external analysis is requested.

With a view to taking its sustainability performance to the next level, DZ HYP prepared for implementing the Corporate Sustainability Reporting Directive (CSRD) during the year under review. The rules of the CSRD are to be applied starting with the financial year 2024.

Sustainability ratings

External agencies have issued excellent sustainability ratings in recognition of the Bank's sustainable performance. DZ HYP commissioned international rating agency Morningstar Sustainalytics with an ESG risk rating during 2022; in February 2023, it received a 14.2 rating, reflecting a low risk of material financial impacts from ESG factors. The result should not be interpreted as investment advice or expert opinion within the meaning of applicable legislation.*) Moody's Analytics assigned DZ HYP a score of 45 during the year under review, while EcoVadis awarded the Bank its Platinum certificate. ISS-ESG and Sustainable Fitch had rated DZ HYP in the previous year. Details of these ratings, together with further information on the activities covered in the Bank's Sustainability Report can be found on the DZ HYP website.

Responsibility for its employees

A bank's success depends on the dedication and performance of its employees. As a result, DZ HYP pursues a human resources policy that strikes a healthy balance between the needs of its employees and the requirements of an economy impacted by demographic change. As it greatly values the diverse nature of its workforce, DZ HYP publicly committed to this principle by signing the Diversity Charter back in 2012. In 2023, DZ HYP and DZ BANK Group companies also built on the section of the Code of Conduct relating to human rights by issuing dedicated guidelines enshrining the principles upon which behaviour and actions are built. The climate and environment position paper focuses on relevant topics and aspects, complementing the Group-wide principles.

Social commitment

The basic cooperative values of aiding empowerment, solidarity as well as sustainable and responsible conduct are cornerstones of DZ HYP's social commitment. In addition to making donations to customer-related projects, it provides financial support to a large number of social projects and institutions and non-profit organisations active in the real estate or cooperative sectors.

As in previous years, the Bank matched the staff Christmas collection initiated by the Works Council. The total proceeds of € 12,090 were divided equally between two different charitable organisations: KIDS, a charity close to the main train station in Hamburg that provides medical aid and guidance to children and teenagers, and a project by Caritas and the Hamburg University of Applied Sciences that turns shipping containers into homes for homeless women.

As in previous years, DZ HYP once again largely refrained from sending out Christmas cards in 2023, instead donating € 2,000 to each of the five social projects proposed by its workforce. The five projects in question are the Franziskustreff in Frankfurt/Main, a charity helping the homeless; the Würdezentrum gUG, whose mission is to strengthen dignity and autonomy as people near the end of their lives; Ghost Diving Germany e.V., whose volunteers work to remove "ghost gear" from German seas; Munich-based Hauner Verein, which is dedicated to helping seriously ill children; and KiTa Hauptkirche St. Petri in Hamburg, a daycare centre that was looking for help to fund a new outdoor play structure.

Ecological responsibility

As part of a programme to modernise the DZ HYP buildings, the head offices in Hamburg and Munster had been undergoing renovation work which began in 2018 and 2019 respectively. Construction work was completed in Hamburg mid-2021 and in Munster the following summer. Both sets of building work are now in the process of being certified by the German Sustainable Building Council (DGNB). DZ HYP expects a "Silver" certificate for Hamburg and a "Gold" certificate for Munster in 2024. The power supplied to both of the main locations comes from certified green electricity from hydropower. Ever since 2012, the Munster site has received an award under the ÖKOPROFIT programme – an ecological project for integrated environmental technology involving the City of Munster, industry, chambers of commerce and national partners – bearing testimony to the quality of its environmental management system.

Sustainability at the DZ BANK Group

With a view to integrating sustainability to an even greater extent in business processes, DZ HYP has been actively involved in the DZ BANK Group's sustainability initiative since 2012. In 2014, a permanent Corporate Responsibility Committee (CRC), of which DZ HYP is a member, was set up for this purpose. This committee's work included establishing common supplier standards and developing a policy on sustainability in lending. In addition, the Bank is involved in various specialised working groups within the DZ BANK Group. This led to the existing code of conduct being revised and exclusion criteria being defined for specific business practices and areas in the reporting year. Both documents were published at the beginning of 2023.

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 three business segments: Corporate Clients, Retail Customers and the Public Sector. In its business activities, DZ HYP targets clients directly and acts as a partner to Germany's cooperative banks. The Bank is represented nationwide, with two head offices in Hamburg and Munster, six real estate centres in the business hubs of Hamburg, Berlin, Dusseldorf, Frankfurt, Stuttgart and Munich, and regional offices in Hanover, Kassel, Leipzig and Nuremberg. This decentralised structure gives DZ HYP regional proximity to the cooperative banks and their customers.

Customised financing solutions for corporate clients

Within the Corporate Clients segment, DZ HYP is active both as part of its direct business and as a partner to the cooperative banks in Germany, working with commercial real estate investors and the housing sector. DZ HYP focuses on financing properties in the German market, as well as providing support for its German clients' investment projects in selected international markets. Its own commercial real estate finance activities are focused 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, DZ HYP takes into account the quality of the client relationship, the long-term rentability and third-party usability of the financed property, and collateralisation through first-ranking liens.

The focus of our housing sector activities is on customised financing solutions for residential or mixed-use properties. We provide loans to cooperative, municipal, Church-based and other housing companies in Germany for new construction, modernisation and renovation projects, sometimes in combination with subsidised development loans granted by *Kreditanstalt für Wiederaufbau* (KfW), Germany's government-owned development bank. DZ HYP focuses on long-standing client relationships with companies that create sustainable and affordable housing. As a premium sponsoring member of the umbrella industry organisation, the Federal Association of German Housing and Real Estate Companies (GdW), the Bank works to bring about intensive dialogue between the housing industry and real estate financing providers.

Active in the retail business

Retail business originates mainly from intermediation by cooperative banks. DZ HYP offers both initial and roll-over financings for new construction, purchase and modernisation/refurbishment projects. Thanks to DZ HYP's broad range of home loan products – with fixed-interest terms of up to 30 years – cooperative banks can offer their clients solutions that fit their exact needs. The business is based on standardised credit processes and involves fast lending decisions. The full distribution potential of the Cooperative Financial Network is made available to retail customers by integrating the products into the distribution systems of individual cooperative banks and by using largely automated processes.

Centre of competence for public-sector clients

As a centre of competence for public-sector clients within the Volksbanken Raiffeisenbanken Cooperative Financial Network, DZ HYP helps cooperative banks across Germany to develop their business with counties, towns/cities and local authorities, their legally dependent operations, municipal special public-law administrative unions and public-sector institutions. The core element of DZ HYP's direct business, and of the business conducted jointly with the German cooperative banks, is granting loans to local authorities and short-term public-sector loans.

ECONOMIC REPORT

ECONOMIC ENVIRONMENT

The ECB's hiking campaign

The dominant economic theme in 2023 was interest rate increases. The European Central Bank (ECB) continued the hiking cycle it had started in July 2022, increasing its key interest rates six times in an effort to curb rising inflation in the euro area. The main refinancing operations rate climbed from 2.5 per cent to 4.5 per cent, as rates on the marginal lending facility and the deposit facility increased as well.

Economic growth momentum diminishes

The increased interest rates also had an impact on economic activity, with tighter financing conditions dampening overall demand for loans. Adjusted for inflation, Germany's gross domestic product shrank by 0.3 per cent during 2023, according to provisional calculations. The German Federal Statistical Office sees this decrease as reflecting continued high prices at all economic levels, which also marks the end to the economic recovery of 2021 and 2022 that followed the slump of the pandemic year 2020.

Industrial companies in particular posted broad-based declines during the year under review. Economic output decreased by 2.0 per cent in the manufacturing sector (excluding construction) in 2023. High building costs and a shortage of skilled labour put pressure on the construction sector, while investments in housing construction were hit by soaring financing costs. The effective interest rate for collateralised loans to private households rose from 3.4 per cent to 4.0 per cent between year-end 2022 and November 2023. Incoming orders in housing construction were down 5.1 per cent year-on-year at the end of November 2023. As of the same date, the construction sector as a whole registered a drop in incoming orders of 0.8 per cent compared with the same period in the previous year.

Demand from private households decreased in 2023 as private consumption was down 0.8 per cent year-on-year when adjusted for inflation. This can be attributed primarily to consumer prices increasing by an average of 5.9 per cent on the previous year, slightly down from the historic record of 6.9 per cent registered in 2022.

Germany's exports to its top partners in international trade decreased by 9.2 per cent to € 53.0 billion during the year under review, owing to a drop in exports to Germany's main export destinations, the US and China. Exports to the US fell by 9.9 per cent to € 11.2 billion, while exports to China declined by 12.7 per cent to € 7.2 billion.

A robust labour market

In spite of diminishing economic growth, the German labour market proved strong, with the number of people in employment increasing by 0.7 per cent – or 333,000 people – to 45.9 million. The number of people out of work increased by 191,000 to 2.6 million during the year under review, pushing the unemployment rate up by 0.4 percentage points, to 5.7 per cent. The labour market has been relying less and less on Germany's short-time work scheme compared with the pandemic years 2020 and 2021.

Development of public-sector budgets

Public-sector and social security budgets recorded a financing deficit of € 82.7 billion, down from € 96.9 billion in 2022. This brought the government's balance of payments to 2.0 per cent of nominal gross domestic product as at year-end 2023. The federal government reduced its deficit from € 124.3 billion to € 72.4 billion during the year under review.

Germany's federal constitutional court found that the reallocation – to the government's climate and transformation fund – of € 60 billion of unspent funds borrowed under emergency legislation during the coronavirus pandemic did not meet constitutional requirements, thereby ruling the 2021 federal budget invalid. The attempted reallocation of unused borrowing capacity constituted a breach of Germany's government borrowing limits known as the debt brake, which limits federal borrowing to 0.35 per cent of gross domestic product. The ruling opened a € 60 billion hole in the federal government's finances, which had to be plugged by cancelling subsidies and making other budget cuts.

European economy proves stable

The European economy proved stable in the year under review. Adjusted for seasonal effects, gross domestic product increased by 0.2 per cent in the European Union in the fourth quarter of 2023, compared with the fourth quarter of 2022, according to a first estimate published by Eurostat, the statistical office of the European Union. The increase was 0.1 per cent within the euro area. The unemployment rate was slightly down in the European Union (from 6.1 per cent to 5.9 per cent) and the euro area (from 6.7 per cent to 6.4 per cent).

Developments on the financial markets

Most of the German stock market recorded gains during 2023 as the country's benchmark equity index Dax added 20.3 per cent as at year-end. The index comprising Germany's top 40 listed companies reached a record high of 17,000 points, finishing the year at 16,751.64 points. The European bond markets reflected the ECB's key interest rate increases during the year under review. As at year-end, the yield on ten-year German government bonds was 2.0 per cent and the average current yield for public sector bonds was also 2.0 per cent.

REAL ESTATE MARKETS

Declining transaction volume on German real estate investment market

In the year under review, the German economy was impacted by both inflation and interest rate hikes. Housing construction was hit especially hard by the consequences of soaring interest rates, which in turn led to general uncertainty and lower demand. The supply side was driven by a fall in new construction activity and sellers remaining on the sidelines. Economic developments also influenced market activities beyond the housing segment: numerous projects that had been planned or were already under construction were held up or brought to a halt, for example due to escalating construction costs. The number of bankrupt commercial real estate developers also increased in the year under review, affecting a great many large development projects in city centres – both in the office and the residential housing segment. In addition, banking supervisors shifted their focus towards ailing real estate groups and performed audits.

Following a year-on-year downward trend on the commercial real estate markets (including residential investments) in the first half of the year, turnover amounted to € 31.7 billion as at year-end 2023. According to Jones Lang LaSalle (JLL), this was 52 per cent down on the previous year's figure of € 66 billion. 2023 saw the weakest transaction volume since 2011 and missed the ten-year average by 58 per cent. As in the previous year, the rally towards the end of the year was far more subdued than in the past, with turnover of just under € 8.8 billion – or 28 per cent of the entire year's turnover – generated in the fourth quarter. The ten-year average for the final quarter is 33 per cent. Transaction volumes declined for both individual and portfolio deals, and the number of large-volume transactions remained at a low level. Logistics properties accounted for 16 of the 49 transactions (2022: 121) in the triple-digit million range, followed by the commercial residential ("Living") and office segments with ten transactions each.

The price adjustments seen in 2022 continued in 2023, with real estate prices falling by 7.2 per cent on average between the fourth quarter of 2022 and year-end 2023, according to vdp. Commercial real estate prices were down 12.1 per cent, while residential real estate prices were down 6.1 per cent.

Lower transaction volumes in major cities

According to JLL, the transaction volumes in Germany's seven top locations – Hamburg, Berlin, Dusseldorf, Cologne, Frankfurt, Stuttgart and Munich – which had already been a source of concern in 2022, continued to decline during the year under review. While commercial properties worth approximately € 32.0 billion (48 per cent of nationwide transaction volumes) had changed hands in the seven top locations in 2022, this fell to € 12.8 billion (and 40 per cent) in 2023, a decrease of 60 per cent compared with the previous year. Transaction volumes outside these major cities also recorded a negative performance, albeit to a lesser extent (-45 per cent). This difference is mainly due to the low transaction volumes for office properties, which are mainly traded in major cities.

At just under € 4.8 billion, Berlin's real estate investment market reported the highest transaction volume of the seven top locations, although this too was down 57 per cent on 2022. The commercial real estate investment markets in Frankfurt and Hamburg collapsed by 71 per cent. Even though Hamburg reached a historical low in 2023 with a transaction volume of € 1.8 billion, it still ranked third among the top German locations, only just surpassed by the € 1.9 billion transaction volume generated in Munich (-56 per cent compared with the previous year). While the Stuttgart real estate investment market also failed to match the previous year's level, the transaction volume of just above € 1 billion was only ten per cent lower than in 2022. The real estate investment market in Cologne fell by 15 per cent to around € 1 billion and, at € 790 million, Dusseldorf fell short of the one-billion-euro mark by a large margin (-72 per cent).

Residential property back at the top

After taking over the top spot as the asset class with the highest turnover in 2022, office property saw a significant downturn in the year under review. At € 5.2 billion, it accounted for just under 17 per cent of total transaction volumes, compared with the five-year average of 33 per cent. This marked the lowest figure since 2009 and put office property on fourth place in the asset class ranking. Living property generated the strongest turnover in 2023 (just above € 9.0 billion) and accounted for 29 per cent of the yearly transaction volume, followed by logistics and industrial properties with € 7.3 billion and 23 per cent. Retail property also outperformed office property slightly, recording a turnover of around € 5.5 billion and a turnover share of 17 per cent.

According to vdp data, prices for office property were down 13.3 per cent on average year-on-year. The decline in retail property prices was less pronounced at 3.9 per cent. This is because the retail segment has been experiencing price adjustments for a longer period of time than the office segment.

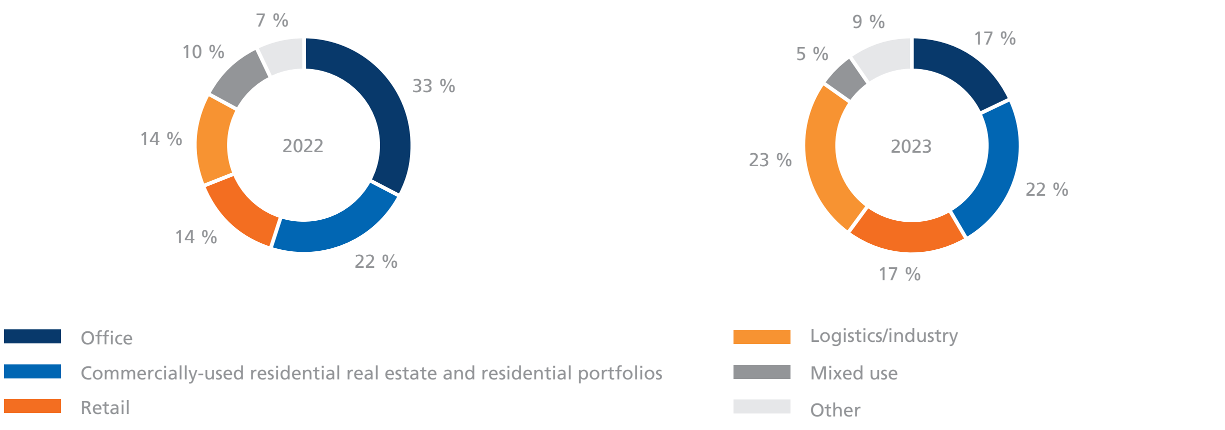
Real estate yields have stabilised

Once again, interest rate developments were a strong driver on the real estate market. Based on the five-year swap rate, financing terms were just above 2.4 per cent as at year-end. This is the lowest level witnessed since September 2022 – not least due to the decrease of more than 100 basis points in November and December alone. The falling current yield for German government bonds had a stabilising effect on real estate yields. Initial yields increased by anything from +25 basis points for supermarkets to around +100 basis points for office properties and non-food specialist retail stores. Only initial yields for shopping centres recorded a negative development once again (-50 basis points), since the yield adjustment had already occurred to a great extent in the previous years.

Below-average transaction volume on the residential investment market

The residential investment market gained momentum in the fourth quarter of 2023. Turnover of € 2.3 billion marked a 61 per cent increase compared with the third quarter and an increase of nearly 16 per cent compared with the fourth quarter of 2022. However, on a whole-year basis the segment's transaction volume of € 8.2 billion was significantly below the previous year's result of € 12.2 billion (includes the sale of residential portfolios and student residences with at least ten residential units and 75 per cent residential use as well as the sale of company shares with the acquisition of a controlling majority, excluding IPOs). The difference of 67 per cent vis-à-vis the five-year average of € 24.5 billion – which was largely driven by the record figure of € 50.0 billion generated in 2021 – was even wider. 2023 saw a total of 193 deals concluded and 70,000 units traded compared with 373 deals and 59,000 units in 2022; four large-volume transactions account-

TRANSACTION VOLUME BY MAIN TYPE OF USE



Source: Jones Lang LaSalle

ed for € 3 billion, or 37 per cent, of transaction volumes on the residential investment market. The average deal size, excluding these four transactions, is € 27 million. Around half of the transactions had a volume of less than € 10 million, which demonstrates that transaction activity overall is rather fragmented.

The market was dominated by players with strong equity positions, primarily asset and fund managers, who acted as buyers in two thirds of the transactions. Core-plus properties accounted for approximately 88 per cent and consequently for the bulk of the trading volume, marking a significant increase compared with the five-year average of 47 per cent. Reflecting the general challenges on the market, forward deals accounted for just 9 per cent, falling significantly below the five-year average of 25 per cent. Individual condominium sales stagnated and real estate valuations decreased. As a result, commercial real estate developers – who are increasingly relying on bridge and roll-over financings (which in turn are subject to more restrictive lending terms than in the past) – needed more equity. However, raising equity is quite a challenge in the current market environment and has led some commercial real estate developers into serious financial difficulties and in some cases even bankruptcies. Combined with the uncertain housing policy situation, this impacted negatively on new construction activity.

Uncertain times for office markets

With just above 2.5 million square metres newly let, office space take-up in the seven top German locations in 2023 was at its lowest level since 2009. Market observers ascribe this performance to the numerous challenges affecting this and all other markets such as the interest rate turnaround, energy prices and geopolitical conflicts. All real estate strongholds were affected by lower take-up. While Frankfurt and Dusseldorf only recorded single-digit percentage decreases compared with the previous year, the downturn in Stuttgart amounted to a full -49 per cent. Of the business hubs with the strongest turnover, Berlin ranks first, followed by Munich and Hamburg. The challenges for new construction – namely high construction costs, scarcity of materials and shortage of skilled workers – were also visible in the office segment, where new construction volumes fell by 27 per cent to 1.3 million square metres due to idle building sites and delayed or stalled projects. Frankfurt was the only top-seven location to report a slight increase in completed office space; all other markets saw a decrease. The vacancy rate was 5.8 per cent, or 5.6 million square metres, for all seven markets as at year-end 2023, marking an upward trend compared with the previous year's level of less than 5 per cent.

Prime rents for offices have been on the rise for 13 years. 2023 was no exception, even though growth in the fourth quarter stagnated in some regions. Prime rents in Berlin and Munich continued to increase until the end of the year, reaching € 44 per square metre in the German capital (2022: € 41.50 per square metre) and € 50 per square metre in the Bavarian capital (2022: € 44 per square metre, i.e. +14 per cent). Prime rent in Cologne amounted to € 32.50 per square metre, which was also up 14 per cent. The year-end prime rent in Dusseldorf reached € 40 per square metre. Frankfurt recorded the lowest prime rent growth of 1 per cent, ending the year at € 46.50 per square metre.

Less severe decrease in turnover on retail property market

Investors spent around € 5.5 billion on retail properties in the year under review. This is equivalent to a decrease of € 4 billion, or 42 per cent, vis-à-vis 2022 and is the lowest result since 2009 (annual turnover of € 2.9 billion). In light of the greater decrease in other asset classes, the retail segment increased its share in the total volume from 14 per cent to 17 per cent, even though the number of deals went down from 264 in 2022 to 195 in 2023. The smaller number included five large-volume transactions which accounted for 48 per cent of total volume. Seven deals exceeded € 100 million, following 15 large transactions in 2022. The largest share (37 per cent) was attributable to supermarkets – with a portfolio deal volume of just under € 1 billion (2022: 7 per cent). 21 per cent of the funds were invested in department stores (2022: 9 per cent), 12 per cent each in shopping centres and specialist retail parks (2022: 29 and 31 per cent respectively), and 9 per cent in non-food specialist retail stores (2022: 11 per cent). International investors were the most active players on the German retail market, representing more than half of all buyers (52 per cent) and nearly a quarter of sellers (24 per cent). Asset and fund managers accounted for 52 per cent of the group of sellers. They also dominated the group of buyers (43 per cent), followed by real estate companies (20 per cent) and corporates (14 per cent). Most investors pursued a risk-conscious approach: core-plus properties accounted for 46 per cent of investments, core properties for 40 per cent, while investments in value-add properties (9 per cent) and opportunistic investments (5 per cent) remained an exception.

