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DZ HYP AG

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DZ HYP AG

*(**Editor's Note:** Unlike the originally published full analysis of DZ HYP AG from July 18, 2024, this version's Ratings Detail section contains the 'A-1+' short-term secured debt rating, which we could not include before due to technical issues.)*

Ratings Score Snapshot

Issuer Credit Rating
A+/Stable/A-1

SACP: bbb- → **Support: +5** → **Additional factors: 0**

SACP: bbb-		
Anchor	bbb+	
Business position	Moderate	-1
Capital and earnings	Moderate	-1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +5	
ALAC support	0
GRE support	0
Group support	+5
Sovereign support	0

Additional factors: 0
Issuer credit rating
A+/Stable/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

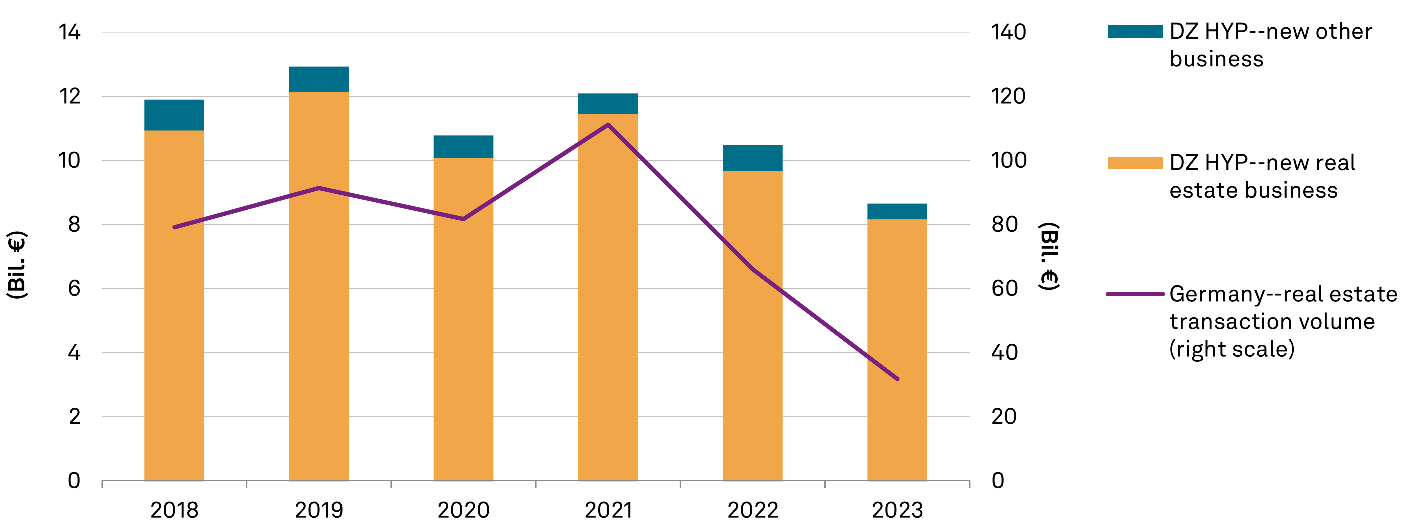
Key strengths	Key risks
Member of the Cooperative Banking Sector Germany, mutual support among core group members, and a comprehensive protection scheme.	Concentrated exposure in commercial real estate (CRE) with limited earnings and business diversification, owing to its focused market position in real estate and public sector lending.
Solid expertise and leading bank in Germany's commercial and residential real estate lending market.	Moderate stand-alone capitalization makes DZ HYP more susceptible to adverse developments in inherently riskier CRE markets.
Profit-and-loss transfer agreement, regulatory capital and liquidity waivers, and letter of comfort from its owner, DZ BANK.	

DZ HYP AG will continue to benefit from its core membership in Germany's Cooperative Banking Sector. We equalize the 'A+' long-term issuer credit rating on DZ HYP with that on its parent, DZ BANK. The five-notch uplift from DZ HYP's 'bbb-' stand-alone credit profile (SACP) incorporates our expectation that the bank would receive additional extraordinary support, under any foreseeable circumstances, from DZ BANK and, ultimately, Germany's cooperative banking sector if necessary.

We expect DZ HYP will continue showing relative resilience to ongoing headwinds in cyclical CRE markets. In the wake of the monetary policy tightening that began in 2022, German real estate lenders, particularly CRE, have come under significant pressure. DZ HYP--whose loan book mainly consists of real estate loans, of which roughly 75% are CRE loans--has weathered these challenges comparatively well so far. Cost of risk was only 16 basis points (bps) in December 2023, 3 bps higher than in 2022, and benefited from the bank's selective underwriting policy (see chart 1). That said, pressures from higher refinancing costs for CRE and elevated material prices will likely remain over 2024. If they continue for longer than we anticipate, they could hamper DZ HYP's asset quality and increase credit losses.

