Volksbanken Raiffeisenbanken
cooperative financial network

HALF-YEARLY FINANCIAL REPORT 2025

30 June 2025

DZ HYP

DEVELOPMENT OF NEW BUSINESS

€ mn	1 Jan to 30 Jun 2025	1 Jan to 30 Jun 2024
Corporate Clients	3,574	3,206
Retail Customers	738	452
Public Sector Clients	277	231

PORTFOLIO DEVELOPMENT

€ mn	30 Jun 2025	31 Dec 2024
Total assets	76,199	77,213
Mortgage loans	57,043	57,548
Originated loans to local authorities	8,364	8,580
Securities business	8,223	8,318
Pfandbriefe and other debt securities	48,691	49,117
Own funds	2,188	2,013
Total capital ratio (%)	16.8	12.3
Common equity tier 1 ratio (%)	16.3	11.8

PROFIT AND LOSS ACCOUNT

€ mn	1 Jan to 30 Jun 2025	1 Jan to 30 Jun 2024
Net interest income	359.4	358.7
Net commission result	-13.6	-2.5
Administrative expenses	137.7	130.3
Net other operating income/expenses	7.1	7.5
Risk provisioning	-40.2	-41.3
Net financial result	0.0*)	-0.0*)
Operating profit	175.0	192.1
Allocation to the fund for general banking risks	33.0	55.0
Taxes	109.0	82.1
Profits to be transferred under a profit and loss transfer agreement	33.0	55.0

NUMBER OF EMPLOYEES

	30 Jun 2025	31 Dec 2024
Average	942	906

*) Figures < €50,000

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LETTER FROM THE MANAGEMENT BOARD

Dear readers,

The German economy started the year on a positive note, with first-quarter gross domestic product (GDP) markedly outperforming projections. This can be partially attributed to exports to the US being pulled forward and also to a recovery in consumer spending. Economic momentum weakened considerably during the course of the year, as the gradual introduction of increased US tariffs had a dampening effect and led to a quarter-on-quarter GDP decline in the second quarter of 2025. Many companies are still worried about international trade policy developments and are wary of making investments. Yet at the same time, rising sentiment indices reflect a confident business outlook, presumably based on hopes for economic stimulus by the new German federal government. After several challenging years, this points towards a cautiously positive outlook for the second half of the year.

The real estate markets are also navigating this environment. Sentiment here has been optimistic for the most part since the past year and the commercial real estate investment market posted its strongest first-quarter figures of the past three years. While the second-quarter performance was considerably weaker as a result of geopolitical and macroeconomic uncertainties – which in turn led to mixed half-year results – we see the gradual market stabilisation trend as remaining intact. Interest rate levels are one of the positive stimulating factors and it is seen as likely that the European Central Bank will carry out another moderate interest rate cut in the autumn. Pricing is also underscoring the positive turnaround on the markets – after two years of market correction, we are seeing value increases across segments again. Private real estate purchases are also becoming a more attractive proposition as rents are high and interest rate levels remain stable.

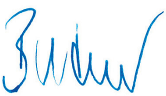
In light of these developments, we are pleased to report a significant increase in our new business. The volume of approximately €4.6 billion marked an 18 per cent increase year on year. While intermediation income from private home loan finance posted a particularly strong growth of more than 50 per cent, we also expanded business with our corporate and public-sector clients compared with the previous year. Our loan portfolio is still strong, and in light of a still moderate risk situation, our business model as a conservative Pfandbrief issuer remains both sustainable and viable.

Sustainability is key to DZ HYP's development. In the segment Retail Customers, for example, we introduced the "Eco" product feature and have been successfully incentivising home loan financing for residential properties with low levels of energy consumption for about a year now. We believe this to be an important step towards combining financial decisions with an ecological mindset. In the segment Corporate Clients, we continue to conduct detailed climate-related and environmental risk analyses before setting terms and conditions with a view to reducing our credit portfolio's emissions. On the refinancing front, we have established ourselves as an issuer of Green Pfandbriefe, most recently placing a Green benchmark bond on the market in April. Sustainability aspects also determine how we work with public-sector clients, one example being our proprietary ESG ranking for municipalities.

DZ HYP's future viability is based on two central pillars: decarbonisation and digital transformation. We are working hard to deliver our vision for a new digital loan processing solution in the segment Corporate Clients. The result of our comprehensive "CC Digital project" will be a central credit workplace reflecting all major workflows across the entire loan life cycle. The first part, which encompasses the new business process, is scheduled to be rolled out in the autumn. Our VR-BaufiComfort product has enabled us to significantly expand our range of services for cooperative banks in the segment Retail Customers. By connecting this product with Atruvia's omni-channel platform, we also succeeded in refining the digital client interface in the first quarter of 2025. We also set up "Meine Baufinanzierung", a central platform for private real estate financing. The portal creates more transparency, provides practical advice and offers an additional service channel that increases the efficiency of operating processes related to existing loans.

The real estate sector is ready to seize the opportunities offered by the current market environment. We too are ready to play our part as a reliable financing partner, while keeping a close eye on structural challenges and adopting a consciously risk-averse approach. None of the above would have been possible without the dedication and hard work of our employees and their willingness to play an active part in shaping the Bank's future. On this positive note, we look to the coming months with great confidence.