Prime rents in major cities are expected to have bottomed out compared with the previous year. While they held steady in Berlin, Munich and Stuttgart, their mean value fell by around 3 per cent in the other cities. In Germany as a whole, prime rents fell by an average of 5.4 per cent on the previous year.

Average prime yields for retail properties increased in the year under review, with the highest prime yields being achieved for specialist retail stores (5.9 per cent) and shopping centres (5.5 per cent). Prime yields for commercial buildings in top retail locations, on the other hand, were at the other end of the spectrum (Munich: 3.2 per cent; Cologne and Stuttgart: 3.7 per cent).

Strong investor demand for logistics properties

Logistics and industrial properties bucked the trend in the year under review. Despite falling short of the previous year's result by 24 per cent, the asset class all but returned to its previous strength. Here, the € 7.3 billion turnover generated in 2023 was mainly due to the strong second half of the year with a transaction volume exceeding € 5 billion. The result was 15 per cent below the five-year average, but approximately 11 per cent above the ten-year average. Deal sizes increased in the second half of the year. The 16 large-volume transactions effected in 2023 (2022: 19) accounted for 43 per cent of total volume. The numbers of domestic and international investors were fairly balanced: 51 per cent of buyers and 56 per cent of sellers were German. Investors focused on core-plus investments (59 per cent) with rental and value appreciation potential. The share of core properties amounted to 17 per cent, while value-add and opportunistic investments reached 14 and 9 per cent respectively. Prime rents increased by up to 30 basis points during the year, reaching almost 4.5 per cent.

Rents for logistics properties have increased in line with the overall market development. Prime rents at top logistics locations (Munich, Hamburg, Berlin, Dusseldorf, Frankfurt, Cologne, Leipzig and the Ruhr region) rose by 9 per cent while average rents increased by 11 per cent. At € 10.50 per square metre, Munich was the most expensive location, but Hamburg and Berlin also reached the € 8.00 mark at € 8.10 and € 8.00 respectively. Leipzig was the least expensive location at € 5.90 per square metre.

Strong final quarter for hotel properties

Despite a stronger final quarter, the 2023 transaction volume of € 1.4 billion reported for the German hotel investment market (defined as individual transactions with an investment volume of at least € 5 million, portfolio transactions with properties exclusively located in Germany and German hotels sold as part of cross-border portfolio sales) was down 24.5 per cent on the previous year's figure of € 1.9 billion, reaching the lowest level since 2012 (€ 1.2 billion). 2023 fell short of the five- and ten-year averages by 44 per cent and 58 per cent respectively. 46 deals were recorded in the year under review, of which three were portfolio transactions and 43 were individual transactions. 48 per cent of these transactions (21 closed deals) with a transaction volume of € 669 million were attributable to the value-add segment, where investors focused mainly on properties without hotel operators and on the budget and luxury segments. Core properties accounted for 14 transactions with a total investment volume of € 559 million (share of 43 per cent). Institutional investors were the most active buyer group (transaction volume of € 539 million or 39 per cent of the transaction volume); these were followed by private equity investors with € 413 million (30 per cent) and hotel operators with € 211 million (15 per cent).

Uncertainty on private housing market

Increased construction costs and lending rates were the main drivers on the private housing markets in the year under review. This led to a feeling of uncertainty which was further fuelled by the debate about the German Buildings Energy Act and resulting higher costs for house owners, and by the insecurity surrounding subsidy programmes. While prices for residential property fell in the wake of these developments, rents continued to increase. This was a result of the persistently high demand for housing, especially in major cities, combined with the lack of new construction activities. Industry experts revised their estimates during the course of the year, forecasting demand for 750,000 residential properties by 2025 (+50,000 compared with the beginning of 2023). This means that the deficit could rise to 830,000 residential properties by 2027. At the same time, companies were increasingly confronted with order cancellations. Business confidence in the housing construction segment is lower than at any time since it was first recorded in 1991.

Diverging pricing for rentals and condominiums

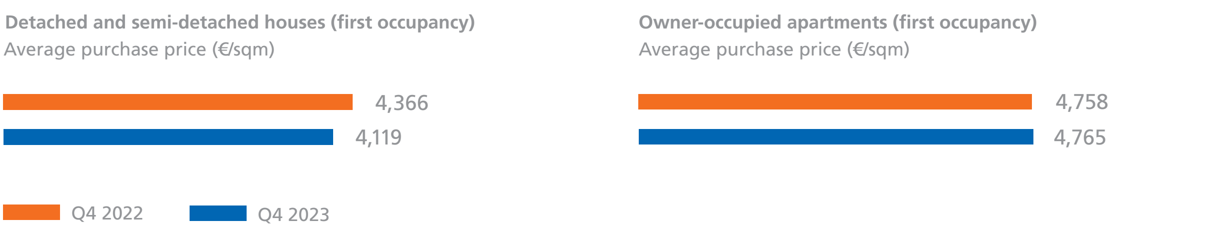
Although purchase prices continued to rise (albeit less dynamically) in 2022, Empirica reported that pricing for residential property in 2023 followed a downward trend for the most part. Purchase price indices for condominiums and single- and double-family homes decreased nationwide, both across all construction years and for newly-built properties. While prices for condominiums across all construction years fell by an average of 5.5 per cent between the fourth quarter of 2022 and the fourth quarter of 2023, the indices for newly-built properties stabilised. After going down slightly in the first half of the year, they recorded a slight quarter-on-quarter plus of 0.5 per cent in the fourth quarter and a year-on-year increase of 0.2 per cent. The indices for single- and double-family homes performed negatively compared with 2022, falling by 7.2 per cent for all construction years and by 4.4 per cent for new properties. At -1.4 per cent and -0.7 per cent, the final quarter showed a somewhat more moderate decline. Over the past ten years, purchase prices advertised for new condominiums and new single- and double-family homes have soared by 96 and 93 per cent respectively. The increase for properties across all construction years amounts to 97 and 82 per cent respectively.

Absolute purchase prices for new condominiums stabilised following a slight dip during the course of the year, all in all recording a slightly positive growth of 0.2 per cent to € 4,765 per square metre compared with the end of 2022. Despite a decrease in purchase prices, Munich remained the most expensive market: the average price per square metre for new condominiums realised in the fourth quarter was € 10,936 (2022: € 11,242 per square metre). Stuttgart ranks second with € 7,748 per square metre (2022: € 8,092 per square metre) and Frankfurt third with € 7,627 per square metre (2022: € 8,187 per square metre). Berlin recorded a slight increase from € 7,163 per square metre in 2022 to € 7,219 per square metre in 2023, and Hamburg and Dusseldorf achieved slightly lower prices per square metre in a year-on-year comparison (Hamburg: € 7,132 per square metre in 2023 versus € 7,284 in 2022; Dusseldorf: € 7,065 per square metre in 2023 versus € 7,241 in 2022).

Munich was also ranked first in the seven top locations in the newly-built single- and double-family homes segment, with an average price per square metre of € 9,899 as at year-end 2023 (2022: € 10,688 per square metre). In a national comparison, prices in this segment decreased by 4.4 per cent to € 4,119 per square metre compared with 2022.

On the other hand, rental apartments across all construction years continued to follow the upward trend of the purchase price indices seen in recent years. Purchase prices rose by 1.3 per cent in the fourth quarter

PURCHASE PRICE DEVELOPMENT IN GERMANY



Source: Empirica

of 2023 and by 5.7 per cent over the entire year, which was nearly on a par with the developments of new rental apartments: +1.4 per cent in the fourth quarter and +5.6 per cent for the entire year. Over the past ten years, prices for new-builds have increased by 47 per cent (+48 per cent for rental apartments across all construction years).

Rents for new-builds continue upward trajectory

Rents for new housing in Germany continued to climb in 2023, with a year-on-year increase of 5.6 per cent and a quarter-on-quarter rise of 1.4 per cent as at the reporting date. This is a plus of 47 per cent over the past ten years. Once again, Munich is the most expensive top location, with an average square metre rent of € 21.10 for new-builds. Berlin (€ 17.76), Frankfurt (€ 17.63) and Stuttgart (€ 16.09) ranked second, third and fourth respectively. Rental prices for properties across all construction years were slightly lower, at € 19.23 per square metre in Munich and at € 14.80 in Frankfurt, with Berlin (€ 14.30) overtaking Stuttgart (€ 14.29).

Home loan financings move sidewards, home loan savings contracts upwards

After eroding the purchase power of real estate buyers in 2022, inflation loosened its grip on market participants in 2023 thanks to lower prices and interest rates for construction finance. Construction finance interest rates for ten-year bonds were just above 3 per cent at the end of 2023, down from more than 4 per cent in October 2022. Nevertheless, buyers remained wary which influenced new business with home loan financings. While absolute construction levels stabilised, almost reaching the previous year's figure in November 2023 (€ 13.5 billion versus € 13.6 billion in November 2022), this is the lowest level seen in the month of November since 2008 – and significantly below the record figure of 2020 (€ 23.2 billion). The positive trend for home loan savings contracts seen in 2022 continued in the year under review, with the volume of new contracts exceeding the previous year by 40 per cent. At € 70,000, the total volume of home loan savings also marked a record high.

Sustained downturn for building permits

The number of new homes approved for construction continued to decline in 2023: following approval of around 322,000 new homes between January and November 2022, the figure decreased by 25.9 per cent to 238,500 units in the same period of 2023. The negative trend affected nearly all segments; the number of building permits for single-family homes decreased by more than one third (-38.6 per cent or -28,000 units) to 44,500 units, for double-family homes by nearly half (-49.2 per cent or -12,900) to 13,300 units, and for apartments in multi-family homes by nearly one quarter (-23.8 per cent or -40,800 units) to 130,400 apartments. Only residential homes showed a positive growth of 29.4 per cent (or plus 1,900 units) to 8,500 units approved for construction.

Sources: Jones Lang LaSalle (JLL), vdp, ZIA, DZ BANK Research, Ifo Institut, Empirica, Destatis

BUSINESS DEVELOPMENT

Credit Business

New business down year-on-year

DZ HYP originated new real estate finance business – with both corporate clients and retail customers – totalling € 8,191 million in the 2023 financial year (2022: € 9,688 million). Including financing for public-sector clients, the Bank originated new business of € 8,627 million (2022: € 10,439 million).

Corporate Clients segment

In its business with corporate clients, DZ HYP generated a new business volume of € 7,439 million (2022: € 8,064 million). The German core market accounted for € 6,907 million (2022: € 7,794 million), in line with the Bank's strategic focus. Within the Cooperative Financial Network, joint lending business with the cooperative banks amounted to € 2,552 million (2022: € 2,978 million). To avoid cyclical peaks in the portfolio, DZ HYP continued to apply its conservative risk strategy with mandatory quantitative targets for its financing decisions in the year under review. The Bank carries out comprehensive qualitative analyses of the properties, the location and the rental situation, including stress tests, and knows that the quality of the client relationship is a most important factor.

Retail Customers segment

Within the Cooperative Financial Network, lending to retail customers is dominated by real estate financing. Thanks to the refinancing options available to it, DZ HYP is in a position to provide cooperative banks with real estate financing that suits their exact needs. The volume of new commitments in the retail business – which is, for the most part, intermediated via the core banking procedures of the Cooperative Financial Network and the GENOPACE and BAUFINEX network portals – decreased to € 753 million in the reporting year (2022: € 1,624 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 helps cooperative banks to develop business with domestic local authorities as well as their legally dependent operations, which are serviced across Germany. DZ HYP originated new business of € 435 million in loans to local authorities during the year under review (2022: € 751 million). Of this figure, € 252 million (2022: € 384 million) was intermediated by cooperative banks and € 183 million (2022: € 367 million) was direct business.

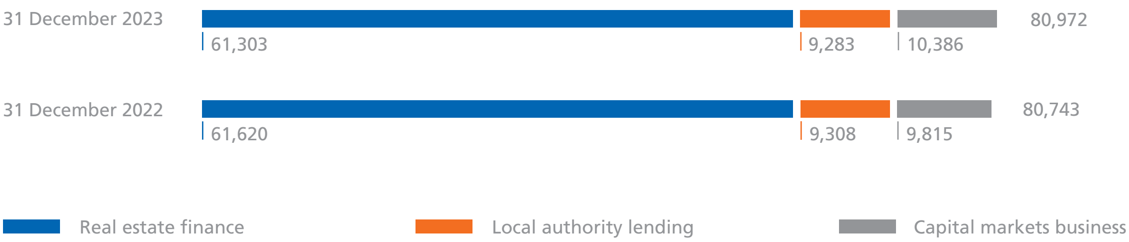
Portfolio at a glance*)

Domestic loans accounted for 96.4 per cent (2022: 96.8 per cent) of DZ HYP's real estate lending portfolio as at 31 December 2023. The volume of international financings rose by 11.3 per cent to € 2.2 billion in 2023 (2022: € 2.0 billion), with the target markets of Austria, France, the United Kingdom and the Netherlands accounting for 94.2 per cent of the international lending volume.

The following chart breaks down the lending volume by DZ HYP's three types of business: real estate lending, local authority lending and capital markets activities.

*) The figures refer to the lending volume viewed from a risk perspective (i.e. including disbursement commitments).

LENDING VOLUME BY BUSINESS DIVISION IN € MN



The real estate lending volume, which is predominantly collateralised by land charges and mortgages, is broken down as follows by individual property type:

LENDING VOLUME*): REAL ESTATE LENDING VOLUME BY TYPE OF PROPERTY

€ mn	Total 31 Dec 2023	Total 31 Dec 2022	Change %
Residential	**13,320**	13,614	-2.2
Multi-storey apartment buildings (multi-family homes)	**18,209**	18,382	-0.9
Office	**15,278**	14,771	3.4
Retail	**6,658**	7,001	-4.9
Hotels	**2,354**	2,456	-4.2
Logistics	**1,566**	1,456	7.6
Other	**1,318**	1,383	-4.7
Building plots	**805**	1,055	-23.7
Not allocated to any property type	**1,795**	1,502	19.5
Total	**61,303**	**61,620**	**-0.5**

*) Including disbursement commitments; changes of values as at 31 December 2022 compared with the 2022 Annual Report result from a methodical reclassification of property types

The regional breakdown of DZ HYP's capital markets business is as follows:

CAPITAL MARKETS BUSINESS: REGIONAL DISTRIBUTION OF SECURITIES HOLDINGS

€ mn	Total 31 Dec 2023	Total 31 Dec 2022	Change %
Germany	**7,136**	6,315	13.0
EU peripheral countries*)	**1,533**	1,591	-3.6
Other EU member states	**787**	799	-1.5
Other third countries	**572**	746	-23.3
Supranationals	**358**	364	-1.6
Total	**10,386**	**9,815**	**5.8**

*) Italy, Portugal and Spain

Reduction of non-strategic portfolio

The non-strategic portfolio includes securities and derivatives that are no longer part of DZ HYP's investment focus. The Bank continued to wind down the non-strategic portfolio via repayments and maturities in 2023 – from around € 1.8 billion as at 31 December 2022 to around € 1.7 billion as at 31 December 2023.

Refinancing

Following the successful introduction of Green Pfandbriefe in 2022, DZ HYP took advantage of the dynamic environment at the beginning of 2023 to place two Green Mortgage Pfandbriefe on the capital markets. The Pfandbrief instruments were issued via a dual tranche, had a volume of € 500 million each, and a term of three and ten years respectively. The strong new issuance volume on the covered bond market at the beginning of the year once again served to underline the steadiness of this market segment. The European Central Bank's monetary policy had two effects: while interest rate hikes supported the markets, the discontinuance of the bond purchase programme opened up a gap in demand that was filled quickly.

Issuance on the capital markets eased off for a short time in March 2023 after several mid-sized US banks and the major Swiss bank Credit Suisse required support in the form of various resolution mechanisms. The Pfandbrief market recovered swiftly, allowing DZ HYP to successfully place a Public Pfandbrief in benchmark format with a term of four and a half years at the beginning of April. This issue was followed by another placement in mid-May when DZ HYP made use of a favourable market phase for longer-term instruments and issued a ten-year Mortgage Pfandbrief with a volume of € 500 million.

The very dynamic market environment for new issues that was in evidence in the first six months of the year did not continue its course in the second half of 2023. The main two factors hampering the primary market were increased geopolitical risks and growing uncertainty regarding the further path of long-term interest rates.

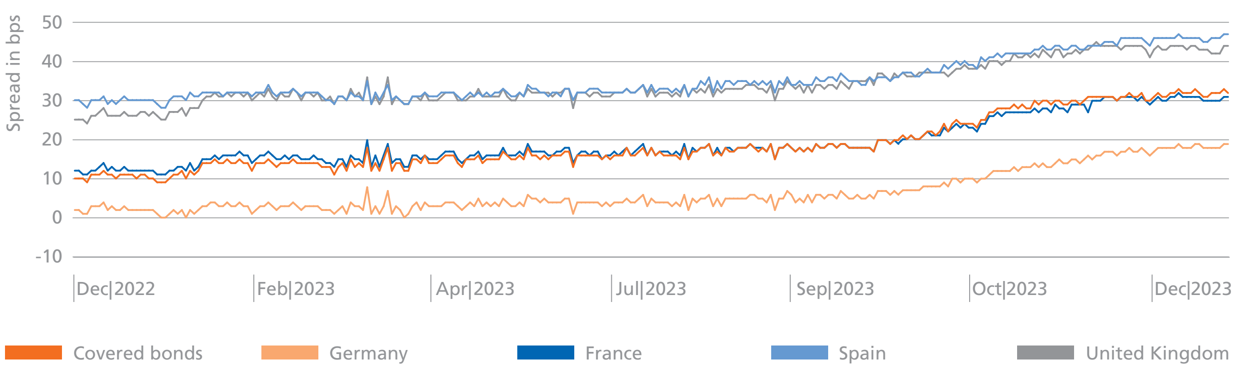
In spite of the difficult climate, there was still strong market interest in Pfandbriefe, which were able to hold their ground as a long-term refinancing instrument thanks to their high quality standards based on strict legal requirements. Risk premiums for covered bonds exhibited a far more stable performance than risk premiums for unsecured bonds.

After the summer break, DZ HYP re-entered the capital market with another two Mortgage Pfandbrief issues for € 500 million each, issuing a Green Pfandbrief with a term of four and a half years in August and a Mortgage Pfandbrief with a term of three years and nine months in November 2023. The Bank was able to generate covered liquidity of € 3.0 billion on the primary market via Pfandbrief issues (€ 2.5 billion in Mortgage Pfandbriefe and € 0.5 billion in Public Pfandbriefe). DZ HYP also increased the volume of outstanding covered bonds by a total of € 0.6 billion, making private placements of € 1.8 billion, of which € 1.2 billion related to Mortgage Pfandbriefe and € 0.6 billion to Public Pfandbriefe. Accordingly, the Bank issued a covered bond volume of € 5.3 billion in the year under review (31 December 2022: € 3.1 billion).

Unsecured funding totalling € 2.5 billion (31 December 2022: € 3.7 billion) was provided exclusively within the DZ BANK Group. DZ HYP's total Pfandbriefe outstanding as at 31 December 2023 amounted to € 44.3 billion (31 December 2022: € 42.7 billion). This figure comprised € 35.1 billion in Mortgage Pfandbriefe (31 December 2022: € 33.4 billion) and € 9.2 billion in Public Pfandbriefe (31 December 2022: € 9.3 billion).

Total unsecured funding as at the reporting date was € 19.8 billion (31 December 2022: € 20.7 billion).

FUNDING SPREADS FOR FIVE-YEAR COVERED BOND



Source: DZ BANK

NET ASSETS, FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Net assets

In the 2023 financial year, DZ HYP's total assets increased slightly by € 0.3 billion to € 77.5 billion while the real estate lending portfolio rose by € 0.2 billion to € 56.9 billion. The private real estate financing portfolio volume was in line with the previous year's level of € 14.0 billion. The portfolio of real estate finance business with corporate clients increased by € 0.2 billion to € 42.9 billion.

In its business with public-sector clients, DZ HYP's investment strategy continues to focus on providing support for cooperative banks while ensuring a balanced risk/return profile at the same time. As expected, new business originated during 2023 fell short of ongoing repayments, reducing the portfolio by € 0.5 billion to € 8.8 billion.

Overall, DZ HYP's credit portfolio was on a par with the previous year's level.

DEVELOPMENT OF LENDING VOLUME

€ mn	31 Dec 2023	31 Dec 2022	Change from the previous year € mn	%
Mortgage loans*)	56,902	56,686	216	0.4
Originated loans to local authorities)**	8,785	9,283	-498	-5.4
Securities business*)**	9,007	8,690	317	3.6
Total	**74,694**	**74,659**	**35**	**0.0**

*) Mortgage loans including short-term loans collateralised by real property liens
**) Credit business with direct liability of German local authorities or their legally dependent operations
***) Lending transactions with national governments and sub-sovereign entities, Landesbanken and development and promotional banks, as well as state-guaranteed corporate bonds, bank bonds and mortgage-backed securities; previous year's figure adjusted

DZ HYP's financial position is sound.

