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DZ HYP AG

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DZ HYP AG

Ratings Score Snapshot

Issuer Credit Rating
A+/Stable/A-1

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

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

ALAC support	0
GRE support	0
Group support	+5
Sovereign support	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
Membership of German cooperative banking sector, mutual support among core group members, and a comprehensive protection scheme.	Niche player 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 the inherently riskier commercial real estate (CRE) markets.
Important contribution to the cooperative banking sector's full financial services offering.	

DZ HYP AG will continue to benefit from its core membership within Germany's cooperative banking sector. We equalize the long-term 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 from Germany's cooperative banking sector, if needed.

We expect that risks will outweigh opportunities in CRE markets in the current economic environment. This affects DZ HYP, in our view, as roughly 75% of its total real estate loan book consists of CRE loans. We envisage continued headwinds to real estate markets, particularly CRE, over the coming months, with risks somewhat to the downside of our base-case assumptions. CRE markets have slowed significantly since the summer of 2022, as both interest rates and prices--including building materials and energy--have risen. Furthermore, demand in CRE subsegments, such as office and retail space, has fallen following both structural changes post-COVID-19 and recessionary tendencies toward the end of 2022. These pressures will persist during 2023, in our view, and could also hamper DZ HYP's asset quality and loan loss provisions going forward.

The bank's stand-alone capitalization will continue to constrain its stand-alone creditworthiness. DZ HYP's capitalization is materially below the consolidated DZ BANK group average, owing to a regulatory capital waiver granted to the bank. Furthermore, volatility in the level of capital is limited because of a profit and loss transfer agreement with DZ BANK. We project DZ HYP's S&P Global Ratings' risk-adjusted capital (RAC) ratio to remain at 5.5%-6.5% for 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 DZ HYP mirrors the stable outlook on the Cooperative Banking Sector Germany, and 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 revise down the 'a+' group credit profile (GCP) on the Cooperative Banking Sector Germany.

Upside scenario

To upgrade DZ HYP we would need to revise up the GCP on the Cooperative Banking Sector Germany, which we currently consider a remote scenario.

Key Metrics

DZ HYP AG--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	9.5	4.4	(2.5)-(3.0)	2.5-3.5	0.5-1.5
Growth in customer loans	1.9	1.2	(1.7)-(2.2)	0.8-1.3	0.8-1.3
Growth in total assets	(0.1)	(5.4)	(1.7)-(2.1)	0.7-0.9	0.7-0.9
Net interest income/average earning assets (NIM)	0.82	0.85	0.80-0.90	0.85-0.95	0.85-0.95
Cost to income ratio	41.9	42.4	44-47	44-47	44-47
Return on average common equity	3.5	2.4	2.5-3.5	2.5-3.5	2.5-3.5
New loan loss provisions/average customer loans	0.05	0.13	0.10-0.20	0.05-0.15	0.05-0.15
Gross nonperforming assets/customer loans	0.21	0.17	0.20-0.25	0.20-0.25	0.17-0.23

DZ HYP AG--Key ratios and forecasts (cont.)

	--Fiscal year ended Dec. 31--				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Risk-adjusted capital ratio	5.8	5.9	5.5-6.5	5.5-6.5	5.5-6.5

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

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

Under our Banking Industry Country Risk Assessment (BICRA), the anchor for banks operating primarily in Germany is 'bbb+'. This reflects our economic risk assessment of '2' and our industry risk assessment of '4' (on a scale of 1-10, with '10' signifying the highest risk). We view the trends for economic and industry risk in Germany as stable.

Our economic risk assessment considers that the German economy has a demonstrated ability to absorb large economic and financial shocks based on its wealth and the government's ample flexibility for countercyclical measures, including substantial fiscal stimulus and additional wide-ranging support. Accordingly, our base-case scenario considers that economic risks for German banks are fairly limited by global standards, as German households, corporates, and public finances should be largely cushioned from the fallout related to geopolitical stresses. The stable economic risk trend signals our expectation that, in addition to economic resilience, improved balance sheets and higher capital buffers provide German banks meaningful buffers against further economic deterioration.