Chart 1

DZ HYP's new business generation is more stable than that of the overall market
DZ HYP's new business generation versus total real estate transaction volume



Sources: JLL, company reporting, and S&P Global Ratings.

The bank's capitalization will continue to constrain its stand-alone creditworthiness. DZ HYP's capitalization is materially below the consolidated DZ BANK group, owing to a regulatory capital waiver granted to DZ HYP. Furthermore, volatility at the level of capital is limited because of a profit-and-loss transfer agreement with DZ BANK. We project that our risk-adjusted capital (RAC) ratio for DZ HYP will remain at 5.0%-6.0% over the coming 18-24 months. However, we expect that implicit group support will continue to mitigate risks arising from the bank's relatively low capitalization for the foreseeable future.

Outlook

Our stable outlook on DZ HYP mirrors the stable outlook on the Cooperative Banking Sector Germany and reflects our expectation that DZ HYP will remain a core member of the group for the foreseeable future.

Downside scenario

We would lower our ratings on DZ HYP if we revised downward the 'a+' group credit profile on the Cooperative Banking Sector Germany.

Upside scenario

We consider an upgrade of DZ HYP as remote because we would need to revise upward the group credit profile on the Cooperative Banking Sector Germany.

Key Metrics

DZ HYP AG--Key ratios and forecasts

	--Fiscal year ends Dec. 31--				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Growth in operating revenue	4.4	5.7	3.0-4.0	(6.0)-(5.0)	(0.5)-0
Growth in customer loans	1.2	(0.5)	0.5-1.5	0.5-1.5	1.5-2.5
Growth in total assets	(5.4)	0.1	0.5-1.5	0.0-1.0	1.0-2.0
Net interest income/average earning assets (NIM)	0.8	0.9	0.90-1.00	0.85-0.95	0.85-0.95
Cost to income ratio	42.4	35.2	34.0-36.0	38.0-40.0	38.0-40.0
Return on average common equity	2.4	2.6	3.0-3.5	3.0-3.5	3.0-3.5
New loan loss provisions/average customer loans	0.1	0.2	0.1-0.2	0.1-0.2	0.1-0.2
Gross nonperforming assets/customer loans	0.2	0.8	0.6-0.7	0.4-0.6	0.4-0.5
Risk-adjusted capital ratio	5.9	5.4	5.0-6.0	5.0-6.0	5.0-6.0

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+', Reflecting DZ HYP's Main Operations In Germany's Diverse And Resilient Economy

Our anchor, the starting point in assigning an issuer credit rating, for a bank operating mainly in Germany is 'bbb+', based on an economic risk score of '2' and an industry risk score of '4'. We view economic and industry risk trends as stable.

Our economic risk assessment for Germany takes a positive view of the economy's competitiveness and wealth, as well as its track record in absorbing large economic and financial shocks. Despite structural risks to Germany's economic model, higher sensitivity to geopolitical stress, and a modest economic outlook compared with European peers, we expect German households and corporates will remain resilient. We forecast only a modest annual increase in domestic credit losses to 20 bps over 2024-2025, from a low 15 bps in 2023. This is also based on our expectation of a robust German labor market, the deterioration of which could increase credit losses materially. In our opinion, German banks' significant exposure to the CRE sector continues to represent a risk factor for some German banks' asset quality and profitability but will likely not impair their capital position. Therefore, CRE exposure does not pose a systemic risk to the German banking sector.