CALCULATION OF AVERAGE INVESTED ROE-RELEVANT EQUITY

€ mn	2023	2022
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	171.1	171.3
Fund for general banking risks pursuant to section 340g of the HGB	978.0	823.0
Relevant equity	**2,276.4**	**2,121.6**
Average invested relevant equity	**2,199.0**	**2,105.9**

Regulatory capital

With effect from the reporting date of 31 December 2012, DZ HYP has applied an own funds waiver option provided for under article 7 of the Capital Requirements Regulation (CRR). This means that it is exempt from applying certain regulatory requirements at individual institution level. DZ HYP makes use of the regulatory capital requirements for internal management purposes.

	31 Dec 2023	31 Dec 2022
Own funds (€ mn)	**1,896**	**1,895**
Total capital ratio (in %)	**12.4**	**12.6**
Tier 1 ratio (in %)	**11.9**	**12.1**
Common equity tier 1 ratio (in %)	**11.9**	**12.1**

To strengthen common equity tier 1 capital, DZ HYP – in consultation with DZ BANK – to allocate the bulk of the € 210.2 million in distributable earnings generated in the 2023 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 ongoing liquidity management and structural funding. In DZ HYP's view, 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. The liquidity waiver with DZ BANK provided for under article 8 of the CRR will be taken into account from the date of first application, with effect from 31 December 2021.

» 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 raised funds 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, providing a safe and cost-efficient way to raise liquidity. DZ HYP maintains its own market presence as a Pfandbrief issuer, placing Pfandbriefe with investors both within and outside the Volksbanken Raiffeisenbanken Cooperative Financial Network.

DZ HYP's liquidity situation is adequate.

Financial performance

DZ HYP's financial performance in the 2023 financial year proved encouragingly robust despite the decline in new business. The increase in net interest income was accompanied by higher valuation allowances (as planned) and lower administrative expenses.

Compared with the previous year, there were no opportunistic security sales.

As part of its holistic management approach, DZ HYP uses the business performance indicators shown in the following table, which are derived from HGB accounting, and condenses them into the key performance indicators presented below.

OVERVIEW OF THE PROFIT AND LOSS ACCOUNT

			Change from the previous year	
€ mn	**2023**	2022	€ mn	in %
Net interest income	711.0	671.8	39.2	5.8
Net commission result	-14.5	-20.1	5.6	-27.9
Administrative expenses	246.7	275.8	-29.1	-10.6
Net other operating income/expenses	16.6	16.9	-0.3	-1.8
Risk provisioning*)	-109.6	-85.6	-24.0	28.0
Net financial result)**	-1.7	-134.0	-132.3	-98.7
Operating profit	**355.1**	**173.2**	**-181.9**	**>100.0**
Allocation to the fund for general banking risks	155.0	31.0	-124.0	>100.0
Taxes	144.2	92.6	-51.6	55.7
Partial profit transfer	0.5	19.6	-19.1	-97.4
Profits transfer	55.4	30.0	25.4	84.7

*) Equates to the income statement line item "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 item "amortisations write-downs on participions interests, shares in affiliated companies and investment securities"

Net interest income

In the 2023 financial year, DZ HYP's net interest income of € 711.0 million exceeded the previous year's figure of € 671.8 million by € 39.2 million. This was due in part to increased margins in the lending business and higher interest income from liquidity management and the investment of own funds. Net interest income results from banking book activities, which are geared towards generating long-term, matched-maturity margins.

Net commission result

Compared with the previous year, net fee and commission income improved by € 5.6 million to € -14.5 million. € 32.2 million was paid for brokerage services to cooperative banks, which was far less than the € 58.3 million recorded in the previous year. At the same time, € 18.4 million in commission income – less than last year's figure of € 30.6 million – was generated from the lending business, which depends on both the respective product mix and disbursement timing.

Administrative expenses

Administrative expenses in the 2023 financial year – i.e. the total general administrative expenses (€ 241.6 million; previous year: € 269.4 million) and write-downs on intangible assets and tangible fixed assets (€ 5.1 million; previous year: € 6.4 million) – amounted to € 246.7 million, down € 29.1 million on the previous year (€ 275.8 million). This includes personnel expenses of € 103.4 million, down € 13.1 million from € 116.5 million in the previous year. This decline was due in particular to a € 16.7 million decrease in pension provisions, while parameters for the pension and salary trends remained unchanged.

Other administrative expenses decreased by € 14.8 million to € 134.1 million as a result of reduced bank levy charges. The bank levy due for the year amounted to € 33.2 million, € 14.9 million lower than the previous year's figure of € 48.1 million.

Net other operating income/expenses

Net other operating income/expenses was down € 0.3 million to € 16.6 million. At € 23.6 million, other operating income, which was generated largely from reversals of provisions of € 1.3 million (previous year: € 3.8 million), service income of € 7.2 million (previous year: € 6.9 million) and rental income of € 12.1 million (previous year: € 10.1 million), was less than the prior-year figure of € 29.7 million. Other operating expenses decreased by € 5.8 million to € 7.0 million (previous year: € 12.8 million), with € 4.5 million largely due to the lower interest cost in calculating pension provisions.

Risk provisioning

In the business with corporate clients and the private home loan financing business, additions to specific impairments amounted to € 120.8 million (previous year: income of € 4.3 million). This resulted in expenses for risk provisioning totalling € 109.6 million (previous year: € 85.6 million). There was a reversal of € 9.0 million in portfolio-based loss allowance (previous year: allowance of € 79.0 million), primarily due to stage changes. In addition, income from the valuation and gains from the redemption of securities held as liquidity reserve amounted to € 0.7 million (previous year: € -5.8 million).

Net financial result

The result from realisation and measurement effects on securities held as fixed assets and credit derivatives totalled € -1.7 million (previous year: € -134.0 million). Unlike the previous year, there were no sales of securities during the year under review.

Operating profit

Operating profit reflects DZ HYP's performance in its core business and is used for the internal management of the operating business segments. Due in particular to higher net interest income and lower administrative expenses, the operating profit of € 355.1 million exceeded the previous year's value of € 173.2 million by a significant margin.

Change in the fund for general banking risks

During the 2023 financial year, € 155.0 million (previous year: € 31.0 million) was allocated to the special item for general banking risks pursuant to section 340g of the HGB in order to take account of particular risks facing the business purpose.

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 € 144.2 million (previous year: € 92.6 million) were allocated to DZ HYP. This includes for the most part a € 143.7 million income tax expense from tax overhead (previous year: € 92.0 million). Other tax expenses amounted to € 0.3 million (previous year: € 0.3 million) and related mainly to real estate taxes payable for the Bank's properties.

Profit transfer

After silent partnership contributions were repaid at the beginning of the year under review, DZ HYP allocated a partial profit of € 0.5 million (previous year: € 19.6 million) to its silent investors. After taxes, profits of € 55.4 million (previous year: € 30.0 million) will be transferred to DZ BANK in accordance with the agreed distribution policy.

DZ HYP's key performance indicators are set out below.

Distributable earnings

Distributable earnings are calculated for measuring DZ HYP's earnings power and are composed as follows:

COMPOSITION OF DISTRIBUTABLE EARNINGS

€ mn	**2023**	2022
Net income before profit transfer	55.4	30.0
Allocation to general risk provisions pursuant to section 340f of the HGB	-0.2	0.4
Allocations to the fund for general banking risks pursuant to section 340g of the HGB	155.0	31.0
Distributable earnings	**210.2**	**61.4**

The planned amount of € 100 million was significantly exceeded due to the positive business performance.

Cost/income ratio

The cost/income ratio (CIR) serves as a yardstick for the efficiency of commercial activities and also as a central management parameter. It expresses the ratio of administrative expenses (including other operating expenses) to the aggregate of net interest income, net commission result and other operating income. Reflecting above all lower administrative expenses and the increase in net interest income compared with the previous year, the CIR of 35.2 per cent in the 2023 financial year improved by 7.2 percentage points from 42.4 per cent in 2022, significantly exceeding the target figure for 2023.

STRUCTURE OF CIR COMPONENTS

€ mn	2023	2022
Administrative expenses	246.7	275.8
Other operating expenses	7.0	12.8
Total relevant expense items	**253.7**	**288.6**
Net interest income	711.0	671.8
Net commission result	-14.5	-20.1
Other operating income	23.6	29.7
Total relevant income items	**720.1**	**681.4**

Return on equity

Another key performance indicator is return on equity (RoE), which is used to gauge a company's profitability. RoE is a measure of net income before taxes and allocation to general risk provisions in relation to the average invested relevant equity (funds from the reporting year and the previous year). In the 2023 financial year, DZ HYP's RoE improved to 16.1 per cent (previous year: 7.3 per cent), significantly exceeding the 10.5 per cent planned for that year.

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

€ mn	2023	2022
Net income before profit transfer	55.4	30.0
Allocation to general risk provisions pursuant to section 340f of the HGB	-0.2	0.4
Allocations to the fund for general banking risks pursuant to section 340g of the HGB	155.0	31.0
Tax expense on income	143.9	92.3
Net income before taxes and allocations to general risk provisions	**354.1**	**153.7**

DZ HYP's rigorously pursued business and risk strategy led to a stable financial situation and a robust financial performance in 2023. A viable business model combined with an accelerated build-up of general risk provisions lays the foundation for a sound financial position and performance.

REPORT ON OPPORTUNITIES, RISKS AND EXPECTED DEVELOPMENTS

REPORT ON OPPORTUNITIES

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. Opportunities exist here above all in the form of sources of income exceeding projections or expenses remaining below projections. Despite the consequences of the war in Ukraine and high inflation, DZ HYP was able to seize such opportunities, especially through positive effects from investing the Bank's own funds and liquidity management.

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 allows DZ HYP to offer financings based on risk and return criteria. DZ HYP will continue to use this ability to act – together with the German cooperative banks – as a reliable financing partner to its clients.

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 responsibly and efficiently and takes risks and opportunities into consideration as part of its decision-making processes.

Corporate governance is guided by the underlying principles laid down in DZ HYP's sustainability strategy. Sustainability plays a central role in the Bank's governance and business strategy and influences other strategies, such as those relating to employee matters or the credit risk strategy. Additional operational sustainability issues are implemented in the respective departments through various guidelines and work instructions.

A Sustainability Committee, composed of the Management Board and Department Heads, creates the ideal framework for the Bank to pursue a sustainable approach. The Committee acts as a central decision-making body, connecting the sustainability management team with the Bank's various organisational units. The Sustainable Products Committee determines how to evaluate and select suitable assets. The Bank's Coordination Committee is responsible for operational design and setting the key area of focus. DZ HYP has also developed a methodology for identifying sustainable real estate, which is based on a catalogue of data records that also takes current regulatory requirements into account. These sustainability requirements have been integrated into the new business process in the Corporate Clients segment. In addition, the corresponding process structures have been created and a significant proportion of the portfolio has already been classified.

Managing opportunities

Seizing business opportunities while observing risk and return targets is an integral part of DZ HYP's enterprise management. The activities driven by the Bank's business model call for the ability to identify, measure, assess, manage, monitor and communicate opportunities.

DZ HYP's opportunities management is integrated into the DZ BANK Group's annual strategic planning process. Strategic planning allows trends and changes to the market and competitive environment to be identified and analysed and also 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

DZ HYP is included in the non-financial Group Management Report of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, and is therefore exempt from issuing its own non-financial statement. The non-financial Group Management Report forms part of the Sustainability Report of the DZ BANK Group and is available in English on the following website: www.dzbank.com/reports.

RISK REPORT

Under its former company name "DG HYP", DZ HYP has made use of the waiver (own funds waiver) pursuant to section 2a (1) sentence 1 of the KWG (as amended at the time), with respect to sections 10, 13 and 25a (1) sentence 3 no. 1 of the KWG (as amended at that time) since 31 December 2012. DZ HYP continues to apply this waiver. 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 to 4, 7, 7A and 8 of the CRR, section 2 of Regulation (EU) 2017/2402 and with certain requirements as defined in section 2a (2) of the KWG pursuant to section 25a (1) of the KWG. In the context of the own funds waiver, economic and regulatory equity adequacy is monitored, ascertained and disclosed at DZ BANK Group level.

Since the reporting date of 31 December 2021, the ECB has also approved the application of a liquidity waiver pursuant to Art. 8 of the CRR, whereby DZ HYP is exempt from complying on a single-entity level with the requirements set out in Articles 412, 413 and 430 (1) lit. d) of the CRR. Instead, these requirements must be met at the level of the liquidity sub-group comprising DZ BANK and DZ HYP pursuant to Art. 8 (2) and (6) of the CRR.

I) Fundamental principles of risk management

Risk management at DZ HYP takes into account the requirements under the KWG, the Minimum Requirements for Risk Management in Banks *(Mindestanforderungen an das Risikomanagement* – "MaRisk") and other relevant statements of the Supervisory Authorities, and is an integral part of the strategic and operational management of the Bank as a whole. Assuming risks in a targeted and controlled manner and observing target returns are both part of enterprise management within the DZ BANK Group, and therefore 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 and a solid level of liquidity are fundamentally important for the Bank's continued operation. As a guiding principle for all business activities carried out by the DZ BANK Group – and therefore also by DZ HYP – risk is assumed only to the extent required to achieve business policy objectives and provided that the Bank has an adequate understanding and expertise for identifying, measuring, assessing, managing, monitoring and communicating the risks involved.

To implement this principle, DZ HYP's Management Board has defined a Risk Appetite Statement in line with Group guidelines. Based on the risk policy guidelines, the quantitative indicators and the business strategy, a Risk Strategy Framework was prepared and the respective risk strategies determined for the material types of risk.

The risk inventory, which is carried out at least annually or on an event-driven basis, identifies the types of risk that are relevant for the DZ BANK Group and assesses them with regards to their materiality. A materiality analysis is carried out for any type of risk that may occur in principle, given the business activities of DZ BANK Group entities. Following this, all types of risk classified as material are evaluated to determine to what extent risk concentrations exist.

Credit risk, market price risk, liquidity risk, operational risk, equity investment risk, reputational risk, business risk and longevity risk (as a sub-type of actuarial risk) have been identified as material risk types for DZ HYP. These types of risk are explained in sections II to IX. 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 "risk contribution" is used accordingly.

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. A capital buffer is set aside to account for types of risk for which capital requirements cannot yet be (sufficiently) determined. As soon as adequate measures for quantifying such risks become available (if the exposure can be included in the risk capital requirement or risk contribution, respectively), this buffer will be released again. In substantiated exceptional cases, the capital buffer may be permanent (e.g. to account for longevity risk). The ratio of economic capital relative to reputational risk is taken into consideration or determined using the business risk model. The methods and procedures for managing liquidity risk are explained in section IV.

DZ HYP is closely integrated into the risk management of the DZ BANK Group, among other things through the use of the own funds and liquidity waivers. Risk management is performed in line with the business strategy and the risk strategies of DZ HYP and the DZ BANK Group. Risk limits for the material risk types are determined regularly as part of the yearly Group-wide strategic and operational planning process, taking into consideration the risk-bearing capacity of the DZ BANK Group. In addition, DZ HYP has limit systems in place for the internal management and monitoring of country and counterparty credit risks.

Early-warning indicators and escalation processes are defined as part of the limitation. In the event of any limit transgressions, an escalation procedure is initiated to restore limit compliance – or to approve transgressions – in line with delegated authority.

The Supervisory Board monitors the activities of the Management Board and receives the Management Board's reports, including reports on the business development and risk situation in accordance with section 90 of the AktG and other regulatory reports. The Rules of Procedure and Schedule of Responsibilities of the Management Board are subject to Supervisory Board approval. The Supervisory Board has established special committees from amongst its members to fulfil its duties. The Risk Committee is responsible for risk management, including the Risk Appetite Statement and the resulting risk strategies in accordance with MaRisk. The Audit Committee's monitoring duties include, in particular, the accounting and financial reporting process, the effectiveness of the risk management system (in particular the effectiveness of the internal controlling systems and the internal audit), the audit of the financial statements and the independence of the external auditors. The Nomination Committee assists the Supervisory Board; its tasks include identifying candidates for appointment to the Management Board or Supervisory Board and assessing the structure, size, composition and performance of the Management Board and the Supervisory Board. The Remuneration Control Committee monitors the appropriate structure of the remuneration systems for members of the Management Board and employees.

a) Responsibilities

The Management Board – as the Bank's highest internal decision-making body – is responsible for the management of DZ HYP. Management Board resolutions are taken during weekly meetings. As regards DZ HYP's risk governance, the Management Board has the management authority and sole power of representation, in accordance with sections 77 and 78 of the German Stock Corporation Act (AktG). The Management Board is responsible for managing and monitoring risks of the entire Bank at portfolio level, as well as for allocating risk capital. It decides upon individual loan exposures in line with its lending authority. In addition, DZ HYP is integrated into the committee structures of the DZ BANK Group and the Cooperative Financial Network, where DZ HYP's Management Board members or other employees are represented.

b) Functions

A "three lines of defence" model has been established for the structural organisation of the risk management framework. This model clearly differentiates responsibilities between the various units and addresses potential conflicts of interest.

The first line of defence is the operational management in the front-office units (*Markt*). The units involved are responsible for recognising risks at an early stage, assessing them, consciously assuming or avoiding them, and implementing suitable risk management 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. 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 (*Marktfolge*).

In the second line of defence, Risk Controlling takes on the risk control function in accordance with MaRisk, and therefore the overarching responsibility for identifying, measuring, assessing and limiting risks, as well as for risk monitoring and communication.

The Compliance Office assumes additional functions of the second line of defence. It also serves as the Compliance Officer pursuant to MaRisk and the Securities Trading Act (*Wertpapierhandelsgesetz* – "WpHG"), Anti-Money Laundering Officer/Central Unit, Data Protection Officer, Information Security Officer, Business Continuity Manager and Central Outsourcing Officer.

As the third line of defence – and independent of individual processes – Internal Audit examines and assesses risk management processes employed by the first and second lines of defence. In this capacity, it reports directly to the Management Board, the Supervisory Board and external controllers.

c) Requirements pursuant to section 27 of the PfandBG

DZ HYP's risk management framework fulfils the 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 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 structural parameters 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 MaRisk as well as with those under section 27 of the PfandBG.

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

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

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 that internal and external accounting and financial reporting systems function correctly and reliably. Key objectives in this context are to ensure completeness and accuracy of documentation, to record transactions promptly, to reconcile balances across the IT systems used and to comply with applicable accounting rules. Other control objectives relate to compliance with applicable laws and regulatory requirements.

Integrated business process control mechanisms – such as dual control checks – have been installed to implement the strategy outlined above. The separation of functions, access restrictions, work instructions and plausibility checks serve to mitigate errors. The Bank regularly enlists the help of external experts to implement new legal regulations. New product processes always require evidence – prior to the launch of a new product – that the business with new products/new markets can be implemented correctly in the accounting and financial reporting system 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 for identifying and assessing material risks (and related risk mitigation measures) to ensure the proper preparation of the financial statements.

e) Risk monitoring and reporting

An Overall Risk Report is prepared on a monthly basis. In accordance with MaRisk requirements, this report includes a presentation of the Bank's aggregate risk situation, the material types of risk and the regulatory and economic capital adequacy. The Overall Risk Report is discussed by the Management Board on a monthly basis, and three times a year by the Risk Committee and the Supervisory Board. In addition, the market price risks to which DZ HYP is exposed are reported daily to the Management Board; the key figures are also provided to the Supervisory Board and its Risk Committee on a regular basis.

II) Credit risk

Credit risk is defined as being the risk of losses incurred as a result of the default or migration of creditworthiness of counterparties (borrowers, issuers, other counterparties) or guarantors as well as from losses with a view to the recoverability of receivables and the realisation of collateral. 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*), derivatives 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 (additional any existing overdrafts), or from overdue payments; or (ii) the risk of losses from contingent liabilities or committed credit lines.

Credit risk from capital markets activities is distinguished further, into replacement risk and issuer risk. 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 only 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 defaulting bond issuers.

a) Credit risk quantification

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, the required default probabilities are mapped using CRR-compliant ratings insofar as possible. In principle, Expected Loss is determined by mapping probability of default and expected loss severity after the realisation of collateral with the expected receivables at the time of default. Expected losses on the level of individual transactions are incorporated into the calculation parameters for new business, in order to prevent gradual erosion of equity. 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, intra- and inter-sector correlations, and the credit quality structure of the portfolio. Measurement includes default risk from both the lending business and trading activities.

b) Credit rating

The ECB has approved the majority of DZ HYP's rating systems for the purpose of calculating equity requirements under the IRB approach; they ensure an adequate assessment of counterparty credit risk and support internal management. Models are developed and validated in line with DZ BANK's requirements and rating procedures are validated at least once a year.

Given its extensive real estate expertise, DZ HYP has assumed the lead – within the Cooperative Financial Network – for developing, regularly maintaining and optimising rating procedures for commercial real estate finance in Germany. These are also employed by numerous cooperative banks. Based on the Bank's function as a centre of competence for public-sector clients, the public-sector entity rating within the DZ BANK Group is bundled in DZ HYP.

DZ BANK is responsible for the methodological development for other client segments, such as banks and sovereigns, also involving the National Association of German Cooperative Banks (BVR). DZ HYP regularly uses internal validation processes to ascertain the adequacy of these procedures for its own portfolios.

For a small number of special cases, DZ HYP applies simplified rating procedures for which no IRBA approval has been applied. This is due to cost/benefit considerations.