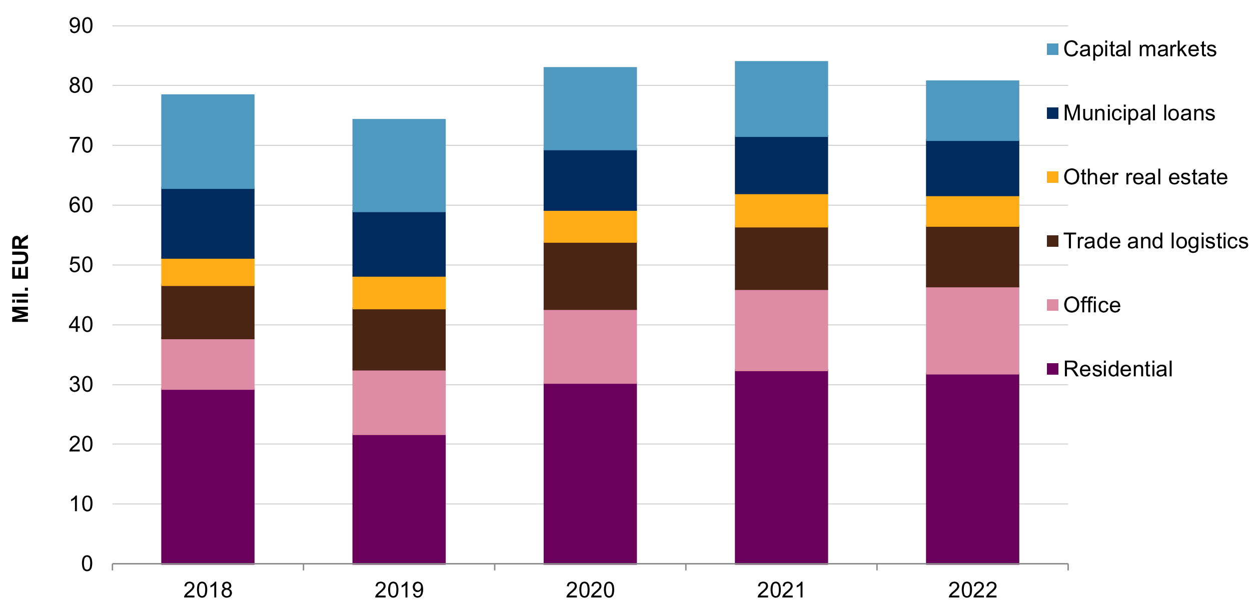
Our industry risk assessment for Germany considers that while the recent inflation-induced jump in interest rates has helped to boost banks' net interest margins for now, we expect high competition to continue to weigh on the sector's longer-term profitability. We believe German banks operate in a highly competitive and structurally overbanked market. While pressure on net interest margins has abated for now, we believe German banks still lag peers in terms of revenue diversification, cost efficiency, and digitalization.

Business Position: Concentrated And Cyclical Franchise In Real Estate Lending

We consider the bank's narrow business focus a relative weakness to its stand-alone creditworthiness. 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 1). This has become increasingly relevant amid the deteriorating market conditions in both residential and particularly CRE segments following the ECB's ongoing tightening of monetary policy and continuously elevated economic uncertainty. Because of its niche focus, the bank remains more vulnerable to adverse economic scenarios, in our view.

Chart 1

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



Source: Company reporting, S&P Global Ratings.

In our view, DZ HYP's narrow focus on real estate lending makes the bank dependent on support from its parent, DZ BANK, through economic cycles. 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 build upon a limited mix of business lines and revenue drivers.