Yours sincerely,



Sabine Barthauer
Chief Executive Officer

Jörg Hermes

Stefan Schrader

Hamburg and Münster, August 2025

ECONOMIC ENVIRONMENT

Economic development in Germany in the first half of the current year was shaped by the tariff policy of the United States of America. Following the US administration's announcement that it would impose tariffs on imports of products from the steel, automotive and pharmaceutical industries, as well as reciprocal tariffs, companies took measures to prevent the negative effects. The resulting pull-forward effects were reflected in an above-average increase in order intake, industrial production and exports in the first quarter of 2025, particularly in March. Following a 0.2 per cent decline in gross domestic product in 2024 as a whole, this helped the overall economy to gain momentum at the start of the current year, growing by 0.3 per cent in the first quarter of 2025 compared with the final quarter of 2024.

Some of the announced US tariffs entered into force in mid-March and early April 2025. For much of the second quarter of 2025, a basic tariff of 10 per cent applied to almost all goods shipments from Germany (pharmaceutical products were among those exempt), 25 per cent to cars and car parts, and initially 25 per cent to aluminium and steel products, which was increased to 50 per cent from June 2025. This had the effect of weakening the economic momentum seen in the first quarter. Development was slowed above all by the absence of the pull-forward effects, which had still helped to maintain this momentum in the first three months. Consumers also remained cautious. German GDP decreased by 0.1 per cent in the second quarter compared with the first.

The lacklustre economic situation was increasingly reflected in the labour market, with the usual spring upturn largely failing to materialise. The number of unemployed people in Germany stood at 2.9 million in June 2025, up about 188,000 compared with the previous year. Unemployment rose from 5.8 per cent in the previous year to 6.2 per cent.

The euro area economy as a whole started 2025 on a positive note: GDP in the European Monetary Union (EMU) grew by 0.6 per cent quarter on quarter in the first three months, exceeding growth in Germany. In the second quarter of 2025, economic output increased by 0.1 per cent compared with the previous quarter.

Interest rates for construction finance remained stable in the period under review, settling at around 3.5 per cent for ten-year loans in the middle of the year. Housing loans with fixed interest rates for ten years carried an average interest rate of 3.2 per cent in January, while loans with fixed interest rates for 15 years averaged at 3.3 per cent. During the reporting period, these interest rates registered a slight uptick to 3.6 per cent and 3.7 per cent respectively by June 2025. The European Central Bank (ECB) deposit rate stood at 2.0 per cent after seven consecutive cuts.

Source (primary): DZ BANK

DEVELOPMENT OF THE REAL ESTATE MARKETS

Commercial real estate market

The slight uptick in the real estate investment markets in 2024 was followed by a dynamic start to 2025. Following a weaker second quarter with turnover of approximately €7 billion, the mid-year transaction volume – according to Jones Lang LaSalle (JLL) – was almost €15.3 billion, which was on a par with the previous year. Uncertainty and volatility continued to dampen market activity and investors remained cautious in spite of the positive macroeconomic signals. On the other hand, interest rate developments and their impact on real estate (re)financing revived the market.

While transaction volumes in the previous year had been mainly attributable to the rising number of individual transactions at the time, it was portfolio deals which, with an increase of 26 per cent to €5.3 billion, drove activity in the first six months of the 2025 financial year. More than half of the increase was due to portfolios from the commercial residential segment ("Living"). Transaction volumes for individual properties amounted to €10 billion across all asset classes, a decrease of more than 11 per cent. All in all, there was a shortage of large deals, with only nine transactions worth more than €100 million.

The top seven locations – Hamburg, Berlin, Düsseldorf, Cologne, Frankfurt, Stuttgart and Munich – also recorded a lower result. Total investment volumes of €5.9 billion were generated here, meaning a decrease of 29 per cent compared with the first half of 2024. While Berlin reported the highest transaction volume, its figure of more than €1.9 billion represented a decline of 45 per cent – this was followed by Hamburg with over €1 billion and a plus of 42 per cent. The only other top location to post volume growth was Stuttgart with a 10 per cent increase to €340 million. Düsseldorf maintained the previous year's level of €750 million, while the other cities posted decreases of 44 per cent to €990 million (Munich), 57 per cent to €260 million (Cologne) and 12 per cent to €640 million (Frankfurt/Main). The aggregated deal volume in the seven real estate strongholds represents 39 per cent of national transaction volumes recorded in the period under review, while this had accounted for more than 50 per cent in the first half of 2024. The main reason for the decrease is the supply shortage in the core segment and reticence among investors towards office properties, an asset class that used to be in great demand in major cities.

The most sought after asset class in the first half of 2025 was commercial residential

("Living"). This accounted for €5.5 billion or 36 per cent of transaction volumes – a significant increase compared with €3.7 billion and 24 per cent in the previous year. With a transaction volume of €2.9 billion and a share of 19 per cent (H1 2024: €2.6 billion and 17 per cent), **retail properties** – which recorded by far the largest transaction, in which more than 100 furniture stores changed hands for a high three-digit million euro figure – moved up from third to second place. Prime yields for first-class locations in the top seven cities were stable (3.5 per cent for commercial buildings, 4.6 per cent for specialist retail parks, 5.9 per cent for single specialist retail stores and for shopping centres).