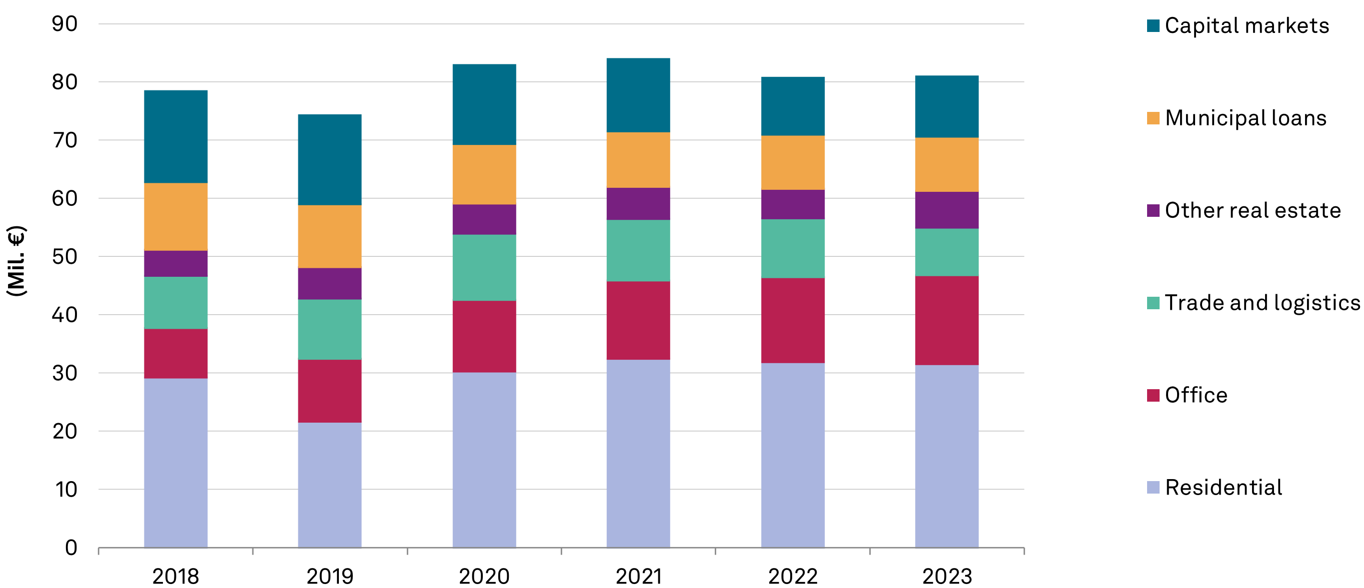
Our industry risk assessment for Germany considers the banking sector's structurally modest profitability, relative to peers. German banks have benefited significantly from higher interest rates. Yet we expect that cyclical interest rate support will peak in 2024 and that profitability will decline as policy rates begin to fall. Inefficient cost bases, overcapacity, and intense competition continue to put a structural strain on profit margins. We factor in positively the banking sector's access to a very stable and broad domestic funding market. German banks' funding profile largely includes sticky retail deposits, which benefit from a comprehensive deposit protection scheme, and covered bonds, which represent a very reliable and cost-efficient funding source.

Business Position: Concentrated Franchise In Cyclical Real Estate Lending

We consider the bank's narrow business focus a relative weakness to its SACP. DZ HYP's core activities are in CRE and residential real estate, as well as public sector lending, although to a lesser extent (see chart 2). Against deteriorating market conditions in residential and, particularly, CRE segments over the past 1-2 years, DZ HYP has fared comparatively well as the increase in credit loss was limited. However, because of its niche focus, the bank remains more vulnerable to adverse economic scenarios, in our view.

Chart 2

DZ HYP's lending operations are dominated by real estate-related activities
Credit volume by segment



Sources: Company reporting and S&P Global Ratings.

DZ BANK's support in the case of financial distress benefits DZ HYP's business risk profile. We believe DZ HYP's narrow focus on real estate lending makes the bank more vulnerable to adverse scenarios. This is because its business model and funding remain highly sensitive to investor confidence, attract tail risk from concentrated exposures, are vulnerable to cyclicality, and limit business lines and revenue drivers.

These concentration risks are only partially mitigated by DZ HYP's strong position among German CRE lenders. Corporate CRE clients accounted for about 86% of the bank's €8.6 billion in new business in 2023, while about 50% of its real estate portfolio is residential. Even though this makes the bank vulnerable to developments in the real estate markets, these risks are somewhat offset by the, in our view, good track record of DZ HYP in maintaining a moderate risk appetite and managing associated risks well.

Capital And Earnings: Ongoing Group Support Mitigates Risks From Relatively Low Capitalization

We anticipate DZ HYP's weaker capital position will continue to constrain its SACP. This mainly reflects our expectation that the bank's RAC ratio will remain at 5.0%-6.0% over the next 18-24 months. Based on the regulatory waiver, DZ HYP does not need to fulfil regulatory capital requirements. Rather, DZ BANK must fulfil them on a consolidated basis under International Financial Reporting Standards (IFRS). We think this explains DZ HYP's still relatively low tier 1 capital ratio of 11.9% in 2023, considering the bank's concentrated risk profile and the fact that its standard risk costs exceed the average of more diversified banks.

However, we expect group support will continue to mitigate risks arising from the bank's low capitalization. We understand that DZ HYP's capital buffers are at the discretion of the parent. The bank has a control and profit-and-loss agreement with DZ BANK that enables the transfer of net losses or profits to its parent. Furthermore, DZ HYP maintains its letter of comfort from DZ BANK.

We continue to view general risk reserves as per section 340f of German generally accepted accounting principles (GAAP) as fully loss-absorbing and therefore qualitatively consider these in our assessment. To improve international comparability and because these reserves lost their partial direct recognition as regulatory tier 2 capital in 2022, we do not include these reserves in our main measure of capital--total adjusted capital (TAC)--anymore. While DZ HYP publicly discloses its accumulated 340f reserves, which stood at €171 million at year-end 2023, these reserves generally tend to be silent, meaning they are not publicly disclosed and are built and released largely at the management's discretion.