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 2023	Total 31 Dec 2022	Real estate lending 31 Dec 2023	Local authority lending 31 Dec 2023	Capital markets business 31 Dec 2023
Investment grade (rating class 2A or better)	**77,269**	77,851	57,669	9,283	10,317
Non-investment grade (rating classes 2B–3E)	**3,175**	2,776	3,135	–	40
Defaulted rating classes (4A or worse)	**527**	113	498	–	29
Unrated	**1**	3	1	–	–

*) including disbursement commitments

A new rating is prepared for each client at least once a year or for specific events.

c) 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 it is used by the parent company DZ BANK. Cases with early warning indicators are assigned to a '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 impairments, the cases are included on the 'default list', which also contains all exposures subject to recovery without specific impairments required. The processing rules and requirements on the transfer from one ERM list to another are subject to defined criteria. A detailed report on ERM exposures is submitted to the Management Board on a monthly basis.

Non-performing loans are managed using the following indicators in particular:

- Non-performing loans (NPL) ratio (defined as the share of non-performing loans in total lending volume)
- Provisioning ratio (defined as risk provisioning in relation to total lending volume)

- Risk coverage ratio (defined as risk provisioning in relation to non-performing loans)

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

CREDIT RISK INDICATORS

€ mn	Total 31 Dec 2023	Total 31 Dec 2022	Change in %
Lending volume*) (LV)	**80,972**	80,743	0.28
NPL volume	**527**	114	362.3
NPL ratio in %	**0.65%**	0.14%	364.3
Risk provisioning pursuant to the HGB)**	**477**	368	29.6
Provisioning ratio in %	**0.59%**	0.46%	28.3

*) Including disbursement commitments
**) Specific and general loan loss provisions, general risk provisions (section 340f of the HGB) and other provisions

The increase in NPL ratio was driven by the real estate finance business with corporate clients on the back of the development of the real estate markets. Individual lending exposures had to be classified as non-performing loans and hedged with a corresponding specific allowance, where necessary. The portfolio's NPL structure has not shifted systematically; the NPL level remains low across all fields of business.

d) 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 evident and inherent default risks, for all receivables carried on the balance sheet as well as for off-balance sheet transactions. When calculating expected losses in real estate financing, the value of property liens is recognised based on recent value appraisals. If the loan amount exceeds a threshold, these appraisals are issued by certified experts. Lending exposures with no recovery prospect are appraised at the minimum value achievable in a short-term realisation, given known recovery rates and costs. The inventory of specific loss allowance is regularly monitored and reported to the Management Board as part of the monthly loss allowance projection and the Overall Risk Report. Potential default risks are recognised through general valuation allowances as per the IFRS 9 stage concept.

e) Concentration risks

Key factors used to determine credit risk are concentration effects (relative to counterparties, sectors, countries, or maturities) and 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, in the event of a default of counterparties subject to higher concentrations or economic crises affecting sectors or countries with higher concentrations.

Real Estate Finance

DZ HYP's business-model-related focus on real estate lending is balanced by a broad diversification within the real estate loan portfolio – for example, across different types of property. Concentration trends recognised as part of risk monitoring serve as a basis for management measures. At present, no single property type accounts for more than 30 per cent of the total lending volume for the real estate lending business.

The substantial rise in interest expenses and construction costs since 2022, together with the general geopolitical and macroeconomic developments and associated uncertainties, continue to weigh on the real estate market. For commercial real estate finance, this primarily involves latent risks in connection with cash flows, investments and market values.

DZ HYP closely monitors the risks in its loan portfolio. Notable risks only materialised in isolated cases and there were no significant systematic shifts of risk parameters to the negative.

Given the challenging environment, the transaction market for commercial and residential real estate developments remains very subdued, or in some cases, stagnating. However, only a few major credit risks have emerged until now. The portfolio was only slightly impacted by the insolvency proceedings against commercial or residential real estate developers that became known in 2023; DZ HYP's financings are only concerned in isolated cases and to a minor extent. There were other isolated cases of commercial or residential real estate developers in the portfolio having to replan, reschedule or temporarily halt undertakings. One risk-mitigating factor is that most of the projects have already entered their initial phase, with many contracts already awarded and costs largely calculated; this is supported by high sales and letting rates, although these have been stagnating recently. While still exceeding the levels seen at the beginning of 2021, prices for construction services and materials have significantly stabilised, and availability has recovered. Financing conditions continue to be strained in the new interest rate environment. After the commercial and residential real estate development market came to a halt, the focus shifted to higher marketing and – as a result – refinancing risks for the acquisition of building plots. This in turn gave rise to heightened uncertainties regarding land purchase financings as well.

The office investment market is faced with uncertainties about what kind of offices property users will want in the future and what space requirements this will entail. Given the continued economic weakness, this also poses risks for office space demand. Property users and investors tend to focus on modern, ESG-compliant properties in good to very good locations.

Retail properties are continuing to consolidate towards prime locations. While rents for newly let properties have recently gone up or remained stable, uncertainties linked to the subdued economy and the sharp rise in consumer prices prevail, with retailers suffering on top from high (energy) costs. Nonetheless, the market should soon attract investors again, given the achievable prime yields and rents for newly let properties. In addition, mixed-use concepts and alternative tenants are being considered more and more for spaces in the city centre that are no longer attractive to retailers.

For the most part, hotel occupancy remained above the pre-pandemic levels of early 2020 throughout 2023, but has not yet stabilised reliably. Economic weakness and the recent inflation highs remain important risks together with cost and competitive pressures.

DZ HYP's portfolio does not include any properties serving as collateral that are located in Ukraine, Russia or Belarus, and there is no sign of any increased risks relating directly or indirectly to these countries at an individual exposure level.

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 the 2023 financial year.

Capital markets business

DZ HYP has no direct exposure to Russia, Belarus or Ukraine in its capital markets business. Nonetheless, yield spreads became more volatile in 2023 in light of a number of factors. These include the ongoing geopolitical and economic uncertainty, an inflation rate that has eased slightly but is still significantly above the ECB's inflation target, the phasing-out of the ECB's asset purchase programmes, and the banking sector turmoil in March 2023. Despite those uncertainties and the muted economic outlook, we do not expect any default events to occur in our capital market portfolio, which remains well diversified across geographies and maturity structures.

f) Limit monitoring

Treasury has access to the country and counterparty credit risk 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.

The risk capital requirement for credit risk (plus capital buffer) is compared with the limit for credit risk and monitored.

III) Market price risk

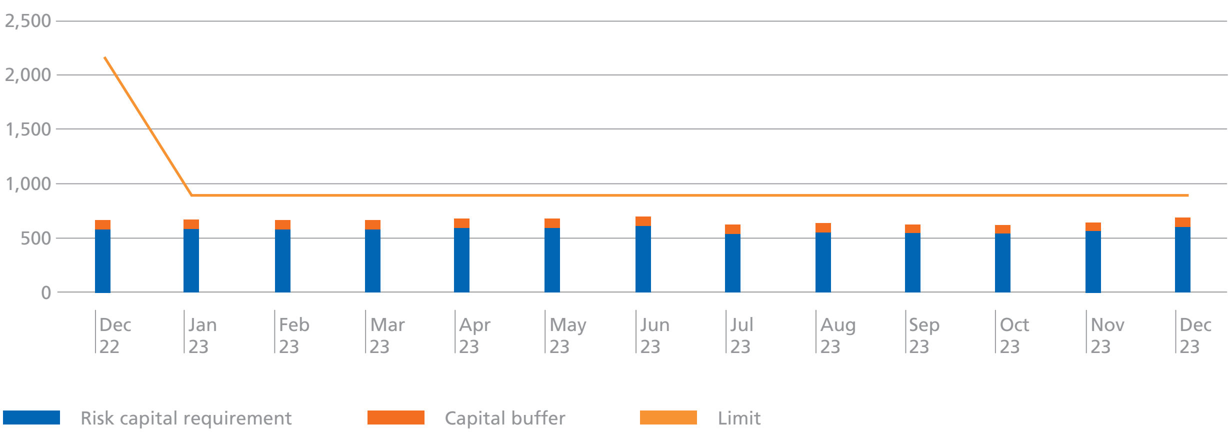
Market price risk is defined by the impact of interest rate fluctuations on the money and capital markets, and by changes in exchange rates. DZ HYP's primary market price risks are interest rate risks in the banking book, currency risk, as well as spread and migration risk. These risks are measured and 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.

The Management Board and Head of Treasury are informed on a monthly basis about the limit utilisation in terms of the risk capital requirement calculated using the Group model. They are informed on a daily basis about the utilisation of sensitivity limits that have been implemented. A multi-level escalation plan, comprising escalation paths and measures to be taken, has been implemented to deal with any breach of defined thresholds.

To manage operational market risk, the Bank calculates interest rate sensitivity parameters (i.e. theoretical present value changes given simulated changes in interest rates) on a daily basis. Interest rate sensitivity during the 2023 year under review was characterised by minor fluctuations at a low level. Aggregate interest rate sensitivity limits were complied with at all times. In line with the procedures applied to other types of risk, the risk classification procedure applied in assessing the

RISK CAPITAL REQUIREMENT FOR CREDIT RISK IN € MN



market price risk is examined for appropriateness on an annual basis, and adjusted if necessary. The bank regularly calculates stress scenarios using DZ BANK's Group model. Aside from risk management based on interest rate sensitivities, DZ HYP measures and sets limits for periodic interest rate risks in net interest income.

In 2023, the risk contribution to Group risk exposure decreased owing to a reduction in risk contributions from interest and FX risks and from spread and migration risks.

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.

Real estate loans with terms 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 taken into account via notional lifetimes which are validated statistically.

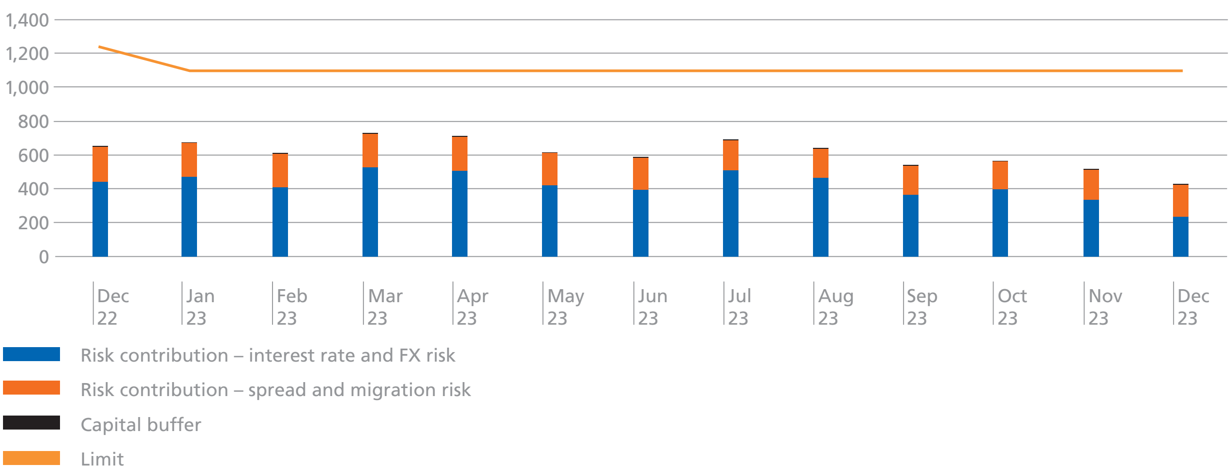
IV) Liquidity risk

Liquidity risk comprises the threat of insufficient liquidity being available to meet payment obligations. Liquidity risk can thus be understood as the rise 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. The Bank's liquidity risks are determined daily, in line with the regulatory and business requirements and in coordination with DZ BANK.

As a basis for managing 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 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 the emergency procedure for liquidity bottlenecks pursuant to MaRisk. No escalation was required in 2023.

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

RISK CONTRIBUTION FOR INTEREST RATE, FX, SPREAD AND MIGRATION RISKS TO GROUP RISK EXPOSURE IN € MN



The DZ HYP Management Board is also provided with an overview of excess liquidity incorporating stress scenarios in the Overall Risk Report. 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 in addition to the expected development reflected in the base case scenario:

- A serious crisis threatening the DZ BANK Group
- A three-notch downgrade of the DZ BANK Group's long-term rating
- A sudden and pronounced loss in value for assets traded on the stock markets
- A combination of a crisis affecting the market as well as the Company

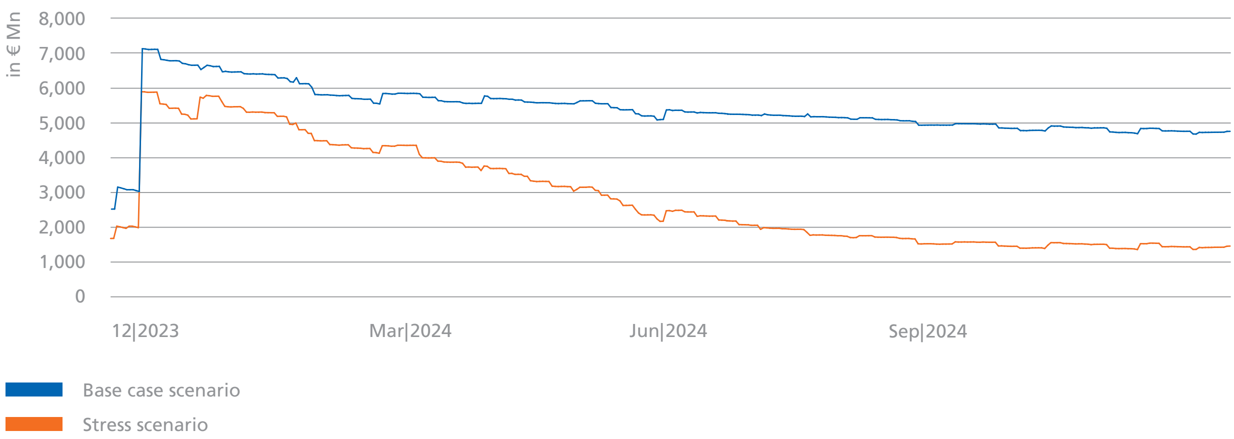
Expected liquidity is indicated by the liquidity run-off profile in the base case scenario. In the stress scenario, liquidity is defined by the lowest daily value among the four scenarios. Using expected liquidity for each record date, the minimum excess liquidity indicator is determined, which expresses the adequacy of economic liquidity. Throughout 2023, this indicator remained above the limit of zero. The set of scenarios is complemented by an inverse stress test carried out on a quarterly basis.

Our liquidity risk models and emergency plan for liquidity bottlenecks are reviewed annually and adjusted if necessary.

Refinancing risk denotes the risk of a deterioration in funding terms. With a widening liquidity spread, covering any future liquidity requirements would incur additional cost. DZ HYP minimises funding risk by managing the liquidity run-off profile.

During 2023, DZ HYP's funding activities included issuing Mortgage Pfandbriefe and Public Pfandbriefe, which were predominantly purchased by counterparties outside the Cooperative Financial Network. Further funding activity consisted of unsecured liquidity facilities provided predominantly by DZ BANK.

EXPECTED LIQUIDITY DEVELOPMENTS AS AT DECEMBER 2023



DZ HYP defines market liquidity risk as the threat of losses that 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 such cases, 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 reflected in risk calculations.

V) Operational risk

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 risks but does not cover strategic or reputational risks.

Capital requirements for operational risks are derived at Group level as part of the process for determining regulatory capital requirements. This is done by applying the standardised approach as set out in the CRR. Economic capital for operational risk is also determined at Group level using a portfolio model and is incorporated into internal management, both on a Group and single-entity level.

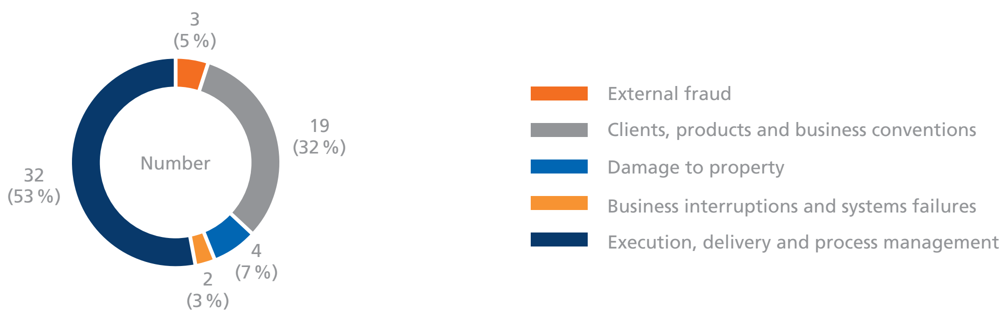
Compiling loss data in a central database makes it possible to identify, analyse and assess loss events and, in turn, to recognise patterns, trends and concentrations of operational risks. Losses incurred by DZ HYP include losses affecting income (direct losses, provisions) and losses recognised directly in equity (indirect losses, profits forgone/opportunity costs). Losses affecting income are included in the model used for quantifying risk capital requirement from DZ BANK's economic perspective.

Losses incurred from operational risks do not follow a continuous trend. The overall loss profile is derived from losses incurred over many years and is characterised by a small number of major losses. This means that comparisons of the period under review with the previous year's levels are not conclusive, which is why these comparative figures are not provided. A total of 60 loss events under a CRR event category were recorded during the year under review.

To identify operational risks in good time, an early warning system – used by DZ HYP regularly – records a total of 168 indicators (aligned with the CRR event categories, including system failures, fraud, damage to property) and analyses results by way of a traffic light system. Monitoring the risk indicators did not result in significantly higher operational risks during 2023. In fact, the vast majority of risk indicators did not show any risks during the course of 2023.

Scenario-based risk self-assessments were conducted in 2023. Using risk scenarios, material potential risks were determined, in accordance with the CRR, for all first-level risk categories and mapped in the form

OPRISK LOSSES 2023



of scenarios. The results of DZ HYP's assessments are incorporated into the economic risk model for the DZ BANK Group. The selected scenarios are also reviewed on a quarterly basis to ascertain their relevance; there were no indications of any material changes in the risk assessments. The scenarios deemed to be most likely were potential threats from hacker attacks and outsourcing risks.

IT risk

Information risks, including risks relating to information and communications technology, can arise when information is processed; these are classified as operational risks. DZ HYP has created an information and IT risk inventory to recognise these risks at an early stage, respond to them appropriately, and manage and monitor them over the long term. This inventory comprises all information and IT risk areas relevant to DZ HYP together with the identified information and IT risk scenarios and all the individual information and IT risks assigned to the scenarios. Information and IT risk scenarios are assessed annually and on an event-driven basis, and appropriate risk management measures are determined. The risk scenarios are reported to the Management Board and elsewhere on a quarterly basis within the information and IT risk report. DZ HYP's underlying assessment methodology for IT risks is provided centrally by IT risk management in agreement with the Information Security Officer.

The information security risks for which the Information Security Officer is responsible form part of the information and IT risk inventory and are reported separately to the Security Advisory Board and to DZ BANK. This concept ensures collaboration between information security management and information risk management.

With regard to cyber risk management, risk exposure is assessed based on the likelihood of an underlying threat occurring and the extent to which an existing vulnerability can be exploited by a threat to an asset. The underlying threat catalogue incorporates findings from the DZ BANK Group's Cyber Risk Radar and contains threats arising from cyber attacks.

Outsourcing

DZ HYP has outsourced certain activities and processes to external service providers. The outsourcing department – with the aid of outsourcing managers – determines the materiality of an outsourced activity or process within the scope of a risk analysis, and assesses the risk involved. Relevant organisational units within the second line of defence, e.g. Compliance, are also involved, as are the Legal department and Internal Audit. In the event of material and critical outsourcings, the risk analysis is reviewed at least once a year, while risk analyses for other outsourcings are reviewed and updated every three years. Event-driven risk analyses are performed in the event of material changes to services provided (on a case-by-case basis) and amendments of regulatory requirements (for all outsourcings as a whole). The review also determines whether a process or activity can actually be defined as having been outsourced, along with an assessment of its materiality/criticality.

As a part of operational risk, outsourcing risk is defined as the risk of losses related to outsourced services, caused by a breach of strategic principles or operational provisions, and includes above all performance defaults of outsourced activities and processes. Outsourcing risk is measured within the scope of a scenario-based risk self-assessment. In addition, the information and IT risk management process identifies and evaluates systematic outsourcing management risks within the scope of its central outsourcing management.

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 and are of minor importance to DZ HYP.

Equity investment risk also includes real estate risk, which represents the risk of losses due to negative changes in the value of DZ HYP's real estate portfolio caused by a deterioration in the overall real estate situation or specific characteristics of individual properties (e.g. vacancy rates, loss of tenants, loss of use).

The risk contribution for DZ HYP's equity investment risk is calculated by DZ BANK alongside its measurement of equity investment risk for the DZ BANK Group. 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, the volatility of these market values and the correlation among them. Market value fluctuations are predominantly derived from exchange-listed reference assets.

VII) Reputational risk

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

Reputational risk is implicitly incorporated into risk measurement and risk capital backing via business risk. As well as this, liquidity risk management explicitly covers the threat of funding problems as a result of reputational damage.

VIII) Business risk

Business risk is defined as the risk of an unexpected development in earnings that is not covered by other types of risk. In particular, this includes the risk that losses cannot be counteracted due to changes in key overall conditions (e.g. economic and product environment, customer behaviour, competitive situation) and/or due to inappropriate strategic positioning.

The risk contribution for DZ HYP's business risk is calculated by DZ BANK. Here, the risk capital requirement, seen from an economic perspective, is quantified as earnings at risk in a Monte Carlo simulation, based on theoretical operating profits under IFRSs.