These concentration risks are only partially mitigated by DZ HYP's strong position among German CRE lenders. About 77% of its €12 billion of new business in 2022 is with corporate CRE clients while around half of its real estate portfolio is residential. The bank enjoys a good reputation and longstanding relationships with clients, in our view, because of its solid and reliable expertise in the commercial and residential real estate market in Germany.

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

We anticipate DZ HYP will maintain its weaker capital position. This mainly reflects our expectation that the bank's RAC ratio will remain within 5.5%-6.5% over the next 18-24 months.

Based on the regulatory waiver, DZ HYP does not need to fulfil regulatory capital requirements; rather, DZ BANK

Group must fulfil them on a consolidated basis under International Financial Reporting Standards (IFRS). We think this explains DZ HYP's still relatively low capital ratios, considering the bank's concentrated risk profile and higher-than-average standard risk costs than other rated banks.

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

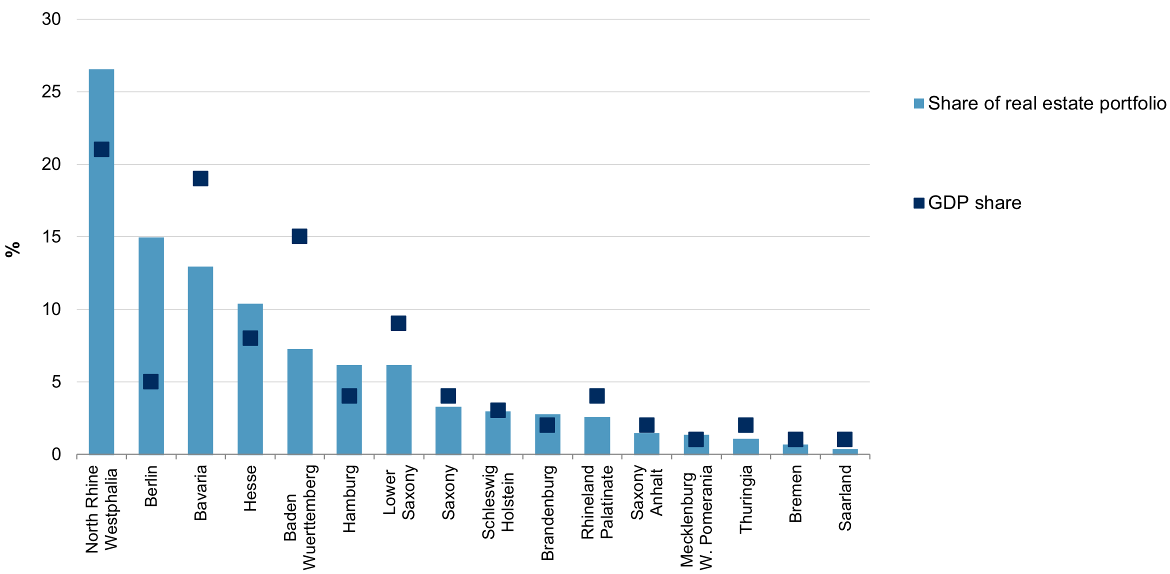
We include the bank's general risk reserves--as per Section 340f of German generally accepted accounting principles (GAAP)--amounting to €171.3 million at year-end 2022 in total adjusted capital. While we anticipate moderate tailwinds to net interest margins over the next 12-24 months, these effects are balanced by our expectation of largely stagnating loan volumes and risk-weighted assets in the bank's core market segments. As such, we expect net interest income to remain unchanged. We expect DZ HYP's risk costs relative to average customer loans in line with 2022 results, at 10-15 basis points over 2023 to 2025. This is materially lower than many international banks', but we note that the figure is reported under the Handelsgesetzbuch (HGB) German accounting standards, which provides more leeway for management discretion. It is therefore not comparable with other banks' reporting under IFRS. We expect noninterest expenses to increase moderately following inflationary pressure on wages and other cost lines. As a result, we project net profits of around €50 million-€70 million over our forecast horizon.