Due to DZ HYP's business model, we anticipate only limited earnings upside from higher interest rates. We expect the tailwinds of higher interest rates for DZ HYP's net interest margin will remain limited at 85 bps-95 bps, compared with 92 bps at year-end 2023. This reflects significantly reduced new business at higher rates and a more rate-sensitive wholesale funding structure. After the volume of gross customer loans reduced marginally by 0.5% in 2023, relative to 2022, we anticipate new business will stabilize and gradually recover as the future monetary policy path becomes clearer. Therefore, we expect loan volumes and risk-weighted assets will increase very moderately by 0.5%-2.5% per annum over 2024-2026. As a result, net interest income will remain largely unchanged. We expect DZ HYP's risk costs relative to average customer loans will be 10 bps-20 bps over 2024-2026, similar to the levels in the past two years. DZ HYP's risk costs are materially lower than many international banks', but we note that the figures are reported under the German GAAP, which provides more leeway for management discretion. DZ HYP's risk costs are therefore not comparable with those of other banks reporting under IFRS. We expect noninterest expenses will increase moderately following inflationary pressure on wages and other cost lines. As a result, we project net profits of about €65 million-€75 million over 2024-2026.

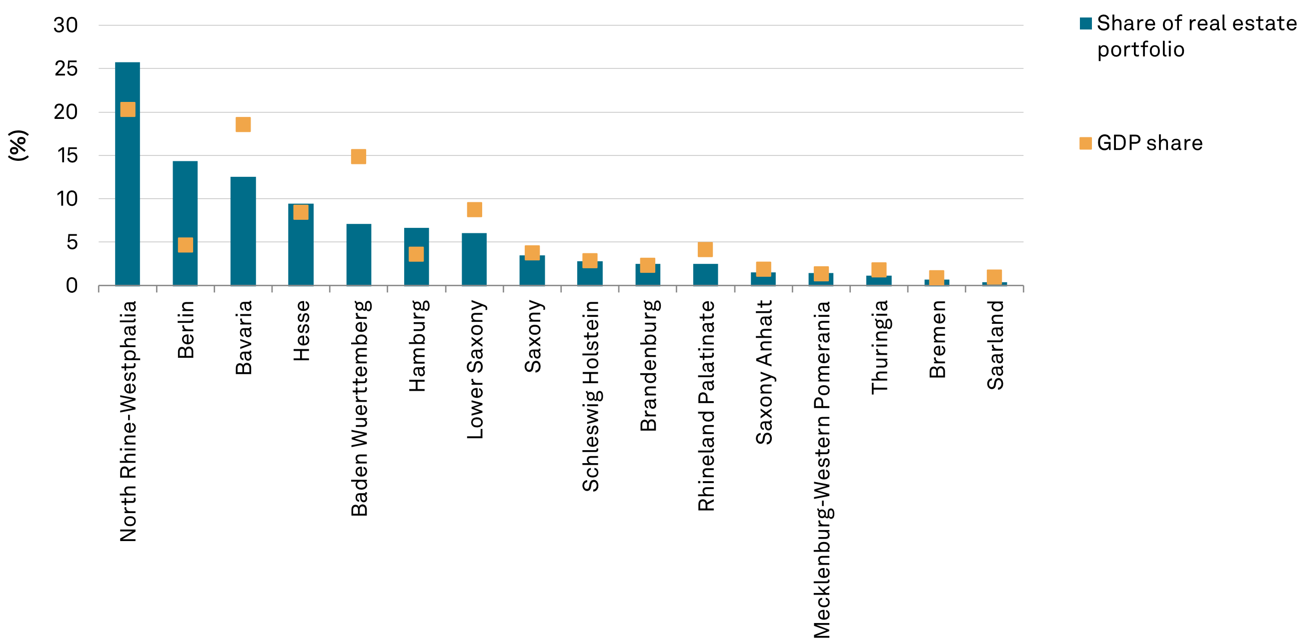
Risk Position: Concentration Risks From CRE Lending Balanced By Limited Risk Appetite

Our assessment of DZ HYP's risk profile considers concentration risks from its CRE lending against a strong track record of prudent underwriting standards and benefits from DZ HYP's deep integration within the wider DZ BANK group. DZ HYP's loan book is dominated by domestic real estate-related exposures, which account for about three-quarters of the total loan book. Nondomestic real estate exposures are negligible. Domestic municipality finance contributes about 11%. The bank's strong focus on its domestic core segments, where it can best leverage its expertise and deep integration into the cooperative banking network, somewhat balances risks from its concentration on the inherently volatile CRE market. Overall, its real estate portfolio of € 61 billion is almost split equally between residential (owner-occupied and investment purposes) and nonresidential segments. Nonresidential real estate (€30 billion) largely comprises offices (€15 billion) and retail space (€7 billion), as well as hotels, logistics, and other CRE assets. Geographically, DZ HYP's real estate portfolio is well diversified across Germany, with higher proportionate weights in more densely populated regions, such as North Rhine-Westphalia, Berlin, Hamburg, and Hesse. In contrast, the bank's exposure to Southern Germany's economically strong states Bavaria and Baden-Wuerttemberg is low, relative to the states' GDP contributions (see chart 3). In our view, lending and underwriting standards are prudent, as demonstrated by sound collateralization and an average loan-to-value ratio of about 50% for the bank's mortgage loan book as of December 2023. DZ HYP's capital markets business accounts for about 13% of the total loan book and mainly comprises domestic loans, as well as international sub-sovereign and sovereign loans.

