

HALF-YEARLY FINANCIAL REPORT 2020

30 June 2020

DEVELOPMENT OF NEW BUSINESS

€ mn	1 Jan to 30 Jun 2020	1 Jan to 30 Jun 2019
Commercial Real Estate Investors	2,714	3,514
Housing Sector	208	340
Retail Customers/Private Investors	806	924
Public-Sector	168	292

PORTFOLIO DEVELOPMENT

€ mn	30 Jun 2020	31 Dec 2019
Total assets	82,215	79,437
Mortgage loans	51,305	50,151
Originated loans to local authorities	10,370	10,808
Local authority lending*	11,191	11,917
Bank bonds	436	442
Mortgage-backed securities (MBS)	415	449
Pfandbriefe and other debt securities	51,086	49,833
Own funds	2,351	2,239
Total capital ratio (%)	13.7	12.6
Common equity tier 1 ratio (%)	9.4	8.4

PROFIT AND LOSS ACCOUNT

€ mn	1 Jan to 30 Jun 2020	1 Jan to 30 Jun 2019
Net interest income	301.9	263.6
Net commission result	-16.7	-8.2
Administrative expenses	147.6	134.8
Net other operating income/expenses	7.5	2.5
Risk provisioning	-28.6	-23.6
Net financial result	-1.8	0.4
Operating profit	114.7	99.9
Allocation to the fund for general banking risks	26.0	29.0
Taxes	54.7	33.9
Partial profit transfer	8.0	8.0
Profits to be transferred under a profit and loss transfer agreement	26.0	29.0

NUMBER OF EMPLOYEES

	30 Jun 2020	31 Dec 2019
Average	831	870

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

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LETTER FROM THE MANAGEMENT BOARD

Ladies and Gentlemen, dear business associates,

The outbreak of the COVID-19 pandemic has presented the world with challenges during the first half of 2020. The German economy suffered a marked slump as a result. The real estate industry was also affected by the crisis: as a provider of finance, we felt the impact through declining demand during the months from April to June. As a consequence, following a positive performance during the first quarter (€2.4 billion), new business volume of €3.9 billion for the first half of the year fell short of the same period of the previous year (€5.1 billion). Nonetheless, we successfully mastered the situation during the period under review, increasing operating profit to just under €115 million (H1 2019: €99.9 million). This development shows that the Bank is built on a solid foundation. Thanks to a robust business model of providing long-term finance and the Bank's integration into the German Cooperative Financial Network, we have a strong foundation to service our clients over the long term.

In the first half of the year we maintained the successful spirit of mutual trust that characterised our working relationship with the German cooperative banks throughout the previous year. We were able to raise the volume of brokered home loan financings, compared to the same quarter of the previous year. Likewise, we are pleased with the development of joint lending in commercial real estate finance: we have seen above-average growth in business with our partner banks, and despite lower levels of new business, we almost matched the good performance of the first half of 2019. In the business with public-sector clients, cooperative banks successfully brokered the vast majority of all new business – 76 per cent.

As an institution within the German cooperative sector, we have taken the exceptional situation brought about by the virus as an opportunity to show our commitment – together with cooperative banks – to voluntary work. We thus supported every home loan brokered in spring with a bonus, under the *#gemeinsamfürdasehrenamt* (“together for volunteers”) campaign. Cooperative banks were free to assign the bonus amounts generated through their originated business to a non-profit initiative of their choice.

During the period under review, we also concentrated on preparations for the restructuring of our business segments. Since the 1st of July, we have focused our market activities on Corporate Clients, Retail Customers, and the Public Sector. Within the Corporate Clients business segment, we are working intensively with Commercial Real Estate Investors and the Housing Sector. Moreover, we would like to drive forward private home loan financing, together with the German cooperative banks, further enhancing efficiency in loan processing. Therefore, we have centralised resources and expertise in the Retail Customers segment at our Münster office, and we will further increase the level of loan process automation until the start of 2021. We have established a good position in this manner, being able to service cooperative banks as well as joint clients in an even more targeted and focused way, with clearly-defined processes and a precise demarcation.

Further changes concern the Management Board: in April, Mr Jörg Hermes, who had served as DZ HYP's Head of Finance and Senior General Manager for many years, was appointed to the Bank's Management Board, succeeding Dr Carsten Düerkop. Furthermore, the Supervisory Board of DZ HYP appointed Ms Sabine Barthauer as successor to Manfred Salber, who will retire at the end of the year. Ms Barthauer, who has served as a member of the Board of Managing Directors of Deutsche Hypo since August 2016, will join DZ HYP on 1 January 2021. We cordially welcome her to the Bank, and look forward to pursuing DZ HYP's stable development and forward-looking position together.

We will be leveraging our potential across all business segments during the remainder of the year – with the objective of further strengthening our already good position in the market. Looking at new business, there are positive signs of a recovery which give us reason for optimism. Much will depend on the further development of the COVID-19 pandemic. DZ HYP has the power to successfully deal with this challenging situation. Provided that infection numbers do not rise again significantly, and assuming there will not be another lockdown, we will continue to pursue our business with the usual intensity.

Yours sincerely,



Dr Georg Reutter
Chief Executive Officer



Jörg Hermes



Manfred Salber

Hamburg and Münster, August 2020

ECONOMIC ENVIRONMENT

The effects of the COVID-19 pandemic are placing unprecedented strains on the German economy, on a scale not seen since the founding of the Federal Republic. During the first quarter of 2020, gross domestic product (GDP) shrank by 2.2 per cent compared to the final quarter of 2019. In contrast to previous crises, private consumption also slumped. This has been mainly attributable to the lockdown affecting the retail, hospitality and personal services sectors from mid-March onwards. Added to this were the temporary production shutdowns in the manufacturing sector, together with the large number of companies on short-time working and the decline in demand for German goods from abroad. Construction investments and public spending prevented a more significant decline in GDP. Germany's industrial sectors have also been affected to differing degrees by the effects of the pandemic. In the second quarter, GDP was 10.1 per cent below the previous quarter. This was the largest single decline since the beginning of quarterly GDP calculations for Germany in 1970. Exports of goods and services as well as private consumer spending and investment in equipment have all collapsed. In contrast, government spending has increased during the crisis.