Risk Position: Potential Risks From Concentrated CRE Exposures In A Volatile Environment

We view DZ HYP's risk profile as a relative credit weakness, because of concentration risks from its CRE lending. The bank's legacy securities exposures to Southern Europe have decreased significantly in recent years due to opportunistic sales, though relatively higher credit spread risks remain. With 97% of commercial real estate lending, the bank has higher loan book concentration in Germany's CRE lending market than other larger, domestic rated banks. Overall, its real estate portfolio is split roughly equally between residential (both owner occupied and investment purposes) and nonresidential segments. Nonresidential real estate largely comprises office space (€15 billion), commercial property (€9 billion), and other commercial real estate (€6 billion). Geographically, DZ HYP's real estate portfolio is well diversified within Germany, with somewhat more than proportionate weights in more densely populated and economically more important regions, such as North-Rhine Westphalia, Berlin, Hamburg, and Hesse. In contrast, the bank's exposure in Southern Germany's economic powerhouses, Bavaria and Baden-Wuerttemberg, are notably low relative to the states' GDP contributions (see chart 2). Lending and underwriting standards are prudent, in our view, as demonstrated by sound collateralization and an average loan-to-value ratio of about 50% for its mortgage loan book as of December 2022.

Chart 2

DZ HYP's real estate portfolio is well-diversified within Germany with some overrepresentation of metropolitan areas
Shares of DZ HYP's real estate lending book vs. GDP shares of German states

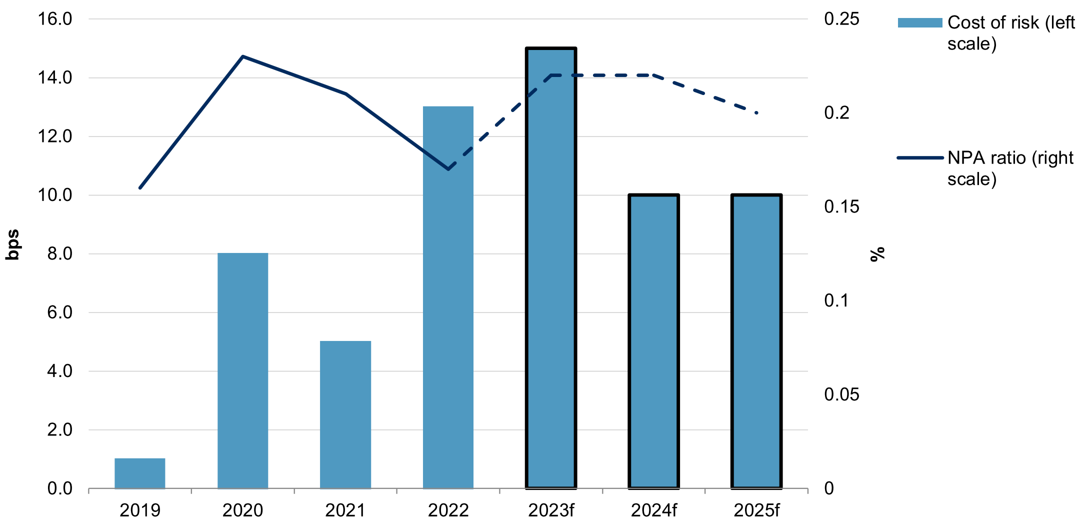


Source: Company reporting, German Statistical Office.

The spillover effects from current macroeconomic risks will strain DZ HYP's asset quality in the next 12-24 months, in our view. While DZ HYP's nonperforming asset ratio stood at a relatively strong 0.17% as of year-end 2022, this should be considered in the context of its monoline, relatively volatile real estate business. We anticipate more downside risks to our base-case assumptions for asset quality. This is based on macroeconomic uncertainty remaining high, due to geopolitical and other risk factors, and the abrupt tightening of monetary policy by the ECB. DZ HYP's cost of risk stood at 13 bps of average customer loans in 2022. However, we note that this mainly stemmed from the recognition of precautious portfolio overlay provisions rather than of specific impairments. We think this puts pressure on many real estate investment projects, particularly in the CRE sector. That said, risks from the CRE market are of a sectoral nature and not idiosyncratic related to DZ HYP (see also: European Banks' Asset Quality: Tougher Times Ahead Require Extra Caution, published April 20, 2023). We view positively DZ HYP's prudent underwriting standards and loan loss track record (see chart 3).