Chart 3

DZ HYP's real estate portfolio is well diversified across Germany, with some overrepresentation of metropolitan areas

Shares of DZ HYP's real estate lending book versus GDP shares of German states



Sources: Company reporting and German statistical office.

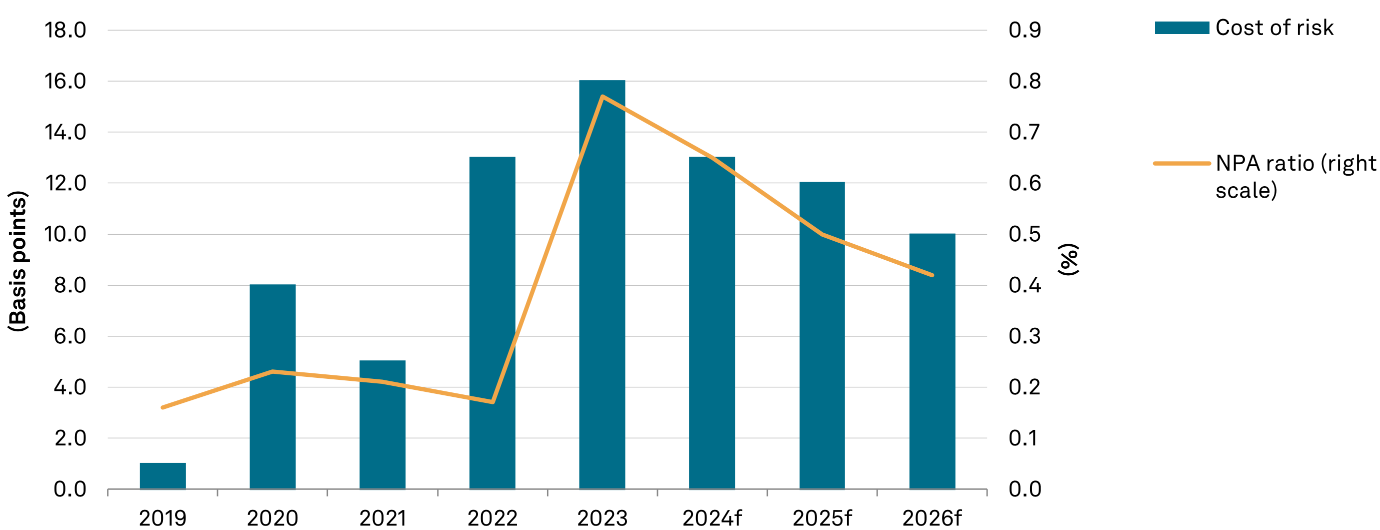
We expect DZ HYP will continue to manage asset quality risks well but spillover effects from current macroeconomic risks will likely strain DZ HYP's asset quality over the next 12-24 months. DZ HYP's nonperforming asset ratio increased markedly by 60 bps to 0.77% in 2023, from 0.17% in 2022. Though this is significantly higher than the 0.20%-0.25% we had anticipated, it remains at low levels, compared with peers with a similarly strong focus on volatile CRE markets, such as Deutsche Pfandbriefbank. DZ HYP's cost of risk stood at 16 bps of average customer loans in 2023.

In our view, DZ HYP's solid underwriting standards helped protect the bank against more pronounced deteriorations in asset quality metrics, compared with peers. CRE markets in Germany were among the most pressured. Especially domestic peers that, often opportunistically, increased their international--particularly U.S.--exposures in the recent cycle are now experiencing stronger asset quality pressure than DZ HYP. As the rate hike cycle will likely come to an end, we expect pressure on the segment will gradually abate (see chart 4). Beyond cyclical factors, structural trends--such as the increasing bifurcation of office and retail assets--will continue to affect valuations over the medium to long term. However, we believe, most of DZ HYP's assets are well positioned, again supported by the bank's selective underwriting policy.

Chart 4

DZ HYP's asset quality and cost of risk metrics bottomed out in 2023 and will likely improve from 2024

NPA ratio and cost of risk over 2019-2026f



Cost of risk defined as new loan loss provisions as % of customer loans + other real estate onwed. f--Forecast. NPA--Nonperforming assets. Source: S&P Global Ratings.