The labour market has also come under pressure in the wake of the COVID-19 pandemic. At the end of June, the number of unemployed was around 2.9 million, an increase of 637,000 on the previous year. The unemployment rate rose to 6.2 per cent, an increase of 1.3 percentage points. Germany's short-time work programme is likely to have had a stabilising effect here. Around 44.5 million people living in Germany were gainfully employed in June 2020. Compared to the same period of the previous year, the number of people in employment fell by 1.3 per cent, or by 586,000 persons. Short-time workers are not included in this figure.

The euro area is in its deepest recession since it came into existence in 1999. While the decline in GDP in the first three months of the current year was only 3.6 per cent quarter-on-quarter, an average drop of 12.1 per cent was recorded during the second quarter.

National governments, the European Central Bank (ECB) and the European Commission adopted a number of support measures shortly after the outbreak of the COVID-19 pandemic. While the German government launched the

largest aid package in its history, totalling €353.3 billion plus guarantees of €819.7 billion, the ECB initiated a €750 billion pandemic emergency purchase programme (PEPP) at the end of March. It expanded this to €1,350 billion at the beginning of June, to bolster financing conditions in the real economy, particularly for companies and private households. In addition, the EU Commission unveiled its €750 billion Next Generation EU recovery plan. Of this amount, €390 billion will be made available as grants and €360 billion as loans.

In view of the effects of the COVID-19 pandemic and the renewed risk of an increase in infections (second wave), and increasing tensions between the US and China in the run-up to the US elections on 3 November 2020, the economic outlook remains uncertain. The unresolved issue of the UK's exit from the European Union (Brexit) is another burden. Free trade negotiations with the European Union (EU) remained fruitless during the period under

review. The British government rejected an extension to the transition phase, and the UK will remain in the single market only until the end of the year. This development has once again increased the risk of a "hard Brexit". In the absence of a follow-up agreement, the UK will have to resume payment of customs duties when trading with the EU from 1 January 2021 onwards. In the wake of the pandemic, this may cause the British economy to fall back into recession later this year.

Companies' increased need for credit was noticeable on the financial markets. In addition to short-term loans to bridge the current problems and long-term corporate loans to safeguard the current low interest rates, special credit was also in demand. Following a slump from 13,789 points in February to 8,441 points in mid-March and the subsequent rise to almost 13,200 points in July, the German DAX index recorded an almost "V-shaped" recovery.

DEVELOPMENT OF THE REAL ESTATE MARKETS

Development on the commercial investment markets

The COVID-19 pandemic has put an end to more than ten years of upswing in the German real estate market. Although transaction volume on the commercial investment market totalled €42.5 billion in the reporting period, up 32 per cent on the same period of the previous year (€32.5 billion), the first half of the year showed two different sides: whilst an increase of 80 per cent was achieved in the first quarter, the months of April to June only accounted for 35 per cent of the half-year result. Even though the economy has continued to gain momentum since the end of the lockdown and thanks to the rescue packages and financial aid from the public sector, delayed effects on the real estate sector are to be expected. Factors such as continued favourable financing conditions, strong levels of market liquidity and a persistent shortage of residential space fastering demand are being offset by risks arising from temporary rent arrears and deferrals as well as changes in demand for space. Existing restrictions on international mobility – as well as those introduced at short notice – also have an impact on transaction activity.

During the reporting period, demand focused increasingly on the “core” risk class, i.e. property financings which have a low probability of default. Demand was particularly strong for properties with long-term rental contracts and stable tenants. Commercial residential real estate accounted for the largest share of transaction volume. From January to the end of June 2020, around €14.7 billion (including €4 billion in the second quarter) was invested in German residential portfolios, student residences, micro-apartments, and retirement and nursing homes, a share of 35 per cent.

The seven top locations accounted for investments of around €18 billion, which represents 42 per cent of all German transaction volume and an increase of 4 per cent over the same period last year. With an increase of 83 per cent to almost €3 billion, Hamburg leads the investment scene across Germany. This result puts the Hanseatic city ahead of Frankfurt (+26 per cent), Düsseldorf (+23 per cent) and Munich (+17 per cent). Berlin continues to lead in terms of volume: here, properties worth €5.1 billion changed hands. At the same time, transaction volume in Germany's capital fell by 24 per cent on a 12-month comparison. At -27 per cent and -41 per cent respectively, Cologne and Stuttgart also remained below the previous year's figures.

Office properties accounted for transaction volume of €9.4 billion in the reporting period, equivalent to a 22 per cent share. In the same period last year, the “office” asset class was still the most popular among investors, accounting for 37 per cent of the total investment volume. Data for the first quarter of 2020 does not yet fully reflect the impact of the COVID-19 pandemic. Around €5.0 billion of the total volume was attributable to the first three months. However, the second quarter saw a noticeable increase in the pandemic’s impact. Although transactions in this period still contributed around 45 per cent to total volume, it was the weakest second quarter since 2009. During the first six months of the current year, around 1.3 million square meters of office space was leased or sold to owner-occupiers in Germany’s seven most populous cities. This represents a decline of almost 36 per cent compared with the first half of 2019. A look at the individual cities shows that not one of the strongholds was able to escape the decline. Munich and Berlin were almost at the same level, with 332,000 square metres and 329,000 square metres respectively, although the losses in both major cities remained below the overall average, at 19 and 22 per cent respectively. The mixed situation in supply and demand trends is not yet having an impact on top rents: Stuttgart and Hamburg, for example, registered an increase of one euro per month and per square metre, to €25.50 and €30.00 respectively. Top rents in the other strongholds remained unchanged. The aggregate vacancy rate currently remains at 3.2 per cent. With

prime office yields of 2.9 per cent averaged across all seven German business hubs, the price level is 15 basis points lower compared to the previous 12-month period.