Chart 3

DZ HYP's asset quality and cost of risk performance will be put to the test by challenging operating conditions
NPA ratio and cost of risk between 2019 and 2025f



Cost of risk defined as new loan loss provisions as % of average customer loans. NPA ratio defined as gross nonperforming assets as % of customer loans + other real estate owned. f--forecast. bps--Basis points.

Source: S&P Global Ratings.

We expect legacy credit spread risks to gradually reduce further following an opportunistic sale in 2022. Through an opportunistic sale of €1.5 billion of legacy securities exposures, DZ HYP substantially reduced its associated sensitivity to credit spread risks in 2022. As a result of the sale, its exposure to Italian, Spanish, and Portuguese sovereigns and banks more than halved year on year--from €3.2 billion to €1.59 billion at year-end 2022. The bank also reported a negative impact of €137 million on 2022 earnings. While we do not expect this to reoccur in coming years, we anticipate that the bank will continue its opportunistic approach to further reduce its legacy securities exposures.

Risks other than credit risk are contained. DZ HYP's funding is largely maturity matched, so that interest-rate risk in the banking book is comparably small. Given DZ HYP's regulatory capital waiver and the application of local GAAP, we do not expect a negative impact from Basel III refinements. Non-financial risks are immaterial, in our view, and we expect compliance and risk governance to be in line with that of its parent DZ BANK.

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 stand-alone creditworthiness. This is based on our view of expected ongoing support from DZ BANK and the groupwide protection scheme of the Cooperative Banking Sector Germany that fosters investor confidence. Large parts of its unsecured funding needs are distributed to the wider cooperative banking sector. Funding costs of its unsecured and secured issuances substantially benefit from the system of solidarity within the sector, in our view.

With its existing business model, we believe DZ HYP would find it difficult to fund its activities at competitive rates without access to the investor base of DZ BANK and the wider German Cooperative Banking Sector. The bank funds its business almost solely with wholesale instruments. DZ HYP's reported refinancing volume was €6.8 billion during 2022 (€7.5 billion in 2021) and was split between secured funding (€3.1 billion) and unsecured funding (€3.7 billion). We expect its stable funding ratio to remain below that of other rated banks in Germany, after reaching 93.1% as of year-end 2022. We see the bank's access to capital markets as benefiting the funding and liquidity profile, but the ongoing support commitment from DZ BANK is key for refinancing needs and funding costs. The major stake of unsecured funding comes from the parent, DZ BANK, and the wider Cooperative Banking Sector. Secured covered bond funding comes from a wide circle of domestic and international investors.