Credit spread risks will gradually reduce further. Through an opportunistic sale of more than half of its legacy securities, DZ HYP substantially reduced its associated sensitivity to credit spread risks in 2022. Exposure to Italian, Spanish, and Portuguese sovereigns and banks stood at €1.53 billion at year-end 2023, accounting for roughly three-quarters of the bank's TAC. We expect that these exposures will gradually reduce further as they mature and that the bank will continue its opportunistic approach to dispose these securities.

Funding And Liquidity: Benefits From Membership In Germany's Cooperative Banking Sector

We continue to see DZ HYP's funding and liquidity as neutral for its SACP. This is based on our view of expected ongoing support from DZ BANK and the Cooperative Banking Sector Germany's groupwide protection scheme, which fosters investor confidence. DZ HYP's unsecured funding needs are primarily sourced from DZ BANK. Funding costs of its unsecured issuances substantially benefit from the system of solidarity within the sector, in our view.

Access to the investor base of DZ BANK and the wider Cooperative Banking Sector Germany provides a competitive advantage for funding and mitigates risks related to DZ HYP's concentrated business model. The bank funds its business almost solely with wholesale instruments. DZ HYP's reported refinancing volume was €7.8 billion in 2023, up from €6.8 billion in 2022, and was split between secured funding (€5.3 billion) and unsecured funding (€2.5 billion). We expect the bank's stable funding ratio will remain below that of other rated banks in Germany, after reaching 90.1% as of year-end 2023. The bank's access to capital markets benefits its funding and liquidity profile, but DZ BANK's ongoing support commitment remains key for refinancing needs and funding costs. DZ BANK and, to a lesser extent, the wider Cooperative Banking Sector Germany provide most unsecured funding. Secured covered bond funding comes from a wide circle of established domestic and international investors.

DZ HYP's liquidity management is closely intertwined with DZ BANK. DZ HYP's sound liquidity management benefits from its sizable portfolio of high-quality securities that are eligible for refinancing by the European Central Bank. While the bank's ratio of broad liquid assets to short-term wholesale funding—which is based on accounting data--remained at a low 0.6x as of year-end 2023, the regulatory liquidity coverage ratio almost doubled to 305% in 2023, compared with 2022, benefiting primarily from the full repayment of DZ HYP's participation in the third series of targeted longer-term refinancing operations (TLTRO III). We expect liquidity metrics will remain volatile, considering that DZ HYP--under a regulatory waiver--does not have to meet liquidity requirements on a stand-alone basis, but as part of DZ BANK Group. Therefore, our assessment of DZ HYP's liquidity also needs to be viewed in the context of its integration within DZ BANK.

Support: Five Notches Of Support As A Core Group Member Of The Cooperative Banking Sector Germany

We equalize the 'A+' long-term issuer credit rating on DZ HYP with that on its parent, DZ BANK. This is based on our view that DZ HYP is a core subsidiary of DZ BANK and, ultimately, a core member of the Cooperative Banking Sector Germany, according to our group rating methodology (see chart 5). The five-notch uplift from DZ HYP's 'bbb-' SACP incorporates our expectation that the bank would receive additional extraordinary support, under any foreseeable circumstances, from DZ BANK and, ultimately, the Cooperative Banking Sector Germany if necessary.

DZ HYP's core group status rests on its membership in the Cooperative Banking Sector Germany's protection scheme; a control and profit-and-loss transfer agreement with majority-owner DZ BANK; and our view of ongoing support from the parent, consisting of funding, liquidity, and capital, including respective waivers and the unrestricted letter of comfort. We think DZ HYP operates in line with the overall sector strategy and benefits from a long-term commitment of support from the group's senior management. The bank contributes to the full financial servicing offering to the local cooperative banks' clients and fully serves the sector's needs with its real estate expertise, in our view.

We do not incorporate any notches of uplift for additional loss-absorbing capacity into the rating on DZ HYP. We consider it unlikely that DZ HYP would be subject to a well-defined bail-in resolution process because that would also imply a lack of solidarity within the sector. In any case, we consider group support is the strongest support element in our ratings on individual group members.