Office properties accounted for a share of 18 per cent and were third in the ranking of asset classes as they generated slightly higher turnover than in the previous year (H1 2025: > €2.8 billion; H1 2024: €2.6 billion). Trading volumes slowed somewhat towards the middle of the year, with only one third of deals and only one transaction worth more than €100 million executed in the second quarter. In addition, the aggregate net initial yield in the top seven locations decreased slightly over this period, by 0.03 basis points to just above 4.3 per cent. Prime yields amounted to between 4.1 per cent in Munich and 4.6 per cent in Frankfurt/Main.

The upward trend on the office rental market continued (albeit at a slower pace in the second quarter), resulting in nearly 1.4 million square metres being newly let in the top seven locations at the end of June 2025, i.e. 9 per cent more than at the end of June 2024. Space take-up among the strongholds was highest in Frankfurt/Main, where it increased by 86 per cent to 346,000 square metres so that the city took over first place from Munich and Berlin. Meanwhile, vacancies continued to rise, to 7.6 million square metres and a vacancy rate of 7.7 per cent.

Logistics and industrial properties fell from place two to place four among the asset classes with the highest turnover, generating €2.4 billion or a share of 16 per cent compared with €3.2 billion and 20 per cent in the first half of 2024. Bucking the trend observed in the other asset classes, prime yields in this segment edged up in the second quarter, by 10 basis points to 4.4 per cent.

Activity on the **hotel investment market** was significantly more dynamic, with turnover increasing by 102 per cent in the first half of the year, reaching a total of €873 million. The bulk of the transaction volume (€553 million) was generated in the second quarter, with the average deal size rising from €28.5 million in the second quarter of 2024 to €39.5 million in the second quarter of 2025. On the buy side, the lively market activity was driven by institutional investors (€187 million and a share of 34 per cent), wealthy retail investors (€186 million; 34 per cent) and hotel operators (€84 million; 15 per cent) in the first half of the year. The focus here was on core-plus (41 per cent), value-add (37 per cent) and core properties (22 per cent).

The transaction volume on the **commercial residential investment market***) totalled €4.4 billion, exceeding the previous year's figure by approximately 28 per cent. The first quarter was slightly stronger than the second. A total of 31,000 units were sold within 119 transactions (H1 2024: 18,900 units). There was also a rise in the volume of individual transactions: only 20 per cent of the transactions executed in the second quarter had a deal size of less than €10 million, compared with 44 per cent in the second quarter of 2024. Demand for core properties was especially high, with deals for this asset class making up about half of the transaction volume (core-plus properties: 35 per cent; value-add properties: 13 per cent). The number of forward deals also went up, resulting in a share of 15.4 per cent in the second quarter of 2025, compared with the average of 10.3 per cent in 2024. Demand for investments in major cities rose again, although at 38 per cent it remained below the five-year average of 55 per cent. Prime yields in the top seven locations stabilised at 3.5 per cent in the second quarter, and as such were five basis points below the first quarter.

Private residential real estate markets

Various factors continued to slow down market activity on the private residential real estate markets in the first half of the year. Of note was the comparatively low level of construction activity which – coupled with the high demand above all in large cities and conurbations – led to a supply shortage. Also, financing costs remain high when compared with the low interest rate environment seen up until 2022 and construction costs have increased. The combination of these factors results in a lower number of transactions and, in turn, a lower contribution to residential construction. Meanwhile, prices for owner-occupied residential properties, which had been declining since the beginning of 2023, have been experiencing an upward trend since year-end 2024, but are still 6 per cent short of the peak seen in the third quarter of 2022.

New business in the private real estate financing segment also increased over the course of the reporting period, with €61 billion in financings concluded in the first quarter of 2025, equalling growth of 38 per cent and reaching the highest level since the second quarter of 2022.

Purchase prices for condominiums in Germany's eight largest cities – Berlin, Cologne, Düsseldorf, Frankfurt/Main, Hamburg, Leipzig, Munich and Stuttgart – recorded an average increase of 0.4 per cent in the first half of 2025, compared with a decrease of 3.6 per cent in the previous year. Prices for

*) 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

existing buildings rose by 1.6 per cent in the first half of the year, while prices for new buildings remained stable.

With a plus of 6.8 per cent, rents offered for existing buildings also went up at a higher rate than for new buildings (+3.3 per cent), leading to an average 4.9 per cent increase in rents offered in the eight largest cities. In the first half of 2024, this increase had still been as high as 8.1 per cent. Different cities varied greatly in some cases here: while rents jumped by 13.7 per cent to €17.79 per square metre in Hamburg, they rose by 4.8 per cent to €24.11 per square metre in Munich, and remained unchanged at €19.49 per square metre in Berlin.

Sources include: Jones Lang LaSalle (JLL), Empirica

CREDIT BUSINESS

DZ HYP generated total new business of €4,589 million during the reporting period (H1 2024: €3,889 million). Of this figure, €4,312 million (H1 2024: €3,658 million) related to real estate finance and €277 million (H1 2024: €231 million) to business with public-sector clients.

Real estate finance

DZ HYP is one of the leading providers in Germany in its segment Corporate Clients and is a partner to the German cooperative banks. DZ HYP originated new business of €3,574 million during the reporting period (H1 2024: €3,206 million). In line with the Bank's strategic focus, the German core market accounted for the bulk of new business, i.e. €3,460 million (H1 2024: €2,933 million). DZ HYP also originated new business of €114 million in selective international markets – i.e. in the Netherlands, Poland and the United Kingdom – during the period under review (H1 2024: €273 million). Its main focus is on the core segments of office, residential and retail properties. DZ HYP is also involved in the specialist segments of hotels, logistic properties 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. The Bank also works with companies that provide affordable housing for wide swathes of the population, including cooperative, municipal, church-based and other housing companies across Germany.