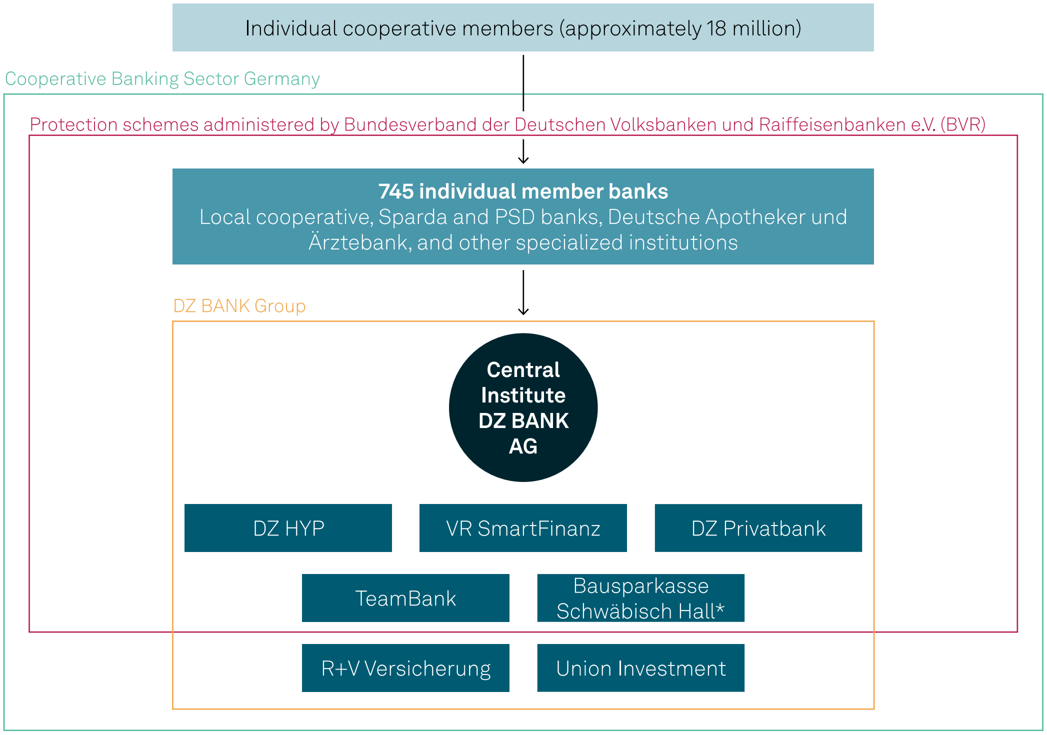
DZ HYP's liquidity management is closely intertwined with DZ BANK Group. DZ HYP's sound liquidity management benefits from its sizable portfolio of high-quality securities eligible for refinancing by the ECB. DZ HYP repaid its entire €3 billion participation in the ECB's TLTRO III program in November 2022. As a result, its ratio of broad liquid assets to short-term wholesale funding remained at a low 0.7x as of year-end 2022, and has therefore more than halved over the past four years. While DZ HYP's liquidity coverage ratio is volatile, at 163% at year-end 2022, it remains comfortably above the regulatory requirement of 100%. Under the liquidity waiver, which was approved in 2021, DZ HYP does not have to meet liquidity requirements on a stand-alone basis, but as part of DZ BANK Group.

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

We equalize the long-term rating on DZ HYP with that on its parent, DZ BANK. This is based on our view that DZ HYP is a core institute to DZ BANK and ultimately the Cooperative Banking Sector Germany, according to our group rating methodology (see chart 4). 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 from the German Cooperative Banking Sector, if needed.

Chart 4

Cooperative Banking Sector Germany -- Organizational Structure



*Not rated. Source: S&P Global Ratings.

DZ HYP's core group status rests on its membership in the Cooperative Banking Sector'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. DZ HYP's regulatory capital waiver--resulting from its relation to DZ BANK and the unrestricted letter of comfort from DZ BANK--support our view of its important standing within the group. 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 need with its real estate expertise, in our view.

While we regard DZ HYP's importance to the German banking system as moderate, we do not incorporate notches of uplift for additional loss-absorbing capacity. Apart from DZ BANK, it is unlikely that individual members of the Cooperative Banking Sector Germany, including DZ HYP, would be subject to a well-defined bail-in resolution process. In addition, we see a bail-in scenario as highly unlikely, because that would imply a lack of solidarity within the sector. In any case, we consider group support the strongest support element in our ratings on individual group members.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