Environmental, Social, And Governance

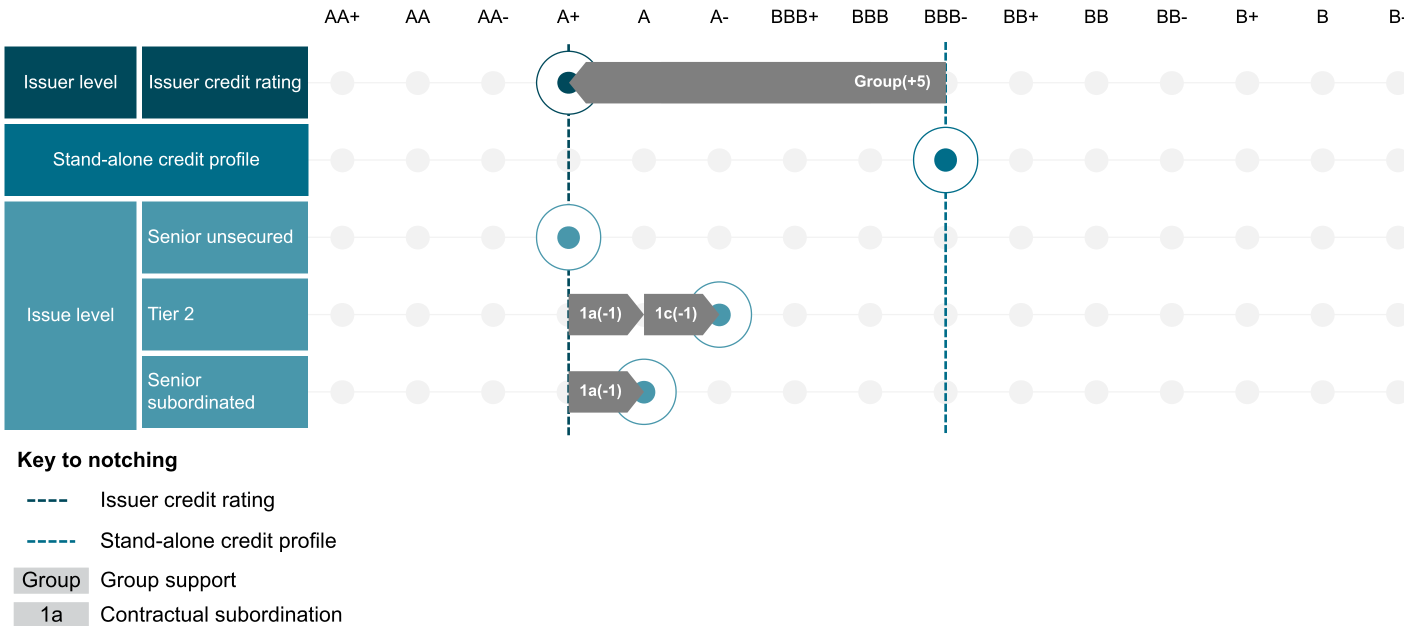
In our view, DZ HYP's environmental, social, and governance (ESG) standards are in line with those of other banks. ESG considerations do not affect the bank's credit quality, similar to industry peers. We understand that DZ HYP's ESG efforts are aligned with those of its parent, DZ BANK, and note that the bank has taken measures to become more environmentally aware. For example, DZ HYP issued another two green Pfandbriefe since the inaugural issuance in 2022.

Group Structure, Rated Subsidiaries, And Hybrids

From our 'A+' issuer credit rating, we apply downward notches to the 'A' issue rating on DZ HYP's senior nonpreferred debt, given that the bank is a core member of the Cooperative Banking Sector Germany and because we expect the overall group would support full and timely payment on these instruments.

Chart 5

DZ HYP AG: Notching



Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.

Key Statistics

Table 1

DZ HYP AG--Key figures

	--Fiscal year ended Dec. 31--				
(Mil. €)	**2019**	**2020**	**2021**	**2022**	**2023**
Adjusted assets	79,434.9	81,916.1	81,799.1	77,394.1	77,476.7
Customer loans (gross)	63,995.0	66,394.6	67,651.4	68,471.6	68,135.7
Adjusted common equity	1,692.2	1,768.4	2,087.7	2,120.6	2,104.9
Operating revenues	544.9	596.3	652.9	681.3	720.1
Noninterest expenses	273.5	271.5	273.6	288.6	253.7
Core earnings	174.9	148.4	215.6	127.4	211.3

Table 2

DZ HYP AG--Business position

	--Fiscal year ended Dec. 31--				
(%)	**2019**	**2020**	**2021**	**2022**	**2023**
Total revenues from business line (currency in millions)	544.9	602.8	652.9	681.3	720.1
Other revenues/total revenues from business line	100.0	100.0	100.0	100.0	100.0

Table 2

DZ HYP AG--Business position (cont.)

	--Fiscal year ended Dec. 31--				
(%)	**2019**	**2020**	**2021**	**2022**	**2023**
Return on average common equity	4.0	4.2	3.5	2.4	2.6

Table 3

DZ HYP AG--Capital and earnings

	--Fiscal year ended Dec. 31--				
(%)	**2019**	**2020**	**2021**	**2022**	**2023**
Tier 1 capital ratio	9.5	9.8	11.1	12.1	11.9
S&P Global Ratings' RAC ratio before diversification	5.9	6.4	5.8	5.9	5.4
S&P Global Ratings' RAC ratio after diversification	4.7	5.2	4.7	4.8	4.4
Adjusted common equity/total adjusted capital	75.2	75.2	97.0	100.0	100.0
Net interest income/operating revenues	101.3	101.0	101.8	98.2	98.3
Fee income/operating revenues	(6.6)	(6.4)	(5.9)	(3.0)	(2.0)
Cost to income ratio	50.2	45.5	41.9	42.4	35.2
Preprovision operating income/average assets	0.3	0.4	0.5	0.5	0.6
Core earnings/average managed assets	0.2	0.2	0.3	0.2	0.3

RAC--Risk-adjusted capital.