DZ HYP successfully continued its work with corporate clients within the Cooperative Financial Network during the period under review. Joint lending business with the cooperative banks totalled €1,555 million in the first half of 2025, just short of the previous year's figure of €1,600 million.

The real estate lending business in DZ HYP's segment Retail Customers increased vis-à-vis the previous year. The volume of new commitments entered into by DZ HYP in the period under review was €738 million (H1 2024: €452 million), with a significant share being brokered by platforms, above all GENOPACE and BAUFINEX. This development underscores the steady growth of the platform business. As well as this, business continues to be generated through the established core banking procedure, agree21.

Business with public-sector clients

In its work with public-sector clients, DZ HYP 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 €277 million in new business during the period under review (H1 2024: €231 million), of which €113 million (H1 2024: €130 million) was intermediated by cooperative banks and €164 million (H1 2024: €101 million) was direct business.

REFINANCING

Market developments

The capital markets were impacted by a number of factors in the first half of 2025. While trade conflicts and geopolitical tensions made themselves felt on a global level, the easing of the debt ceiling was a domestic factor in Germany. The US President's tariff announcements in particular increased volatility on the money and capital markets at times although they proved to be more robust towards the end of the half-year. Inflation rates have gone down and are approaching the target levels determined by the ECB and the US Federal Reserve (Fed).

After a weak first quarter in terms of new issues, the covered bond market was very receptive in the second quarter. The volume of benchmark bonds placed on the market over the course of the first six months of 2025 totalled €103.3 billion (H1 2024: €107.5 billion).

Issuance activity at DZ HYP

DZ HYP issued three Mortgage Pfandbriefe as benchmark bonds in the first half of 2025 with a total volume of €2 billion. All three of these issues were well received by investors, starting with a seven-year bond with a volume of €1 billion in January. This was followed by a dual-tranche issue in April, comprising one Green and one conventional Mortgage Pfandbrief with a volume of €500 million each. The Green tranche had a maturity of just under four and a half years, and the conventional tranche of almost ten years. The Bank also executed Mortgage Pfandbrief private placements in a volume of €34.0 million during the reporting period. This brings the total volume of covered bonds placed by DZ HYP in the first half of the year to around €2.0 billion (H1 2024: €2.2 billion).

DZ HYP also issued uncovered funding totalling €2.0 billion (H1 2024: €2.2 billion) during the period under review, mostly within the Cooperative Financial Network.

Total Pfandbriefe outstanding as at 30 June 2025 amounted to €43.8 billion (30 June 2024: €44.2 billion). This figure comprised €34.7 billion in Mortgage Pfandbriefe (30 June 2024: €35.2 billion) and €9.2 billion in Public Pfandbriefe (30 June 2024: €9.1 billion). Total uncovered funding amounted to €22.6 billion as at the reporting date (30 June 2024: €22.7 billion).

At the end of June 2025, DZ HYP took advantage of a favourable market phase and issued another Mortgage Pfandbrief with a volume of €1 billion, a maturity of nearly ten years and a value date in the first week of July.

NET ASSETS, FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Net assets

DZ HYP's total assets went down by €1.0 billion to €76.2 billion during the first half of 2025 (31 December 2024: €77.2 billion). The Real Estate Finance portfolio decreased by €0.5 billion to €57.0 billion (31 December 2024: €57.5 billion). Similarly, the originated local authority lending exposures fell from €8.6 billion as at 31 December 2024 to €8.4 billion as at 30 June 2025. The securities portfolio also declined to €8.2 billion (31 December 2024: €8.3 billion).

DEVELOPMENT OF LENDING VOLUME

			Change from the previous year	
€ mn	30 Jun 2025	31 Dec 2024	€ mn	%
Mortgage loans*)	**57,043**	**57,548**	-505	-0.9
Originated loans to local authorities)**	**8,364**	**8,580**	-216	-2.5
Securities business*)**	**8,223**	**8,318**	-95	-1.1
Total	**73,630**	**74,446**	-816	-1.1

*) 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-guarantee corporate bonds, bank bonds and mortgage-backed securities

DZ HYP's financial position is sound.

Equity

DZ HYP has used what is known as the 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. This means that, in almost all cases, DZ HYP is no longer required to apply any of the relevant provisions of the Capital Requirements Regulation (CRR) at a single-entity level, since these are covered at the level of the DZ BANK Group. The minimum requirements for the internal MREL ratios at single-entity level in 2025, as determined for DZ HYP by the Single Resolution Board, were consistently complied with during the first half of the year. In light of the current 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 for general banking risks pursuant to section 340g of the German Commercial Code (*Handelsgesetzbuch* – "HGB").

Financial position

Within the scope of liquidity management, DZ HYP differentiates between 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 liquidity requirements. The liquidity waiver with DZ BANK, provided for under Article 8 of the CRR, has been taken into account from the date of first application, i.e. 31 December 2021. The Bank's liquidity was ascertained at all times.

Financial performance

DZ HYP's financial performance during the first half of 2025 once again reflects the Bank's successful operating performance in real estate finance over recent years. Despite a non-recurring tax expense effect, significant amounts of the distributable half-year results for 2025 can be allocated to general risk provisioning.