Investment in retail properties amounted to around €6 billion in the reporting period. Specialist retail stores, retail parks, supermarkets and discount stores together accounted for more than 58 per cent of turnover. These proved to be just as crisis-resistant as residential real estate in the reporting period. Also in the retail segment, the second quarter of 2020 was weaker than the first three months. This was reflected in the take-up of space: newly leased retail space in the reporting period was 102,600 square metres between January and March, but only 88,400 square metres between April and June. On the main shopping streets of the seven top locations, yields for high-street retail properties trade rose by 3 basis points on average, to just under 2.9 per cent. Increased revenue should have a positive effect on the demand for space. This is in contrast to the structural problems faced by shopping centres and inner-city commercial buildings: despite dynamic growth in online commerce, new retail spaces were still being built until 2019. E-commerce now accounts for more than 10 per cent of retail sales, forcing retailers to streamline their branch networks and reduce the amount of space available. This has resulted in a stagnation of top rents in the prime locations. There is already evidence of declining rents in some areas.

The market for industrial and logistics properties recorded transaction volume of almost €4 billion in the first half of 2020. This represents an increase of 22 per cent compared to the same period last year. This development was attributable to a strong first quarter, which contributed around €1.9 billion to the half-year result. Top rents for warehouse space in the larger over-5,000 square metre segment remained stable in all regions during the first half of the year. Munich achieved the highest rent of €7.10 per square metre for prime space – exactly the same as for the previous year. Hamburg and Frankfurt follow, with €6.40 per square metre and €6.20 per square metre (same period last year: €6.30 and €6.20) and Berlin and Dusseldorf at €5.50 per square metre (same period last year: €5.50 and €5.40).

Half-year results for the hotel investment market were also characterised by a strong first quarter. Transaction volume in this segment amounted to around €1.25 billion up to the end of June. This represents a decline of 15 per cent compared to the same period of the previous year (€1.47 billion). Just under €1 billion of this was attributable to the first quarter. While the period from January to March closed with a 67 per cent increase over the previous year, the second quarter was already suffering from the pandemic. Only eight transactions, totalling €260 million, were concluded between April and June.

On the commercial residential investment market*, transaction volume in the reporting period amounted to €13.4 billion, compared with €8.1 billion in the first half of 2019, up 65 per cent. The first quarter accounted for €9.7 billion and the second quarter for €3.7 billion. The short-term significant decline in transaction activity at the beginning of the COVID-19 pandemic was due to a lesser extent to an actual drop in demand than to restrictions on executing transactions, combined with the lockdown to contain the spread of the virus. Restrictions were imposed not only on carrying out inspections, but were also due to bottlenecks in processing financing applications and the limited notarial capacity to act. With 114 contracts concluded, the residential investment market continued to grow dynamically between April and June and remained at the level of the previous quarter. The number of contracts concluded has actually risen by 25 per cent compared to the average of the past five years. In the second quarter, prices for new and existing housing stock rose by a further 7 per cent quarter-on-quarter to €131,000 per residential unit. Despite the ongoing proceedings by the Federal Constitutional Court to review the legislation on rent caps, Berlin's residential investment market still leads the pack with €440 million in transaction volume. Munich is next with €272 million, followed by the Rhine-Neckar region with €220 million and Hamburg with €212 million. Around one

* Includes the sale of residential portfolios and student residences with at least 10 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.

third of the total volume is attributable to the seven top locations. International investors accounted for around 20 per cent of the total volume.

Development of the residential real estate markets

Price increases seen on the private residential property markets for over a decade continued during the half-year under review. Rents in Germany's seven most populous cities including Leipzig rose by 5 per cent year-on-year. This means that, despite the COVID-19 pandemic, they increased at a faster rate than in the previous year (2.3 per cent). Growth was most marked in Berlin and Stuttgart. In Germany's capital, rents increased to an average of €13.00 per square metre, up 6.6 per cent on the first half of 2019. At €15.40 per square metre, the figure for Stuttgart was around 5.8 per cent higher than the previous year. While the rise in Berlin was due to a high demand surplus, in the Baden-Württemberg capital, low completion figures were the main reason. Hamburg recorded the smallest increase among the major German cities, with average rent increases of 2.8 per cent year-on-year. This was mainly due to the high volume of new construction in the Hanseatic city.

Growth was even more marked in the purchase prices for owner-occupied apartments. With average increases of 9.3 per cent, growth exceeded both that of the previous year (+6.7 per cent) and the average of the past five years (+8.3 per cent). Here the markets show fewer differences compared to the development of rental prices. The increase range goes from 11.7 per cent in Frankfurt to 7.6 per cent in Dusseldorf. This widespread trend can mainly be attributed to the continued favourable financing terms and increased yield spreads relative to alternative investments.

The rise in purchase and rental prices is also reflected in the granting of private real estate loans, which at €24.5 billion in April 2020 was a good 10 per cent above the average over the previous twelve months. Despite the many adverse factors, new business hardly dropped at all in May: at €22.4 billion, this figure was in line with the 12-month average. If the conditions for real estate loans remain favourable and completions fall short of requirements, price levels are not expected to fall.

CREDIT BUSINESS

In view of the COVID-19 pandemic, overall conditions for the real estate industry were challenging during the first half of 2020. April to June were particularly affected by the lockdown. This also affected DZ HYP's credit business. Overall, the Bank originated new business volume of €3,896 million in the first half of 2020 (H1 2019: €5,070 million). Real estate finance accounted for €3,728 million of this (H1 2019: €4,778 million). While the impact on business with retail customers was minimal, financing requests in DZ HYP's business with commercial real estate investors were lower than for the same period of the previous year.

Real estate finance

In its business with commercial real estate investors, DZ HYP is a leading provider in Germany and a partner to the German cooperative banks. DZ HYP generated new business of €2,714 million in the first six months of 2020 (H1 2019: €3,514 million). In line with the Bank's strategic direction, the bulk of its business with commercial real estate investors of €2,607 million was attributable to its core domestic market in Germany (H1 2019: €3,321 million). The Bank also generated new business of €107 million in selective international markets during the reporting period (H1 2019: €193 million). The Bank's

focus is on the core segments of office, residential and retail properties. DZ HYP is also involved in the specialist segments of hotels, logistics and real estate for social purposes, within the scope of its credit risk strategy. Target clients are private and institutional investors, as well as commercial and residential real estate developers. DZ HYP maintained its cooperation within the Cooperative Financial Network in terms of commercial real estate finance during the reporting period. Joint lending business with the cooperative banks totalled €2,158 million in the first half of 2020 (H1 2019: €2,277 million).