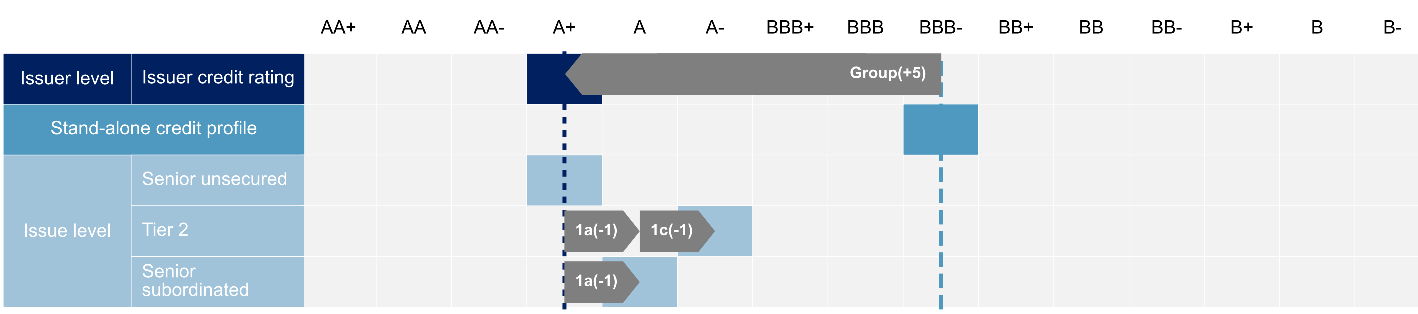
ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

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 differently from industry peers. We understand that ESG efforts are aligned with its parent, DZ BANK, and note some measures in transitioning into a greener bank. For example, DZ HYP issued two further green Pfandbriefe since the inaugural issuance in 2022.

Group Structure, Rated Subsidiaries, And Hybrids

We apply downward notches to the 'A' issue rating on DZ HYP's senior nonpreferred debt and 'A-' issue rating on its nondeferrable subordinated debt from our 'A+' issuer credit rating, given that the bank is a core subsidiary of the German Cooperative Banking Sector and because we expect the overall group would support these instruments.

DZ HYP AG: Notching



Key to notching

- Stand-alone credit profile
- Issuer credit rating
- Group: Group support
- 1a: Contractual subordination
- 1c: Mandatory contingent capital clause or equivalent

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.

Key Statistics

Table 1

DZ HYP AG--Key figures

	--Year ended Dec. 31--				
(Mil. €)	**2022**	**2021**	**2020**	**2019**	**2018**
Adjusted assets	77,394.1	81,799.1	81,916.1	79,434.9	75,889.0
Customer loans (gross)	68,471.6	67,651.4	66,394.6	63,995.0	60,250.7
Adjusted common equity	2,120.6	2,087.7	1,768.4	1,692.2	1,592.1
Operating revenues	681.3	652.9	596.3	544.9	562.6
Noninterest expenses	288.6	273.6	271.5	273.5	314.2
Core earnings	127.4	215.6	148.4	174.9	116.3

Table 2

DZ HYP AG--Business position

	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Total revenues from business line (currency in millions)	681.3	652.9	602.8	544.9	562.6
Return on average common equity	2.4	3.5	4.2	4.0	5.4

Table 3

DZ HYP AG--Capital and earnings

	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	12.1	11.1	9.8	9.5	10.4
S&P Global Ratings' RAC ratio before diversification	5.9	5.8	6.4	5.9	6.9
S&P Global Ratings' RAC ratio after diversification	4.8	4.7	5.2	4.7	5.7
Adjusted common equity/total adjusted capital	100.0	97.0	75.2	75.2	75.2
Net interest income/operating revenues	98.2	101.8	101.0	101.3	92.6
Fee income/operating revenues	(3.0)	(5.9)	(6.4)	(6.6)	(4.9)
Market-sensitive income/operating revenues	N/A	N/A	N/A	N/A	6.8
Cost to income ratio	42.4	41.9	45.5	50.2	55.9
Preprovision operating income/average assets	0.5	0.5	0.4	0.3	0.4
Core earnings/average managed assets	0.2	0.3	0.2	0.2	0.2