The main profit and loss account line items showed the following development as at 30 June 2025:

NET INTEREST INCOME IN DETAIL

€ mn	30 Jun 2025	30 Jun 2024
Interest income	**1,570.4**	1,975.9*)
Interest expenses	**1,211.0**	1,617.4*)
Current income from participations	**0.0**	0.2
Net interest income	**359.4**	358.7

*) Previous year's figure adjusted

Net interest income of €359.4 million generated during the first six months of the year was €0.7 million above the previous year's figure of €358.7 million.

The net commission result amounted to €-13.6 million, which was €11.1 million below the previous year's figure of €-2.5 million. DZ HYP generated €12.3 million (H1 2024: €14.0 million) in commission income from the credit business, which depends both on the respective product mix and disbursement timing. In addition, €23.3 million (H1 2024: €14.5 million) was paid for brokerage services to cooperative banks within the Cooperative Financial Network.

Administrative expenses of €137.7 million in the first half of 2025 – i.e. the total of general administrative expenses and amortisation of intangible fixed assets including depreciation of tangible fixed assets – were €7.4 million higher than in the same period of the previous year (H1 2024: €130.3 million). This increase is mainly due to a rise in staff levels and salary increases.

Net other operating income/expenses of €7.1 million was down €0.4 million on the previous year (H1 2024: €7.5 million).

Reported risk provisioning expenses of €40.2 million (H1 2024: €41.3 million) mainly include specific valuation allowances for loans of €39.5 million (H1 2024: €26.5 million). Additions and reversals within portfolio-based allowance offset each other as at the reporting date (H1 2024: €11.3 million).

Given that the political and macroeconomic situation remains challenging, DZ HYP's expected long-term profitability is affected by uncertainty related to credit risks and increasing government debt. In this context and exercising prudent commercial judgement, €33.0 million (H1 2024: €55.0 million) was allocated to the fund for general banking risks pursuant to section 340g of the HGB, in order to take account of specific risks facing the business area.

The tax levy recognised under the tax compensation agreement between DZ BANK and DZ HYP amounted to €67.8 million in the first half of 2025 (H1 2024: €81.8 million). DZ HYP also recognised total provisions of €40.9 million for potential tax risks from previous years (H1 2024: €0.0 million). Income tax expense totalled €108.9 million (H1 2024: €81.9 million).

DZ HYP reported profit after tax of €33.0 million (H1 2024: €55.0 million), which would have to be transferred to DZ BANK under the profit transfer agreement. However, since section 301 of the German Stock Corporation Act (*Aktiengesetz* – "AktG") stipulates that net income is the relevant factor for any transfer, this reported profit will not be transferred.

REPORT ON OPPORTUNITIES, RISKS AND EXPECTED DEVELOPMENTS

Opportunities and risks are defined as unexpected deviations from the financial performance that DZ HYP is expected to achieve in the second half of 2025. 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. The risks and opportunities for the second half of 2025 are above all directly related to macroeconomic developments and their impact on the real estate market, which, despite an initial recovery, continues to be fraught with uncertainty due to the manifold international crises.

In the economic perspective, overall risk limit utilisation stood at 58 per cent as at 30 June 2025; no risk type showed a utilisation above 90 per cent.

As evidenced especially by the credit risk indicators below, there were no noteworthy irregularities in risk parameters during the first half of the year.

LENDING VOLUME*) BY RATING CLASS

€ mn	Total 30 Jun 2025	Total 31 Dec 2024	Real estate lending 30 Jun 2025	Local authority lending 30 Jun 2025	Capital markets business 30 Jun 2025
Investment grade (rating class 2A or better)	**74,570**	75,578	**56,470**	**9,487**	**8,613**
Non-investment grade (rating classes 2B–3E)	**4,043**	3,492	**4,018**	**–**	**25**
Defaulted rating classes (4A or worse)	**906**	846	**896**	**–**	**10**
Unrated	**1**	0	**1**	**–**	**–**

*) including disbursement commitments

CREDIT RISK INDICATORS

€ mn	Total 30 Jun 2025	Total 31 Dec 2024	Change in %
Lending volume*) (LV)	**79,520**	79,917	-0.5
NPL volume	**906**	846	7.1
NPL ratio (in %)	**1.14**	1.06	7.5
Risk provisioning pursuant to the HGB)**	**615**	581	5.9
Provisioning ratio (in %)	**0.77**	0.69	11.6

*) including disbursement commitments
**) specific and general valuation allowance, general risk provisions (section 340f of the HGB) and other provisions

Notable (potential) risks have been observed in an increasing number of isolated cases since 2024. While this trend has continued in the year to date, the percentage of risks requiring at least intensified handling remains at a moderate level. The NPL ratio is low overall, risks are manageable.

Financing exposed to construction risks (commercial real estate developers, residential real estate developers, building plots) remains subject to increased challenges, and significant positive market momentum has failed to materialise so far – although there are signs of a cautious positive trend reversal. While the market for commercial real estate development remains tense, there are indications of a slight improvement in 2025. And although the rental market environment continues to be challenging – especially in the office property segment – numerous projects are being realised with high pre-letting rates, while projects that are at an advanced stage are increasingly seeing exit discussions at adequate prices.