IX) Longevity risk

Within the scope of actuarial risk, longevity risk is relevant at DZ HYP – for risks from pension obligations created by DZ HYP for its employees. This means that, while longevity risk does not result from one of DZ HYP's core business segments, it still represents a material type of risk for DZ HYP in accordance with the risk inventory. It denotes the risk of a loss or adverse change in the value of insurance liabilities, arising from changes in the amount, trend or volatility in mortality rates if the decline in the mortality rate leads to a rise in the value of the insurance liabilities.

For insurance contracts exposed to longevity risk, this longevity risk is mapped via reduced mortality rates. The risk is reflected by a central capital buffer at DZ BANK Group level.

X) ESG risk

ESG risks (sustainability risks) are events or conditions relating to environmental and climate-related ("E"), social ("S") or governance ("G") issues which, should they occur, could have an actual or potential negative impact on the Bank's net assets, financial position and financial performance or on its liquidity position or reputation.

DZ HYP identifies relevant, potentially material climate-related, environmental, social and governance risk drivers within its annual risk inventory. Potentially material ESG risk drivers have been identified in the following types of risk: credit risk, operational risk and reputational risk.

DZ HYP places its focus on climate-related and environmental risks resulting from climate change, i.e. physical risks, such as more frequent extreme weather events or long-term changes in climatic conditions, and transition risks, which occur in connection with the transition to a climate-neutral economy (driven by legislative changes, for example) or changes in consumer behaviour.

DZ HYP has introduced a scorecard for measuring physical and transition risks together with a method for calculating financed emissions (carbon accounting) and a method for evaluating its real estate portfolio that takes into account the financed greenhouse gas emissions based on benchmark paths established on the market (climate alignment). In addition, sustainability risks have been integrated into DZ HYP's governance and instruction system. Physical environmental risks are included in lending decisions and energy efficiency characteristics are considered in building assessments. Sustainability risks are measured and managed in line with the regulatory requirements.

XI) Minimum Requirements for Own Funds and Eligible Liabilities Instruments (MREL)

The introduction of MREL set the stage for a uniform settlement process for banks at European and national level. As a member of the DZ BANK Group, DZ HYP itself is not a settlement unit and is therefore subject to the requirements of the internal MREL. The minimum requirements for the internal MREL ratios, as determined by the Single Resolution Board, have been mandatory since 1 January 2022. The internal MREL ratios are the aggregate of DZ HYP's own funds and eligible liabilities relative to risk-weighted assets or to the total exposure measure as defined for the purposes of the leverage ratio.

DZ HYP once again issued internal MREL-eligible liabilities in 2023 with great success. These were bought exclusively by DZ BANK to ensure that the minimum requirements for the internal MREL are met at all times.

XII) Summary

Assessing risks and opportunities is an integral part of DZ HYP's risk management. The Management Board considers the management and controlling instruments implemented to be appropriate and they are fine-tuned and improved on an ongoing basis. The challenges arising during the reporting year as a result of macroeconomic developments and their impact on the real estate market were adequately addressed by an effective and sustainable risk management approach. The Bank deems DZ HYP's expected performance to be appropriate in terms of the risks assumed. There were no indications of any threats to DZ HYP's continued existence at the time at which this Annual Report was prepared.

REPORT ON EXPECTED DEVELOPMENTS

Cautionary forward-looking statement

The report on expected developments, along with certain other parts of the Annual Report, includes 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, actual results may differ from those currently forecast. There are many factors that impact DZ HYP's business and that are beyond the Bank's control. Current examples are the specific impact of the war in Ukraine and geopolitical risks. These factors primarily include shifts in the general economic situation and the competitive arena, plus 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 the rise in interest rates, more frequent crises and the shortage of skilled workers could pose additional burdens.

Forecast period

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

Business environment and assumptions underlying the forecast

Germany's economy saw a sustained period of weakness during 2023, with GDP growth close to zero, resulting in a slight decline in GDP over the year as a whole. The growth outlook for 2024 remains subdued and only a very moderate recovery is expected. Higher GDP growth rates are not expected until 2025.

Although a slight upward trend set in at the end of the year, the transaction activity on the real estate markets was subdued for the most part in 2023 and the results fell significantly short of those seen in previous years. Nevertheless, real estate – as a real investment that is generally immune to inflation and whose prospects in terms of rental success and income are usually good – remains a much sought-after investment class. Construction services and materials were readily available again in 2023, prices for construction materials stabilised and interest rate hikes came to a halt (even declining slightly at the end of the year), meaning that conditions for investment improved substantially. Accordingly, the real estate market is expected to pick up again in 2024.

We also assume that the yields rally on the real estate markets will lose momentum in the easing interest rate environment. Since yield-related valuation mark-downs were absorbed to some extent by continued rent increases in 2023, DZ HYP expects property values to only decline slightly going forward – an acceptable development in light of the corresponding financing parameters.

Demand for owner-occupied residential property has fallen significantly recently, due above all to higher interest rates and to increased or volatile construction costs. We expect it to recover in the improved investment environment. In addition, salary increases will make real estate more affordable. All in all, we assume that the desire for home ownership will remain intact. A recovery in demand is also expected for rented residential property, with demand fundamentally exceeding supply in many places, given that the construction volumes of new multi-family homes have recently declined significantly and that demand for owner-occupied residential properties is markedly down, which has further fuelled rents in many areas.

Values in the office property asset class have only fallen slightly and rents have been at least stable recently. Demand on the office market has changed, particularly with regard to quality. Companies now need spaces suited to new office concepts that facilitate personal interaction. Sustainable, high-quality properties in easily accessible locations are increasingly sought after, but their availability on the market is limited, which is why prime rents are continuing to rise. This means that demand for attractive and well-located office space is only likely to decrease slightly going forward. Older and, above all, unrenovated properties in non-integrated locations will remain under pressure. A particular source of uncertainty is the slump in demand in light of the weak broader economy, together with uncertainties about the kind of offices users will want in the future and what space requirements this will entail.

Certain non-food retail properties have returned to prime yields exceeding their financing costs, meaning that the market is now likely to attract more investors. Rents for newly let properties saw a positive/stable development throughout 2023. Mixed-use concepts and alternative tenants are increasingly being considered for spaces in the city centre that are no longer attractive to retailers. Demand continues to consolidate towards prime locations. Nevertheless, uncertainties will remain especially due to the weak economic outlook and the persistently high level of consumer prices.

In the hotel sector, capacity utilisation largely stabilised at pre-pandemic levels during 2023. There are no indications that earnings in the hotel business could erode significantly. Demand for hotel properties persisted in 2023, albeit at a very subdued level. Looking at demand in 2024, market participants tend to be mildly optimistic, in particular with regard to hotels in the budget and luxury segments. However, the continued weak economic activity and the recent high levels of inflation may still lead to a reduced number of travellers. The ongoing shortage of qualified hotel staff is also a relevant factor while extended hotel capacities are set to increase competitive pressure even further.

Logistics and storage space is still in short supply, especially in urban centres. The medium-term outlook for the asset class remains good.

Uncertainty still exists with regard to the real estate market, income generation and investment appetite in general with regard to future macroeconomic and price level developments and above all to future monetary policy and interest rate shifts. Further risks arise from demanding legal requirements relating to the construction and modernisation of properties.

Looking at the value of collateral held in the form of real property liens, no systematic material deterioration in collateral values resulting from the challenging macroeconomic development in 2023 has been observed to date. Any haircuts on properties held as collateral are monitored on an ongoing basis, and any decline in property collateral values to date or expected in the future can be mitigated, above all by means of conservative financing structures.

Despite higher spending, German cities and local authorities achieved financing surpluses of € 3.0 billion and € 2.2 billion respectively in their core budgets in 2021 and 2022. Moderate growth in tax revenues was recently forecast for 2023. At the same time, geopolitical tensions like the Russian attack on Ukraine and the sustainability transformation are weighing on municipal finances, which is reflected in higher staff and energy costs, social expenditure and investments. The government is sharing financial responsibility and assisting the municipalities with various measures and relief packages. The federal government and the states are expected to be very willing to continue providing support. This is also due to the high level of systemic support in Germany, which has been demonstrated yet again. Competition for local authority loans remains strong.

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

Expected development of DZ HYP

In light of this background, and adhering to its unchanged conservative risk strategy, DZ HYP plans to avoid cyclical peaks in its long-term business as much as possible. In addition, the Bank does not calculate any performance contributions from unhedged interest rate or foreign exchange exposures in its projections. Key value drivers for DZ HYP's future financial performance are therefore the Bank's planned business volume, net credit margins, commissions earned and risk costs incurred in new business, as well as any write-downs that may be necessary in the non-strategic portfolios. Given DZ HYP's strengthened market position, the Bank has conservatively accounted for these value drivers in its planning calculations.

The Basel Committee on Banking Supervision (BCBS) finalised its revised "Basel III: Finalising post-crisis reforms" framework for calculating risk-weighted assets and capital floors on 7 December 2017. On 27 October 2021, the European Commission presented the proposals for implementing this framework in the European Union; these proposals have reached the legislative process. Simulations show that the amended regulations will directly impact DZ HYP's calculation of risk-weighted assets under the IRB approach. The increased capital requirements for commercial real estate finance under the revised Credit Risk Standard Approach are expected to lead to generally higher capital requirements related to the capital floor applicable to DZ HYP. Under the current draft legislation, these capital floor regulations will take effect starting in 2025, with a phase-in period up until 2032. The current draft stipulates that the member states may opt to implement the requirement to comply with the capital floor only at the highest consolidated level. The new regulatory requirements will be continually analysed together with the Group's parent entity, taking the existing own funds waiver into account.

The German Federal Financial Supervisory Authority (BaFin) defined a countercyclical capital buffer for risk-weighted assets for risk exposures located in Germany, and a sector-specific systemic risk buffer for risk-weighted assets on loans collateralised by residential properties. Both buffers have been required since 1 February 2023. Due to the own funds waiver, DZ HYP is exempt from complying on a single-entity level.

Assuming that the economic situation does not deteriorate significantly, the Bank expects to be able to originate new real estate finance business of € 10 billion with stable margins in 2024. The aim is to strike a healthy balance between profitability targets and equity requirements while adhering closely to relevant regulatory requirements.

Net interest income is expected to be slightly lower than the € 711 million figure reported for the year under review.

Depending on relevant new business and the product mix, the net commission result is projected to be significantly below the current figures.

We expect a continued rise in staff and IT costs given regulatory requirements and DZ HYP's digital transformation and also a slight overall increase in administrative expenses.

Provisions for loan losses are calculated using individual standard risk costs commensurate with the Bank's business model. For 2024, these provisions are projected to remain at the same level as in the year under review.

We expect no significant changes in the Bank's net financial result.

Based on the anticipated development of the individual performance indicators, DZ HYP expects the key performance indicators to fall short of the levels achieved in the year under review. Our forecasts indicate that distributable earnings will be significantly lower in 2024 than in 2023 and we expect RoE to post a marked decline and, correspondingly, CIR to register a marked increase.

In the Management Board's view, DZ HYP is on a successful path with regard to profitability and new business origination. New business is aligned toward our clients' requirements. The Bank consistently reduces capital market transactions that are not related to client business.

EMPLOYEE REPORT

The diversity of DZ HYP's workforce is an important building block for its corporate success. The Bank believes that diversity encourages efficiency, inspires ideas, drives innovation and makes a company stronger. DZ HYP aims to foster diversity and create a corporate culture of appreciation and equal opportunities for all employees. Diversity guidelines setting out supporting measures were published during the year under review and will be updated regularly.

The German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (*Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst* – "FüPoG") requires co-determined companies with more than 500 employees to define mandatory targets for their supervisory board, management board and the two highest management levels (department/division heads).

The Management Board redefined target levels for the proportion of women on the first two management levels below the Management Board in November 2020; the target of 25 per cent for each of these levels remains in force and must be reached by October 2025. To this end, planning for personnel development and awareness initiatives that are to be launched in 2024 was stepped up in the year under review. As at 31 December 2023, the proportion of women was 12.5 per cent at F1 level and 20.6 per cent at F2 level. The targets for the proportion of women on the Management Board (33 per cent) and the Supervisory Board (22 per cent) that were reviewed and adopted by the Supervisory Board in June 2023 remain valid until July 2028. The targets for the Management Board and the Supervisory Board were both met as at 31 December 2023.

STAFFING INDICATORS

	2023	2022
Total*)	**863**	855
Fluctuation rate (in %)	**6.1**	6.3
Share of voluntary resignations (in %)	**3.2**	3.1
Years of service	**13.5**	13.2
Number of training days per employee	**2.3**	1.8
Employment basis (in %))**		
Full time	**77.9**	76.4
Part time	**22.1**	23.6
Share of women (in %)	**43.4**	43.7
Average age	**46.0**	46.0

*) Annual average
**) Average values

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BALANCE SHEET AS AT 31 DECEMBER 2023
ASSETS

	€ 000's	Note	€ 000's	31 Dec 2023 € 000's	31 Dec 2022 € 000's
CASH FUNDS				874	44
a) Cash on hand			3		2
b) Balances with central banks			871		42
of which: with Deutsche Bundesbank	(871)				(42)
LOANS AND ADVANCES TO BANKS		(4)		3,012,247	1,996,924
a) Mortgage loans			4,002		14,958
b) Loans to local authorities			192,740		76,704
c) Other loans and advances			2,815,505		1,905,262
of which: payable on demand	704,921				(548,879)
LOANS AND ADVANCES TO CUSTOMERS		(4)		67,658,651	68,103,592
a) Mortgage loans			54,293,183		53,869,901
b) Loans to local authorities			10,726,715		11,369,317
c) Other loans and advances			2,638,753		2,864,374
BONDS AND OTHER FIXED-INCOME SECURITIES		(6)		6,005,719	6,292,301
a) Bonds and debt securities			(5,997,880)		(6,265,216)
aa) Public-sector issuers			3,939,327		4,279,389
of which: securities eligible as collateral with Deutsche Bundesbank	3,373,829				(3,528,134)
ab) Other issuers			2,058,553		1,985,827
of which: securities eligible as collateral with Deutsche Bundesbank	1,688,784				(1,519,903)
b) Own bonds issued			7,839		27,085
Nominal amount	8,141				(27,598)
PARTICIPATIONS		(6)		912	912
INVESTMENTS IN AFFILIATED COMPANIES		(6)		1,566	1,566
TRUST ASSETS		(7)		6,214	7,014
of which: trustee loans	6,214				(7,014)
INTANGIBLE FIXED ASSETS		(6)		438	1,001
a) Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets			248		921
b) Advance payments made			190		80
TANGIBLE FIXED ASSETS		(6)		219,558	221,146
OTHER ASSETS		(8)		65,283	53,310
PREPAID EXPENSES		(10)		505,712	545,980
a) From new issues and lending			503,997		544,506
b) Other			1,715		1,474
TOTAL ASSETS				77,477,174	77,223,790

BALANCE SHEET AS AT 31 DECEMBER 2023
LIABILITIES AND EQUITY

	€ 000's	Note	€ 000's	31 Dec 2023 € 000's	31 Dec 2022 € 000's
LIABILITIES TO BANKS		(12)		**28,860,536**	**29,924,572**
a) Outstanding Registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)			940,000		1,189,894
b) Outstanding Registered Public Pfandbriefe (öffentliche Namenspfandbriefe)			1,045,684		1,100,733
c) Other liabilities			26,874,852		27,633,945
of which: payable on demand	18,748				(26,175)
LIABILITIES TO CUSTOMERS		(12)		**11,522,536**	**12,424,594**
a) Outstanding Registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)			4,555,580		4,737,100
b) Outstanding Registered Public Pfandbriefe (öffentliche Namenspfandbriefe)			5,661,949		6,483,240
c) Other liabilities			1,305,007		1,204,254
of which: payable on demand	506,772				(395,914)
SECURITISED LIABILITIES		(12)		**33,978,926**	**31,252,593**
a) Bonds issued					
aa) Mortgage Pfandbriefe (Hypothekenpfandbriefe)			29,800,969		27,641,118
ab) Public Pfandbriefe			2,938,349		2,211,371
ac) Other debt securities			1,239,608		1,400,104
TRUST LIABILITIES		(7)		**6,214**	**7,014**
of which: trustee loans	6,214				(7,014)
OTHER LIABILITIES		(13)		**214,186**	**155,437**
DEFERRED INCOME		(10)		**503,678**	**573,681**
a) From new issues and lending			503,678		573,681
PROVISIONS				**285,767**	**290,568**
a) Provisions for pensions and similar obligations			236,878		237,136
b) Provisions for taxes			4,198		4,198
c) Other provisions			44,691		49,234
SUBORDINATED LIABILITIES		(14)		**0**	**10,000**
FUND FOR GENERAL BANKING RISKS				**978,000**	**823,000**
EQUITY				**1,127,331**	**1,762,331**
a) Subscribed capital		(15)	(149,990)		(784,990)
aa) Share capital			149,990		149,990
ab) Silent partnership contributions			0		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				**77,477,174**	**77,223,790**
CONTINGENT LIABILITIES		(16)			
a) Liabilities from guarantees and indemnity agreements				**189,501**	**260,406**
OTHER COMMITMENTS		(17)			
a) Irrevocable loan commitments				**7,534,545**	**6,624,884**

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023

	€ 000's	Note	€ 000's	2023 € 000's	2022 € 000's
INTEREST INCOME FROM					
a) Lending and money market transactions			1,713,926		1,447,899
b) Fixed-income securities and debt register claims			167,578		206,927
				1,881,504	1,654,826
INTEREST EXPENSES				1,173,332	985,549
				708,172	669,277
CURRENT INCOME FROM					
a) Participations				83	107
INCOME FROM PROFIT-POOLING, PROFIT TRANSFER OR PARTIAL PROFIT TRANSFER AGREEMENTS				2,704	2,368
COMMISSION INCOME			27,948		48,658
COMMISSION EXPENSES			42,413		68,792
				-14,465	-20,134
OTHER OPERATING INCOME		(26)		23,602	29,661
GENERAL ADMINISTRATIVE EXPENSES					
a) Staff expenses					
aa) Wages and salaries			83,724		80,229
ab) Compulsory social security contributions and expenses for pensions and other employee benefits			19,705		36,236
			103,429		116,465
of which: pension expenses	7,262				(24,620)
b) Other administrative expenses			138,110		152,933
				241,539	269,398
AMORTISATION/DEPRECIATION AND WRITE-DOWNS OF INTANGIBLE AND TANGIBLE FIXED ASSETS				5,143	6,396
OTHER OPERATING EXPENSES		(27)		7,061	12,792
WRITE-DOWNS AND VALUATION ALLOWANCES OF LOANS AND ADVANCES AND SPECIFIC SECURITIES, AS WELL AS ADDITIONS TO LOAN LOSS PROVISIONS				109,594	85,533
AMORTISATION AND WRITE-DOWNS ON PARTICIPATIONS INTERESTS, SHARES IN AFFILIATED COMPANIES, AND INVESTMENT SECURITIES				1,690	133,951
ADDITIONS TO THE FUND FOR GENERAL BANKING RISKS				155,000	31,000
RESULT FROM ORDINARY ACTIVITIES				**200,069**	**142,209**
INCOME TAXES		(28)	143,962		92,279
OTHER TAXES NOT REPORTED UNDER ITEM 12			266		281
				144,228	92,560
PROFITS TRANSFERRED ON THE BASIS OF PROFIT POOLS, PROFIT TRANSFER AGREEMENTS OR PARTIAL PROFIT TRANSFER AGREEMENTS				55,841	49,649
NET INCOME/LOSS				–	–

STATEMENT OF CHANGES IN EQUITY

	31 Dec 2022	Issue of shares	Dividends paid	Net income/ loss	Transfers to/ from retained earnings	Other changes	31 Dec 2023
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
SUBSCRIBED CAPITAL	(784,990)	–	–	–	–	(-635,000)	**(149,990)**
- 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	–	–	–	–	- 635,000	**1,127,331**

CASH FLOW STATEMENT

	€ mn	2023	2022
	RESULT FROM ORDINARY ACTIVITIES	**200**	**142**
-	**Other taxes not disclosed under "other operating expenses"**	**0*)**	**0*)**
	PROFIT OR LOSS FOR THE PERIOD (NET INCOME/LOSS BEFORE TAXES AND PROFIT TRANSFER)	**200**	**142**
+/-	Amortisation/depreciation, write-downs and write-ups on loans and advances, and non-current assets	123	76
+/-	Increase/decrease in provisions	-4	24
+/-	Other non-cash expenses/income	155	37
-/+	Profit/loss from the disposal of non-current assets	0*)	137
-/+	Other adjustments (net balance)	5	-2
-/+	Increase/decrease in loans and advances to banks	-1,008	1,934
-/+	Increase/decrease in loans and advances to customers	337	-828
-/+	Increase/decrease in securities (excluding financial assets)	19	1,500
-/+	Increase/decrease in other assets from operating activities	29	-308
+/-	Increase/decrease in liabilities to banks	-1,136	-1,983
+/-	Increase/decrease in liabilities to customers	-882	-1,365
+/-	Increase/decrease in securitised liabilities	2,676	-1,254
+/-	Increase/decrease in other liabilities from operating activities	-70	284
+/-	Interest expenses/income	-711	-672
+	Interest and dividend payments received	1,874	1,690
-	Interest paid	-1,071	-942
-	Extraordinary cash payments	-1	-1
+/-	Net cash inflow/outflow from income taxes (including Group tax overheads)	-92	-236
=	**CASH FLOW FROM OPERATING ACTIVITIES**	**443**	**-1,767**
+	Receipts from the disposal of financial assets	533	1,979
-	Payments for investments in financial assets	-277	-103
+	Cash proceeds from the disposal of property and equipment	0*)	-6
-	Payments for investments in tangible fixed assets	-3	-11
=	**CASH FLOW FROM INVESTING ACTIVITIES**	**253**	**1,859**
-	Cash outflow from equity reductions (repayment of silent partnership contributions)	-635	0
-	Cash outflow from profit transfer to DZ BANK (as holder of the share capital)	-30	-52
-	Cash outflow from partial profit transfer to DZ BANK (as holder of the silent partnership contributions)	-20	-15
+/-	(Net) cash inflow/outflow from issuance/repayment of subordinated liabilities	-10	-25
=	**CASH FLOW FROM FINANCING ACTIVITIES**	**-695**	**-92**
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	0*)	**0*)**
+/-	Cash flow from operating activities	443	-1,767
+/-	Cash flow from investing activities	253	1,859
+/-	Cash flow from financing activities	-695	-92
=	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**	1	0*)

*) values less than € 0.5 million

Cash and cash equivalents corresponds to the balance sheet item "Cash funds" and includes 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 2023 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 2023 are generally based on the same accounting policies as were applied in the annual financial statements as at 31 December 2022; accordingly, there have been no material changes to accounting methods since then.