In its business with the Housing Sector segment, DZ HYP generated new volume of €208 million during the period under review (H1 2019: €340 million). DZ HYP also provided long-term financing for investment projects focusing on new construction and modernisation measures. The Bank works with companies providing affordable housing for a substantial share of the population, including cooperative, municipal, church-owned and other housing enterprises across Germany.

In its business with retail customers and private investors, DZ HYP issued new commitments of €806 million during the period under review (H1 2019: €924 million). As part of the Cooperative Financial Network,

DZ HYP also works closely with cooperative banks in this segment. The volume of new commitments (Retail Customers) intermediated via the core banking procedures of the Cooperative Financial Network and the Genospace and Baufinex network portals amounted to €750 million in the reporting period (H1 2019: €708 million). In its business with private investors, the volume of new commitments entered into by DZ HYP amounted to €56 million (H1 2019: €216 million).

Business with public-sector clients

DZ HYP generated new business volume of €168 million in its business with public-sector clients during the period under review (H1 2019: €292 million), of which €127 million (H1 2019: €231 million) was brokered by cooperative banks and €41 million (H1 2019: €61 million) through direct business. 76 per cent of all transactions in this business area were brokered by cooperative banks. Within the Cooperative Financial Network, DZ HYP supports cooperative banks in developing business with domestic local authorities as well as their legally dependent operations, which are serviced across Germany.

Reduction of non-strategic portfolios

DZ HYP's non-strategic portfolio comprises the portfolio of mortgage-backed securities (MBS) and the non-strategic part of the sovereign/bank securities portfolio, which includes Portugal, Italy and Spain.

The primary objective is to run the portfolio down carefully. In the first half of 2020, the non-strategic portfolio was wound down further (as a result of disposals, repayments and maturities) from €4.4 billion as at 31 December 2019 to €4.2 billion as at 30 June 2020. DZ HYP will continue to adhere to this strategy and the resulting portfolio reduction.

Refinancing

DZ HYP started 2020 by issuing a four-year, €750 million Mortgage Pfandbrief in January. The Bank took advantage of the dynamic bond market environment, which benefited from low risk premiums and the ECB's expanded bond-buying programme.

In March, the covered bond market came to a standstill due to the pandemic. Despite the widening of risk premiums, investors were rather reluctant to invest, resulting in only a few new issues offered. At the same time, institutions held back their own Pfandbrief issues to use them as collateral for the ECB's refinancing options, offered at attractive terms. In June, DZ HYP participated in ECB's TLTRO III programme with an amount of €3 billion. Overall, the ECB's intervention has helped calm the markets.

Implementation of the first relaxation measures for controlling the COVID-19 pandemic also helped create a more optimistic mood on the financial markets. DZ HYP took advantage of a favourable issuing window in June and issued a

Mortgage Pfandbrief for €1 billion with a term of eight years. DZ HYP's first Pfandbrief issue following the COVID-19-related turbulence was met with strong interest from investors. In addition to the two benchmark transactions, DZ HYP concluded a number of private placements, placing a total of €2.1 billion in Mortgage Pfandbriefe (H1 2019: €1.8 billion)¹ and €250 million in Public Sector Pfandbriefe with investors during the first half of the year.

The total volume of DZ HYP Pfandbriefe issues outstanding as at 30 June 2020 was €45.6 billion (31 December 2019: €44.3 billion). Of this amount, €31.9 billion (31 December 2019: €30.7 billion) was attributable to Mortgage Pfandbriefe and €13.7 billion to Public Pfandbriefe (31 December 2019: €13.6 billion).

In addition, unsecured funds of €1.3 billion² (H1 2019: €2.7 billion) were largely funded within the Cooperative Financial Network in the reporting period. In total, DZ HYP held €24.6 billion in unsecured funding as at 30 June 2020 (31 December 2019: €24.4 billion).

¹ Excluding €1,510 million in short-term issues for the purpose of participating in Deutsche Bundesbank's longer-term refinancing operations.

² Including borrowed funds of €45 million.

NET ASSETS, FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Net assets

At €82.2 billion, DZ HYP's total assets were up by €2.8 billion in a year-on-year comparison, reflecting an increase in the Real Estate Finance portfolio to €51.3 billion (31 December 2019: €50.2 billion). Originated local authority lending exposures declined to €10.4 billion in the first half of 2020 (31 December 2019: €10.8 billion). Likewise, the public finance exposure dropped to €11.2 billion in the first half of 2020 (31 December 2019: €11.9 billion).

The COVID-19 pandemic gave rise to uncertainty concerning the political, economic and financial stability of European countries during the first half of 2020. A major source of concern was the expected increase in sovereign debt levels, especially in relation to the falling output in some economies. Furthermore, the pending exit of the United Kingdom from the EU – together with the fact that the framework remains to be defined – also caused uncertainty. The ECB's expansive monetary policy and the announced German and European economic programmes had a stabilising effect. Against this background, credit spreads in the countries particularly affected by the sovereign debt crisis widened considerably overall during the first half of 2020.

The hidden burdens for DZ HYP's securities (excluding MBS) that are treated as fixed assets were up to €27.9 million as at 30 June 2020 (31 December 2019: €25.7 million). This contrasts with undisclosed reserves in the amount of €1,823.0 million (31 December 2019: €1,731.5 million). In contrast to valuation changes for securities induced by changes in credit risk, the changes in the value of securities held resulting from swap curve movements are hedged through offsetting interest rate transactions (including derivatives) as part of DZ HYP's interest rate risk management (overall bank management). Looking at the change in the value of securities due to credit risk alone, the securities portfolio (excluding MBS) recorded total hidden burdens of €788.8 million (31 December 2019: €617.0 million). Following a comprehensive assessment of the credit quality of these securities, DZ HYP has concluded that none of the securities are permanently impaired. One of the reasons for this is the EU Recovery Fund, which also covers the existing portfolio of sovereign bonds issued by Portugal, Italy and Spain (the so-called "PIS countries"); this portfolio has a significant impact on the reported hidden burdens.