The office investment market continues to be faced with uncertainty about the kind of offices property users will want in the future and what space requirements this will entail. Demand for space is increasingly focused on state-of-the-art and high-quality spaces in city centres or on locations that are easy to reach and have superior service infrastructure. This is consistently driving up prime rents for this type of property. While many market players are postponing investment decisions in the current weak economic environment, a gradual improvement is expected over time. In the first quarter of 2025, office property was the asset class with the highest turnover among commercial real estate transactions; this development weakened in the second quarter. However, the total volume of office properties traded in the first half of the year exceeded the previous year's figure. Also, capital values for this property type increased again and rents for newly let properties continued their stable development with a positive trend.

Hotels have been recording a markedly positive development for some time now, with occupancy rates remaining stable at a high level. Average room rates and revenues have increased in nearly all hotel segments and categories. Transaction volumes for hotel properties were already following a positive trend in 2024. In the first half of 2025, volumes showed another significant increase and doubled compared with the first half of 2024. Even though hotels are not only struggling to find skilled labour but are also forced to pass on cost pressures via prices, DZ HYP no longer sees hotels as exposures with increased risks.

The German investment market for retail properties ended the 2024 financial year on a positive note; while transactions in the first half of 2025 were lower year on year, retail properties proved to be the most popular commercial asset class in the second quarter of 2025. Prime retail yields once again exceed financing costs, making the market more attractive to investors. Retail rents have been on the rise since year-end 2023, and the quarterly result for retail rents in German city centres was higher in the first three months of 2025 than it had been for a long time. In the same period, capital values for retail properties recorded a year-on-year increase for the first time in years. Market players continue to focus on prime locations, smaller spaces, mixed-use concepts and alternative tenants. Consumer confidence, which has recently improved somewhat, remains a factor to be observed, as does the general economic development.

Capital market developments have been driven by uncertainties in the interest rate outlook and (geo)political sphere – especially in the case of US (trade) policy and the war in the Middle East. This has led to increased fluctuations on the financial markets and elevated spread volatility. Fiscal pressure is likely in the short and medium term, also in the light of higher defence spending. As a result of this fiscal factor and the downside risks for the economic outlook, individual rating downgrades cannot be ruled out. However, the Bank still does not expect any default events to occur in the securities and promissory note portfolio, which remains diversified across geographies and maturity structures.

Within the scope of overall bank management, DZ HYP is aiming for structurally matched funding. To protect margins from the client business, the Bank uses derivative hedging instruments to manage interest rate and currency risks.

Since construction and operation of properties produce a high level of greenhouse gas emissions, the real estate sector has the potential to play a key role in combating climate change. DZ HYP sees itself as a partner for sustainable transformation – with a mission to direct financial flows towards a more sustainable economy, for example by financing energy-efficient properties. At the same time, the Bank is well aware of the threat of physical climate-related and environmental risks impairing the collateral value of credit exposures. Transition risks that occur in connection with the transition to a climate-neutral economy (driven, for example, by legislative changes or changes in consumer behaviour) must also be kept in mind.

Sustainability risks are included in lending decisions and energy efficiency characteristics are factored into building assessments. Sustainability risks are measured and managed in line with the regulatory requirements.

There have been no material changes to the assessments regarding the occurrence probability or impacts of other material risks since 31 December 2024. Please refer to DZ HYP's Management Report as per 31 December 2024.

Forecast

The economy has remained sluggish in the 2025 financial year to date. While economic output was better than expected in the first quarter of 2025, it is likely that the acceleration was triggered by pull-forward effects and that tariffs will dampen the performance over the rest of the year, which is why economists are predicting stagnating economic growth for 2025. On a positive note, inflation rates have stabilised around the 2 per cent target and business sentiment in Germany has improved recently. The German economy is gradually becoming more confident. Consumers are also more optimistic again although the propensity to buy remained largely unchanged, as consumers have been opting to save rather than spend. On a negative note, the number of businesses filing for insolvency has increased consistently of late and unemployment is on the rise. Coupled with this still-muted macroeconomic environment, general global political developments and crises are putting an additional strain on the economy, while persistently high interest rates continue to have a negative impact on real estate markets. As the ECB is expected to follow a cautious interest rate policy approach and the swap curve has steepened significantly, interest rates for the relevant maturities may show a slight increase. A return to normalcy in real estate financing would necessitate not only further stabilisation or reduction in interest rates but above all a significant and sustained economic recovery.

Yields have also been showing an overall stable development since year-end 2023, and material changes are not expected for 2025 – especially in light of the current interest rate levels. Necessary price adjustments have largely been effected. Real estate prices recorded a small year-on-year and quarter-on-quarter increase in the first three months of the current year, and key market parameters have stabilised for the most part. Against this background and as a result of largely rising rents, DZ HYP expects the investment markets to continue to recover gradually, accompanied by an increasing demand for loans. These expectations are subject to the uncertainties mentioned above. All DZ HYP asset classes continue to be in demand and are expected to keep yielding returns.

Based on the assessment of the risks and opportunities described, the Bank expects the volume of new business to be higher than in the previous year. As to the key performance indicators, the forecasts made in the Management Report 2024 continue to apply or might be slightly exceeded.