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. Loss allowance is recognised to account for default risks in the lending business.

Even for reporting under German commercial law (HGB), loss allowance is calculated using the expected loss model in accordance with IFRS 9, which classifies loss allowance into three stages. When calculating expected credit losses, the probability of default, the loss given default and the expected exposure at default are all taken into account. Stages 1 and 2 are related to portfolio-based loss allowance and are recognised for potential default risks, equating to expected 12-month credit loss (stage 1) or the credit loss expected over the remaining term (stage 2). Current macroeconomic uncertainty is accounted for using an expert-based override of shift factors determined using statistical data. Another component is the staging assessment for stage 2, meaning the allocation of asset classes in commercial corporate lending business to stage 2 based on risks that have not yet materialised.

Loss allowance for identifiable credit risks (incurred impairment) is allocated to stage 3, equating to the credit loss expected over the remaining term.

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.

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 parameters needed for valuation purposes cannot be observed on the market, and cannot be derived from market data, DZ HYP applies parameters 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) sentence 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) 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 dated 2 October 2018). The calculation of the provisions takes into account annual future salary increases of 3.0 per cent as well as annual pension increases of 2.3 per cent. 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 (1.83 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) sentence 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 € 2.7 million as at year-end 2023 (31 December 2022: € 12.4 million).

A part of pension provisions refers to pension commitments which are accessory to reinsurance. The amount of pension commitments is determined exclusively using the fair value of reinsurance cover.

Since the fair value of the reinsurance claim (capitalised value) exceeds the present value of the settlement amount of the guaranteed minimum benefits, the pension obligation has to be recognised at capitalised value of the reinsurance cover in analogous application of section 253 (1) sentence 3 of the HGB, and amounted to € 5.1 million as at 31 December 2023 (31 December 2022: € 4.5 million).

In accordance with section 246 (2) sentence 1 of the HGB, netting the obligation against the capitalised value of the reinsurance cover is not permissible. This applies analogously to the netting of interest expenses against interest income.

The projected unit credit method was used as the valuation method. The valuation is based on the accrual-based allocation of pension benefits during the employment relationship and the actuarial assumptions used to calculate the present value of these benefits. 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 the 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 therefore 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 ("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 2023, 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 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 the Statement IDW RS BFA 4 issued by the Banking Committee of the Institute of Public Auditors in Germany (IDW). 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	4	4
to customers	54,413	54,293
Total	54,417	54,297

PORTFOLIO DEVELOPMENT (NOMINAL VALUE)	€ mn	€ mn
Balance at 31 Dec 2022		54,064
ADDITIONS DURING THE FINANCIAL YEAR 2023		6,379
through Disbursements	6,371	
Transfers	–	
Other additions	8	
DISPOSALS DURING THE FINANCIAL YEAR 2023		6,026
through Scheduled and unscheduled redemptions / repayments	5,460	
Transfers	566	
Other disposals	–	
BALANCE AT 31 DEC 2023		54,417

LOANS TO LOCAL AUTHORITIES	Principal € mn	Carrying amount € mn
to banks	34	193
to customers	10,665	10,727
Total	10,699	10,919

PORTFOLIO DEVELOPMENT (NOMINAL VALUE)	€ mn	€ mn
Balance at 31 Dec 2022		11,367
ADDITIONS DURING THE FINANCIAL YEAR 2023		441
through Disbursements	432	
Transfers	–	
Other additions	9	
DISPOSALS DURING THE FINANCIAL YEAR 2023		1,109
through Scheduled and unscheduled redemptions / repayments	1,109	
Transfers	–	
Other disposals	–	
BALANCE AT 31 DEC 2023		10,699

(5) Negotiable securities

	Listed		Unlisted		Carrying amount of negotiable securities not valued at the lower of cost or market	
Balance sheet item	**31 Dec 2023 € 000's**	31 Dec 2022 € 000's	**31 Dec 2023 € 000's**	31 Dec 2022 € 000's	**31 Dec 2023 € 000's**	31 Dec 2022 € 000's
Bonds and other fixed-income securities	5,655,454	5,851,002	350,265	441,300	3,501,459	4,423,959

As at 31 December 2023, the Bank did not recognise an extraordinary write-down in the aggregate amount of € 3,501.5 million (31 December 2022: € 4,424.0 million) for negotiable securities held as fixed assets with a carrying amount of € 3,295.3 million (31 December 2022: € 4,076.7 million) and a fair value of € 206.2 million (31 December 2022: € 347.3 million) not measured at the lower of cost or market, due to the generally expected temporary nature of the impairment. This assessment is based on the observation that the euro area has become more resilient to stress 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.

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

PURCHASE COST	1 Jan 2023 € 000's	Additions € 000's	Transfers € 000's	Disposals € 000's	31 Dec 2023 € 000's
I. INTANGIBLE ASSETS					
1. Software	28,150	70	62	118	28,164
2. Advance payments made on intangible assets	79	173	-62	–	190
	28,229	**243**	**–**	**118**	**28,354**
II. TANGIBLE FIXED ASSETS					
1. Plots and buildings	251,173	2,293	–	–	253,466
2. Office furniture and equipment)**	10,628	459	–	317	10,770
	261,801	**2,752**	**–**	**317**	**264,236**
III. FINANCIAL ASSETS*)**	–				–

DEVELOPMENT OF CARRYING AMOUNTS	Depreciation and amortisation in the financial year € 000's	Transfers € 000's	Disposals and write-ups € 000's	Total € 000's	31 Dec 2023 € 000's	1 Jan 2023 € 000's
I. INTANGIBLE ASSETS						
1. Software	806	–	118	27,916	248	922
2. Advance payments made on intangible assets	–	–	–	–	190	79
	806	**–**	**118**	**27,916**	**438**	**1,001**
II. TANGIBLE FIXED ASSETS						
1. Plots and buildings*)	3,562	–	–	36,592	216,874	218,143
2. Office furniture and equipment)**	774	–	313	8,086	2,684	3,003
	4,336	**–**	**313**	**44,678**	**219,558**	**221,146**
		Change				
III. FINANCIAL ASSETS						
1. Participations		–			912	911
2. Shares in affiliated companies		–			1,566	1,566
3. Investment securities		-262,269			5,937,014	6,199,283
		-262,269			**5,939,492**	**6,201,761**

*) of which: owner-occupied properties: € 117.1 million; used by third parties: € 99.8 million
**) fully used for the Bank's own operations
***) separate disclosure waived in accordance with section 34 (3) of the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* – "RechKredV")

(7) Trust business

	31 Dec 2023 € 000's	31 Dec 2022 € 000's
Assets held in trust comprise:		
- Loans and advances to customers	6,214	7,014
	6,214	**7,014**
Trust liabilities are carried vis-à-vis:		
- Banks	6,214	7,014
	6,214	**7,014**

(8) Other assets

Other assets of € 65.3 million (31 December 2022: € 53.3 million) mainly include the cash collateral for the restructuring fund and the associated interest rate claim totalling € 55.9 million (31 December 2022: € 44.6 million), reinsurance coverage claims of € 5.1 million (31 December 2022: € 4.5 million), as well as claims against VR WERT Gesellschaft für Immobilienbewertungen mbH, Hamburg, (profit transfer 2023) of € 2.7 million (31 December 2022: € 2.4 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 2023 € 000's
VR WERT Gesellschaft für Immobilienbewertungen mbH, Hamburg	100.0	50	2,704*)
VR HYP GmbH, Hamburg	100.0	25	–**)
VR REAL ESTATE GmbH, Hamburg	100.0	25	–**)
TXS GmbH, Hamburg	24.5	200	308**)

*) Control and profit and loss transfer agreement with DZ HYP
**) Result for the financial year 2022

(10) Prepaid expenses and deferred income

	31 Dec 2023 € 000's	31 Dec 2022 € 000's
ASSETS		
Sub-item a) From new issues and lending comprises:		
Difference between the nominal amount and the higher disbursement amount of receivables	19,330	28,057
Difference between the nominal amount and the lower issuing amount of liabilities	74,548	62,175
LIABILITIES AND EQUITY		
Sub-item a) From new issues and lending comprises:		
Difference between the nominal amount and the lower disbursement amount of receivables	8,541	10,122

(11) Securities repurchase agreements

	31 Dec 2023 € 000's	31 Dec 2022 € 000's
Carrying amount of securities pledged under repo agreements Securities	714,881	1,663,221
Repurchase amount	725,703	1,672,476

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

	Principal € mn	Carrying amount € mn
REGISTERED MORTGAGE PFANDBRIEFE		
to banks	928	940
to customers	4,509	4,556
MORTGAGE PFANDBRIEFE	29,688	29,801
	35,125	**35,297**
REGISTERED PUBLIC PFANDBRIEFE		
to banks	1,021	1,046
to customers	5,528	5,662
PUBLIC PFANDBRIEFE	2,925	2,938
	9,474	**9,646**
OTHER DEBT SECURITIES	**1,232**	**1,240**
BORROWED FUNDS		
from banks	22,220	22,366
from customers	780	791
	23,000	**23,157**
TOTAL	**68,831**	**69,340**

DEVELOPMENT (PRINCIPAL)

	Balance on 31 Dec 2022 € mn	Additions € mn	Derecognitions € mn	Reclassifications and other adjustments € mn	Balance on 31 Dec 2023 € mn
Mortgage Pfandbriefe and Registered Mortgage Pfandbriefe	33,435	4,252	2,563	1	35,125
Public Pfandbriefe and Registered Public Pfandbriefe	9,612	1,071	1,118	-91	9,474
Other debt securities	1,393	–	161	–	1,232
Borrowed funds	22,785	2,719	2,506	2	23,000
Total	**67,225**	**8,042**	**6,348**	**-88**	**68,831**

(13) Other liabilities

This item amounts to € 214.2 million (31 December 2022: € 155.4 million) and mainly comprises liabilities from tax allocations of € 144.2 million (31 December 2022: € 91.9 million) as well as liabilities from profit transfers of € 55.4 million (31 December 2022: € 30.0 million).

(14) Subordinated liabilities

	31 Dec 2023 € 000's	31 Dec 2022 € 000's
SUBORDINATED BORROWED FUNDS	–	10,000
	–	10,000
INTEREST EXPENSE	416	981

Subordinated liabilities were repaid in full in 2023, meaning that they are not included in the own funds for regulatory purposes.

(15) Equity

DZ HYP reported equity of € 1,127.3 million as at 31 December 2023 (31 December 2022: € 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"). The notional interest in the share capital therefore amounts to approximately € 25.71 per share.

By virtue of a resolution adopted at the General Meeting on 28 May 2018, the Management Board was authorised to increase, on one or more occasions, the Company's share capital by issuance of up to 1,300,000 new registered no-par value shares for contribution in cash, not exceeding a maximum aggregate amount of € 33,428,571.43, subject to the approval of the Supervisory Board. In the financial year, the Management Board did not make use of these authorisations with a view to the authorised capital.

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, has given notice pursuant to section 20 (4) of the 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.

Return on assets as defined in section 26a (1) sentence 4 of the KWG is 0.46%, calculated as the ratio of net profit to total assets.

(16) Contingent liabilities

Contingent liabilities of € 189.5 million (31 December 2022: € 260.4 million) comprise mainly guarantees for commercial real estate loans, € 58.1 million (31 December 2022: € 55.5 million) of which are extended to DZ BANK. DZ HYP's credit risk management is responsible for monitoring contingent liabilities.

(17) Other commitments

Irrevocable loan commitments of € 7,544.9 million (31 December 2022: € 6,633.0 million) are related primarily to mortgage financing, and were decreased by € 10.3 million (31 December 2022: € 8.1 million) in provisions for contingent losses.

Regarding contributions to the restructuring fund ("bank levy"), DZ HYP has in recent years made use of the option to make a part of the annual contributions in form of irrevocable payment obligations. These obligations amount to € 54.3 million (31 December 2022: € 44.6 million) and are deposited as cash collateral.

The pledged collateral is included in Other assets – other receivables. Following a judgment that has not yet become final by the European General Court in a case between the SRB and a French bank on 25 October 2023, there is legal uncertainty as to whether a bank's payment commitments expire if that bank falls outside the scope of the single resolution mechanism, in particular as a result of the withdrawal of its licence, and the cash collateral backing these payment commitments be returned to the bank without the bank having to fulfil its irrevocable payment commitment. The case has been referred to the European Court of Justice for a final decision.

(18) 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 (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 € 57.1 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* – "EinSiG"), 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.

(19) Relationships with affiliated enterprises and subsidiaries

AFFILIATED COMPANIES

	31 Dec 2023 € 000's	31 Dec 2022 € 000's
Loans and advances to		
- banks	2,439,120	1,312,322
- customers	57,908	52,176
Other assets	8,623	7,674
Liabilities to		
- banks	25,035,242	25,685,320
- customers	229,402	230,595
Other liabilities	200,969	141,933
Other provisions	623	856

Subsidiaries

As at the reporting date, liabilities to subsidiaries amounted to € 10,000 (31 December 2022: € 4,000); besides provisions of € 82,000 (31 December 2022: € 101,000), loans and advances to subsidiaries amounted to € 2,000 (31 December 2022: € 2,000).

(20) 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.

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

		31 Dec 2023 € 000's	31 Dec 2022 € 000's
ASSETS			
Loans and advances to banks			
Remaining term	**- payable on demand**	704,921	548,879
	- up to three months	1,089,177	1,066,279
	- between three months and one year	4,605	275,046
	- between one year and five years	378,541	87,075
	- more than five years	835,003	19,645
		3,012,247	**1,996,924**
Loans and advances to customers			
Remaining term	**- payable on demand**	305,236	244,047
	- up to three months	1,312,304	1,518,458
	- between three months and one year	6,094,781	5,662,768
	- between one year and five years	26,379,717	23,820,765
	- more than five years	33,566,613	36,857,554
		67,658,651	**68,103,592**
Bonds and other fixed-income securities maturing in the following year		945,417	492,875
LIABILITIES AND EQUITY			
Liabilities to banks			
Remaining term	**- payable on demand**	18,748	26,175
	- up to three months	4,055,289	4,522,184
	- between three months and one year	4,421,034	3,797,339
	- between one year and five years	10,402,954	10,684,525
	- more than five years	9,962,511	10,894,349
		28,860,536	**29,924,572**
Liabilities to customers			
Remaining term	**- payable on demand**	506,772	395,914
	- up to three months	452,014	542,739
	- between three months and one year	636,627	505,750
	- between one year and five years	2,310,844	2,912,651
	- more than five years	7,616,279	8,067,540
		11,522,536	**12,424,594**
Certificated liabilities maturing in the following year		3,899,220	2,284,273

(22) Assets and liabilities in foreign currencies

	31 Dec 2023 € 000's	31 Dec 2022 € 000's
Assets include foreign-currency receivables in the total amount of	1,920,447	2,252,376
Liabilities and equity include foreign-currency liabilities in the total amount of	400,837	503,377

(23) 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:

	Nominal amounts by residual term			Total		Fair value			
						31 Dec 2023		31 Dec 2022	
€ mn	≤ 1 year	> 1 – 5 yrs	> 5 yrs	31 Dec 2023	31 Dec 2022	positive	negative	positive	negative
Interest rate instruments *)	11,981	59,851	76,391	148,223	141,762	6,543	6,614	8,702	8,795
Currency-related instruments	337	941	489	1,767	2,037	73	99	99	129
Credit-related transactions	10	10	7	27	33	–	1	–	1
Total	**12,328**	**60,802**	**76,887**	**150,017**	143,832	**6,616**	**6,714**	8,801	8,925

*) 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 2023 € mn	Carrying amount 31 Dec 2022 € mn	Balance sheet item Assets	Carrying amount 31 Dec 2023 € mn	Carrying amount 31 Dec 2022 € mn	Balance sheet item Liabilities
Interest-based instruments	861	774	Loans and advances to banks, loans and advances to customers, prepaid expenses, other assets	721	684	Liabilities to banks, liabilities to customers, deferred income, other liabilities
Currency-based instruments	9	6	Loans and advances to banks, loans and advances to customers, prepaid expenses, other assets	73	103	Liabilities to banks, liabilities to customers, deferred income, other liabilities
Rating-based instruments	1	1	Loans and advances to banks, prepaid expenses	1	1	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 of € 8.1 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 parameters; 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 € 0.5 million (31 December 2022: € 0.9 million) for three total return swaps held since 2006 and 2007, respectively, in order to hedge 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 € 575.5 million (31 December 2022: € 673.4 million).

NOTES TO THE PROFIT AND LOSS ACCOUNT

(24) 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 %	2023	2022
GERMANY	87.7	88.1
INTERNATIONAL	12.3	11.9

(25) 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 low interest rate environment that prevailed until mid-2021, are offset in income against the corresponding interest expenses and interest income. Overall, negative interest rates in the profit and loss account decreased from mid-2022, and no negative interest income was recorded during the reporting year (previous year: € 2.4 million). Interest expenses therefore do not include positive interest income (previous year: € 30.3 million).

Due to the replacement of all critical reference interest rates (such as EURIBOR or LIBOR) pursuant to the EU Benchmark Regulation (BMR) – the "IBOR reform" –, interest rates on cash collateral of derivatives collateralised in euro have been switched from EONIA to € STR (Euro Short-Term Rate). This process, referred to as a "discounting switch", was performed by all clearing houses on 27 July 2020. For derivatives entered into on a bilateral basis, the changeover was completed by 31 December 2021.

The impact of the discounting switch on the present value of the derivative will be offset by a compensation payment between the two counterparties.

As DZ HYP – a Pfandbrief bank – holds derivatives exclusively in the non-trading portfolio, it makes use of the election to record the compensation payments made or received immediately through profit or loss in the net interest income.

The Bank received no compensation payments in the period under review (previous year: € 0.8 million).

(26) Other operating income

Other operating income of € 23.6 million (previous year: € 29.7 million) primarily consists of rental income of € 12.1 million (previous year: € 10.1 million), service income of € 7.2 million (previous year: € 6.9 million) as well as € 1.3 million (previous year: € 3.8 million) in income from the reversal of provisions.

(27) Other operating expenses

Other operating expenses totalling € 7.1 million (previous year: € 12.8 million) largely include expenses of € 2.5 million (previous year: € 7.1 million) for the discounting of provisions for pensions and similar obligations, and expenses for buildings not directly used for Bank business of € 2.9 million (previous year: € 3.1 million).

(28) Income taxes

Income tax expenses relate almost solely to the result from ordinary activities and are transferred to the controlling company, DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main, as a tax levy in the amount of € 143.7 million (previous year: € 92.0 million).

DZ HYP is part of the DZ BANK Group. Certain jurisdictions in which the DZ BANK Group is active have seen laws on global minimum tax (BEPS 2.0 – Pillar 2) being passed or conceptually implemented. Germany followed suit with an Act Implementing Council Directive (EU) 2022/2523 on ensuring a global minimum level of taxation and supporting measures, which was published on 27 December 2023 in the German Federal Gazette. The Act is applicable to the Group's financial year starting 1 January 2024. The Group falls within the scope of the adopted or substantive legal provisions and assessed the potential impact of a global minimum tax on the Group.

DZ HYP belongs to the minimum tax group under section 3 (1) of the German Act to Guarantee Minimum Taxation for Corporate Groups (*Gesetz zur Gewährleistung einer globalen Mindestbesteuerung für Unternehmensgruppen* – "MinStG"), with DZ BANK AG as its parent company and group responsible entity ("Gruppenträger"). It is the group responsible entity that is the taxpayer under the MinStG, required to submit the minimum tax report and file the corresponding tax return on a national level. The DZ BANK Group expects the global minimum tax to trigger only a minor income tax risk for the Group.