Table 4

DZ HYP AG--Risk-adjusted capital framework data

(Thousand €)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**Standard & Poor's Global Ratings' RWA**	**Average S&P Global Ratings' RW (%)**
Credit risk					
Government and central banks	16,115,521	173,145	1	863,025	5
Of which regional governments and local authorities	13,289,700	149,892	1	609,814	5
Institutions and CCPs	4,522,537	46,399	1	926,619	20
Corporate	45,284,073	11,893,992	26	31,545,233	70
Retail	14,885,113	1,034,130	7	3,454,956	23
Of which mortgage	14,885,113	1,034,130	7	3,454,956	23
Securitization§	213,751	222,802	104	374,303	175
Other assets†	763,350	385,453	50	761,838	100
Total credit risk	81,784,346	13,755,920	17	37,925,975	46
Credit valuation adjustment					
Total credit valuation adjustment	--	58,438	--	0	--
Market risk					
Equity in the banking book	2,495	7,409	297	21,831	875
Trading book market risk	--	0	--	0	--
Total market risk	--	7,409	--	21,831	--
Operational risk					
Total operational risk	--	1,197,331	--	1,350,170	--

Table 4

DZ HYP AG--Risk-adjusted capital framework data (cont.)

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings' RWA
Diversification adjustments					
RWA before diversification	--	15,302,697	--	39,297,977	100
Total diversification/ Concentration adjustments	--	--	--	8,360,082	21
RWA after diversification	--	15,302,697	--	47,658,059	121

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	1,820,123	11.9	2,104,893	5.4
Capital ratio after adjustments‡	1,820,123	11.9	2,104,893	4.4

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2023, and S&P Global Ratings.

Table 5

DZ HYP AG--Risk position

	--Fiscal year ended Dec. 31--				
(%)	**2019**	**2020**	**2021**	**2022**	**2023**
Growth in customer loans	6.2	3.7	1.9	1.2	(0.5)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	26.1	22.6	22.6	22.8	21.3
Total managed assets/adjusted common equity (x)	46.9	46.3	39.2	36.5	36.8
New loan loss provisions/average customer loans	0.0	0.1	0.1	0.1	0.2
Gross nonperforming assets/customer loans + other real estate owned	0.2	0.2	0.2	0.2	0.8
Loan loss reserves/gross nonperforming assets	213.7	179.4	207.6	322.8	90.5

RWA--Risk-weighted assets.

Table 6

DZ HYP AG--Funding and liquidity

	--Fiscal year ended Dec. 31--				
(%)	**2019**	**2020**	**2021**	**2022**	**2023**
Core deposits/funding base	2.9	2.5	2.0	1.6	1.8
Customer loans (net)/customer deposits	2,889.6	3,428.9	4,243.4	5,655.3	5,184.5
Long-term funding ratio	87.3	81.4	81.5	86.1	83.8
Stable funding ratio	102.0	95.0	93.2	93.1	90.1
Short-term wholesale funding/funding base	13.1	19.2	19.1	14.3	16.7
Broad liquid assets/short-term wholesale funding (x)	1.2	0.8	0.8	0.7	0.5
Broad liquid assets/total assets	15.6	15.6	14.0	9.3	8.7
Broad liquid assets/customer deposits	559.9	662.0	721.5	594.9	517.9
Net broad liquid assets/short-term customer deposits	116.7	(122.7)	(252.4)	(240.0)	(353.2)
Short-term wholesale funding/total wholesale funding	13.4	19.5	19.4	14.6	17.0

DZ HYP AG--Rating component scores

Issuer credit rating	**A+/Stable/A-1**
SACP	bbb-
Anchor	bbb+
Economic risk	2
Industry risk	4
Business position	Moderate
Capital and earnings	Moderate
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+5
ALAC support	0
GRE support	0
Group support	+5
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (As Of July 18, 2024)*

DZ HYP AG	
Issuer Credit Rating	A+/Stable/A-1
Senior Secured	AAA/Stable
Senior Subordinated	A
Senior Unsecured	A+
Short-Term Debt	A-1
Short-Term Secured Debt	A-1+
Issuer Credit Ratings History	
24-Jun-2021	A+/Stable/A-1

Ratings Detail (As Of July 18, 2024)*(cont.)	
17-Sep-2019	AA-/Negative/A-1+
10-Mar-2017	AA-/Stable/A-1+
Sovereign Rating	
Germany	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.