There have been no new investments in mortgage-backed securities (MBS) since mid-2007. At €0.4 billion, MBS (which form part of the non-strategic portfolio) were unchanged compared to the previous year-end (31 December 2019: €0.4 billion). MBS holdings are intensively monitored by means of a detailed risk management system, regular analyses of individual exposures, and comprehensive stress testing. The development of material risk factors has confirmed the stabilisation of this non-strategic portfolio, which has been ongoing for several years now. This assessment continues to be applicable under simulations that take the COVID-19 pandemic appropriately into account. Hidden burdens on this exposure in the amount of €39.7 million (31 December 2019: €27.0 million) that are not offset by undisclosed reserves (31 December 2019: €0.1 million) reflect to a lesser extent the default risk of the securities. Illiquid markets and stricter regulatory capital requirements are more significant factors. In this respect, DZ HYP anticipates a write-back over the remaining term of the MBS portfolio, in particular since the asset classes most affected by the COVID-19 pandemic (e.g. hotels) do not serve as underlying for the remaining MBS portfolio.

DZ HYP's financial position is sound.

Equity

DZ HYP has used the so-called waiver option provided under section 2a of the German Banking Act (*Kreditwesengesetz* – "KWG"; old version) with effect from the reporting date of 31 December 2012. According to section 2a (1), (2) and (5) of the KWG (as amended) in conjunction with section 6 (1) and (5) as well as section 7 of the EU Capital Requirements Regulation (CRR), the provisions of parts 2–5, as well as parts 7 and 8 of the CRR, do not need to be applied by DZ HYP on an individual basis, but are covered at DZ BANK Group level instead. Against the backdrop of the currently existing control and profit transfer agreement, DZ BANK allocates equity to DZ HYP as required within the framework of Group management. Tier 1 capital is also regularly strengthened by allocations to the fund providing for general banking risks pursuant to section 340g of the HGB.

Liquidity position

Within the scope of liquidity management, DZ HYP differentiates between the ongoing liquidity management and structural funding. Appropriate management systems are in place for both types of liquidity. Liquidity management takes into account (and complies with) the limits of the internal liquidity risk model, DZ BANK's liquidity risk model, and the regulatory risk requirements. The COVID-19 pandemic has had no material impact on the financial position; regulatory requirements were met.

Financial performance

During the first half of 2020, DZ HYP's financial performance reflected the successful operating performance in real estate finance of the past years. As identifiable risk costs have been negligible so far, significant amounts may be allocated to general risk provisions from the distributable half-year results for 2020 whilst retaining the forecast pro-rata profit transfer.

Based on this assumption, DZ HYP's net interest income of €301.9 million for the first six months of 2020 was an encouraging €38.3 million higher than the figure achieved during the same period of the previous year (€263.6 million). Given the persistent decline in interest rate levels, the increase in net interest income is largely

attributable to increases in real estate finance and related interest margins.

DZ HYP uses economic performance indicators to measure the Bank's profitability³ as part of its economic management, and operative as well as strategic corporate planning.

The net commission result of €-16.7 million was down €8.5 million on the comparable figure for the previous year (€-8.2 million). Specifically, €12.2 million (H1 2019: €15.9 million) in commission income was generated from the lending business, which depends both on the respective product mix and disbursement timing. Moreover, €27.0 million (H1 2019: €23.5 million) was paid for brokerage services from cooperative banks within the Cooperative Financial Network.

NET INTEREST INCOME IN DETAIL

€ mn	30 Jun 2020	30 Jun 2019
Interest income	924.2	979.0
Interest expenses	622.4	715.5
Current income from participations	0.1	0.1
Net interest income	301.9	263.6

³ Alternative performance indicators as defined in the APM Guidelines issued by the European Securities and Markets Authority (ESMA).

Administrative expenses of €147.6 million in the first half of 2020, being the total of general administrative expenses and write-downs of intangible assets including depreciation of tangible fixed assets, were higher than in the same period of the previous year (H1 2019: €134.8 million). This rise was driven by a €22.6 million increase in the annual contribution for the bank levy, from €10.3 million in the previous year to €32.9 million, which in turn was mainly due to a non-recurring effect in the same period of 2019 from the merger as well as due to an increasing burden from, amongst others, the increase in total assets. As in the previous years, the 85 per cent / 15 per cent rule was applied for the 2020 payment of contributions, so that a further €5.8 million of the total contribution of €38.7 million was deposited with Deutsche Bundesbank as cash collateral, in addition to the aforementioned €32.9 million.

With the bulk of the merger-related measures taken during the past year, costs were down year-on-year. The result includes costs for ongoing merger work of €5.9 million (H1 2019: €24.7 million). However, costs for other projects – in particular those related to compliance with additional regulatory requirements – rose by €5.4 million on the previous year, to €14.9 million. Furthermore, expenses for the Deposit Guarantee Scheme of the

National Association of German Cooperative Banks (BVR) in the amount of €10.0 million were incurred (H1 2019: €7.1 million).

Net other operating income/expenses of €7.5 million was up €5.0 million on the previous year (H1 2019: €2.5 million). The main reason for this increase was a €4.1 million rise in reversals of provisions.

As in the previous years, no material credit defaults occurred during the first half of 2020. Reported loan loss provisions⁴ of €-28.6 million (H1 2019: €-23.6 million) include €7.5 million in portfolio-based loss allowance.

The macro economic forecasts provided by DZ BANK's research department have been updated to account for the COVID-19 pandemic and its expected impact on the economy.

Established models and processes for determining expected losses as reported under the German Commercial Code (*Handelsgesetzbuch* – "HGB"), which are aligned with the provisions of IFRS 9 regarding expected credit losses, were maintained in the wake of the COVID-19 pandemic. Please refer to the condensed Notes for supplementary information on how loan loss provisions are calculated.

⁴ Corresponds 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".

To eradicate potential additional risks – especially those related to the COVID-19 pandemic – a substantial addition to general risk provisions pursuant to section 340f of the HGB was made in accordance with prudent commercial judgement.

The net financial result⁵ largely comprises €2.1 million (H1 2019: € 0.1 million) in expenses for credit derivatives due to increased material credit risks.

DZ HYP's forecast long-term profitability continues to be affected by uncertainty as a result of credit risks and increasing government debt, given the difficult political and macro-economic situation, and in particular given the COVID-19 pandemic. For this reason, amongst other factors (and exercising prudent commercial judgement), €26.0 million (H1 2019: €29.0 million) was allocated to the fund for general banking risks pursuant to section 340g of the HGB, to take account of particular risks facing the business area.