COVERAGE

(29) Coverage by balance sheet item

	Mortgage Pfandbriefe 31 Dec 2023 € mn	Mortgage Pfandbriefe 31 Dec 2022 € mn	Public Pfandbriefe 31 Dec 2023 € mn	Public Pfandbriefe 31 Dec 2022 € mn
ORDINARY COVER	**40,009**	38,481	**11,802**	12,523
LOANS AND ADVANCES TO CUSTOMERS	**39,885**	38,355	**10,529**	11,161
Loans secured by property mortgages	39,885	38,355	23*)	27*)
Loans to local authorities	–	–	10,506	11,134
LOANS AND ADVANCES TO BANKS	**30**	32	**290**	177
Loans secured by property mortgages	30	32	–	–
Loans to local authorities	–	–	290	177
BONDS	–	–	983	1,185
BANK BUILDINGS	94	94	–	–
EXTENDED COVER	**1,263**	948	–	–
LOANS AND ADVANCES TO BANKS	–	–	–	–
Monetary claims	–	–	–	–
BONDS	**1,263**	948	–	–
Total	**41,272**	39,429	**11,802**	12,523

*) Under a municipal guarantee

(30) 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 2023 € mn	31 Dec 2022 € mn	31 Dec 2023 € mn	31 Dec 2022 € mn	31 Dec 2023 € mn	31 Dec 2022 € mn
Mortgage Pfandbriefe	35,125	33,425	33,312	30,020	31,394	27,333
Cover assets pool	41,272	39,429	40,365	37,120	37,869	33,852
of which: derivatives	–	–	–	–	–	–
Excess cover	**6,147**	6,004	**7,053**	7,100	**6,475**	6,519
Excess cover in %	**17.5**	18.0	**21.2**	23.6	**20.6**	23.8
Statutory excess cover**)	1,426	1,349	666	1,231		
Contractual excess cover	–	–	–	–		
Voluntary excess cover	4,721	4,655	6,387	5,869		
Excess cover with due regard to the vdp credit quality differentiation model ("vdp-Bonitätsdifferenzierungsmodell")	6,147	6,004	7,053	7,100		
Excess cover in %	17.5	18.0	21.2	23.6		

*) When calculating the risk-adjusted present value, the dynamic method pursuant to section 5 (1) no. 2 of the Present Value Cover Regulation (*Verordnung über die Sicherstellung der jederzeitigen Deckung von Hypothekenpfandbriefen, Öffentlichen Pfandbriefen, Schiffspfandbriefen und Flugzeugpfandbriefen nach dem Barwert und dessen Berechnung bei Pfandbriefbanken* – "PfandBarwertV") was used.

**) The requirement as regards statutory excess cover comprises the present value of statutory over-collateralisation in accordance with section 4 (1) of the PfandBG, including interest and currency stress scenarios, and the nominal value of statutory collateralisation in accordance with section 4 (2) of the PfandBG.

ad a) Maturity structure and related cover assets	Mortgage Pfandbriefe		Cover assets pool		Extension of maturity *)	
	31 Dec 2023 € mn	31 Dec 2022 € mn	31 Dec 2023 € mn	31 Dec 2022 € mn	31 Dec 2023 € mn	31 Dec 2022 € mn
<= 6 months	2,131	1,645	2,137	1,736	–	–
> 6 months and <= 12 months	1,795	787	1,950	1,987	–	–
> 12 months and <= 18 months	1,647	1,961	1,987	1,813	2,131	1,645
> 18 months and <= 2 years	2,376	1,520	2,634	1,712	1,795	787
> 2 years and <= 3 years	4,552	3,531	4,211	4,052	4,022	3,481
> 3 years and <= 4 years	4,278	4,044	4,264	3,735	4,552	3,531
> 4 years and <= 5 years	3,626	3,778	3,760	3,955	4,278	4,044
> 5 years and <= 10 years	10,341	11,412	12,563	12,693	12,876	15,055
> 10 years	4,379	4,747	7,766	7,746	5,471	4,882
Total	**35,125**	**33,425**	**41,272**	**39,429**	**35,125**	**33,425**

Information on the extension of the maturity of the Pfandbriefe

	Q4 2023	Q4 2022
REQUIREMENTS FOR EXTENDING THE MATURITY OF THE PFANDBRIEFE	The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity (avoidance of insolvency), the Pfandbrief bank with limited business activity is not over-indebted (no existing over-indebtedness) and c) that there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension (positive forecast in relation to meeting its liabilities). For further information, also see section 30 (2b) of the PfandBG.	The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity (avoidance of insolvency), the Pfandbrief bank with limited business activity is not over-indebted (no existing over-indebtedness) and c) that there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension (positive forecast in relation to meeting its liabilities). For further information, also see section 30 (2b) of the PfandBG.
AUTHORISATIONS OF THE COVER POOL ADMINISTRATOR AS REGARDS THE EXTENSION OF THE PFANDBRIEFE'S MATURITY	The cover pool administrator may extend the maturity date of principal payments when the relevant prerequisites in accordance with section 30 (2b) of the PfandBG are met. The period of extension, which may not exceed a period of twelve months, is determined by the cover pool administrator as required. The cover pool administrator may extend the maturity dates of interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides to implement such an extension, the existence of the prerequisites set out in section 30 (2b) of the PfandBG shall be irrefutably presumed. Any such extension has to be taken into account in the maximum period of extension of twelve months. The cover pool administrator may only exercise their authority uniformly for all Pfandbriefe of an issuance. In this case, maturity dates may be extended either in full or pro rata. The cover pool administrator has to extend the maturity date of a particular Pfandbrief issue, such that the original order of servicing Pfandbriefe which could be bypassed as a result of such extension is not changed (prohibition of bypassing). This may lead to the requirement to extend the maturities of issues with later maturity dates in order to comply with the prohibition of bypassing. For further information, also see section 30 (2a) and (2b) of the PfandBG.	The cover pool administrator may extend the maturity date of principal payments when the relevant prerequisites in accordance with section 30 (2b) of the PfandBG are met. The period of extension, which may not exceed a period of twelve months, is determined by the cover pool administrator as required. The cover pool administrator may extend the maturity dates of interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides to implement such an extension, the existence of the prerequisites set out in section 30 (2b) of the PfandBG shall be irrefutably presumed. Any such extension has to be taken into account in the maximum period of extension of twelve months. The cover pool administrator may only exercise their authority uniformly for all Pfandbriefe of an issuance. In this case, maturity dates may be extended either in full or pro rata. The cover pool administrator has to extend the maturity date of a particular Pfandbrief issue such that the original order of servicing Pfandbriefe which could be bypassed as a result of such extension is not changed (prohibition of bypassing). This may lead to the requirement to extend the maturities of issues with later maturity dates in order to comply with the prohibition of bypassing. For further information, also see section 30 (2a) and (2b) of the PfandBG.

*) Effects of an extension of maturity on the maturity structure of the Pfandbriefe/extension scenario: 12 months. This represents a very unlikely scenario which could only materialise once a cover pool administrator is appointed.

ad a) Disclosure pursuant to section 6 of the PfandBarwertV	Net present value in €	
Currency	31 Dec 2023 mn	31 Dec 2022 mn
GBP	**225.8**	201.9
SEK	**45.7**	45.8

ad a) additional indicators on Mortgage Pfandbriefe outstanding		31 Dec 2023	31 Dec 2022
Share of fixed-interest assets in total cover assets pool	in %	90.0	90.1
Share of fixed-interest Pfandbriefe in liabilities to be covered	in %	98.8	99.5
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	5.3	5.1
Average weighted loan-to-value ratio	in %	54.0	54.1
Assets breaching the limits as set in section 19 (1) sentence 7 of the PfandBG	€ mn	–	–
Assets breaching the limits as set in section 19 (1) no. 2 of the PfandBG	€ mn	–	–
Assets breaching the limits as set in section 19 (1) no. 3 of the PfandBG	€ mn	–	–
Assets breaching the limits as set in section 19 (1) no. 4 of the PfandBG	€ mn	–	–

ad a) Liquidity indicators pursuant to section 28 (1) sentence 1 no. 6 of the PfandBG		31 Dec 2023	31 Dec 2022
Greatest calculated negative total in the next 180 days within the meaning of section 4 (1a) sentence 3 of the PfandBG for Mortgage Pfandbriefe (liquidity requirements)	€ mn	1,037.7	553.9
Day on which the greatest negative total is calculated	Day (1-180)	85	86
Total of cover assets that meet the requirements of section 4 (1a) sentence 3 of the PfandBG (liquidity coverage)	€ mn	1,076.4	779.9

	Nominal amount		Present value		Risk-adjusted present value*)	
b) Total amount of outstanding	31 Dec 2023 € mn	31 Dec 2022 € mn	31 Dec 2023 € mn	31 Dec 2022 € mn	31 Dec 2023 € mn	31 Dec 2022 € mn
Public Pfandbriefe	9,474	9,612	9,927	9,795	9,293	8,760
Cover assets pool	11,802	12,523	12,253	12,539	11,388	11,170
of which: derivatives	–	–	–	–	–	–
Excess cover	**2,328**	2,911	**2,326**	2,744	**2,095**	2,410
Excess cover in %	**24.6**	30.3	**23.4**	28.0	**22.5**	27.5
Statutory excess cover)**	376	387	199	389		
Contractual excess cover)**	–	–	–	–		
Voluntary excess cover)**	1,952	2,524	2,127	2,355		
Excess cover with due regard to the vdp credit quality differentiation model (“vdp-Bonitäts-differenzierungsmodell”)	2,328	2,911	2,326	2,744		
Excess cover in %	24.6	30.3	23.4	28.0		

*) 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.

ad b) Maturity structure	Public Pfandbriefe 31 Dec 2023 € mn	Public Pfandbriefe 31 Dec 2022 € mn	Cover assets pool 31 Dec 2023 € mn	Cover assets pool 31 Dec 2022 € mn	Extension of maturity *) 31 Dec 2023 € mn	Extension of maturity *) 31 Dec 2022 € mn
<= 6 months	534	478	581	603	–	–
> 6 months and <= 12 months	397	335	702	652	–	–
> 12 months and <= 18 months	784	534	476	546	534	478
> 18 months and <= 2 years	454	298	600	674	397	335
> 2 years and <= 3 years	700	1,245	1,084	1,040	1,238	832
> 3 years and <= 4 years	1,070	745	901	1,026	700	1,245
> 4 years and <= 5 years	538	569	825	867	1,070	745
> 5 years and <= 10 years	1,692	1,907	2,769	2,982	1,933	2,099
> 10 years	3,305	3,501	3,864	4,133	3,602	3,878
Total	**9,474**	9,612	**11,802**	12,523	**9,474**	9,612

The same information on the extension of Pfandbrief maturity as stated above applies.

*) Effects of an extension of maturity on the maturity structure of the Pfandbriefe/extension scenario: 12 months. This represents a very unlikely scenario which could only materialise once a cover pool administrator is appointed.

ad b) Disclosure pursuant to section 6 of the PfandBarwertV	Net present value in €	
Currency	31 Dec 2023 mn	31 Dec 2022 mn
CAD	24.2	25.9
CHF	54.9	51.4
GBP	24.0	20.9
JPY	26.2	29.2
USD	-20.9	21.4

ad b) Additional indicators on outstanding Public Pfandbriefe		31 Dec 2023	31 Dec 2022
Share of fixed-interest assets in total cover assets pool	in %	97.0	97.9
Share of fixed-interest Pfandbriefe in liabilities to be covered	in %	95.6	93.5
Total amount of assets breaching the limits as set in section 20 (3) of the PfandBG	€ mn	–	–
Assets breaching the limits as set in section 20 (2) no. 2 of the PfandBG	€ mn	–	–
Assets breaching the limits as set in section 20 (2) no. 3 of the PfandBG	€ mn	–	–

ad b) Liquidity indicators pursuant to section 28 (1) sentence 1 no. 6 of the PfandBG		31 Dec 2023	31 Dec 2022
Greatest calculated negative total in the next 180 days within the meaning of section 4 (1a) sentence 3 of the PfandBG for Public Pfandbriefe (liquidity requirements)	€ mn	295.5	267.7
Day on which the greatest negative total is calculated	Day (1-180)	175	164
Total of cover assets that meet the requirements of section 4 (1a) sentence 3 of the PfandBG (liquidity coverage)	€ mn	935.7	1,242.5

Assets included in cover for Mortgage Pfandbriefe

by loan amount	31 Dec 2023 € mn	31 Dec 2022 € mn
<= € 300,000 €	10,569	9,692
> € 300,000 <= € 1 mn	3,295	2,908
> € 1 mn / <= € 10 mn	9,974	10,340
> € 10 mn	16,171	15,541
Total	**40,009**	**38,481**

by type of property	31 Dec 2023 € mn	31 Dec 2022 € mn
Housing properties	23,445	22,090
Commercial properties	16,564	16,391
Total	**40,009**	**38,481**

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	France	United Kingdom	Netherlands	Austria	Poland	Sweden	Total
RESIDENTIAL PROPERTIES	31 Dec 2023	2,707	*) –	–	–	–	–	–	2,707
	31 Dec 2022	2,225	*) –	–	–	–	–	–	2,225
SINGLE AND DOUBLE FAMILY HOMES	31 Dec 2023	8,094	*) –	–	*) –	–	–	–	8,094
	31 Dec 2022	7,306	*) –	–	*) –	–	–	–	7,306
MULTI-FAMILY HOMES	31 Dec 2023	12,315	8	–	–	–	–	–	12,323
	31 Dec 2022	12,263	8	–	–	–	–	–	12,271
OFFICE BUILDINGS	31 Dec 2023	6,948	208	229	465	4	–	–	7,854
	31 Dec 2022	6,565	154	224	443	4	–	–	7,390
COMMERCIAL BUILDINGS	31 Dec 2023	5,031	123	7	105	–	43	50	5,359
	31 Dec 2022	4,182	116	9	99	–	52	50	4,508
INDUSTRIAL BUILDINGS	31 Dec 2023	1,067	–	–	77	10	–	–	1,154
	31 Dec 2022	228	–	–	–	–	–	–	228
OTHER COMMERCIAL PROPERTIES	31 Dec 2023	1,856	–	–	75	–	–	1	1,932
	31 Dec 2022	3,911	–	–	147	10	–	1	4,069
UNFINISHED NEW BUILDINGS NOT YET YIELDING RETURNS	31 Dec 2023	379	–	8	–	–	–	–	387
	31 Dec 2022	436	–	8	–	–	–	–	444
BUILDING PLOTS	31 Dec 2023	199	–	–	–	–	–	–	199
	31 Dec 2022	40	–	–	–	–	–	–	40
Total	31 Dec 2023	38,596	339	244	722	14	43	51	40,009
	31 Dec 2022	37,156	278	241	689	14	52	51	38,481

*) Values < € 0.5 mn

Additional cover assets for Mortgage Pfandbriefe pursuant to section 19 (1) sentence 1 no. 2a and 2b, section 19 (1) sentence 1 no. 3a to c, section 19 (1) sentence 1 no. 4

	Claims pursuant to section 19 (1) no. 4 of the PfandBG		Total	
Sovereign borrowers	31 Dec 2023 € mn	31 Dec 2022 € mn	31 Dec 2023 € mn	31 Dec 2022 € mn
Federal Republic of Germany	1,263	948	1,263	948
Total	**1,263**	948	**1,263**	948

There are no claims pursuant to section 19 (1) sentence 1 no. 2a and b and section 19 (1) sentence 1 no. 3a to c.

In the financial year and in the previous year there were no payments in arrears by at least 90 days on cover assets for Mortgage Pfandbriefe and Public Pfandbriefe.

As at the current reporting date and as at the reporting date of the previous year, there were no pending or executed forced sales or forced sales proceedings on cover assets for Mortgage Pfandbriefe.

There were no purchases of plots to prevent losses on mortgages (previous year: € nil).

As at the current reporting date and as at the reporting date of the previous year, there were no interest arrears.

In the financial year and in the previous year, there were no payments in arrears by at least 90 days on cover assets for Public Pfandbriefe.

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

	31 Dec 2023 € mn	31 Dec 2022 € mn	31 Dec 2023 %	31 Dec 2022 %
Total cover assets pool	11,802	12,523	124.57	130.29
of which: ordinary cover	11,802	12,523	124.57	130.29
of which: additional cover	–	–	–	–

Assets included in cover for Public Pfandbriefe

by loan amount	31 Dec 2023 € mn	31 Dec 2022 € mn
<= € 10 mn	5,454	5,721
> € 10 mn / <= € 100 mn	4,057	4,406
> € 100 mn	2,291	2,396
Total	**11,802**	**12,523**

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	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Belgium	45	45	23	23	–	–	–	–	**68**	68
Federal Republic of Germany	26	26	1,247	1,427	8,096	8,567	512	527	**9,881**	10,547
France	40	40	–	–	–	–	–	–	**40**	40
Italy	10	10	88	96	5	6	–	–	**103**	112
Canada	–	–	126	262	2	3	–	–	**128**	265
Luxembourg	7	7	–	–	–	–	–	–	**7**	7
Austria	417	418	25	25	–	–	–	–	**442**	443
Switzerland	–	–	162	152	–	–	–	–	**162**	152
Spain	50	50	204	224	30	30	–	–	**284**	304
EU institutions	–	–	–	–	–	–	64	69	**64**	69
Total	**595**	596	**1,875**	2,209	**8,133**	8,606	**576**	596	**11,179**	12,007

b) of which: guaranteed by	Sovereign states		Regional public-sector entities		Local public-sector entities		Other		Total b)		Total a) and b)	
€ mn	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Belgium	–	–	–	–	–	–	–	–	–	–	**68**	68
Federal Republic of Germany	234	97	163	167	73	94	2	2	**472**	360	**10,353**	10,907
France	–	–	–	–	–	–	–	–	–	–	**40**	40
Italy	–	–	–	–	–	–	–	–	–	–	**103**	112
Canada	–	–	127	132	–	–	–	–	**127**	132	**255**	397
Luxembourg	–	–	–	–	–	–	–	–	–	–	**7**	7
Austria	–	–	–	–	–	–	–	–	–	–	**442**	443
Switzerland	–	–	–	–	–	–	–	–	–	–	**162**	152
Spain	–	–	24	24	–	–	–	–	**24**	24	**308**	328
EU institutions	–	–	–	–	–	–	–	–	–	–	**64**	69
Total	**234**	97	**314**	323	**73**	94	**2**	2	**623*)**	516*)	**11,802**	12,523

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

List of International Securities Identification Numbers (ISIN) of the International Organisation for Standardisation by types of Pfandbriefe

Mortgage Pfandbriefe

	Q4 2023	Q4 2022
ISIN	DE000A1REY59, DE000A1TNEX3, DE000A12T2F9, DE000A12UGG2, DE000A13SR38, DE000A13SWZ1, DE000A14J5J4, DE000A14KKK3, DE000A14KKM9, DE000A14KK24, DE000A161ZQ3, DE000A2AASB4, DE000A2AAW12, DE000A2AAW53, DE000A2AAX03, DE000A2AAX11, DE000A2AAX45, DE000A2AAX60, DE000A2BPJ45, DE000A2BPJ78, DE000A2BPJ86, DE000A2E4UX0, DE000A2GSMH3, DE000A2GSMJ9, DE000A2GSMK7, DE000A2GSP31, DE000A2GSP49, DE000A2GSP56, DE000A2GSP64, DE000A2GSP80, DE000A2GSP98, DE000A2G9HD6, DE000A2G9HE4, DE000A2G9HF1, DE000A2G9HG9, DE000A2G9HJ3, DE000A2G9HK1, DE000A2G9HL9, DE000A2G9HM7, DE000A2G9HN5, DE000A2G9HQ8, DE000A2NB841, DE000A2TSDV6, DE000A2TSDW4, DE000A2TSDY0, DE000A2TSD06, DE000A2TSD55, DE000A288367, DE000A289PA7, DE000A289PB5, DE000A289PC3, DE000A289PD1, DE000A289PE9, DE000A289PG4, DE000A289PH2, DE000A3E5UT4, DE000A3E5UU2, DE000A3E5UY4, DE000A3E5U22, DE000A3H2TK9, DE000A3H2TQ6, DE000A3H2TR4, DE000A3MP601, DE000A3MP619, DE000A3MP627, DE000A3MP635, DE000A3MP643, DE000A3MP650, DE000A3MP668, DE000A3MP684, DE000A3MP692, DE000A3MQUV7, DE000A3MQUX3, DE000A3MQUY1, DE000A3MQUZ8, DE000A3MQU03, DE000A3MQU29, DE000A3MQU37, DE000A3MQU45, DE000A3MQU52, DE000A3MQU78, DE000A3MQU86, DE000A3MQU94, DE000A351XK8, DE000A351XL6, DE000A351XM4, DE000A351XS1, DE000A351XT9	DE000A0SMD13, DE000A1REY26, DE000A1REY59, DE000A1REZE1, DE000A1TNEQ7, DE000A1TNEX3, DE000A1X3M51, DE000A12T2F9, DE000A12T6Z8, DE000A12UGG2, DE000A13SR38, DE000A13SWR8, DE000A13SWZ1, DE000A14J5J4, DE000A14KKH9, DE000A14KKK3, DE000A14KKM9, DE000A14KK24, DE000A161ZL4, DE000A161ZQ3, DE000A161ZU5, DE000A2AASB4, DE000A2AAW12, DE000A2AAW53, DE000A2AAX03, DE000A2AAX11, DE000A2AAX45, DE000A2AAX60, DE000A2BPJ45, DE000A2BPJ78, DE000A2BPJ86, DE000A2E4UX0, DE000A2GSMH3, DE000A2GSMJ9, DE000A2GSMK7, DE000A2GSP31, DE000A2GSP49, DE000A2GSP56, DE000A2GSP64, DE000A2GSP80, DE000A2GSP98, DE000A2G9HA2, DE000A2G9HB0, DE000A2G9HC8, DE000A2G9HD6, DE000A2G9HE4, DE000A2G9HF1, DE000A2G9HG9, DE000A2G9HJ3, DE000A2G9HK1, DE000A2G9HL9, DE000A2G9HM7, DE000A2G9HN5, DE000A2G9HQ8, DE000A2NB841, DE000A2TSDV6, DE000A2TSDW4, DE000A2TSDY0, DE000A2TSD06, DE000A2TSD55, DE000A288367, DE000A289PA7, DE000A289PB5, DE000A289PC3, DE000A289PD1, DE000A289PE9, DE000A289PG4, DE000A289PH2, DE000A3E5UT4, DE000A3E5UU2, DE000A3E5UY4, DE000A3E5U22, DE000A3H2TK9, DE000A3H2TQ6, DE000A3H2TR4, DE000A3MP601, DE000A3MP619, DE000A3MP627, DE000A3MP635, DE000A3MP643, DE000A3MP650, DE000A3MP668, DE000A3MP684, DE000A3MP692, DE000A3MQUV7, DE000A3MQUW5, DE000A3MQUX3