CONDENSED BALANCE SHEET

ASSETS

€ mn	30 Jun 2025	31 Dec 2024
Loans and advances to banks	**2,873**	**3,103**
a) Mortgage loans	2	6
b) Loans to local authorities	449	396
c) Other loans and advances	2,422	2,701
Loans and advances to customers	**67,204**	**67,939**
a) Mortgage loans	54,069	54,604
b) Loans to local authorities	10,159	10,384
c) Other loans and advances	2,976	2,951
Bonds and other fixed-income securities	**5,405**	**5,423**
a) Bonds and debt securities	5,402	5,419
aa) Public-sector issuers	3,391	3,331
ab) Other issuers	2,011	2,088
b) Own bonds issued	3	4
Participations	**0*)**	**0*)**
Shares in affiliated companies	**2**	**2**
Trust assets	**5**	**5**
Intangible fixed assets	**2**	**2**
Tangible fixed assets	**218**	**219**
Other assets	**81**	**75**
Prepaid expenses	**409**	**445**
Total assets	**76,199**	**77,213**

*) Figures < €500,000

LIABILITIES AND EQUITY

€ mn	30 Jun 2025	31 Dec 2024
Liabilities to banks	**27,991**	**28,078**
a) Outstanding registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)	743	811
b) Outstanding registered Public Pfandbriefe (öffentliche Namenspfandbriefe)	661	794
c) Other liabilities	26,587	26,473
Liabilities to customers	**10,558**	**11,280**
a) Outstanding registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)	4,220	4,292
b) Outstanding registered Public Pfandbriefe (öffentliche Namenspfandbriefe)	4,956	5,122
c) Other liabilities	1,382	1,866
Securitised liabilities	**34,362**	**34,536**
a) Mortgage Pfandbriefe (Hypothekenpfandbriefe)	29,888	29,392
b) Public Pfandbriefe (öffentliche Pfandbriefe)	3,561	4,094
c) Other debt securities	913	1,050
Trust liabilities	**5**	**5**
Other liabilities	**193**	**334**
Deferred income	**406**	**442**
Provisions	**400**	**287**
Fund for general banking risks	**1,157**	**1,124**
Equity	**1,127**	**1,127**
Total assets	**76,199**	**77,213**
Contingent liabilities	**306**	**229**
Other commitments	**6,764**	**6,067**

CONDENSED PROFIT AND LOSS ACCOUNT

€ mn	01 Jan to 30 Jun 2025	01 Jan to 30 Jun 2024
Interest income	1,570.4	1,976.1*)
Interest expenses	1,211.0	1,617.4*)
Net interest income	**359.4**	**358.7**
Commission income	16.1	18.1
Commission expenses	29.7	20.6
Net commission result	**-13.6**	**-2.5**
Gross profit	**345.8**	**356.2**
Administrative expenses	**137.7**	**130.3**
General administrative expenses	134.9	128.1
Staff expenses	61.2	54.4
Other administrative expenses	73.7	73.7
Amortisation/depreciation and write-downs of intangible and tangible fixed assets	2.8	2.2
Net other operating income/expenses	**7.1**	**7.5**
Write-downs and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions	**40.2**	**41.3**
Amortisation and write-downs on participations, shares in affiliated companies, and investment securities	**0.0**)**	**0.0**)**
Result from ordinary activities	**175.0**	**192.1**
Allocation to the fund for general banking risks	33.0	55.0
Income taxes	108.9	81.9
Other taxes	0.1	0.2
Profits to be transferred under profit transfer agreements	**33.0**	**55.0**

*) Previous year's figure adjusted
**) Figures < €50,000

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 2025 has been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* – "HGB"). Furthermore, the financial statements have been 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"). 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 applies GAS 16 – Half-yearly Financial Reporting, which implies

- that changes made to the accounting policies compared to the annual financial statements for 2024 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 developments 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 2025 are based on the same accounting policies as were applied in the annual financial statements as at 31 December 2024, meaning that there were no changes to accounting policies since then.

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

Models and methods aligned with the requirements stipulated in IFRS 9 are used to determine risk provisions as reported under the HGB.

DZ HYP analyses its credit portfolios to pinpoint any potential material effects resulting e.g. from the COVID-19 pandemic or the macroeconomic development, including the impact of elevated inflation levels. These ongoing analyses have led DZ HYP to identify a higher risk of default for some asset classes and to consider this in its portfolio-based allowance. As uncertainty continues to reign on real estate markets, DZ HYP largely maintains an increased portfolio-based allowance, while increased risks for hotels were no longer identified on a general basis.

Disclosures on securities recognised above their fair value

As at 30 June 2025, the Bank did not recognise an extraordinary write-down in the aggregate amount of €146.4 million (31 December 2024: €165.8 million) for negotiable securities held as fixed assets with a carrying amount of €2,796.5 million (31 December 2024: €2,706.3 million) and a fair value of €2,650.1 million (31 December 2024: €2,540.5 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 fact that the euro area has become more resilient to stress due to the crisis mechanisms established. Within the scope of overall bank management, the Bank has also entered into hedges which secure a large part of non-recognised write-downs.