Tax expense in the amount of €54.5 million (H1 2019: €33.7 million) mainly comprises tax allocation amounting to €40.5 million (H1 2019: €34.7 million), resulting from the tax compensation agreement in place between DZ BANK and DZ HYP. It also contains a non-recurring effect from the merger, which led to a prior-period tax

expense of €13.9 million and will result in cumulated tax relief in the same amount until 2031.

Other tax expenses amounted to €0.2 million (H1 2019: €0.2 million).

After accounting for the notional servicing on silent partnership contributions, DZ HYP reported profit after tax of €26.0 million (H1 2019: €29.0 million), which would have to be transferred to DZ BANK under the control and profit transfer agreement. However, the reported profit is not in fact transferred, since the transfer of net income (determined in accordance with section 301 of the German Public Limited Companies Act [*Aktiengesetz* – “AktG”]) is decisive in this respect.

⁵ Corresponds to the income statement line items “Income from write-ups to participating interests, shares in affiliated companies and securities held as fixed assets”.

REPORT ON OPPORTUNITIES AND RISKS

Opportunities and risks are defined as unexpected deviations from the financial performance that DZ HYP is expected to achieve in the second half of 2020. As a subsidiary of DZ BANK, DZ HYP is a member of the Cooperative Financial Network (*Genossenschaftliche FinanzGruppe*) – a network characterised by a high degree of solidity, strong credit quality, and a sustainable business model. The broadly diversified market positioning of the Cooperative Financial Network, in combination with Pfandbrief issuance, forms a strong basis for DZ HYP to conduct real estate and local authority lending business from a risk and earnings perspective. DZ HYP uses this ability to act, jointly with the German cooperative banks, as a reliable financing partner to its clients. In particular, opportunities and risks for the second half of 2020 are directly related to the further progress of the COVID-19 pandemic. Moreover, the ongoing client rating review process has been extended to include an event-driven ad-hoc review (the so-called “re-rating”). The re-rating exercise takes the expected long-term impact of the pandemic into account, incorporating public as well as private support measures.

To mitigate the effects from the COVID-19 pandemic, DZ HYP has negotiated specific support measures with borrowers, including forbearance of loan repayments for a limited period of time. Besides these individual measures adopted by the Bank, there have been measures in the form of general statutory moratoria.

Looking at the value of collateral held in the form of real property liens, no material deterioration in collateral values has been observed to date. Any haircuts on properties held as collateral are monitored on an ongoing basis, taken the progress of the COVID-19 pandemic into consideration. For example, any declines in property collateral values as a consequence of the pandemic may be mitigated by low interest rates, low vacancy rates and conservative financing structures.

The macroeconomic effects brought about by the pandemic, and the impact on the real estate market, are subject to uncertainty: there is a risk of falling real estate prices. It is currently impossible to come up with a reliable forecast. At present, DZ HYP assumes that transaction volumes will not

rise significantly during the second half of the year – in the Bank's view, any pick-up in market activities can be expected from 2021 onwards at the earliest. Nonetheless, it is fair to state that the German residential and commercial real estate markets have been robust to date.

Despite economic uncertainty, demand for residential real estate has remained strong; purchase prices have been stable to date. In the Housing Sector segment, the residential real estate segment has proven to be stable throughout the COVID-19 pandemic to date – a development which is likely to persist, based on current assessments and subject to the pandemic's further economic impact until the end of the year.

Commercial real estate shows a differentiated picture: in the retail sector, given the growing importance of online commerce and adjustments of excess capacity in non-food branch networks, demand for space is expected to decline, which is going to lead to falling rents and lower demand for retail selling space. In the hotel sector, capacity utilisation is still noticeably lower than before the outbreak of the pandemic. Whilst it is fair to assume that demand for overnight accommodation by tourists and business travellers will recover over the medium term, travel activity in the business segment in particular will probably be influenced by a lower number of face-to-face meetings and an increase in video conferencing.

Office markets are unlikely to come under pressure in the short term, and are expected to remain stable. DZ HYP assumes that, over the medium to long term, working from home will evolve into an established occasional addition to office spaces. Still, the impact on future demand for space and on rents is as yet uncertain. Logistics real estate has proven to be a robust asset class. Demand for space in this segment is expected to be unchanged, with a stable market outlook.

The outlook for the municipal budget situation is deteriorating on account of the COVID-19 pandemic. Municipalities are facing falling revenue and rising expenditure – which will also affect leverage as well as the portion of short-term public-sector loans. Competition for local-authority loans remains strong.

Against this background, DZ HYP anticipates lower new business volume, compared to the 2019 financial year. The financial plans for 2020 include write-downs in Real Estate Finance running into the mid-double-digit millions. Therefore, opportunities for – and risks to – profitability in the current year concern the forecast risk provisioning in particular, whilst the material income components largely show a linear development. The Bank forecasts 2020 and 2021 net profit available for profit transfer and unallocated reserves of approximately €100 million; the forecast for subsequent years is higher.

As far as the capital markets business is concerned, defaults in the public finance exposure, in particular, would have a material impact on DZ HYP. During the 2020 financial year, the portfolio has been affected by the COVID-19 pandemic in particular, especially with regard to economic and fiscal spill-over effects concerning those countries particularly affected by the pandemic. Against this background, a widening of risk premiums was observed in

the spring of 2020, especially for European peripheral countries (Portugal, Italy, Spain). Spreads subsequently narrowed again, thanks to extensive government support programmes and the ECB's massive monetary policy loosening. At present, the Bank does not anticipate any defaults in its capital markets portfolio, despite elevated spread levels and volatility, thanks to the recovery programmes adopted during the course of the COVID-19 pandemic.

The overall lending volume in relation to the so-called PIS countries (Portugal, Italy, Spain) is shown below:

LENDING VOLUME TO PIS COUNTRIES (details excluding MBS)

Nominal values € mn	Sovereigns*		Banks		Total	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Spain	1,317	1,351	110	110	1,427	1,461
Italy	1,573	1,662	–	–	1,573	1,662
Portugal	750	750	–	–	750	750
Total	3,640	3,763	110	110	3,750	3,873

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

Loans and advances to banks exclusively consisted of covered bonds.