Public Pfandbriefe

	Q4 2023	Q4 2022
ISIN	DE000A0DLV76, DE000A0EUMF2, DE000A0EUMR7, DE000A0EUM42, DE000A0EUPJ7, DE000A0XFAE1, DE000A1TM6A4, DE000A1YC8K4, DE000A12TYS2, DE000A14J5C9, DE000A161ZP5, DE000A2BPJ11, DE000A2BPJ29, DE000A2BPJ52, DE000A2BPJ60, DE000A2GSMC4, DE000A2TSDZ7, DE000A3MQU11, DE000A3MQU60, DE000A351XN2, DE000A351XP7, DE000A351XQ5, DE000A351XR3	DE000A0DLV76, DE000A0EUMF2, DE000A0EUMR7, DE000A0EUM34, DE000A0EUM42, DE000A0EUPJ7, DE000A0XFAE1, DE000A1TM6A4, DE000A1YC8G2, DE000A1YC8K4, DE000A12TYS2, DE000A14J5C9, DE000A161ZP5, DE000A2BPJ11, DE000A2BPJ29, DE000A2BPJ52, DE000A2BPJ60, DE000A2GSMC4, DE000A2GSP23, DE000A2TSDZ7

OTHER INFORMATION ON THE ANNUAL FINANCIAL STATEMENTS

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

Fees for the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, for the 2023 financial year are as follows:

	2023 € 000's
Auditing fees	1,060
Other assurance services	39
Tax advisory services	–
Other services	5
Total	**1,104**

(32) Executive bodies of DZ HYP

Supervisory Board

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

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

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

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

Hubertus Beringmeier
Chairman of the
Board of Directors,
Stiftung Westfälische Landschaft
(Member since 12 May 2023)

Dr Michael Düpmann
Chairman of the
Management Board,
VR Bank Rhein-Neckar eG

Karin Fleischer
Member of the
Management Board,
Volksbank Franken eG

Ralph Gruber
Bank employee,
DZ HYP AG

Harald Herkströter
Chairman of the
Management Board,
Volksbank Halle/Westf. eG

Olaf Johnert
Bank employee,
DZ HYP AG

Carsten Jung
Chairman of the
Management Board,
Berliner Volksbank eG

Petra Kalbhenn
Member of the
Management Board,
VR Bank Main-Kinzig-
Büdingen eG

Michael Kuehn
Bank employee,
DZ HYP AG

Marcus Lühder
Bank employee,
DZ HYP AG

Anja Niehues
Bank employee,
DZ HYP AG

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

Heinrich Stumpf
Deputy Spokesman of the
Management Board,
VR Bank Augsburg-Ostallgäu eG

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

Management Board

Dr Georg Reutter
– Chief Executive Officer –
(until 31 July 2023)

Sabine Barthauer
Member
(until 31 July 2023)
Chief Executive Officer
(since 1 August 2023)

Jörg Hermes

Stefan Schrader
(since 1 November 2023)

(33) Remuneration of the executive bodies

	2023 € 000's	2022 € 000's
Supervisory Board	275	250
Management Board	2,119	2,128
Advisory Council	148	146
Former members of the Management Board or their surviving dependants	2,950	3,042
Provisions for current pensions and pension commitments for former members of the Management Board or their surviving dependants	45,914	43,494

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

As at 31 December 2023, neither the members of the Management Board nor members of staff held any offices in supervisory bodies of large limited companies.

(35) Average number of employees

	Male	Female	2023 Total	Male	Female	2022 Total
TOTAL NUMBER OF EMPLOYEES	489	374	863	475	380	855
of which: full-time employees	459	213	672	448	225	673
part-time employees						
number	30	161	191	27	155	182
weighted	(22)	(107)	(129)	(20)	(103)	(123)

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

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/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 the reporting date

No events of particular importance materialised during the period from 1 January to 22 February 2024 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 Munster, 22 February 2024

DZ HYP AG

Sabine Barthauer
– Chief Executive Officer –

Jörg Hermes

Stefan Schrader

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, 22 February 2024

DZ HYP AG

Sabine Barthauer
– Chief Executive Officer –

Jörg Hermes

Stefan Schrader

REPETITION OF INDEPENDENT AUDITOR'S REPORT

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents to be audited) to which the separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette".

To DZ HYP AG, Hamburg and Münster

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

Audit Opinions

We have audited the annual financial statements of DZ HYP AG, Hamburg und Münster, which comprise the balance sheet as at 31 December 2023, the statement of profit and loss, cash flow statement and statement of changes in equity for the financial year from 1 January to 31 December 2023 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of DZ HYP AG for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

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 and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with German Legally Required Accounting Principles and
- the accompanying management report as a whole provides an appropriate view of the Company'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. Our audit opinion on the management report does not cover the content of the non-financial statement referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, 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 Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") 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 Company 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 Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 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 audit 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 judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

Allowance for credit losses in lending business

Our presentation of this key audit matter has been structured in each case as follows:

- » Matter and issue
- » Audit approach and findings
- » Reference to further information

Hereinafter we present the key audit matter:

Allowance for credit losses in lending business

- » In DZ HYP AG's annual financial statements loan receivables amounting to EUR 67,7 billion (87,4 % of total assets) are reported under the "Loans to customers" balance sheet item and amounting to EUR 3,0 billion (3,9 % of total assets) under the "Loans to banks" balance sheet item. In addition, there are contingent liabilities and other commitments in the amount of EUR 7,7 billion. As of December 31, 2023, there is an allowance for credit losses in the statement of financial position consisting specific and general valuation allowances and provisions for the lending business. The measurement of the allowance for credit in lending business is determined in particular by the structure and quality of the loan portfolios, macroeconomic factors and executive director's estimates with regard to future credit defaults, among other things also against the background of the impact of the deterioration in macroeconomic conditions on the lending business. The amount of the specific valuation allowances on loans to customers reflects the difference between the outstanding amount of the loan and the lower value assigned to it as at the balance sheet date. Existing collaterals are taken into account. General valuation allowances are recognized for foreseeable counterparty risks in the lending business of banks that have not yet been specifically identified for individual borrowers. For this purpose, a general valuation allowance is recognized for loans for which no specific allowance has been recognized in the amount of the expected loss for an observation period of twelve months, unless the credit default risk has increased significantly since the date of addition. In the event of a significant increase in the credit default risk since addition, a general valuation allowance is recognized for the losses expected over the remaining term of the loans concerned for loans for which no specific allowance has been recognized. The amount of the valuation allowances and provisions for credit losses are highly significant for the assets, liability and financial performance of the Company and, on the other hand, they involve considerable judgement on the part of executive director's with regard to the cash flows still expected from a loan and the macroeconomic forecasts in the model used to calculate the general valuation allowances. Furthermore, the measurement parameters applied, which are subject to material uncertainties, have a significant impact on the recognition and the amount of any valuation allowances required. Against this background, this matter was of particular significance during our audit.

» As part of our audit, we initially assessed the design of the relevant internal control system of the Company. Thereby, we considered the business organization, the IT systems and the relevant measurement models. In addition, we evaluated the assessment of the loans, including the appropriateness of estimated values, on the basis of sample testing of loan engagements. For this purpose, we assessed, among other things, the available documentation of the Company with respect to the economic circumstances as well as the recoverability of the corresponding collaterals. For real estate as collateral, we obtained an understanding of and critically assessed the source data, measurement parameters applied, and assumptions made on which the expert valuations provided to us by the Company were based and evaluated whether they lay within an acceptable range. In addition, for the purpose of assessing the specific and general valuation allowances applied, we evaluated the calculation methodology applied by the Company together with the underlying assumptions and parameters. In this context we especially evaluated the assessment of the executive director's regarding the impact of the deterioration in macroeconomic conditions on the economic situation of the borrowers and the valuation of the corresponding collateral and examined their consideration in the valuation of the customer loans. With the assistance of our specialists in the mathematical finance, we have assessed the calculation of counterparty risks not yet specified for individual borrowers in the model for determining general valuation allowances. Based on our audit procedures performed, we were able to satisfy ourselves that the assumptions made by the executive director's for the purpose of testing the recoverability of the loan portfolio are justifiable overall, and that the controls implemented by the Company are appropriate and effective.

» The Company's disclosures regarding the allowance for lending business are contained in the notes of the financial statements in section 2 "Accounting and measurement principles" and in the Management Report in the "Results of Operations" section of the economic report.

Other information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards) as an unaudited part of the management report.

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

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

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

» is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
» otherwise appears to be materially misstated.

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, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company 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 (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company'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 Company'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 Company'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 Company'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 audit 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 § 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 skepticism 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 audit 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 controls.
- 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 audit opinion on the effectiveness of these systems of the Company.
- 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 signifi-

cant doubt on the Company'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 audit 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 Company 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 Company 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 Company'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 audit 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, actions taken to eliminate threats or safeguards applied.

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

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file DZ HYP_AG_JA+LB_ESEF-2023-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibility of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF-documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

» Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
» Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
» Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the annual financial statements on the technical specification for this electronic file.
» Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 12 May 2023. We were engaged by the supervisory board on 30 June 2023. We have been the auditor of the DZ HYP AG, Hamburg und Münster, without interruption since the financial year 2021.

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

Reference to another matter – use of the auditor's report

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

This is a translation of the review report in German. The latter is the sole authoritative version.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Anne Witt.

Hamburg, 22 February 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Anne Witt	ppa. Uwe Gollum
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REPORT OF THE SUPERVISORY BOARD

Uwe Fröhlich
Chairman of the Supervisory Board

DZ HYP maintained its position on the market during the 2023 financial year, delivering a solid real estate finance performance in a persistently difficult interest rate environment. In spite of continued declining transaction volumes and falling property prices, DZ HYP was able to confirm its strong position as one of Germany's leading real estate and Pfandbrief banks. The Bank's portfolio proved to be stable and well equipped to handle the interest rate hikes implemented to curb inflation. DZ HYP will once again contribute positively to the DZ BANK Group's earnings in the year under review.

In addition to the decline in transaction volumes, DZ HYP's new business in the 2023 financial year was shaped by a still dynamic interest rate development, especially in the Retail Customers segment. However, while investors in the Corporate Clients segment also had understandable uncertainties, buyers expected significant price adjustments. And while average margins in the Corporate Clients segment increased during the year under review, they decreased slightly in the Retail Customers segment. Overall, the Bank ended the year under review on a positive note, with net interest income at a stable level.

In the challenging market environment of 2023, DZ HYP remained a strong and responsible partner to its corporate clients and retail customers. In keeping with its conservative risk strategy, the Bank reacted prudently to the changing economic environment and the uncertainties that this entailed.

Business with cooperative banks was more subdued in the 2023 financial year, in line with the domestic Corporate Clients and Retail Customers business. Here, the ongoing uncertainty among home-builders in the face of high interest rates took its toll on private home loan finance in particular. However, DZ HYP confirmed its position as an effective developer and supplier of products for cooperative banks, working together with them in a spirit of mutual trust to leverage growth potential in the cooperative banks' local customer base.

During the year under review, the Supervisory Board dealt extensively with business developments in the Corporate Clients, Retail Customers and Public Sector segments. It also examined the Bank's risk situation, its risk management system and, where required, individual exposures. In this context, the Supervisory Board also dealt with the effects of increasing interest rates and market shifts on the Bank's business development and risk situation. They also devoted particular attention to the development of collateral in the individual asset classes, liquidity risks of open-ended real estate funds, debt-servicing capabilities for the commercial real estate portfolio and the results of external audits. Sustainability, the digital transformation and selected aspects of internal development were all discussed extensively in the year under review as well.

The Supervisory Board also focused on assessing the work and suitability of the Supervisory Board and Management Board at annual intervals. This also involved looking at the Bank's remuneration systems, the Remuneration Officer's report and the Management Board members' target achievement and agreed remuneration. The Supervisory Board also discussed the review of the diversity targets and the report on compliance with the Bank's lending standards.

In addition, the Supervisory Board was required to fill a vacant Supervisory Board mandate and to assess the suitability of candidates for the position. As part of succession planning for DZ HYP's Management Board, the Supervisory Board also secured a successor for the CRO function.

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 in accordance with statutory regulations and those set out in the Bank's Articles of Incorporation, 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.

The self-evaluation carried out by the Supervisory Board in the period from April to May 2023 and the evaluation of DZ HYP's Management Board led to the conclusion that the structure, size, composition and performance of the Supervisory Board and the Management Board as well as the knowledge, skills and expertise of the individual members of the Supervisory Board and of the Management Board as well as of both bodies in their entirety are in line with legal requirements and those set out in the 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 members of both the Management Board and the Supervisory Board took part in a Bank-specific training in November. The next regular evaluation of DZ HYP's Supervisory Board and Management Board is scheduled for the first half of 2024 and will, for the first time, take place in digital form.

Cooperation with the Management Board

The Management Board regularly reported to the Supervisory Board on DZ HYP's situation and performance, general business developments, profitability and risk exposure, in good time and comprehensively, both in writing and verbally. Furthermore, the Supervisory Board was informed by the Management Board about the Bank's operative and strategic planning and about material lending exposures. The Supervisory Board discussed these issues as well as current developments with the Management Board; it advised the Management Board and supervised the management of the Bank. 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 2023 financial year. The Committees established by the Supervisory Board also convened on numerous occasions during 2023. The Chairpersons of the various committees regularly gave accounts of their work to the plenary meeting.

Between Supervisory Board meetings, the Management Board informed it in writing about the Bank's business and risk development. 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. The members of the Supervisory Board and its Committees participated regularly in the written resolutions and meetings of the respective bodies during the 2023 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

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, 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 2023 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 accepted 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 financial statements and the management report of the Bank. 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 in detail on the key findings of their audit. They were also available to answer questions put by Supervisory Board members. The Supervisory Board raised no objections with regard to the accounts. In its meeting on 25 March 2024, the Supervisory Board approved the financial statements of DZ HYP as at 31 December 2023, prepared by the Management Board. The annual financial statements have thus been confirmed.

Personnel changes within the Supervisory Board and the Management Board

Johannes Röring retired from the Supervisory Board upon the close of the Annual General Meeting on 12 May 2023. The Supervisory Board elected Hubertus Beringmeier to the Supervisory Board with effect from the same date.

Sabine Barthauer took over as Chief Executive Officer and Head of Front Office on 1 August 2023 following the retirement of DZ HYP's long-standing Chief Executive Officer, Dr Georg Reutter, on 31 July 2023. With effect from 1 November 2023, Stefan Schrader assumed the position of Head of Back Office and Chief Risk Officer at DZ HYP.

There were no other changes to the members of the Supervisory Board or the Management Board in 2023.

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 2023 financial year.

Hamburg and Munster, 25 March 2024

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/Main
– Chairman –

Dagmar Mines
DZ HYP AG, Hamburg
– Deputy Chairwoman –

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

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

Hubertus Beringmeier
Chairman of the Board of Directors, Stiftung Westfälische Landschaft, Münster

Dr Michael Düpmann
Chairman of the Management Board, VR Bank Rhein-Neckar eG Mannheim

Karin Fleischer
Member of the Management Board, Volksbank Franken eG, Buchen

Ralph Gruber
DZ HYP AG, Hamburg

Harald Herkströter
Chairman of the Management Board, Volksbank Halle/Westf. eG, Halle (Westphalia)

Olaf Johnert
DZ HYP AG, Hamburg

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

Petra Kalbhenn
Member of the Management Board, VR Bank Main-Kinzig-Büdingen eG, Linsengericht

Michael Kuehn
DZ HYP AG, Münster

Marcus Lühder
DZ HYP AG, Münster

Anja Niehues
DZ HYP AG, Münster

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

Heinrich Stumpf
Deputy Spokesman of the Management Board, VR Bank Augsburg-Ostallgäu eG, Augsburg

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

As at 2 April 2024

Advisory Board – Banks

Johannes Hofmann
Deputy Chairman of the Management Board, VR-Bank Metropolregion Nürnberg eG, Nuremberg
– Chairman –

Rita Herbers
Member of the Management Board, Hamburger Volksbank eG, Hamburg
– Deputy Chairwoman –

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

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

Thomas Büscher
Deputy Chairman of the Management Board, VR Bank eG Bergisch Gladbach-Leverkusen, Bergisch Gladbach

Joachim Erhard
Deputy Speaker of the Management Board, Volksbank Raiffeisenbank Würzburg eG, Würzburg

Christian Forstner
Deputy Spokesman of the Management Board, VR-Bank Rottal-Inn eG, Pfarrkirchen

Klaus Hatzel
Director and member of the Management Board, meine Volksbank Raiffeisenbank eG, Rosenheim

Wolfgang Hillemeier
Co-Chairman of the Management Board, Volksbank Dellbrück-Rietberg eG, Rietberg

Wolfgang Hirmer
Co-Chairman of the Management Board, Volksbank Alb eG, Langenau

Andreas Jeske
Member of the Management Board, VR Bank in Holstein eG, Pinneberg

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

Ina Kreimer
Member of the Management Board, VerbundVolksbank OWL eG, Paderborn

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

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

Sabine Meister
Member of the Management Board, Volksbank Konstanz eG, Konstanz

Gregor Mersmann
Member of the Management Board, Dortmunder Volksbank eG, Dortmund

Daniel Mohaupt
Member of the Management Board, PSD Bank Berlin-Brandenburg eG, Berlin

Daniel Mohr
Member of the Management Board, Volksbank Neckartal eG, Eberbach

Christoph Ochs
Chairman of the Management Board, VR Bank Südpfalz eG, Landau

Frank Overkamp
Chairman of the Management Board, Volksbank Gronau-Ahaus eG, Gronau

As at 2 April 2024

Ralf Pakosch
Member of the
Management Board,
Frankfurter Volksbank eG,
Frankfurt/Main

Andreas Walter Ritzenhofen
Member of the
Management Board,
Volksbank Rhein-Erft-Köln eG,
Hürth

Volker Schmelzle
Member of the
Management Board,
Volksbank Plochingen eG,
Plochingen

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

Tobias Schmitz
Member of the
Management Board,
Volksbank Alzey-Worms eG,
Worms

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

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

Thomas Stolper
Speaker of the
Management Board,
Volksbank eG,
Wolfenbüttel

Stefan Terveer
Member of the
Management Board,
Volksbank Westerstede eG,
Westerstede

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

Michael Esken
President,
Municipal Audit Authority
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,
Dusseldorf

Markus Kreuz
Treasurer of the
City of Hamm,
Hamm

Dr Georg Lunemann
Regional Director
Landschaftsverband
Westfalen-Lippe,
Münster

Andreas Merkel
Treasurer of the
City of Gaggenau,
Gaggenau

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

Christine Zeller
Treasurer of the City,
Finance, Investments and
Migration Department,
City of Münster,
Münster

As at 2 April 2024

Advisory Board – Housing Sector

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

Jörn-M. Westphal
Managing Director,
ProPotsdam GmbH,
Potsdam
– Deputy Chairman –

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

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

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

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

Ute Schäfer
Member of the
Management Board,
Wohnungsgenossenschaft
UNITAS eG,
Leipzig

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

Management Board
and distribution of responsibilities

Sabine Barthauer
Chief Executive Officer

» Segment Corporate Clients
» Segment Public Sector
» Segment Retail Customers
» Treasury
» Communications, Marketing & Events

Jörg Hermes
Chief Financial Officer

» Compliance
» Finance
» Internal Audit
» IT
» Human Resources
» Security and Organisation

Stefan Schrader
Chief Risk Officer

» Back Office – Corporate Clients
» Back Office – Treasury and Public Sector
» Risk Controlling
» Legal, Management Board Office, Restructuring, Recovery

As at 2 April 2024

Department Heads

Patrick Ernst
Treasury

Norbert Grahl
Back Office – Corporate Clients

Steffen Günther
Segment Corporate Clients,
- Institutional &
International Clients

Axel Jordan
Segment Corporate Clients,
- SMEs & Cooperative Banks

Markus Krampe
Segment Public Sector,
Retail Customers business

Anja Klarmann
Security and Organisation

Dr Stefan Krohnsnest
Risk Controlling

Maik Michaelis
Finance

Peter Ringbeck
IT

Arne Schneider
Human Resources

Frank Schneider
Compliance

Siegfried Schneider
Back Office – Treasury and
Public Sector

Jürg Schönherr
Segment Corporate Clients,
- Housing Sector

Peter Vögelein
Internal Audit

Carsten Hendrik Vollnberg
Legal, Management Board Office,
Restructuring, Recovery

Anke Wolff
Communications, Marketing &
Events

Trustees

Dr Michael Labe
Judge (retired),
Hamburg

Björn Reher
Deputy trustee,
public auditor and
tax advisor,
Hamburg

As at 2 April 2024

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