N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

DZ HYP AG--Risk-adjusted capital framework data

(€ 000s)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government & central banks	17,051,023.2	132,999.3	0.8	900,635.3	5.3
Of which regional governments and local authorities	13,813,999.8	113,378.3	0.8	634,527.7	4.6

Table 4

DZ HYP AG--Risk-adjusted capital framework data (cont.)					
Institutions and CCPs	3,523,975.7	39,724.4	1.1	489,351.5	13.9
Corporate	45,812,405.9	11,887,649.5	25.9	29,582,276.2	64.6
Retail	15,254,296.0	1,011,378.5	6.6	3,083,484.4	20.2
Of which mortgage	15,254,296.0	1,011,378.5	6.6	3,083,484.4	20.2
Securitization§	252,791.2	252,646.3	99.9	463,723.4	183.4
Other assets†	330,581.2	283,202.1	85.7	301,722.1	91.3
Total credit risk	82,225,073.2	13,607,600.0	16.5	34,821,192.8	42.3
Credit valuation adjustment					
Total credit valuation adjustment	--	57,311.3	--	0.0	--
Market Risk					
Equity in the banking book	2,493.4	7,409.3	297.2	21,816.9	875.0
Trading book market risk	--	0.0	--	0.0	--
Total market risk	--	7,409.3	--	21,816.9	--
Operational risk					
Total operational risk	--	1,103,281.5	--	1,346,500.4	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	15,058,719.8	--	36,189,510.1	100.0
Total Diversification/ Concentration Adjustments	--	--	--	8,256,206.6	22.8
RWA after diversification	--	15,058,719.8	--	44,445,716.7	122.8
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		1,818,981.1	12.1	2,120,630.0	5.9
Capital ratio after adjustments‡		1,818,981.1	12.1	2,120,630.0	4.8

*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. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2022, S&P Global Ratings.

Table 5

DZ HYP AG--Risk position					
	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	1.2	1.9	3.7	6.2	119.1
Total diversification adjustment/S&P Global Ratings' RWA before diversification	22.8	22.6	22.6	26.1	21.0
Total managed assets/adjusted common equity (x)	36.5	39.2	46.3	46.9	47.7
New loan loss provisions/average customer loans	0.1	0.1	0.1	0.0	0.2
Gross nonperforming assets/customer loans + other real estate owned	0.2	0.2	0.2	0.2	0.2

Table 5

DZ HYP AG--Risk position (cont.)

	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Loan loss reserves/gross nonperforming assets	322.8	207.6	179.4	213.7	167.4

RWA--Risk-weighted assets.

Table 6

DZ HYP AG--Funding and liquidity

	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	1.6	2.0	2.5	2.9	3.1
Customer loans (net)/customer deposits	5,655.3	4,243.4	3,428.9	2,889.6	2,610.7
Long-term funding ratio	86.1	81.5	81.4	87.3	86.7
Stable funding ratio	93.1	93.2	95.0	102.0	103.2
Short-term wholesale funding/funding base	14.3	19.1	19.2	13.1	13.7
Broad liquid assets/short-term wholesale funding (x)	0.7	0.8	0.8	1.2	1.3
Broad liquid assets/total assets	9.3	14.0	15.6	15.6	17.2
Broad liquid assets/customer deposits	594.9	721.5	662.0	559.9	566.7
Net broad liquid assets/short-term customer deposits	(240.0)	(252.4)	(122.7)	116.7	120.1
Short-term wholesale funding/total wholesale funding	14.6	19.4	19.5	13.4	14.1

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

- General Criteria: Hybrid Capital: Methodology And Assumptions , March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions , Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology , Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- General Criteria: Group Rating Methodology , July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology , July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Germany, June 6, 2023
- Cooperative Banking Sector Germany Members Affirmed At 'A+/A-1' On Resilience To Worsening Macroeconomy; Outlook Stable, Dec. 14, 2022

Ratings Detail (As Of June 21, 2023)*	
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
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.