Furthermore, the UK portfolio is a focal point of analyses in 2020, given the UK's exit from the EU (Brexit) and especially the threat of the transition period expiring on 31 December 2020 without an agreement on the future relations between the UK and the EU. Such analyses cover the entire economic environment (including the labour market, the real estate market and gross domestic product, for example). Ultimately, the internal stress calculations have not

identified any increased write-downs as a result of the MBS exposure to the UK. The monitoring of credit risk and collateral for individual exposures has not yielded any signs of material risks. Given that new business activities in the United Kingdom are currently suspended, DZ HYP does not anticipate any new risks arising from its operating business. The following table shows the entire underlying exposure:

EXPOSURE TO THE UK

€ mn	Total 30 Jun 2020	Total 31 Dec 2019	Change in %
MBS	228	249	-8,4
Real estate lending	334	358	-6,7
Bank bonds	–	–	–
Derivatives	66	89	-25,8
Total	628	696	-9,8

Considering the COVID-19 pandemic, its potential implications for some of DZ HYP's material types of risk – compared to the most recent Management Report as at 31 December 2019 – must be taken into account. Even though no significant consequences have occurred until the mid-year point, thanks to the Bank's business model which is primarily focused on commercial real estate, such consequences – particularly regarding credit risk, market price risk and operational risk – cannot be excluded for the second half of 2020.

In terms of credit risk, there is a trend towards an increased risk of losses incurred as a result of counterparty default (borrowers, issuers, other counterparties) or guarantors as well as from impairment due to a decline in creditworthiness of borrowers, or by market turbulence. DZ HYP is potentially affected by these risks in its strategic asset classes. For this reason, the Bank regularly reviews the risk situation of all asset classes in the real estate lending business – using detailed portfolio reports, for example – in order to identify and manage any impact

at an early stage. This especially applies to those asset classes particularly affected by the pandemic, such as hotels. Findings from these analyses are also adequately taken into account in terms of new business.

The Bank's market price risk exposure is strongly influenced by the performance of the PIS portfolio. Looking at the impact of the COVID-19 crisis, therefore, elevated spread volatility during the second half of 2020 cannot be excluded, especially for the European peripheral countries.

The COVID-19 pandemic has triggered an almost complete shift of operations to working from home. Associated operational risks which were initially anticipated during the first half of 2020 (concerning performance and stability of technical infrastructure, for example) have not yet materialised; the requisite operational capacity continues to exist without interruption, with slight limitations compared to normal operations. Nonetheless, the threat of disruptions to operations must be considered to be generally higher.

The "Focus 2020" project was launched with the objective of preparing DZ HYP for current and future challenges. The planned measures are designed to expand client focus, safeguard an efficient operating model, establish an effective and efficient location concept as well as to raise income. The impact of these measures is assumed to lead to elevated operational risk during

the second half of 2020, particularly due to the foreseeable loss of staff. Measures to mitigate these calculated risks are being conceived and implemented.

Furthermore, during the second half of 2020, DZ HYP will continue to deal with preparations for the changeover of interbank offered rates (IBORs) by the end of 2021. The Bank already launched a dedicated IBOR Reform project in May 2019, with the objective of capturing the complex changes involved and to carry out the necessary activities in order to safeguard the introduction of the new reference interest rate as smoothly as possible. The next stage of the project – scheduled to be launched in September – will focus until the end of 2021 on the systemic and procedural implementation of alternative reference interest rates for foreign currencies, especially USD and GBP.

CONDENSED BALANCE SHEET

ASSETS

€ mn	30 Jun 2020	31 Dec 2019
Cash funds	–	–
Loans and advances to banks	6,659	5,329
a) Mortgage loans	19	20
b) Loans to local authorities	208	243
c) Other loans and advances	6,432	5,066
Loans and advances to customers	64,249	63,779
a) Mortgage loans	48,795	47,706
b) Loans to local authorities	12,930	13,592
c) Other loans and advances	2,524	2,481
Debt securities and other fixed-income securities	10,845	9,890
a) Bonds and debt securities	9,274	9,782
aa) Public-sector issuers	6,512	6,794
ab) Other issuers	2,762	2,988
b) Own bonds issued	1,571	108
Participations	1	1
Investments in affiliated companies	2	2
Trust assets	29	30
Intangible assets	5	2
Tangible fixed assets	190	180
Other assets	37	31
Prepaid expenses	198	193
Total assets	82,215	79,437

LIABILITIES AND EQUITY

€ mn	30 Jun 2020	31 Dec 2019
Liabilities to banks	32,215	30,480
a) Outstanding registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)	1,955	2,106
b) Outstanding registered Public Pfandbriefe (öffentliche Namenspfandbriefe)	884	798
c) Other liabilities	29,376	27,576
Liabilities to customers	16,373	17,667
a) Outstanding registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)	5,667	5,770
b) Outstanding registered Public Pfandbriefe (öffentliche Namenspfandbriefe)	8,836	9,690
c) Other liabilities	1,870	2,207
Securitised liabilities	30,484	28,213
a) Mortgage Pfandbriefe (Hypothekenpfandbriefe)	24,478	23,053
b) Public Pfandbriefe (öffentliche Pfandbriefe)	4,196	3,388
c) Other debt securities	1,810	1,772
Trust liabilities	29	30
Other liabilities	145	167
Deferred income	254	232
Provisions	297	254
Subordinated liabilities	63	65
Fund for general banking risks	593	567
Equity	1,762	1,762
Total equity and liabilities	82,215	79,437
Contingent liabilities	519	447
Other commitments	4,509	5,850