Hedges are used to manage interest rate, currency, and counterparty credit risk exposure; as at the reporting date they were allocated to currency-related, interest rate, and other derivative financial instruments as shown below:

	Nominal amounts by residual term			Total		Fair value			
						30 Jun 2025		31 Dec 2024	
€ mn	<= 1 year	> 1–5 yrs	> 5 yrs	30 Jun 2025	31 Dec 2024	positive	negative	positive	negative
Interest rate instruments*⁾	21,665	59,505	70,472	151,642	149,568	5,249	5,070	5,535	5,368
Currency-related instruments	259	835	277	1,371	1,571	69	42	45	88
Total	**21,924**	**60,340**	**70,749**	**153,013**	**151,139**	**5,318**	**5,112**	**5,580**	**5,456**

*) including interest rate swaps with identical foreign currency

Report on material events after the reporting date

No events of particular importance materialised during the adjusting period from 1 July to 12 August 2025 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, 12 August 2025

DZ HYP AG

Sabine Barthauer
Chief Executive Officer

Jörg Hermes

Stefan Schrader

REVIEW REPORT

To DZ HYP AG, Hamburg and Münster

We have reviewed the condensed interim financial statements – comprising the condensed balance sheet, condensed profit and loss account and selected explanatory notes – and the interim management report of DZ HYP AG, Hamburg and Münster, for the period from 1 January to 30 June 2025 which are part of the half-yearly financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed interim financial statements in accordance with German commercial law and of the interim management report in accordance with the provisions of the German Securities Trading Act applicable to interim management reports is the responsibility of the Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed interim financial statements and on the interim management report based on our review.

We conducted our review of the condensed interim 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 so that we can preclude through critical evaluation, with moderate assurance, that the condensed interim financial statements have not been prepared, in all material respects, in accordance with German commercial law and that the interim management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim financial statements have not been prepared, in all material respects, in accordance with German commercial law nor that the interim management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports.

Hamburg, 12 August 2025

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Anne Witt
Wirtschaftsprüferin
(German Public Auditor)

ppa. Uwe Gollum
Wirtschaftsprüfer
(German Public Auditor)

CONTACTS AND ADDRESSES

Management Board
Sabine Barthauer (CEO)
Jörg Hermes (CFO)
Stefan Schrader (CRO)

Chairman of the Supervisory Board
Johannes Koch

Hamburg Head Office

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

Münster Head Office

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

Commercial Real Estate Investors

Real Estate Centre Berlin
Pariser Platz 3
10117 Berlin, Germany
Phone: +49 30 31993-5101

Real Estate Centre Dusseldorf
Ludwig-Erhard-Allee 20
40227 Dusseldorf, Germany
Phone: +49 211 220499-30

Real Estate Centre Frankfurt
CITY-HAUS I, Platz der Republik 6
60325 Frankfurt/Main, Germany
Phone: +49 69 750676-21

Real Estate Centre Hamburg
Rosenstrasse 2
20095 Hamburg, Germany
Phone: +49 40 3334-3183

Real Estate Centre Munich
Türkenstrasse 16
80333 Munich, Germany
Phone: +49 89 512676-10

Real Estate Centre Stuttgart
Heilbronner Strasse 41
70191 Stuttgart, Germany
Phone: +49 711 120938-0

Hanover Regional Office
Berliner Allee 5
30175 Hanover, Germany
Phone: +49 511 866438-08

Kassel Regional Office
Mauerstrasse 11
34117 Kassel, Germany
Phone: +49 69 750676-51

Leipzig Regional Office
Richard-Wagner-Strasse 9
04109 Leipzig, Germany
Phone: +49 341 962822-92

Nuremberg Regional Office
Am Tullnaupark 4
90402 Nuremberg, Germany
Phone: +49 911 940098-16

Pforzheim Regional Office (from October 2025)
Westliche Karl-Friedrich-Strasse 233
75172 Pforzheim, Germany
Phone: +49 711 120938-14

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

Housing Sector

DZ HYP Berlin
Pariser Platz 3
10117 Berlin, Germany
Phone: +49 30 31993-3214

DZ HYP Dusseldorf
Ludwig-Erhard-Allee 20
40227 Dusseldorf, Germany
Phone: +49 211 220499-5808

DZ HYP Frankfurt
CITY-HAUS I, Platz der Republik 6
60325 Frankfurt/Main, Germany
Phone: +49 69 750676-32

DZ HYP Hamburg
Rosenstrasse 2
20095 Hamburg, Germany
Phone: +49 40 3334-6300

DZ HYP Munich
Türkenstrasse 16
80333 Munich, Germany
Phone: +49 89 512676-55

DZ HYP Stuttgart
Heilbronner Strasse 41
70191 Stuttgart, Germany
Phone: +49 711 120938-40

Public-sector Clients

Sentmaringer Weg 1
48151 Münster, Germany
Phone: +49 251 4905-3333

Retail Customers

DZ HYP Berlin
Pariser Platz 3
10117 Berlin, Germany
Phone: +49 30 31993-5086

DZ HYP Dusseldorf
Ludwig-Erhard-Allee 20
40227 Dusseldorf, Germany
Phone: +49 211 220499-5835

DZ HYP Frankfurt
CITY-HAUS I, Platz der Republik 6
60325 Frankfurt/Main, Germany
Phone: +49 69 750676-56

DZ HYP Hamburg
Rosenstrasse 2
20095 Hamburg, Germany
Phone: +49 40 3334-4708

DZ HYP Munich
Türkenstrasse 16
80333 Munich, Germany
Phone: +49 89 512676-33

DZ HYP Münster
Customer Dialogue Centre
Sentmaringer Weg 1
48151 Münster, Germany
Phone: +49 251 4905-4444

DZ HYP Stuttgart
Heilbronner Strasse 41
70191 Stuttgart, Germany
Phone: +49 711 120938-39

DZ HYP AG

Rosenstrasse 2
20095 Hamburg
Germany
Phone +49 40 3334-0

Sentmaringer Weg 1
48151 Münster
Germany
Phone +49 251 4905-0

dzhyp.de