CONDENSED PROFIT AND LOSS ACCOUNT

€ mn	1 Jan to 30 Jun 2020	1 Jan to 30 Jun 2019
Interest income	924.3	979.1
Interest expenses	622.4	715.5
Net interest income	301.9	263.6
Commission income	17.8	21.2
Commission expenses	34.5	29.4
Net commission result	-16.7	-8.2
Gross profit	285.2	255.4
Administrative expenses	147.6	134.8
General administrative expenses	145.1	131.7
Personnel expenses	43.7	45.8
Other administrative expenses	101.4	85.9
Amortisation/depreciation and write-downs of intangible and tangible fixed assets	2.5	3.1
Net other operating income/expenses	7.5	2.5
Write-downs and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions	28.6	23.6
Amortisation and write-downs on participations, investments in affiliated companies, and investment securities	1.8	-0.4
Result from ordinary activities	114.7	99.9
Allocation to the fund for general banking risks	26.0	29.0
Income taxes	54.5	33.7
Other taxes	0.2	0.2
Profits transferred under partial profit transfer agreements	8.0	8.0
Profits to be transferred under profit transfer agreements	26.0	29.0

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

General information on the preparation of the half-yearly financial report

DZ HYP's half-yearly financial report as at 30 June 2020 has 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 Public Limited Companies Act (*Aktiengesetz* – "AktG") and the German Pfandbrief Act (*Pfandbriefgesetz* – "PfandBG"). The scope of reporting is in line with requirements laid out in section 115 (2) to (4) of the German Securities Trading Act (*Wertpapierhandelsgesetz* – "WpHG"). Regarding the scope of the condensed notes to the financial statements, DZ HYP voluntarily applied GAS 16 Half-yearly Financial Reporting, which implies

» that changes made to the accounting policies compared to the annual financial statements for 2019 have to be disclosed and clarified, and

» that, regarding the items disclosed in the condensed balance sheet and the condensed profit and loss account, all material changes compared to the disclosed comparative figures as well as the respective development during the reporting period have to be clarified.

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 half-yearly financial statements.

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

Material changes in accounting policies

These half-yearly financial statements of DZ HYP as at 30 June 2020 are based on the same accounting policies as were applied in the annual financial statements as at 31 December 2019, meaning that there were no changes to accounting policies since then.

Disclosures on determining risk provisions in accordance with the German Commercial Code

Established models and processes for determining expected losses as reported under the German Commercial Code (*Handelsgesetzbuch – "HGB"*), which are based on IFRS 9, were maintained in the wake of the COVID-19 pandemic.

Given the extreme extent of macroeconomic changes, which had not been observed in the past, and in view of extensive government support measures, an override of adjustment/shift factors determined statistically was carried out for selected portfolio segments. The values determined from the stress test model were checked for plausibility by way of expert surveys and supplemented by management assessments, for the purpose of ensuring that the shift factors applied are consistent with professional expectations as well as the forecasts of macroeconomic factors used for calculating expected losses.

Macro economic forecasts are accounted for in risk provisioning through a weighted base scenario plus an additional risk scenario, which has been included to reflect the special situation due to the COVID-19 pandemic. Both scenarios are COVID-19-specific and sufficiently include the macroeconomic scenarios published by the ECB on 4 June 2020.

Overall, there was no need for DZ HYP to determine any post-model adjustments beyond this.

Disclosures on securities recognised above their fair value

As at 30 June 2020, the Bank did not recognise an extraordinary write-down in the aggregate amount of €67.6 million (31 December 2019: €52.7 million) for negotiable securities held as fixed assets with a carrying amount of €623.1 million (31 December 2019: €696.0 million) and a fair value of €555.5 million (31 December 2019: €643.3 million) not strictly measured at the lower of cost or market, due to the expected temporary nature of the impairment. This assessment is based on the observation that the euro area has become more stress-resistant due to the crisis mechanisms established, and that the effects of individual stabilisation measures are becoming increasingly evident (such as bond acquisition programmes or low-interest rate policies). Furthermore, the bank assumes that the recovery programmes adopted during the course of the COVID-19 pandemic will provide stability.

The hidden burdens and reserves in the bank's portfolio of negotiable securities amount to net aggregate hidden reserves of €1,755.4 million (31 December 2019: €1,678.9 million). The aggregate hidden reserves were affected by changes in the swap curve (decline in overall market interest rate levels over recent years) in the amount of €2,583.9 million (31 December 2019: €2,322.8 million) and by the poorer credit rating for some securities compared to the date of acquisition, affecting hidden reserves with €-828.5 million (31 December 2019: €-643.9 million). Whilst DZ HYP

neutralises any changes in the value of securities held resulting from changes in swap curves, through offsetting primary or derivative interest rate transactions as part of interest rate risk management (overall bank management), any changes in the value of the securities due to credit risk directly affect the amount of hidden burdens or reserves. According to its current assumptions, DZ HYP does not expect any disruptions of interest or principal payments; after an isolated consideration, the Bank did not recognise any impairments in connection with credit risk-related valuation losses.

Report on material events after the reporting date

No events of particular importance materialised during the adjusting period from 1 July to 18 August 2020 which would have required a materially different presentation of DZ HYP's net assets, financial position and financial performance, had they occurred earlier.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly financial reporting, the interim condensed financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the interim 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 for the remaining months of the financial year.

Hamburg and Münster, 18 August 2020

DZ HYP AG



Dr Georg Reutter
Chief Executive Officer



Jörg Hermes



Manfred Salber

REVIEW REPORT

To DZ HYP AG, Hamburg and Münster

We have reviewed the interim condensed financial statements, comprising the condensed balance sheet, the condensed profit and loss account, the condensed notes to the financial statements, and the interim management report of DZ HYP AG, Hamburg and Münster, for the period from 1 January 2020 to 30 June 2020, which are part of the half-yearly financial report pursuant to Sec. 115 WpHG [“Wertpapierhandelsgesetz“: German Securities Trading Act]. The preparation of the interim condensed financial statements in accordance with German commercial law and of the interim management report in accordance with the provisions of the WpHG applicable to interim management reports is the responsibility of the Company’s management. Our responsibility is to issue a report on the interim condensed financial statements and the interim management report based on our review.

We conducted our review of the interim condensed financial statements and the interim management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal, to preclude that the interim condensed financial statements are not prepared, in all material respects, in accordance with German commercial law and that the interim management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements are not prepared, in all material respects, in accordance with the provisions of German commercial law or that the interim management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim management reports.

Hamburg, 18 August 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Mai
Wirtschaftsprüfer
[German Public Auditor]

Meyer
Wirtschaftsprüfer
[German Public Auditor]

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

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